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CROSS-BORDER INTEGRATION IN THE MULTINATIONAL CORPORATION: THE SUBSIDIARY MANAGEMENT PERSPECTIVE

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Cross-border Integration in the Multinational Corporation: The Subsidiary Management Perspective

Supervisor: Professor Cliff Bowman

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ABSTRACT

A substantial amount of prior research has focused on the conflicting demands put on managers in multinational corporations (MNCs) as a result of simultaneous pressures for local responsiveness and global integration. However, despite this research we do not really understand how managers in subsidiaries balance pressures for integration and responsiveness. To address this issue, the research focused on how subsidiary managers interpret and respond to cross-border integration efforts originating from the corporate headquarters when also confronted with substantial pressures for local responsiveness. In relation to extant research, which tends to focus on integration from a macro perspective, this research makes a contribution to knowledge about integration from a micro-strategy and micro-politics perspective by going inside the multinational subsidiary.

The empirical material consists of five case studies of mobile operators in China (1), Denmark (2), Romania (1) and Sweden (1). The research uses a constructivist grounded theory approach to understand the causes of local-global tensions at the subsidiary level and how managers respond to integration efforts. Identified causes of tension were perceptions of misfit, lack of procedural justice, weak execution, loss of personal control and cultural misunderstanding. Following from this, the research uncovered factors that led to subsidiary managers following either a rules-based logic of complying with headquarters, or shifting to a task-based logic of practical action to negotiate/challenge, manipulate or ignore headquarters’ integration efforts.

The core thesis in this research is that subsidiary managers’ perceptions and responses are central to the outcome of corporate integration efforts. Given this, managers at headquarters have critical roles to play as sensegivers and change deployers in order to influence the sensemaking and actions of subsidiary managers.

KEY WORDS

Content: integration; responsiveness; global strategy; international strategy; transnational; subsidiary managers; subsidiary management; sensemaking; sensegiving; practical action; practical drift; strategic drift; procedural justice; execution; strategic change; managerial tensions; competing demands; ceremonial adoption; autonomous strategic behaviour; subsidiary initiative; micro strategy; micro politics; strategy as practice

Research approach: grounded theory; retroductive research; case study research

Industry context: telecommunications; mobile communications; mobile operators

Country context: China; Denmark; Romania; Sweden
ACKNOWLEDGEMENTS

The doctoral journey can at times be long, arduous and lonely. Along the path, I have had the great fortune of meeting many inspiring people who have encouraged me to struggle on when I have grappled with despair, to push myself further when I have been satisfied, to open new windows when I have become narrow-minded and to bring me back onto the track when I have strayed too far into the academic jungle.

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## NOTATION

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>3G</td>
<td>Third Generation Mobile Networks (mobile standard)</td>
</tr>
<tr>
<td>ARPU</td>
<td>Average Revenue Per User</td>
</tr>
<tr>
<td>CAPEX</td>
<td>Capital Expenditure</td>
</tr>
<tr>
<td>CDMA</td>
<td>Code Division Multiple Access (mobile standard)</td>
</tr>
<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>CFO</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td>COO</td>
<td>Chief Operating Officer</td>
</tr>
<tr>
<td>CRM</td>
<td>Customer Relationship Management</td>
</tr>
<tr>
<td>CTO</td>
<td>Chief Technical Officer</td>
</tr>
<tr>
<td>EBITDA</td>
<td>Earnings Before Interest, Taxes, Depreciation and Amortisation</td>
</tr>
<tr>
<td>EMAPA</td>
<td>Central Europe, Middle East, Asia Pacific and Affiliates (name for Vodafone region)</td>
</tr>
<tr>
<td>FT</td>
<td>France Telecom</td>
</tr>
<tr>
<td>GBMP</td>
<td>Global Brand, Marketing and Products</td>
</tr>
<tr>
<td>GSM</td>
<td>Global System for Mobile communications (mobile standard)</td>
</tr>
<tr>
<td>H-H</td>
<td>Herfindahl-Hirschman Index</td>
</tr>
<tr>
<td>I-R</td>
<td>Integration-Responsiveness</td>
</tr>
<tr>
<td>IT</td>
<td>Information Technology</td>
</tr>
<tr>
<td>KPI</td>
<td>Key Performance Indicator</td>
</tr>
<tr>
<td>M&amp;A</td>
<td>Mergers and Acquisitions</td>
</tr>
<tr>
<td>MCO</td>
<td>Member Company Organisation (term for Orange subsidiary)</td>
</tr>
<tr>
<td>MNC</td>
<td>Multinational Corporation</td>
</tr>
<tr>
<td>P&amp;L</td>
<td>Profit and Loss</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>Research and Development</td>
</tr>
<tr>
<td>SBU</td>
<td>Strategic Business Unit</td>
</tr>
<tr>
<td>SOE</td>
<td>State Owned Enterprise</td>
</tr>
<tr>
<td>VP</td>
<td>Vice President</td>
</tr>
<tr>
<td>VP SP</td>
<td>Vice President Strategy &amp; Planning</td>
</tr>
<tr>
<td>VP HR</td>
<td>Vice President Human Resources</td>
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1 INTRODUCTION

This chapter begins by presenting the purpose of the research and continues with a personal statement about the motivation for conducting the research. Following from this, the research context is presented together with the characteristics of the mobile communications industry and some archival evidence of cross-border integration from annual reports of mobile operators. The chapter concludes with a structural overview of the dissertation.

1.1 Purpose of the research

This dissertation seeks to make a contribution to knowledge about cross-border integration in multinational corporations (MNCs) from the perspective of subsidiary managers. To achieve this objective, the dissertation explores how subsidiary managers in five subsidiaries in China (1), Denmark (2), Romania (1) and Sweden (1) interpret and respond to cross-border integration. The research builds on recent interest in exploring strategy phenomena from a ‘micro’ or ‘strategy as practice’ perspective (Chia, 2004; Jarzabkowski, 2003; Jarzabkowski, 2004; Jarzabkowski, 2005; Johnson, Melin, & Whittington, 2003; Whittington, 1996; Whittington, 2004) and the micro-political perspective on multinational corporations (Dörrenbächer & Gammelgaard, 2006; Dörrenbächer & Geppert, 2006; Geppert, 2003; Mense-Petermann, 2006; Sharpe, 2006). Integration in MNCs has typically been researched using a macro perspective focused on organisational constructs such as ‘headquarters’, ‘subsidiaries’ and the ‘environment’. This research instead takes a micro perspective and shifts the focus towards subsidiary managers and their sensemaking and responses. The findings of this research programme are relevant both to an academic audience, interested in MNC strategy and management, and to practitioners seeking to improve the success of integration efforts.

Subsidiaries of multinational companies vary to the extent that they are subject to requirements for local responsiveness and global integration (Bartlett, 1986; Bartlett & Ghoshal, 1989; Doz, 1980; Prahalad & Doz, 1987). Local responsiveness is defined as decisions taken autonomously by a subsidiary to respond primarily to local customer needs or competitive demands, whereas global integration is achieved through either integration of activities across national borders or through strategic coordination. The objectives of integration include efficiency (economies of scale) and the transfer of knowledge or practices throughout the MNC (Prahalad & Doz, 1987). The requirements for local responsiveness and global integration are the result of a complex interplay of factors including customer preferences, competitors’ strategies, regulatory and host government demands, industry characteristics and the decisions of managers at both headquarters and in subsidiaries. Subsidiary managers thus face what Kostova and Roth (2002) have referred to as ‘institutional duality’ meaning that ‘there is a within-organization domain that defines a set of pressures to which all units in the organization must conform. At the same time, the foreign subsidiary resides in a host country with its own institutional patterns specific to that domain. As a result, each foreign subsidiary is confronted with two distinct sets of isomorphic pressures (Meyer & Rowan, 1977;
DiMaggio & Powell, 1983) and a need to maintain legitimacy within both the host country and the MNC’ (2002:216).

This research is focused on cross-border integration efforts in the multinational company in the context of substantial simultaneous pressures for local responsiveness and global integration. This circumstance has been characterised as multifocal (Prahalad & Doz, 1987) or transnational (Bartlett, 1986; Bartlett & Ghoshal, 1989) and requires organizational ambidexterity in order to respond to disparate and often conflicting demands at the same time (Birkinshaw & Gibson, 2004; Duncan, 1976; Gibson & Birkinshaw, 2004; O'Reilly & Tushman, 2004; Tushman & O'Reilly, 1996). The need to simultaneously manage competing demands for local responsiveness and global integration may generate tension at the subsidiary management level. Such tension may be at its highest during periods of strategic change as the roles and responsibilities of managers at headquarters and subsidiaries are likely to change significantly during that period (Bartlett & Ghoshal, 1989).

Integration is ultimately concerned with how corporate management creates value over and beyond the sum of the parts of the separate businesses within a company (Burgelman & Doz, 1996). Based on this, integration is by definition a macro level phenomenon as the objective is to connect organisational units such as headquarters and subsidiaries. Consistent with this, prior research has tended to focus on integration in the MNC from a headquarters or network perspective and, as a result, we have only a limited understanding of what happens inside the ‘black box’ of the multinational subsidiary. As noted by Birkinshaw, Hood and Jonsson (1998): ‘[t]aken as a whole, the body of literature on subsidiary management had done a far better job at understanding aspects of subsidiary context (how the subsidiary relates to its parent, its corporate network, its local environment) than of understanding what actually happens inside the subsidiary’ (1998: 223). As a result of this, we know little about subsidiary business unit strategic management beyond a macro classification of different subsidiary roles (e.g. Birkinshaw, 1996; Birkinshaw & Morrison, 1995; Jarillo & Martinez, 1990; Martinez & Jarillo, 1991; Taggart, 1998b; Taggart, 1998a; White & Poynter, 1984). We do not really understand how managers in subsidiaries manage competing demands for local responsiveness and global integration. In other words there is a need for research to understand integration from the perspective of subsidiary managers. While we know that subsidiary managers are not just passive agents of headquarters but capable of autonomous strategic behaviour (Burgelman, 1983b) and instigating subsidiary initiatives (Birkinshaw et al., 1998; Birkinshaw & Fry, 1998), we have an incomplete understanding of how subsidiary managers cope with simultaneous pressures for integration and responsiveness. In line with those who contend that execution is a neglected area in management studies (Bossidy, Charan, & Burck, 2002; Covey, 2004), the aim of this research was to develop a better understanding of how subsidiary managers interpret and respond to integration efforts, as these responses are likely to impact integration success. This research thus tries to shift the focus towards the subsidiary management perspective by taking a micro perspective.
1.2 Personal statement

This research differs from much of mainstream management research in that I have approached the research topic both as a researcher and as a management practitioner. I believe it is important to present this fact up front so that the reader is in an informed position to interpret and judge my findings. I make the assumption that reality is socially constructed (Berger & Luckmann, 1966) which implies that I regard context, perspective and personal experience as having significant impact on how people make sense of social reality. This is especially important to mention regarding the two Orange case studies as I was employed by the headquarters of Orange at the point in time of collecting the data. This means that I was an involved social actor rather than an ‘objective’ detached scientist while conducting the first two case studies. I thus had a real stake in the subsidiaries I was researching and cross-border integration efforts had a direct impact on my daily work. My managerial career has involved working in subsidiaries of multinational corporations in Australia, Denmark, Japan, Oman, Romania and the United Kingdom. I have also held management positions at headquarters in Luxembourg and in the United Kingdom. From this, I have had first-hand experience of integration from both the headquarters perspective and from the operational perspective of subsidiaries. In addition, I have worked in a range of different functions including finance, marketing, product development and strategy. I thus have experience of cross-border integration from a variety of different national contexts, industries, organisations and functional areas. My research interest was initially born out of personal experience of integration challenges in multinational corporations. The gap in knowledge was subsequently established following a review of the academic literature. This research was an opportunity to critically reflect on my own experience and the experience of fellow managers in the researched subsidiaries. This was a welcomed opportunity as the day-to-day realities of managerial positions leave little time for in-depth reflection. Given my high level of personal involvement with the research, I have not hesitated to use the ‘first person’ and to write in a personal and reflexive style when appropriate. While my research journey has helped me to ‘make sense’ of my past managerial experience, I hope that my efforts will allow me to be a sensegiver (Gioia & Chittipeddi, 1991) to both academics and practitioners interested in cross-border integration.

1.3 Introduction to the research context

The fieldwork in this dissertation is focused on the mobile communications industry. As will be outlined below, the mobile industry provides a suitable context against which to research cross-border integration. The telecommunications industry has also previously been characterised as ‘transnational’ given the simultaneous requirements for global integration and local responsiveness (Bartlett & Ghoshal, 1989). However, Bartlett and Ghoshal’s original classification of the telecommunications industry concerned the telecommunications switching equipment manufacturers, Ericsson, NEC and ITT, rather than mobile operators which are the focus of this research programme.

In the next section, the characteristics of the European mobile communications industry are presented. This is followed by evidence of cross-border integration efforts based on an archival review of the 2004 annual reports of mobile operators.
1.3.1 Mobile industry characteristics

There are a number of multinational companies in the mobile communications industry including Deutsche Telecom, France Telecom, Hutchison, Telefónica, TIM and Vodafone. Wireless Intelligence (2006) estimates that the total number of mobile users in the world passed 2.5 billion during the third quarter of 2006. With a global population of 6.5 billion people (CIA, 2006), almost 40% of the world’s population use mobile phones, making it a global industry of substantial size. The industry is further characterised by significant pressures for both local market responsiveness and global integration.

A number of drivers for local market responsiveness can be identified. First, the industry is a service industry which typically tends to lead to heightened needs for localisation of the customer experience (Sarathy, 1994). Second, mobile communications is a regulated industry where operators have to apply for licences from governments and need to comply with local license conditions, which vary from country to country. Third, competition has historically been between domestic or multidomestic players which has resulted in substantial local variations in value propositions including rate plans and terminal subsidies.

There are also a number of drivers for global integration. First, the industry is characterised by high fixed costs, given the requirements to build network and systems infrastructure in each country. The capital intensity of the industry means that the minimum efficient scale for profitable operations is large. Second, global telecoms standards exist to ensure technology interoperability. Given this standardisation, there is substantial scope for synergies in terms of design of networks and systems, development of products and services, and in procurement, as global or regional standards exists. Third, mobile communications are now indispensable for both business and private usage and customers expect services to work seamlessly when travelling abroad. Ensuring that all voice and data services work well abroad is increasingly becoming a priority for the industry and becomes easier with the cross-border integration of operations. This also allows operators to capture premium charged roaming traffic.

Several factors contribute towards making integration a pressing priority for European operators. To better understand these factors, I conducted an industry analysis according to Porter’s (1980; 1985) five forces model based on my interpretation of industry evolution. I selected the years 1995 and 2005, given that cross-border integration is a recent phenomenon in mobile communications and many European mobile networks were initially launched in the 1990s as multidomestic operations. The analysis below, summarised in Table 1-1, highlights some of these differences. In addition, it cannot be excluded that there might be a certain herd effect as a new integrated industry recipe (Spender, 1989) is created for the mobile communications industry.
Table 1-1
Industry analysis

<table>
<thead>
<tr>
<th>Industry forces</th>
<th>1995</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Threat of new entrants</td>
<td>Medium</td>
<td>High</td>
</tr>
<tr>
<td>Threat of substitutes</td>
<td>Low</td>
<td>Medium</td>
</tr>
<tr>
<td>Bargaining power of buyers</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td>Bargaining power of suppliers</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>Rivalry among existing firms</td>
<td>Low</td>
<td>High</td>
</tr>
</tbody>
</table>

During the time period 1995-2005, there has been a significant increase in the threat of new entrants into the mobile industry. In the mid 1990’s there was a threat of new network operators offering second generation GSM services. The threat of new entrants has since increased due to auctions for third generation (UMTS) licenses as well as deregulation opening up the market for mobile virtual network operators (MVNOs) who purchase network capacity on a wholesale basis and re-sell services using their own brand names.

The threat of substitutes has also increased during the time period. There is some evidence of voice substitution from primarily voice over IP (VoIP) services such as Skype; in particular for international calls. For data traffic, the dominant wireless technology is currently laptop WiFi rather than second- or third-generation mobile technologies.

The bargaining power of buyers has also risen. In the mid 1990’s there was only a limited number of mobile network operators to chose from and there were substantial switching costs as mobile phone numbers could not be transferred between operators. However, following the introduction of mobile number portability (MNP), it has become much easier for customers to switch between operators and still retain their phone numbers. A number of countries have also introduced stricter regulation limiting contractual binding periods. In addition, various prepaid services have been introduced that remove the need for contracts altogether.

The bargaining power of suppliers has declined as a result of new vendors. The hegemony of early vendors such as Ericsson, Nokia and Motorola has been broken by a number of new entrants into the mobile telecoms market. Notably changes have occurred as a number of Asian players, including Huawei, LG and Samsung, have entered the market.

The rivalry among existing firms has also increased. A key driver behind this is the saturation of European mobile markets and thus the reduction in growth rates. This means that the days of easy customer acquisition have come to an end as fewer and fewer new customers come onto the market. Together with a greater number of mobile competitors, the competition for existing customers has intensified. A result of this is significant price erosion on basic mobile services.

The changes above have in many cases resulted in a misfit between the new strategic imperatives and the existing multidomestic operating models. These strategic
imperatives are increasingly pressing mobile network operators to integrate across borders. Integration efforts are used both to increase revenues and decrease costs. The risk of expensive developments can thus be pooled across several subsidiaries, margins can be improved and the minimum efficient scale can be reduced.

Given that it is harder for operators to acquire new customers, there has been a corresponding shift towards customer retention and upselling to get additional value out of the existing customer base. This has led to a demand for more advanced segmentation models and CRM systems. Several operators have taken steps to introduce company-wide segmentation models and to use the insight to determine what elements of the customer experience to standardise versus adopt across its footprint. Central teams have also been created to facilitate transfer of practices between operators. Operators have further tried to generate new revenue streams from data services but the success to date has been limited with the exception of text services (SMS). To develop new revenue streams, operators require costly service platforms such as Vodafone Live. Operators can spread development costs, and gain time to market, by creating central platform solutions and negotiating framework agreements with global content players like CNN and Disney. On the pure cost side, procurement has become a centralised shared service in many operators to leverage buying power when sourcing especially network equipment, IT systems, handsets and advertising.

The emergence of new integrated operating models marks a significant departure from previously domestic or multidomestic operations. In the mid 1990s, it was more common with a small headquarters that interfaced with largely autonomous subsidiaries. The level of contact between the subsidiaries was correspondingly low. Ten years later, the simple structures have in many mobile operators evolved towards more complex arrangements with a variety of central functions as well as increased horizontal contacts between subsidiaries. Central functions might include marketing, technology and procurement, in addition to previously centralised staff functions such as finance and business development (as depicted in Figure 1-1 below).

**Figure 1-1**
Structural changes
The strategy execution challenges are significant, especially for subsidiaries that have to keep operating well in maturing and increasingly competitive markets while their operating models in many cases change significantly as a result of increased cross-border integration.

1.3.2 Review of mobile operator annual reports

At the start of the research programme, the 2004 annual reports (published in 2005) of a number of mobile operators were reviewed to identify the extent to which the companies present details of ongoing cross-border integration efforts. European headquartered operators, and Hutchison, given the European focus of 3, were selected, as non-European operators still tend to operate within the boundaries of their home markets to a greater extent than European operators. Some basic 2004 data about the reviewed operators are presented in Table 1-2.

<table>
<thead>
<tr>
<th>Operator</th>
<th>Home market</th>
<th># of countries</th>
<th>2004 customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vodafone¹</td>
<td>UK</td>
<td>26</td>
<td>431.8 million (154.8 million²)</td>
</tr>
<tr>
<td>Telefónica</td>
<td>Spain</td>
<td>10</td>
<td>74.4 million?</td>
</tr>
<tr>
<td>Deutsche Telekom</td>
<td>Germany</td>
<td>6</td>
<td>69.2 million</td>
</tr>
<tr>
<td>France Telecom</td>
<td>UK &amp; France</td>
<td>21 (15 Orange)</td>
<td>63.3 million</td>
</tr>
<tr>
<td>TIM</td>
<td>Italy</td>
<td>5</td>
<td>53.8 million</td>
</tr>
<tr>
<td>TeliaSonera</td>
<td>Sweden &amp; Finland</td>
<td>13</td>
<td>35.9 million</td>
</tr>
<tr>
<td>O2²</td>
<td>UK</td>
<td>3</td>
<td>24 million</td>
</tr>
<tr>
<td>Telenor</td>
<td>Norway</td>
<td>12</td>
<td>18.9 million</td>
</tr>
<tr>
<td>KPN</td>
<td>Netherlands</td>
<td>3</td>
<td>17.3 million</td>
</tr>
<tr>
<td>Hutchison (3 only)</td>
<td>UK &amp; Hong Kong</td>
<td>8</td>
<td>8.1 million</td>
</tr>
<tr>
<td>TDC</td>
<td>Denmark</td>
<td>5</td>
<td>7.1 million</td>
</tr>
</tbody>
</table>

¹) & 3) fiscal years ending March 31, 2005
²) proportionate equity customers including 3.27% ownership in China Mobile

The degree to which the annual reports discussed strategic integration varied significantly. It is also clear that integration is used in three distinctly different ways. First, cross-border integration brings together different national subsidiaries. Second, alliance integration is used by independent operators to provide additional benefits to roaming customers. Such an alliance called Freemove was announced in March 2004, between T-Mobile (Deutsche Telekom), Orange (France Telecom), TIM and Telefónica. Third, business unit integration exploits synergies between fixed, mobile and internet units. It is thus clear that integration is a multifaceted concept with many different meanings. The focus of this research programme is limited to cross-border integration.

Some illustrative quotes from the operators’ 2004 annual reports are presented below. It is evident from these quotes that integration is a fairly recent phenomenon and that many operators are currently going through a transition period away from previously decentralised, fully autonomous operations towards more integrated operating models.
Vodafone

Another key goal is to deliver fully the benefits of our scale and scope. As the Group has expanded over the past few years, we have been able to achieve some significant scale benefits. For example, as the volumes of network equipment and handsets we have purchased from the same suppliers have increased, we have secured better pricing. We have also harmonised the brand in many of our markets and started offering common products and services. The One Vodafone programme builds on this to further integrate our businesses and create sustainable competitive advantage. The programme is focused on six major areas of the business, defined as networks, service platforms, IT delivery, terminals, customer management and roaming. We aim to lever scale and scope through a combination of standardised designs and processes, reducing duplication, centralising certain functions and sharing best practice. The effect will be to improve our time to market with new offerings, create a consistent customer experience across our networks and enable us to achieve a strategic, lowest cost position (Vodafone, 2005:8).

Telenor

Today, the telecommunications industry is exposed to fierce competition. National and geographical borders no longer coincide with those of telecommunications. The same products and services are developed and offered in a number of different countries. Another example is how telecommunications solutions are managed and provided across borders. In our international commitments we have been able to draw on our experience and expertise, and this has given us a solid basis for extracting synergies relating to innovation and new development (Telenor, 2005:4).

TeliaSonera

As part of the Corporate Head Office, we have also established two group-wide units: (1) Marketing, Products and Services (MPS) and (2) Networks and Technology (NT). These are operational units with significant decision-making authorities and have the group responsibility for exploiting scale advantages and synergies. Corporate policies and road maps are used to set the framework for decisions in the profit center. Our MPS unit is responsible for common products and services, use of brand, pricing policies, common marketing and market segment initiatives, global account management, common research and development, and common lobbying initiatives. Our NT unit is responsible for network strategy and overall architecture, common network systems, IT strategy and overall architecture, common IT systems, corporate sourcing, and key vendor contracts (TeliaSonera, 2005:5).

France Telecom (Orange)

Within the framework of TopLine growth projects, Orange has developed a mobile data services platform in conjunction with other units, including Wanadoo and France Telecom R&D. This platform provides Orange customers in every country where the brand operates in Europe with identical, flexible and easy to use services. This includes portals and third party service kiosks, messaging, agenda, address book, chat, instant messaging, games, downloads and more. The project will be completed in March 2005 with the rollout of a unified Orange portal for all European countries (France Telecom, 2005:44).
Telefónica

Another example of progress in process-related efficiency in 2004 was the Group purchasing processes, which totaled over 12.0 billion euros. Purchasing operations by subsidiaries in 19 countries are performed on a coordinated basis, under the same management model (Telefonica, 2005:28).

1.4 Overview of the chapters

This dissertation consists of twelve chapters plus references and appendix. The first chapter has provided an overall introduction to the research and an orientation to the research context.

The second chapter is a literature overview which presents and integrates extant knowledge in relation to cross-border integration. Based on this, the gap in knowledge is identified together with the specific research questions for this dissertation.

Chapter three presents the methodology of the dissertation. The chapter opens with a discussion regarding the philosophical positioning of the research and continues with the research strategy, selection of cases, data collection and data analysis methods.

The first-order findings from the five cases studies of Orange Denmark, Orange Romania, 3 Denmark, 3 Sweden and Vodafone China are presented in chapters four to eight. These chapters provide the empirical findings from the perspective of the respondents in order to stay close to their lay accounts. However, the chapters are structured according to the same format in order to facilitate cross-case comparisons.

Chapter nine outlines the second-order analysis based on the first-order findings. The result is a grounded model of causes and consequences of local-global tensions in a subsidiary context based on the five case studies.

Chapter ten presents the managerial implications of the research for managers at both headquarters and in subsidiaries of MNCs.

Chapter eleven contains the contribution of the dissertation, a discussion of its limitations and an overview of dissemination of research findings.

Personal reflections of the research journey are included in chapter twelve.
2 LITERATURE REVIEW

This dissertation concerns how subsidiary managers interpret and respond to cross-border integration efforts. The theoretical framework draws upon four primary literatures: 1) cross-border integration, 2) subsidiary management, 3) sensemaking, and 4) strategy-as-practice and micro politics. This is illustrated below in Figure 2-1.

![Theoretical framework](image)

In Whetten’s (2003) terminology, the dissertation seeks to make a contribution to the literatures on MNC cross-border integration and subsidiary management by introducing contributions from the sensemaking literature and the literature on strategy-as-practice and micro politics. The dissertation thus seeks to engage in a scholarly conversation (Huff 1999; 2002) with academics interested in cross-border integration and subsidiary management by widening the discourse towards considerations of the perspectives of sensemaking and strategy-as-practice and micro politics. In Chapter 11, which outlines the contribution of the research, there will be an attempt to reconnect with the literature in a discussion regarding how the findings from this dissertation can extend the literature on subsidiary management and cross-border integration.

A mapping of the link between the theoretical framework and the research question is provided in Table 2-1 below.

<table>
<thead>
<tr>
<th>Literatures</th>
<th>Link to research question</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subsidiary management</td>
<td>How do subsidiary managers…</td>
</tr>
<tr>
<td>Sensemaking</td>
<td>…interpret and respond to…</td>
</tr>
<tr>
<td>Strategic and political micro processes</td>
<td>…cross-border integration efforts.</td>
</tr>
</tbody>
</table>

Table 2-1
Theoretical framework and research question
This chapter opens by an extensive overview of the literature on integration. The point of departure is a definition and an un-bundling of the term ‘integration’. Following from this, integration rationales and drivers are reviewed from an ‘external’ environmental contingency perspective and an ‘internal’ strategic choice perspective. Based on this overview, integration challenges are identified across a number of different areas before reviewing relevant integration capabilities. The primary focus is on integration in the multinational corporation. However, the review also draws on literature regarding corporate parenting in multi-business firms, post-merger integration and international joint ventures and strategic alliances where such literatures are relevant to the study of cross-border integration in MNCs. To distinguish the contributions, the terms ‘headquarters’ and ‘subsidiaries’ are used when reviewing integration literature from the international business field and ‘parent’ and ‘strategic business unit’ (SBU) are used in relation to general multi-business literature. This distinction will hopefully provide an element of transparency.

The chapter continues by discussing the extant literature on MNC subsidiary management. The focus is specifically on the way that subsidiary managers’ actions and agency have been conceptualised in different strands of the literature.

Based on this overview of literatures on integration and subsidiary management, the knowledge gap is identified through a conceptual framework that outlines the level of analysis at which the different theoretical contributions are positioned. To achieve this, contributions both from within and outside the international business literature are mapped against the different levels of analysis: to the industry, company, headquarters, subsidiary and managerial levels. From this meta-categorisation, I argue that we have a lack of knowledge regarding integration at the managerial level of analysis within the international business literature concerned with cross-border integration. This framing of the knowledge gap leads into a discussion of the specific research questions addressed by this dissertation.

At the end of the chapter, the two perspectives of sensemaking, and strategy-as-practice and micropolitics are introduced as these literatures contain valuable points of departure from which to initiate research concerning integration from the subsidiary management perspective.

2.1 Defining and un-bundling integration

Given that this dissertation concerns cross-border integration, and that ‘integration’ is used in a variety of different meanings in management literature, it would be hazardous to proceed before arriving at a definition of the construct.

It is helpful to start by defining the opposite of integration. In an MNC context, this dissertation defines the opposite of integration as local autonomy. That is, when operations in different parts of the MNC are run on an independent basis and local decisions are made without coordination with other units within the MNC. An alternative candidate for the opposite of integration would be local responsiveness. However, given that several scholars have argued that it is possible to simultaneously
have high degrees of integration and responsiveness (Bartlett, 1986; Bartlett & Ghoshal, 1989; Prahalad & Doz, 1987), this dissertation argues that integration and autonomy are more appropriate labels for the different ends of the spectrum.

Having defined the opposite of ‘integration’, our attention now turns to the definition of the term itself. It is important to note that there is no clear and universally accepted definition of ‘integration’ in the management literature. The two quotes below from the post-merger integration literature acknowledge this fact and the statements would be just as appropriate in relation to literature on cross-border integration within MNCs.

Integration clearly means different things to different people. Most importantly, it means different things in different situations (Haspeslagh & Jemison, 1991:138).

Surprisingly, very little literature directly defines integration. Although most authors acknowledge that integration involves some form of combining the assets and people of the buyer and the target, in general, the term is used quite loosely (Schweiger & Goulet, 2000:63).

It is also important to relate ‘integration’ to ‘coordination’. Mintzberg (1983b) has argued that coordination is one of the most fundamental requirements of management:

Every organized human activity – from the making of pots to the placing of a man on the moon – gives rise to two fundamental and opposing requirements: the division of labor into various tasks to be performed, and the coordination of these tasks to accomplish the activity (1983b:2, italics in original).

In this context, it is worth noting that while integration is sometimes considered as a synonym for coordination, other authors maintain a distinct separation between the two terms. The first position is taken by authors like Martinez and Jarillo (1989) who state that they use the terms ‘mechanisms of coordination’ and ‘mechanisms of integration’ as synonyms for the same underlying phenomenon. This is also evidenced in their definition of coordination mechanisms as: ‘any administrative tool for achieving integration among different units within an organization’ (Martinez & Jarillo, 1989:490). The second position is maintained by authors like Kobrin (1991) who propose a clear distinction between integration and coordination when it comes to global strategies:

‘Transnational integration, as opposed to the cross-border coordination of activities, involves rationalization that may entail standardization of product, centralization of technological development, or the vertical or horizontal integration of manufacturing’ (1991:19).

The above indicates that integration can be viewed as a process of change aimed at combining, concentrating, centralising or standardising activities. From this perspective, integration implies that activities will be done differently and that the integration process will have a start and a finish. In contrast, coordination refers to ongoing efforts to achieve alignment between different organisational units to ensure that required tasks are completed.
Given the above distinction between integration and coordination, it is useful to consider the difference between a process and an end-state. From a process perspective, integration would thus mean a change process that transforms the organisation from independence or autonomy towards integration in selected areas. However, coordination would simply be about ongoing alignment and would not require any change component, and coordination would not necessarily be distinguished by any specific start and finish. This can be illustrated using a specific example such as manufacturing. Using the above definition, there would be a distinct difference between integration and coordination of manufacturing. Integration of manufacturing would imply a process of change that results in a different end-state for the manufacturing function. It would be meaningful to compare manufacturing ex ante and ex post of integration efforts. Integration can thus be viewed as a change process that results in a different end-state for affected functions or business areas. This is in sharp contrast to coordination, which simply refers to ongoing alignment efforts without any specific objective to drive change and alter the end-state of the function being coordinated. From this perspective, manufacturing could be coordinated on an ongoing basis to ensure that input materials are delivered on time, that products are being produced according to required volumes and specifications, and that finished products are delivered to sales locations. While there may be significant efforts required to ensure effective coordination of manufacturing, the end-state of the manufacturing function would not be altered by ongoing coordination efforts.

The desire to achieve integration may further require the creation of coordination mechanisms to ensure ongoing alignment. This becomes clear if we consider Mintzberg’s (1983a) six coordination mechanisms: mutual adjustment, direct supervision, standardisation of work processes, standardisation of outputs, standardisation of skills and standardisation of norms. This illustrates that stronger coordination in the form of different types of standardisation may be required to align ‘integrated’ organisational units given the higher degree of interdependence compared with independent, autonomous operations.

Integration is clearly not limited to the domains of multinational or multi-business corporations. Thus, when it comes to integration within an organisation, such efforts can involve: 1) organisational units belonging to the same strategic business unit in a single country, 2) organisational units belonging to different strategic business units within the same country, 3) between organisational units at headquarters (parent) and in subsidiaries (SBUs) located in different countries, as well as 4) directly between subsidiaries (SBUs). The last two cases are labelled cross-border integration in order to provide clarity in this dissertation.

Integration can also be used to refer to the value creating activities of the corporate headquarters. In this context, Burgelman and Doz (1996) have argued that ‘strategic integration’ ultimately is concerned with how corporate management creates value over and beyond the sum of the parts of the separate businesses within a company. With this definition, strategic integration thus provides the rationale for the existence of headquarters and for grouping a set of businesses under one owner. There are clear parallels here with Goold, Campbell and Alexander’s (1994) discussion of corporate
parenting and the conditions under which the corporate parent creates value in the multi-business firm.

Integration takes on yet a wider meaning if we also consider integration of units within the organisation with other units outside of the organisation. This would be the case for a diverse range of cooperation efforts including joint ventures, strategic alliances, participation in industry organisations and standard-setting forums, providing specifications to vendors and aligning sales and marketing activities with distribution partners. A specific transition case would be post-merger integration that would combine units inside the organisation with unit(s) previously located on the outside. In addition to this, integration is sometimes also used in the context of systems integration, meaning the integration of different technical systems.

Based on the above review, integration researched in this dissertation is limited to ‘cross-border integration’ between organisational units within the same multinational corporation (e.g. headquarters and subsidiaries) located in different countries. Given this, we turn our attention to various forms of integration of particular relevance for MNCs.

2.1.1 Value chain configuration and coordination

In the MNC strategy literature, ‘integration’ is sometimes referred to as a singular construct, often contrasted with ‘responsiveness’ as in the integration-responsiveness (IR) grid (Bartlett, 1986; Bartlett & Ghoshal, 1987a; Bartlett & Ghoshal, 1987b; Bartlett & Ghoshal, 1988; Bartlett & Ghoshal, 1989; Prahalad & Doz, 1987). However, Prahalad and Doz (1987) argue that ‘integration’ is in fact composed of two building blocks. The first element, ‘global integration of activities’, refers to centralised management of dispersed activities on an ongoing basis to reduce costs and optimise investments. The second element, ‘global strategic coordination’, instead refers to coordination of resource commitments and strategic decisions across organisational units in different countries. In contrast to global integration of activities, strategic coordination can be selective and non-routine. But as they assume a high degree of interdependence between ‘global integration of activities’ and ‘global strategic coordination’, Prahalad and Doz decided to collapse the two dimensions in the IR matrix and only refer to integration as a single dimension.

Porter’s value chain (1985) can also be used to analyse the integration of activities between organisational units in a MNC. Porter (1986; 1998) has distinguished between configuration and coordination of value chain activities. Configuration refers to spatial decisions regarding the location of sites and the number of sites within the multinational. This is also referred to as the concentration-dispersion perspective (Lim, Acito, & Rusetski, 2006). In the post-merger integration literature, the term consolidation has instead been used regarding such decisions (Schweiger, 2002). Coordination refers to the nature and extent dispersed activities are coordinated versus remaining autonomous (Porter, 1998:7). This has also been called the integration-independence perspective (Lim et al., 2006) or just ‘coordination’, in the post-merger integration literature (Schweiger, 2002).
The elements of value chain integration are primarily internally oriented with a focus on how the company can configure and coordinate its business activities including sourcing, production, marketing, distribution, service and support activities across borders.

2.1.2 Marketing standardisation

The focus of the international marketing literature is instead clearly oriented towards the degree to which the customer experience is standardised or adapted across subsidiaries operating in different countries. While the strategy literature tends to be internally focused on the ‘business activity’ as the unit of analysis, the international marketing literature is instead externally oriented and concerned with elements of the ‘marketing mix’. The literature defines marketing standardisation as the degree to which a multinational company has standardised elements of the marketing mix (e.g. brand, products, price, promotions, advertising, distribution) across subsidiaries in different countries (Jain, 1989; Sorenson & Wiechmann, 1975; Yip, 1997). The degree of marketing mix standardisation will thus have a significant impact on the similarity of customer experience offered in different countries.

In light of the discussion of the terminology introduced by Prahalad and Doz (1987) above, it is worth noting that while standardisation requires some form of strategic coordination across borders, there is no requirement for physical integration.

In the post-merger integration literature, Schweiger (2002) has argued that all forms of functions and activities can be standardised, not just marketing activities. Thus, the primary focus in Schweiger’s work is on consolidation, standardisation and coordination of functions and activities rather than a specific focus on the customer experience.

The above thus relates to standardisation of work processes and outputs in the language of Mintzberg’s (1983a) coordination mechanisms.

2.1.3 Defining integration

Following from the above discussion, this dissertation is limited to cross-border integration which is defined as: ‘efforts to standardise the marketing mix, and physical integration or strategic coordination of value chain activities across organisational units, located in different countries, within the same multinational corporation’. It is further acknowledged that integration can be viewed both as an outcome and as a process.

This definition is based on the review of how ‘integration’ is used in strategic management, international marketing and post-merger integration literature as outlined above. Multinational ‘value chain configuration and coordination’, a concern addressed in the strategy literature, appears to be at least partially treated in isolation from ‘marketing standardisation’ in the international marketing literature. This is unfortunate as these dimensions of international strategy clearly complement each other. The definition above seeks to bridge this gap and un-bundle integration into an external
dimension, focused on standardising elements of the customer experience across borders, and an *internal* dimension, focused on coordination of business activities. This distinction is also helpful in shedding light on the classic debate regarding whether ‘structure follows strategy’ or ‘strategy follows structure’ (Burgelman, 1983b; Chandler, 1962). Decisions to standardise marketing mix elements can result in structural adjustments as the value chain is integrated as a result of marketing mix standardisation. This would thus be a classic case of ‘structure follows strategy’. At the same time, decisions regarding ‘back-end’ or ‘upstream’ integration may necessitate a standardisation of marketing mix elements that may or may not have been contemplated initially. This would then be a case of ‘strategy follows structure’. There is thus a clear interrelationship between decisions to standardise marketing mix elements, and decisions to integrate value chain activities that appears not to have been explored sufficiently in literature.

An organising framework of different forms of integration can be created by distinguishing between the integration type and the integration scope. Integration type refers to whether integration efforts consists of ‘one-off’ strategic change, as a result of a changed strategy-structure configuration, post-merger integration or other forms of restructuring, or ongoing strategic coordination of business activities within an existing strategy-structure configuration. Integration scope refers to whether integration efforts are directed towards standardising the *external* customer experience or towards aligning *internal* value chain activities.

![Different forms of integration](image)

In the top-left box we find change efforts that affect value chain activities. Examples of such efforts include the centralisation of procurement, appointing a group-wide logistics partner and developing a uniform financial reporting system.
In the top-right box, we have changes that affect the customer experience. This could include standardising customer experience elements such as products, advertising, customer service, retail shop design and pricing structures.

The bottom-left box includes ongoing efforts to coordinate value chain activities. This might include the monthly consolidation of sales forecasts from multiple subsidiaries to purchase input materials under group framework agreements or to produce production targets for manufacturing units within the MNC.

Finally, the bottom-right corner consists of ongoing efforts to coordinate the customer experience. This could include agreeing on joint advertising campaigns, coordinating prices across countries to avoid ‘gray’ trade with the MNC’s products and group-wide sponsorships of specific sport events (e.g. World Cup, Olympics) or movie releases (e.g. James Bond, Lord of the Rings).

All forms of integration above are seen as distinctly different from local autonomy. A completely autonomous subsidiary or business unit would have freedom to decide both marketing mix as well as value chain activities. It follows from this that the different forms of integration act to restrict the local autonomy of subsidiary managers. Integration thus affects the level of managerial discretion of subsidiary managers, defined as ‘latitude of managerial action’ (Hambrick & Finkelstein, 1987: 370). Un-bundling integration into external marketing mix elements and internal value chain activities is useful in order to determine which business areas are affected by integration and to understand the domains over which subsidiary managers have managerial discretion. Un-bundling integration into either strategic change or ongoing alignment provides insights into the nature and magnitude of possible changes to the business as a result of integration efforts.

### 2.2 Integration rationale

Having defined cross-border integration for the purposes of this research, we can now turn our attention to the rationale behind cross-border integration decisions. There appear to be two main perspectives regarding integration rationale, which are here labelled the ‘environmental contingency perspective’ and the ‘strategic choice perspective’. These distinctions, while theoretical, are useful as they highlight whether the literature views integration as driven by primarily ‘external’ environmental/industry forces or ‘internal’ strategic choices based on firm-specific capabilities. The integration literature is thus characterised by the same debate as in mainstream strategic management literature between environmental determinism versus strategic choice (Astley & Van de Ven, 1983; Child, 1972; Hannan & Freeman, 1977; Hrebiniak & Joyce, 1985). This is also reflective of the debate between, on the one hand, ‘positioning’ oriented perspectives (e.g. Porter, 1980; Porter, 1985) and, on the other, the resource-based view (Barney, 1991; Penrose, 1959; Wernerfelt, 1984) and dynamic capabilities perspectives (Eisenhardt & Martin, 2000; Teece, Pisano, & Shuen, 1997). While advocates of these two perspectives (outside in versus inside out) appear to put forward quite different arguments, it is worth noting that these views nevertheless reflect two sides of the same coin. Resources can only be valuable if they align in some
way to the imperatives of the market. In viewing integration through a particular theoretical lens, one will inevitably emphasise some aspects of the phenomenon under study at the expense of others. While offering powerful insights, a particular way of seeing can thus become a way of not seeing (Morgan, 1997). We thus need to be informed by both perspectives in order to gain a holistic understanding of integration.

2.2.1 Environmental contingency perspective

The fundamental argument advocated by scholars writing from the environmental contingency perspective (e.g. Hout, Porter, & Rudden, 1982; Bartlett, 1986; Bartlett & Ghoshal, 1989; Prahalad & Doz, 1987) is that industries differ in their globalisation potential. The role of the strategist is to understand the characteristics of the industry, and how it is evolving, and then to select an appropriate strategy that matches the industry requirements. From this perspective, there are largely generic industry types and corresponding generic strategy recipes that lead to superior performance. The core of the argument is thus a form of contingency theory (Galbraith, 1973; Lawrence & Lorsch, 1967; Thompson, 1967) based on realising congruence, or co-alignment, between the environment the firm is operating in and the strategy and structure configuration of the firm. In what follows, the history and pedigree of a number of typologies of strategies for multinational corporations are reviewed, paying particular attention to the emergence of the complex configuration labelled transnational (Bartlett, 1986; Bartlett & Ghoshal, 1987b; Bartlett & Ghoshal, 1987a; Bartlett & Ghoshal, 1988; Bartlett & Ghoshal, 1989), multifocal (Prahalad & Doz, 1987) or heterarchical (Hedlund, 1986).

This section takes its starting point in the literatures on international marketing and multinational strategy to identify the evolution of typologies of multinational corporations. In this context, it is interesting to note that the marketing literature is using the term “international” marketing while the strategy literature is more often referring to ‘global’ strategy as the overall label for the genre. This is problematic as these terms are used both in a general ‘cross-border’ sense and also to distinguish specific environmental contexts or generic strategies in some typologies, as we will see below.

MNC typologies

An intense debate between scholars, largely within the international marketing area, has argued the extent to which markets are becoming increasingly homogeneous. From a contingency perspective, this is an important debate as congruence between the environment and the strategy/structure configuration of the MNC is considered essential to organisational performance.

In a seminal contribution, Levitt (1983) argued for the globalisation of markets based on technological drivers. Levitt’s prescribed strategy is based on standardised products that will both take advantage of, and further reinforce increasingly homogeneous customer preferences on a global scale. Douglas and Wind (1987) agree that changes in the global business environment necessitate a global perspective on strategy but conclude that Levitt’s thesis of global standardisation is both naïve and over simplistic and may result
in major strategic blunders for multinationals who follow Levitt’s prescriptions. In contrast to Levitt’s (1983) prescription of ‘standardisation’ as the one best way, Douglas & Wind (1987) advocate a contingency approach based on mixed strategies with some standardised and some differentiated components. Thus, rather than going exclusively for standardisation or adaptation, certain elements of the marketing mix are instead standardised across regions or clusters of markets, or customer segments. Ohmae (1989) advocates a similar contingency solution when he concludes that the quest for universal products in general is a false allure but that Levitt’s prescribed global standardisation makes sense for certain segments and certain product categories.

The strategy typologies presented below, with the exception of Perlmutter (1969), reject the simplicity of Levitt’s thesis in favour of contingency arguments. However, as we shall see, environmental and industry determinism are the primary drivers behind these typologies.

Perlmutter’s (1969) classification of ethnocentric, polycentric and geocentric organisations has had a significant influence on subsequent research. A characteristic of this work was that Perlmutter believed in an evolutionary path for multinationals from ethnocentric to polycentric and finally to geocentric. Another noteworthy feature was that Perlmutter was primarily focusing on managerial mindsets rather than on strategy and structure configurations. Limitations thus include the lack of influence of industry or type of business as well as the possibility that different functions within the business may be managed differently (Chng & Pangarkar, 2000).

In an early MNC typology paper, Doz (1980) outlined three different strategies: worldwide integration strategy, national responsiveness strategy and administrative coordination strategy based on popularising the integration-responsiveness dimensions. While not citing Perlmutter, there are clear similarities between the two classifications. Doz’s early work is also important as it introduces an antecedent to the transnational concept. He argues for an administrative coordination strategy seeking to leverage structural and administrative adjustments to reap the benefits of both worldwide integration and national responsiveness.

The work of Hout, Porter and Rudden (1982) shifted the level of analysis from that of strategy alone to industry, by arguing that there are only two types of industries in which multinationals compete: multidomestic and global. Industry determinism is a clear feature in this work and the authors argue that the nature of the industry or industry segment should drive the selection of a global or multidomestic strategy.

Bartlett (1986) was the first to explicitly introduce the transnational model of the multinational. Bartlett outlined global, multinational and transnational strategies with reference to the integration-responsiveness grid. A reference in the notes section in the book chapter, states that the I-R grid is derived from the integration-differentiation concepts developed by Lawrence and Lorsch (1967) and that the framework had originally been adapted by Prahalad in his Harvard DBA dissertation from 1975. Bartlett argues that the forces for both integration and responsiveness are becoming more important in many industries, putting pressure on companies to transition towards the transnational model.
Citing works by both Perlmutter and Bartlett, Hedlund (1986) proposed the term heterarchy for ‘hypermodern MNCs’ that are organised as non-hierarchical networks and seek to simultaneously achieve both integration and responsiveness. This idea of characterising the MNC as a network was later extended by Bartlett and Ghoshal (1990) with their model of the MNC as an interdependent network and by Nohria and Ghoshal (1994; 1997) in their discussion of the differentiated network.

An alternative framework for multinational strategy is proposed by Porter (1986) based on the two axes of coordination and configuration of activities. Using this framework, Porter arrives at four different strategies: 1) purest global strategy, 2) export-based strategy, 3) high foreign investment with extensive coordination among subsidiaries and 4) country centred strategy. In relation to Bartlett’s (1986) classification above, it is clear that Porter’s country-centred strategy is most closely aligned with the multinational, the purest global strategy and the export-based strategy are variations of the global strategy and the high-foreign investment with extensive coordination among subsidiaries is closest to the transnational given the high level of coordination together with a geographic dispersion of activities.

The work of Prahalad and Doz (1987) also built on the integration-responsiveness grid and produced similar strategies labelled global, locally responsive and multifocal. The authors further provided one of the most frequently quoted lists of factors pushing for integration and responsiveness. The pressures for global integration are: 1) importance of multinational customers, 2) presence of multinational competitors, 3) investment intensity, 4) technology intensity, 5) pressure for cost reduction, 6) universal needs and 7) access to raw materials and energy. In contrast, the identified pressures for local responsiveness are: 1) differences in customer needs, 2) differences in distribution channels, 3) availability of substitutes and the need to adapt, 4) market structure and 5) host government demands.

Bartlett and Ghoshal (1989) built on Bartlett’s (1986) earlier work but also introduced the international type based on exploiting parent company knowledge and capabilities. The transnational was also explicitly extended as an organisation seeking to simultaneously pursue global efficiency, local responsiveness and worldwide learning.

Table 2-2 below presents an organising framework for the different classifications of strategies of multinational companies, with the exception of the international strategy which only appears in Bartlett and Ghoshal’s work. The table is organised based on the importance placed on global standardisation/ integration versus local adaptation/responsiveness. The third category presents the ‘transnational’ approach seeking to balance standardisation/integration with adaptation/responsiveness. There is thus a clear parallel between the marketing literature and the literature about strategic and international management. The organising dimensions below can be used to classify a substantial amount of prior research.
<table>
<thead>
<tr>
<th>Year</th>
<th>Global standardisation/integration</th>
<th>Local adaptation/responsiveness</th>
<th>Balancing integration and responsiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perlmutter 1969</td>
<td>Ethnocentric</td>
<td>Polycentric</td>
<td>Geocentric</td>
</tr>
<tr>
<td>Doz 1980</td>
<td>Worldwide integration strategy</td>
<td>National responsiveness strategy</td>
<td>Administrative coordination strategy</td>
</tr>
<tr>
<td>Hout, Porter, Rudden 1982</td>
<td>Global</td>
<td>Multidomestic</td>
<td>n/a</td>
</tr>
<tr>
<td>Bartlett 1986</td>
<td>Global</td>
<td>Multinational</td>
<td>Transnational</td>
</tr>
<tr>
<td>Hedlund 1986</td>
<td>n/a</td>
<td>n/a</td>
<td>Heterarchy</td>
</tr>
<tr>
<td>Porter 1986</td>
<td>1) Purest global strategy and 2) Export based strategy</td>
<td>Country-centred strategy</td>
<td>High foreign investment with extensive coordination among subsidiaries</td>
</tr>
<tr>
<td>Prahalad &amp; Doz 1987</td>
<td>Global</td>
<td>Locally responsive</td>
<td>Multifocal</td>
</tr>
<tr>
<td>Bartlett &amp; Ghoshal 1989</td>
<td>Global</td>
<td>Multinational</td>
<td>Transnational</td>
</tr>
</tbody>
</table>

The influence of Harvard Business School has been significant in this field as a number of scholars who have contributed seminal work received doctoral degrees from Harvard between 1973 and 1986 (i.e. Bartlett, Doz, Ghoshal, Porter and Prahalad).

Bartlett and Ghoshal’s work has had the most widespread impact on subsequent research and several quantitative studies have tested and empirically validated their typology (Roth & Morrison, 1990; Leong & Tan, 1993; Harzing, 2000). This research programme also adopts Bartlett and Ghoshal’s terminology but following Harzing (1998), the terms multidomestic, global and transnational will be used while multinational will instead be reserved as the generic term for a company operating in different countries.

**Overview of configurations**

Following from the table above, this section provides a short summary of the key features of the three key configurations: multidomestic, global and transnational based on Bartlett (1986) and Bartlett and Ghoshal (1987a; 1987b; 1988; 1989). In this context, it is important to remember that the configurations are ideal type theoretical propositions rather than corresponding to actual organisations. The discussion does however help to focus attention on some of the differences between what cross-border integration means in different strategy and structure configurations of MNCs.

The *multidomestic (multinational)* configuration is characterised by a high degree of autonomy for subsidiary units and decentralised decision-making. Subsidiaries are nationally self-sufficient which means that there are more or less complete stand-alone value chains in each country. Headquarters tends to manage multidomestic subsidiaries as a portfolio of independent businesses, and subsidiaries are typically measured using output control such as financial performance measures. In addition there is a layer of
informal personal relationships between managers at headquarters and trusted expatriates. Multidomestic subsidiaries are thus fairly independent and separate businesses operating with relatively little involvement from the parent company. Knowledge is primarily developed locally and resides in the subsidiary rather than being dispersed across the multinational. The primary flow between headquarters and subsidiary is in terms of financial resources. The consequence is a high degree of local responsiveness but only limited integration.

The global configuration is in many ways diametrically opposed to the dispersed logic of the multidomestic configuration. Rather than replicating the value chain on a country-by-country basis, organisational units and activities are instead tightly integrated across the MNC. As a result, there is typically a high degree of centralisation for most strategic resources, including R&D and knowledge. Overseas subsidiaries are often performing specific functions such as extraction of raw materials or sales and customer service rather than being independent businesses capable of stand-alone operations. Global subsidiaries would thus typically not be able to function as stand-alone operations without headquarters involvement. Given this, centralisation is a key control mechanism and there is correspondingly tight control from the centre and low levels of innovation and development in the periphery. The primary flow between organisational units is in terms of products. As a result, companies following a global strategy have a high degree of integration but lower levels of national responsiveness.

The objective of the transnational configuration is to create an organisation that is simultaneously capable of local responsiveness, global integration and worldwide learning. This requires strategic and organisational capabilities of an ambidextrous nature, defined as the ability to pursue disparate and often conflicting demands at the same time (Birkinshaw & Gibson, 2004; Duncan, 1976; Gibson & Birkinshaw, 2004; O'Reilly & Tushman, 2004; Tushman & O'Reilly, 1996). The image that best describes the transnational is that of an interdependent and differentiated network (Nohria & Ghoshal, 1997). This means a much higher degree of integration compared to the stand-alone operations in the multidomestic model while more responsiveness compared with the global configuration. As a result, value chain activities are physically integrated or strategically coordinated as activities are performed where it makes most sense within the multinational’s network. Subsidiaries are thus playing orchestrated roles in the multinational as a whole rather than simply maximising local opportunities. Knowledge creation is a much more dispersed activity and the objective is to share knowledge across the multinational. With the change towards interdependence and integration, control cannot be achieved through simple output measures any longer. Instead socialisation emerges as an important mechanism to achieve normative control throughout an increasingly complex organisation. This would thus be standardisation of norms in Mintzberg’s (1983a) terminology. The transnational is further characterised by a flow of resources, products and knowledge between different organisational units. Given the need to balance responsiveness, integration and learning, the transnational inevitably needs a matrix mindset which leads to complex organisational forms. While Bartlett and Ghoshal identified a number of organisations as fitting the other MNC configurations, the transnational was proffered as an ideal-type prescription for how to respond to the conflicting challenges of responsiveness, integration and learning.
The above discussion has highlighted some of the key differences between a number of the mostly commonly referenced strategy-structure configurations of multinational corporations. It is clear that both forms of integration, the ongoing coordination of activities, and the ‘one off’ physical transformation of activities are involved in these configurations to different degrees. Integration as ongoing strategic coordination appears to be far more critical to the global and transnational configurations compared with multidomestic firms. In instances where the MNC has made the transition from global to transnational, or multidomestic to transnational or global, it would also appear that integration as strategic change has been important.

2.2.2 Strategic choice perspective

Ghoshal (1987) concluded at the time that industry determinism had become a dominant feature in multinational strategy but that while industry is important, it is only one of many influences on strategy. This serves as a good introduction to the strategic choice perspective of integration. In contrast to the external orientation of the environmental contingency perspective, scholars researching integration from the strategic choice perspective instead look within the firm to find the rationale for integration. This naturally leads to a focus on resources, processes and capabilities.

This section will review the literature on strategic integration and corporate parenting which both turn our attention to the capabilities of the multinational firm.

Strategic integration

Burgelman and Doz (1996) have argued that strategic integration, from a broad perspective, is concerned with how corporate management creates value over and beyond the sum of the parts of the separate businesses within a company. They have also advocated that ‘strategic integration has to do with the assembly and cultivation of resources, including tangible assets and the integration capabilities themselves, over time and their coordinated deployment toward opportunities that not only confer competitive advantage but also drive the further sharpening and deepening of these tangible and intangible assets’ (1996: 6). There are thus similarities between strategic integration and corporate parenting, which we will focus on in the next section. There is also a clear link to the resource based view (Barney, 1991; Penrose, 1959; Wernerfelt, 1984) and the dynamic capabilities perspective (Eisenhardt & Martin, 2000; Teece et al., 1997) which both seek to understand how competitive advantage is achieved from within the firm and how it is sustained over time. Strategic integration can thus be viewed as a dynamic capability, based on specific strategic and organisational routines (Eisenhardt & Martin, 2000; Teece et al., 1997).

The strategic integration capability is especially important when managers wish to transition between one configuration to another, given the differences in resources, strategy and structure between configurations. The capability is also critical if managers want to move from weak to strong execution of a given configuration. Tying this together with the previous definition of integration, would suggest that different combinations of marketing standardisation and value chain integration correspond to specific configurations (Miller, 1986; Mintzberg, 1983b) of strategy and structure in
multinational corporations. As previously noted, it is likely that integration as a strategic change process could result in the creation of coordination mechanisms such as standardisation of work processes or outputs.

**Parenting theory**

Researchers at the Ashridge Strategic Management Centre (Goold, 1996a; Goold, 1996b; Goold & Campbell, 1991; Goold & Campbell, 2002; Goold et al., 1994; Goold, Campbell, & Alexander, 1998) have explored the conditions under which corporate parents add value (rather than destroy value) in multi-business contexts. The language of these publications does not refer directly to multinational corporations, to integration or to dynamic capabilities. However, it is clear from the content of the writings that the focus is on interventions by the corporate parent that affect SBUs, and that there is relevance to the discussion about integration in MNCs. Given that the autonomy of subsidiary units becomes restricted as a result of integration, the role of the corporate parent or headquarters becomes critical in MNCs.

Goold, Campbell and Alexander (1994) have identified four ways in which parent companies can create value. First, through stand-alone influence whereby the parent influences the strategy and performance of otherwise stand-alone businesses. This might be achieved in part through the standardisation of outputs (Mintzberg, 1983a); in this case the parent company might use quality parameters or financial ratios as targets for SBUs. Second, through linkage influences including synergies and transfer of best practices. This could be achieved by standardising work processes or alternatively through training to standardise worker skills or through the standardisation of norms (Mintzberg, 1983a). Third, through the cost-efficient provisioning of central functions and services to business units. This would correspond to integration as strategic change rather than as ongoing coordination. Fourth, through corporate development activities that alter the composition of the corporate portfolio by acquiring or divesting operations. This would be a form of corporate restructuring, which would be closer to integration as strategic change than ongoing coordination. The last form of parent influence provides a link to the literature on mergers and acquisitions that discuss post-merger integration (Schweiger, 2002).

Bowman and Ambrosini (2003) have also explored the conditions under which the corporate centre is valuable to the organisation. In their discussion of how resource-based and dynamic capability views of the firm can inform corporate level strategy, they reach the conclusion that the corporate centre has to either be a resource or alternatively have processes that create resources in SBUs in order to be valuable.

Goold, Campbell and Alexander (1994) have also outlined three different parent styles which characterise how the parent relates to its business units. The financial control style is characterised by a high degree of decentralisation of decision-making to business units and a correspondingly small organisation in the parent company. Business units are given a high degree of autonomy and are primarily measured in terms of output control through the setting of budgets and performance targets. We can clearly see how the financial control style would fit locally oriented MNC strategies described
as multidomestic (Hout et al., 1982), multinational (Bartlett, 1986) or locally responsive (Prahalad & Doz, 1987).

At the other end of the spectrum, we find the strategic planning style. Parent companies following this style typically have large and influential staffs that are closely involved with a large number of functional areas across all areas of the business. As a result, the level of autonomy for business units is fairly limited. There are thus clear parallels between the strategic planning style and the centrally coordinated MNC strategies labelled global (Bartlett, 1986; Bartlett & Ghoshal, 1989; Hout et al., 1982; Prahalad & Doz, 1987) and purest global (Porter, 1986).

In between these two extremes above, we find the strategic control style. This style is characterised by a balanced view between top-down planning driven by the parent and bottom-up actions taken by the business units. Parent companies do this by balancing the importance placed on financial objectives in the financial control style with the focus on strategic milestones and objectives in the strategic planning style. The strategic planning style is seen as gaining in popularity despite the fact that there are considerable challenges to make the style work well. There are thus at least some similarities between the strategic control style and the complex configurations labelled heterarchical (Hedlund, 1986), multifocal (Prahalad & Doz, 1987) and transnational (Bartlett, 1986; Bartlett & Ghoshal, 1989).

Goold and Campbell (2002) have further argued that ‘corporate parents inevitably destroy some value by incurring overhead costs, slowing down decisions, and making some ill-judged interventions, and that many corporate parents do not add enough value to compensate’ (2002:219). Given this, Goold, Campell and Alexander (1998) have concluded that corporate parents ‘should avoid intervening in businesses unless they have specific reasons for believing that their influence will be positive’ (1998:309-310). Goold, Campbell and Alexander (1998) have further proposed that three conditions must be satisfied in order for the parent to add value:

- Value creation only occurs under three conditions:
  - The parent sees an opportunity for a business to improve performance and a role for the parent in helping to grasp the opportunity
  - The parent has the skills, resources and other characteristics needed to fulfil the required role
  - The parent has sufficient understanding of the business and sufficient discipline to avoid other value destroying interventions (1998:310)

The parenting theory discussion is informative in that it highlights the conditions that must be present in order for the parent to create value in the organisation. This literature thus acknowledges the fact that not all activities of the headquarters necessarily add value in multi-business corporations.
2.3 Integration challenges

This section reviews challenges to achieving successful integration. The challenges are categorised as primarily relating to either headquarters or subsidiaries.

This section draws on literature relating to corporate parenting, MNC strategy and mergers and acquisitions. Schweiger, Csiszar and Napier (1993) have argued that mergers and acquisitions typically involve eliminating or shuttering units, combining units and creating new interrelationships between units. To the extent that cross-border integration efforts result in such strategic changes within the MNC, it would be reasonable to assume that the implementation challenges would also be similar. This provides the rationale for including literature on post-merger integration.

2.3.1 Headquarters related challenges

A number of integration challenges that primarily relate to the headquarters are outlined below.

Ensuring value creation from integration

It is widely argued that the overriding rationale for integration within a company, as well as for acquiring another company, should be that it creates more value than it destroys. As stated by Goold (1996b) ‘[t]he purpose of any corporate parent should be to add value to its businesses. In other words, the businesses should perform better as a result of the parent than they would as independent entities…[however]…We have found that unless the corporate parent is able to identify and focus on specific parenting opportunities in its businesses, it is liable to damage, rather than enhance, the performance of its businesses’ (1996b:359). The same value creation logic is also advocated from within the mergers and acquisition literature (Schweiger, 2002).

Ghoshal and Nohria (1993) have argued that integration is costly, and if a high degree of integration is not fundamental to competitive advantage, a strategy based on strong integration may destroy rather than create value. There must thus be a sound justification for an organisation to adopt a more complex strategy configuration such as the transnational.

Avoiding misguided headquarters intervention

The corporate parenting literature has identified that misguided intervention from the parent can have negative effects. Goold and Campbell (2002) have argued that ‘[h]ands on parenting can add high value, but it can also destroy it. If hands-on parents have insufficient skills or poor staff support, they may blunder about rather than help the business. If they are too prone to interfere, they may inhibit the initiatives of unit managers and take on tasks for which they are ill-suited…Misguided hands-on parenting is even more damaging than misguided hands-off parenting’ (2002:226-227).
Goold, Campbell and Alexander (1998) have also proposed that successful parent companies limit their attention to a few key opportunity areas rather than seeking to intervene broadly right across the business. This allows the parent company to develop distinctive skills rather than spread their efforts across areas where their intervention would have low or negative value.

The potential for misguided interventions from the parent has also been identified in the mergers and acquisitions literature. Jemison and Sitkin (1986b) have argued that arrogant and defensive behaviour from parent company managers can lead to a rather heavy-handed imposition of parent company practices in the subsidiary and sometimes even the elimination of subsidiary-level capabilities that initially motivated the acquisition. Several authors have further argued that post-merger integration efforts should be limited only to areas where integration can capture most value (Carr, Elton, Rovit, & Vestring, 2004; Schweiger et al., 1993; Vestring, Rouse, & Rovit, 2004). Schweiger, Csiszar and Napier (1993) have labelled this the ‘principle of minimum intervention’ (1993:58). Vestring, Rouse and Rovit (2004) argue that many acquirers surprisingly ‘often destroy value not as a result of inattention to detail but through excessive zeal in their integration efforts…The reality is that too much integration can block companies from realizing the benefits of a merger just as easily as too little can. And, in some cases, over-integrating can do far more damage’ (2004:15). This is similar to the conclusion in the parenting literature that corporate parents should limit their attention to a few areas with significant opportunities (Goold et al., 1994).

In general, there appears to be a realisation from within both the corporate parenting literature (Goold & Campbell, 1998; Goold et al., 1994; Goold et al., 1998) and the mergers and acquisition literature (Schweiger, 2002; Schweiger et al., 1993) that parent company managers tend to overestimate the potential synergies from integration, while implementation challenges are usually underestimated.

Ensuring quality of headquarter staff and execution

The role of parent level managers is significantly more complex in integrated configurations compared with the situation where the parent operates closer to a financial holding company, like in the financial control style (Goold et al., 1994) expected in configurations described as locally responsive (Prahalad & Doz, 1987), multidomestic (Hout et al., 1982) or multinational (Bartlett, 1986; Bartlett & Ghoshal, 1989).

This places requirements on the quality of staff within the parent and highlights whether or not they have relevant strategic and operational experience. Goold and Campbell (2002) have argued that ‘since upper level management have more demanding responsibilities in complex structures, the issue of whether they have the necessary skills is especially important. If they do not, value destruction by the parent is a very real risk…A realistic assessment of value destruction by upper levels, and how it can be minimised, continues to be a highly worthwhile discipline, with powerful practical implications for management’ (2002:241).
Bartlett and Ghoshal (1989) have commented that increased complexity in strategy places requirements on headquarters employees to implement a multidimensional organisation with differentiated roles for subsidiaries and leveraging flexible forms of coordination. Prahalad and Doz (1987) have similarly argued that headquarter managers need increased analytical sophistication and that successful managers will need to be ‘half yogis, and half commissars’ (1987:272).

Goold, Campbell and Alexander (1998) have also stated that ‘the skills of the individuals involved and the organisational heritage in which they operate can make essentially the ‘same’ process effective or ineffective’ (1998:311). This point to the essential role of high quality execution; the ‘practices’ themselves may matter less than how they are actually ‘practiced’.

**Avoiding multiple parenting levels**

In large companies, there may be more than one level of management within the parent. Goold and Campbell (2002) have argued that ‘[e]very extra level of parent management brings with it the danger of duplication, redundancy, extra overheads and contradictory parenting influences. A series of levels, each of which repeats the work of lower levels, but with progressively less detailed knowledge, is a sure recipe for parenting value destruction and should be avoided’ (2002:233).

**Managing divided and dotted-line reporting**

Both Bartlett and Ghoshal (1989) and Prahalad and Doz (1987) have argued that simple organisational structures are unlikely to be appropriate for complex integrated strategies. A consequence of complex structures is that subsidiary/SBU managers often need to report in some form of divided or dotted-line reporting relationships, like in a matrix organisation. Goold and Campbell (2002) have argued that ‘[d]ivided reporting is not easy. To work well, it requires clear agreement about who is responsible for what, and a process for reaching a collective view on parenting responsibilities that are shared between the bosses. Such agreements may be possible in principle, but are always liable to break down in the face of specific issues and crises…Divided reporting also causes potential conflict for operating unit managers. It is harder to respond to two bosses, each with separate agendas and sometimes pulling in different directions’ (2002:236-237).

Prahalad and Doz (1987) argue that most of the difficulties that managers experience in matrix organisations are due to managers still relying on concepts and mental frameworks used to manage simpler organisational forms.

**Avoiding empire building at headquarters**

Goold and Campbell (2002) have proposed that ‘[u]pper levels of management have essentially two roles to play. The first concerns the minimum obligatory tasks needed to manage and maintain the existence of the corporate entity. The second concerns adding value to the operating units’ (2002:220). However, it is far from clear that these two ‘legitimate’ rationales are the actual drivers behind the dimensioning of the parent’s organisational structure and reasons for interventions undertaken by parent level
managers. This may especially be the case with regards to intermediate parent levels. As argued by Goold and Campbell (2002) “groups and divisions are often created for reasons that have little to do with the parenting needs of the units within them. Power, politics, personal ambitions, management succession, location, or accidents of history can all influence the formation of groups” (2002:233).

Taken together, the above acknowledges that not all interventions by a corporate parent or headquarters actually add value.

2.3.2 Subsidiary related challenges

A number of challenges related to the subsidiary level were also identified which are presented below.

Strategic and organisational fit

The issue of fit is typically not directly discussed in the MNC strategy literature in relation to cross-border integration. However, Bartlett and Ghoshal (1989) have argued that a firm’s administrative heritage is formidably difficult to change. This indicates that integration between organisational units that have different administrative heritage would not be easy, such as the integration of a previously autonomous subsidiary that has evolved characteristics that are distinctly different from the parent.

The mergers and acquisition literature further informs us that acquisitions are likely to be more successful if there is a high degree of both strategic and organisational fit between the target and parent firms (Jemison & Sitkin, 1986a; Jemison & Sitkin, 1986b). Jemison and Sitkin (1986b) have defined strategic fit as ‘the degree to which the target firm augments or complements the parent’s strategy and thus makes identifiable contributions to the financial and non-financial goals of the parent’, while organisational fit is defined as ‘the match between administrative practices, cultural practices, and personnel characteristics of the target and parent firms and may directly affect how the firms can be integrated with respect to day-to-day operations once an acquisition has been made’ (1986b: 146-147). Olie (1994) has further argued that a stronger degree of operational integration requires reasonably compatible styles across all aspects of the acquirer and target including personnel policies, decision-making styles and the focus of authority and responsibility. One manifestation of lack of organisational fit would be a ‘culture clash’ (Carleton, 1997) or ‘culture collision’ (Buono, Bowditch, & Lewis, 1985) based on differing opinions or practices across a wide range of areas. We can infer from this that cross-border integration is also likely to be more difficult in situations where there are low levels of strategic and organisational fit between headquarters and subsidiaries.

Opportunistic subsidiary managers

The relationship between managers at headquarters and subsidiaries could be viewed as an agency theory problem based on Jensen and Meckling’s (1976) definition:
We define an agency relationship as a contract under which one or more persons (the principal(s)) engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent. If both parties to the relationship are utility maximizers there is good reason to believe that the agent will not always act in the best interests of the principal. The principal can limit divergences from his interest by establishing appropriate incentives for the agent and by incurring monitoring costs designed to limit the aberrant activities, of the agent (1976:308).

From this perspective, managers at headquarters need to protect themselves against two problems that Eisenhardt (1989a) has labelled the agency problem and the risk sharing problem. The agency problem relates to the possibility of divergent objectives between the principal and the agent and also to the fact that it may be difficult for the principal to verify what the agent is really doing. The risk sharing problem occurs if the principal and agent have different attitudes towards risk taking.

The agency theory perspective thus focuses our attention on the fact that subsidiary managers may not always act in the best interests of headquarter managers due to either opportunistic behaviour or different attitudes towards risk. Agency theory has however come under heavy criticism as a theory based on a negative view of human behaviour and as a theory that can actually stimulate the opportunistic behaviour it seeks to control (Ghoshal, 2005; Ghoshal & Moran, 1996).

**Securing subsidiary managers’ commitment**

Ensuring compliance, and beyond that, commitment from subsidiary managers is likely to have a substantial impact on the successful outcome of integration initiatives. Kim and Mauborgne’s (1991; 1993b; 1993a; 1993c; 1995) research on procedural justice has informed us that subsidiary managers are less likely to be committed to corporate integration initiatives and mandates if they perceive the decision-making process as unfair. This stream of research thus informs us that the degree of commitment from subsidiary managers is important to the success of integration initiatives. However, in contrast to agency theory research, the procedural justice literature suggests that subsidiary managers’ commitment can be reduced by perceptions that the integration process is unfair.

In a general discussion regarding justice, Greenberg (1993) has argued that justice comes in several different classes based on whether the category of justice is procedural or distributive, and whether the focal determinants are structural and social. The first category relates to a focus on justice in either the process itself or the outcome of the process (distributive). The second category refers to justice in the structure of the system versus perceived justice in interpersonal social relations. Managerial commitment may thus be negatively affected as a result of perceived injustice at both interpersonal and structural levels as well as from both the process itself and the outcome of the process.

While the discussion of subsidiary managers’ perceptions of cross-border integration is rather limited in the MNC strategy literature, the mergers and acquisitions literature offers a rich source of information including full volumes dedicated to the ‘human’
dimension of M&A (e.g. Buono & Bowditch, 1989; Cartwright & Cooper, 1996). Jemison and Sitkin’s (1986b) review identified a number of people-related problems including career uncertainty, concerns about geographic relocation and financial security, feeling alienated and lack of trust in co-workers. Another review identified additional human behaviour problems in the integration process: communications breakdown, ‘we-they’ communication dynamics and decreased commitment (Yu, Engleman, & Van de Ven, 2005). Napier (1989) has also identified reactions such as fear, ‘being sold out’, loss of autonomy, anxiety and low morale. Marks (1997) has further argued that ‘[s]igns of human stress are present in all combinations, even the friendliest and best-managed ones’ (1997:268). There are also those who have argued that mergers and acquisitions often fail because the target company managers often feel like stepchildren experiencing the same emotional challenges as in ordinary stepfamilies including discrimination, experiencing anxiety and uncertainty and feeling helpless and rejected (Allred, Boal, & Holstein, 2005; Fulmer & Gilkey, 1988). In instances where cross-border integration involves large-scale strategic change, it would not be too much of a leap in faith to assume that similar mechanisms may be triggered at a subsidiary management level.

2.4 Integration capabilities

Given the many challenges that must be overcome to realise successful integration, the attention now turns towards some key organisational capabilities that appear relevant for multinationals seeking integration.

2.4.1 Managing decision-making and implementation


Procedural justice is defined as ‘the extent to which the dynamic of the multinational’s strategy-making process for its subsidiary units are judged to be fair by subsidiary top management’ (Kim & Mauborgne, 1993a:422). A high level of perceived procedural justice has been shown to lead to significantly greater compliance by subsidiary units also in the situation when subsidiary managers disapprove of the decisions taken by the corporate centre. The concept is thus essential as it will inevitably be difficult to please all subsidiary units in an interdependent multinational yet some degree of compliance is required to realise gains from strategic integration (Kim & Mauborgne, 1993a).

According to Kim and Mauborgne (1993c), there are five central pillars to procedural justice in the context of multinational management. First, the existence of two-way communication between the corporate centre and the subsidiary in strategic decision making. Second, the ability for subsidiary managers to legitimately challenge the strategic views of the corporate centre. Third, that the corporate centre is knowledgeable about the local situation of subsidiaries. Fourth, that subsidiary managers are given an
account of the final strategic decisions by the corporate centre together with an explanation of the rationale behind the final decision. Fifth, that the corporate centre is consistent in decision making across subsidiaries.

Bartlett and Ghoshal (1988) have also looked at the need for the parent company to gain subsidiary input into decision making, given that parent company managers need to ensure both an understanding of market needs and secure the commitments of those subsidiary managers who will be asked to implement decisions.

In the mergers and acquisition literature, it has also been argued that fairness during the integration process, together with open and honest communication, are prerequisites for success (Schweiger et al., 1993; Schweiger, 2002). The need for fairness and communication are thus stressed across both the MNC strategy and post-merger integration literatures. It would further appear that trust is a central component to make both cross-border integration and post-merger integration work. In relation to this, it is worth noting that trust is also viewed as a central component of successful international joint ventures and strategic alliances (Currall & Inkpen, 2002; Inkpen, 2001; Inkpen & Currall, 1998; Inkpen & Currall, 2004; Madhok, 1995; Svejenova, 2006; Yan & Gray, 1994). This thus indicates that trust and fairness may be of universal importance for cross-border integration, post-merger integration and international joint ventures and strategic alliances.

2.4.2 Managing structure

The complexity of integration often prevents the adoption of simple organisational arrangements, given the need to manage multidirectional flows of capital, products and knowledge. This points in the direction of some form of matrix arrangement which recognises the need for geographic/country management for local responsiveness, business/product management for global integration and efficiency and functional management for worldwide learning (Bartlett & Ghoshal, 1992). Given the inherent challenges of a formal matrix organisation, it has been argued that such a ‘transnational’ matrix is not simply a structure but a ‘decision-making culture’ (Prahalad & Doz, 1987) or a ‘frame of mind’ (Bartlett & Ghoshal, 1990). Bartlett and Ghoshal recognised that advances in strategy have moved out of pace with organisational and managerial developments and that as a result: ‘corporations now commonly design strategies that seem impossible to implement, for the simple reason that no one can effectively implement third-generation strategies through second-generation organisations run by first-generation managers’ (1990:144-145). This raises the question of whether challenges to make complex strategies such as the transnational work, primarily relate to failures of formulation or failures of implementation? That is, if appropriate implementation capabilities do not exist, and cannot be developed or acquired within a realistic timeframe, sophisticated ‘third-generation’ strategies might actually be flawed.

Numerous studies have reported on the many challenges of making matrix organisations work (Prahalad, 1976). These include problems such as unclear roles and responsibilities, ambiguous authority, difficulties in measuring performance, misaligned goals, increased information and coordination costs, slower response time and excessive overheads (Davis & Lawrence, 1978; Kolodny, 1981; Naylor, 1985; Larson & Gobeli,
However, despite the many drawbacks of matrices no real alternative appears to have emerged to replace the matrix. As argued by Naylor (1985) ‘the matrices are not the cause of the organisational complexities. Rather matrices merely reflect the degree of complexity that already pervades large multinational companies’ (1985:18). Goold and Campbell (2003b; 2003a) have also studied the many problems with matrix structures and have also advocated that the best way forward is to improve the way matrices work rather than abandon them all together.

To avoid the negative reputation of matrix organisations, Goold and Campbell (2003b) proposed the term ‘structured networks’ to describe well designed matrices:

Structured networks avoid the problems of matrices by keeping the amount of structure, process and central influence to a minimum. Units are defined so that they can be as self-managing as possible. Collaboration is achieved primarily through self-managed networking between units. Rules, influence and control from the centre are kept as lean and unobtrusive as possible. In a structured network, the default position is decentralisation, yet there is just enough structure to promote the right kind of self-managed behaviour and there is just enough processes, rules and controls to ensure success…Network structures are intended to achieve both the benefits of focus and autonomy associated with SBU-based structures and the benefits of interdependence, which are designed into matrix structures. The danger, of course, is that the network ends up instead with the lack of co-operation of SBUs together with the excessive complexity and ambiguity of the matrix. To fulfil its potential, a network must be designed with enough structure to make the whole add up to more than the sum of its parts, but not so much that it inhibits initiative and accountability (2003b:428-429).

It is evident from the above, that matrix-type organisational solutions should be viewed as a way to manage complexity rather than a miracle cure.

In many cases, it would appear that the implementation of an integrated configuration would require a fairly complex organisational arrangement. The management of integration would thus need to include an ongoing review and adjustment of the organisational structure.

2.4.3 Control and coordination mechanisms

In line with Martinez and Jarillo (1989) a coordination mechanism is defined as ‘any administrative tool for achieving integration among different units within an organisation’ (1989:490). Martinez and Jarillo (1989) further argue that:

Mechanisms of coordination are not exclusive tools of multinational corporations (MNCs). Indeed, by definition, all organizations have a certain degree of specialization or differentiation among their parts, which calls for some sort of coordination effort across them. Large and complex firms competing in multiple markets need coordination among different dimensions. Thus, mechanisms of coordination are neither original to nor exclusive of MNCs: they are common to all large firms. It is the especial complexity of MNCs that makes their study of interest (1989:490).
The literature on coordination and control mechanisms offers some guidance regarding how to achieve integration. The strategy pursued by the multinational as well as the role of the subsidiary appears to determine the type of reporting relationship between the management of the subsidiary and the corporate centre (Picard, 1980). A complex and interdependent configuration is likely to require a greater degree of communication between subsidiaries and the corporate centre compared with simpler strategy configurations. Complex strategies thus require a substantial amount of coordination using both structural and formal mechanisms as well as more informal and subtler mechanisms. The more subsidiaries are integrated, the higher the need seems to be for all of the above forms of coordination mechanisms (Martinez & Jarillo, 1991). There also appears to have been a general shift towards increased use of subtler coordination mechanisms (Martinez & Jarillo, 1989) and it has been argued that the role of top management is changing from managing strategy, structure and systems towards the management of purpose, process and people (Bartlett & Ghoshal, 1995).

Mintzberg (1983a) has argued that there are six coordination mechanisms that provide the glue which hold organisations together: mutual adjustment, direct supervision, standardisation of work processes, standardisation of outputs, standardisation of skills and standardisation of norms. Mintzberg (1983b) further argues that ‘[a]s organizational work becomes more complicated, the favored means of coordination seems to shift from mutual adjustment to direct supervision to standardization, preferably of work processes, otherwise of outputs, or else of skills, finally reverting back to mutual adjustment’ (1983b:7). The form of mutual adjustment that manifests in complex matrix structures would include extensive meetings, cross-country boards, liaison roles and global project teams. This leads to a contingency argument which matches the appropriate coordination mechanisms with the type of work performed in different parts of the organisation.

Bartlett and Ghoshal (1989) has distinguished between the use of centralisation, formalisation and socialisation as means to achieve coordination in MNCs. It would appear that formalisation corresponds to standardisation of work processes, outputs and skills, while socialisation corresponds to standardisation of norms. As previously mentioned, complex strategies appear to require a lot of coordination as well as the use of a variety of different mechanisms.

It would appear that control mechanisms for complex and interdependent networks need to evolve from simple output based financial performance measures for the subsidiaries towards more balanced measures that take account of the role of the subsidiaries within the overall network. This is likely to lead to increased use of behavioural and input control mechanisms and a reduction in the exclusive use of output control mechanisms (Muralidharan & Hamilton, 1999). Given the difficulties with using simple control mechanisms, Gupta and Govindarajan (2001) have argued for the need to cultivate a ‘global mindset’ that simultaneously balances the needs for high integration and high differentiation. This is similar to what Bartlett and Ghoshal have labelled the ‘mind matrix’ (1987a). The above would explain why Goold, Campbell and Alexander’s (1994) financial control style would appear to be best suited for locally oriented MNC strategies labelled multidomestic (Hout et al., 1982), multinational (Bartlett, 1986) or locally responsive (Prahalad & Doz, 1987).
The use of expatriates (Edström & Galbraith, 1977), global teams and task forces (Harvey & Novicevic, 2002) can also play central coordination roles. In addition, Gupta and Govindarajan have suggested that feedback-seeking behaviour by subsidiary managers is particularly effective in an MNC context (Gupta, Govindarajan, & Malhotra, 1996; Gupta, Govindarajan, & Malhotra, 1999). This mirrors Stewart’s (1995) discussion of self-management and lends further support for the use of subtler coordination mechanisms.

The above has informed us that complex strategies require a good deal of coordination and that there has been a shift away from relying exclusively on structural and formal control mechanisms towards subtler coordination mechanisms.

### 2.4.4 Managing strategic change

In many cases, it would appear that integration is closely intertwined with processes of strategic change. Bartlett and Ghoshal’s (1987b; 1987a; 1988; 1989) research tracked how a number of multinationals tried to transition from their previous multidomestic, international or global forms towards the transnational, and they noted that:

> In finding their way through the complex process of strategic change, all the companies have learned one fundamental lesson: a company’s ability to build and manage new strategic capabilities depends on its existing organizational attributes – its configuration of assets and capabilities, built up over the decades; its distribution of managerial responsibilities which cannot be shifted quickly; and an ongoing set of relationships that endure long after any structural change. Collectively, these attributes shape what we refer to as a company’s administrative heritage. While strategic plans can be redrawn or scrapped overnight, it is more difficult to refocus a company’s organizational capability. The administrative heritage can be one of the company’s greatest assets – the underlying sources of its key competences – and also one of its most significant liabilities, since it resists change and thereby prevents realignment and broadening of strategic capabilities (1998:38).

Such substantial change can be characterised as a shift in strategy configuration (Miller, 1986; Mintzberg, 1983b), organisational archetype (Greenwood & Hinings, 1993), institutional template (Greenwood & Hinings, 1996) or paradigm (Johnson, 1992). It has been argued that such combinations of structures and systems are characterised by a single interpretive scheme based on an underlying set of beliefs and values (Greenwood & Hinings, 1993) and exhibit patterned regularity (Ranson, Hinings, & Greenwood, 1980). Large scale change thus departs from the established individual and collective organisational schemas of managers (Labianca et al., 2000).

Proponents of the punctuated equilibrium view of strategic change (e.g. Miller & Friesen, 1980; Romanelli & Tushman, 1994; Tushman & Romanelli, 1985; Tushman, Newman, & Romanelli, 1986) argue that organisations are in stable equilibrium most of the time and that major change occurs during short periods of intensive, discontinuous bursts of activity. Tushman, Newman and Romanelli (1986) have distinguished between, on the one hand, convergent or incremental change, and on the other, discontinuous or frame-braking change. While convergent change is compatible with
the existing structure of the organisation, ‘[d]iscontinuous or “frame-breaking” change involves simultaneous and sharp shifts in strategy, power, structure, and controls’ (1986:3). Romanelli and Tushman (1994) have argued that organisational resistance to change is fundamental to punctuated equilibrium theory as it describes why small-scale changes fail to take hold. In this regards, it is however worth noting that ‘resistance to change’ is a loaded term that probably reflects power and hierarchical relationships. The term is thus likely to reflect a headquarters bias given that there may be situations when subsidiary managers’ resistance to change is appropriate given the inappropriateness of the imposed change originating at headquarters.

In a related discussion, Greenwood and Hinings (1996) have proposed that convergent change occurs within an existing archetype or template while radical change occurs as organisations move from one archetype or template to another. Following from their argument, a shift from one strategy configuration to another can be considered an example of radical change while gradual integration initiatives within an existing configuration can be considered convergent change. Greenwood and Hinings (1996) have argued that radical change is problematic given the institutional embeddedness of an existing archetype. In a similar vein, Johnson (1992) has argued that paradigm shifts are often required in relation to major strategic changes and that those are the most difficult to achieve. Greenwood and Hinings (1996) have further proposed that ‘[r]evolutionary and evolutionary change are defined by the scale and pace of upheaval and adjustment. Whereas evolutionary change occurs slowly and gradually, revolutionary change happens swiftly and affects virtually all parts of the organization simultaneously’ (1996:1024). Greenwood and Hinings (1993) have argued that change is affected by the degree of commitment that organisational members have towards an existing interpretive scheme versus new alternatives. During this change period, we thus have the coexistence of two different interpretive schemes or templates which compete for legitimacy as the existing form becomes de-institutionalised while the new form becomes institutionalised (Johnson, Smith, & Codling, 2000). Bartunek (1984) has referred to this process as second-order change described as ‘a radical, discontinuous shift in interpretive schemes: organizational paradigms are reframed, and norms and worldviews are changed’ (1984:356). Balogun and Jenkins (2003) have argued that ‘[f]or change to occur in organisations, the routines and their associated meanings have to evolve. This is consistent with evolving new shared tacit knowledge about the way we do things around here, and how organisational activities are co-ordinated and integrated. It is necessary to somehow surface and change the knowledge of embedded social practices and behaviours’ (2003:249). In relation to change in MNC subsidiaries it would thus appear that subsidiary managers might resist imposed change if they hold a different local schema compared with managers at headquarters.

In the mergers and acquisition literature, Schweiger (2002) has identified that the acquirer has four choices in relation to the target company: continue autonomous operations, forced assimilation, voluntary assimilation and innovation. In forced assimilation, the target company is required to adopt the practices of the new parent company. There is substantial potential for resistance given the forced nature of integration. Voluntary assimilation is much softer in that the target company voluntarily buys into change and adopts parent company practices. In innovation, also called novation (Schweiger et al., 1993), an integration group decides to innovate and go for
new practices independent of those of either the target company or the parent. Such practices might originate as a result of benchmarking efforts or from the use of management consultants. This offers the potential of a new start without a feeling of superiority or ‘win-lose situation’ of either party but may incur additional costs and slow down the integration process. Haspeslagh and Jemison (1991) have similarly proposed that the acquirer has the options of preservation, absorption and symbiosis with the target firm based on relative needs for strategic interdependence and organisational autonomy. Another typology is provided by Marks and Mirvis (2001) who propose the five options of preservation, reverse takeover, absorption, transformation and ‘best of both’ based on the degree of change in the acquirer and target. In discussing organisational cultures in mergers and acquisitions, Nahavandi and Malekzadeh (1988) have argued that the acquirer has a choice of integration, separation, assimilation and deculturation. All of these different typologies indicate that the parent has a choice regarding: 1) keeping the target more or less intact, 2) imposing parent company standards, 3) taking target company standards, 4) combining elements from the two, and 5) innovating to create a fresh start for both companies.

The above has illustrated that management of strategic change may be a significant component in integration, especially if integration introduces a different way of working. As previously argued, it is thus relevant to distinguish between integration as an ongoing alignment process and integration as a process of strategic change. The latter form of cross-border integration would likely share many of the features of post-merger integration. In fact, it may even be impossible to disentangle cross-border integration and post-merger integration in instances when a heavily integrated MNC purchases a previously autonomous company located in another country and proceeds with integration efforts.

As identified above, the management of integration as strategic change appears be a critical capability for multinationals who seek to realise integration benefits during times of transition from one strategy configuration to another. Radical and revolutionary change together with very high ambiguity can create cognitive disorder and a fault line in sensemaking (Balogun & Johnson, 2004). This provides an explanation for why it can be so challenging to make the transition between configurations.

Bolman and Deal (1991) have recommended that the management of change needs to be considered from four different frames: human resource, structural, political and symbolic (see Table 2-3). Each of these perspectives highlights different dimensions and needs arising from the change process and prevents managers from applying a one-dimensional approach to a multidimensional challenge.
Four perspectives on change

<table>
<thead>
<tr>
<th><strong>Human resource:</strong></th>
<th><strong>Structural:</strong></th>
</tr>
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<tbody>
<tr>
<td>Change causes people to feel incompetent, needy, and powerless. Developing new skills, creating opportunities for involvement, and providing psychological support are essential.</td>
<td>Change alters the clarity and stability of roles and responsibilities creating confusion and chaos. This requires attention to realigning and renegotiating formal patterns and policies.</td>
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<table>
<thead>
<tr>
<th><strong>Political:</strong></th>
<th><strong>Symbolic:</strong></th>
</tr>
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<tbody>
<tr>
<td>Change generates conflict and creates winners and losers. Avoiding or smoothing over those issues drives conflict underground. Managing change effectively requires the creation of arenas where issues can be negotiated.</td>
<td>Change creates loss of meaning and purpose. People form attachments to symbols and symbolic activity. When attachments are severed, they experience difficulty in letting go. Existential wounds require symbolic healing.</td>
</tr>
</tbody>
</table>

Source: Bolman and Deal (1991:377)

Bartlett and Ghoshal (1998) also recognise the need to manage change across different dimensions and they have outlined two distinctly different sequences of change, based on a biology analogy, reproduced in Table 2-4 below. While recognising exceptions, they propose that the change process has a greater chance of success if companies follow the emergent change process, based on first changing individual attitudes and mentalities, before attempting large scale change to interpersonal relationships, processes, structures and responsibilities. Connecting with Bolman and Deal’s (1991) four frames of change above, it would appear that Bartlett and Ghoshal’s proposed approach begins with symbolic change, continues with human resource and political change and finally concludes with structural change.

Table 2-4

<table>
<thead>
<tr>
<th>Traditional change process</th>
<th>Emerging change process</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Change in formal structure and responsibilities (Anatomy)</td>
<td>1. Change in individual attitudes and mentalities (Psychology)</td>
</tr>
<tr>
<td>2. Change in interpersonal relationships and process (Physiology)</td>
<td>2. Change in interpersonal relationships and process (Physiology)</td>
</tr>
<tr>
<td>3. Change in individual attitudes and mentalities (Psychology)</td>
<td>3. Change in formal structure and responsibilities (Anatomy)</td>
</tr>
</tbody>
</table>

Source: Adapted from Bartlett and Ghoshal (1998:291-292)

In a study of post-merger integration, Birkinshaw, Bresman and Håkanson (2000) made a separation between task-integration and human-integration. The authors found that task-integration could only be achieved after human integration had first been realised. This findings mirrors Bartlett and Ghoshal’s (1998) argumentation above and provides further support for the need to focus on, and prioritise, the human side of integration.

Moving beyond the literature on major strategic change described above, it is also interesting to note that Lervik (2005) found that change management has a significant impact on the transfer of managerial practices within a multinational setting. Lervik’s (2005) research was focused on the transfer of a performance management practice within Norsk Hydro, a major Norwegian multinational. This suggests that the management of strategic change is a critical capability both in order to implement major
shifts between strategy configurations as well as for ongoing efforts to transfer practices between headquarters and subsidiaries.

### 2.5 Subsidiary management

Following from this overview of the integration literature, our attention now turns to the way that subsidiary managers are conceptualised. Nohria and Ghoshal (1997) have argued that there has historically been a headquarters bias in the literature about headquarters-subsidiary relations. Birkinshaw, Hood and Jonsson (1998) have gone further and stated that: ‘[t]aken as a whole, the body of literature on subsidiary management had done a far better job at understanding aspects of subsidiary context (how the subsidiary relates to its parent, its corporate network, its local environment) than of understanding what actually happens inside the subsidiary’ (1998:223).

Regarding how the actions and agency of subsidiary managers have been conceptualised in literature, we find that there are four primary positions taken as illustrated in Table 2-5 below.

<table>
<thead>
<tr>
<th>Conceptualisation of subsidiary managers</th>
<th>Illustrative examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not directly addressed</td>
<td>Porter (1980; 1985)</td>
</tr>
<tr>
<td>Instruments of headquarters</td>
<td>Johansson &amp; Vahlne (1977)</td>
</tr>
<tr>
<td></td>
<td>Vernon (1966)</td>
</tr>
<tr>
<td>Socialised members of the multinational</td>
<td>Bartlett &amp; Ghoshal (1989)</td>
</tr>
<tr>
<td></td>
<td>Nohria and Ghoshal (1994; 1997)</td>
</tr>
<tr>
<td>Active entrepreneurs</td>
<td>Burgelman (1983a; 1983b)</td>
</tr>
<tr>
<td></td>
<td>Birkinshaw et al. (1998)</td>
</tr>
</tbody>
</table>

First, we note that we have a fairly limited understanding, in general, of strategy formation at the subsidiary or business unit level. In contrast, we know a great deal about strategy from a corporate portfolio perspective or in terms of business strategy for stand-alone companies. Many common text-book frameworks used to analyse and develop strategy, including Porter’s five forces (1980) and value chain (1985), take their starting point in independent operations where managers are implicitly assumed to have significant managerial discretion and degrees of freedom when it comes to setting the strategy. In this literature, the specifics of subsidiary management are thus typically not directly addressed.

In the early international business literature, we find a hierarchical perspective in which subsidiary managers are often treated as *instruments of headquarters* that are assumed to merely implement a strategy which has originated at headquarters. This position is evident in some early internationalisation theories, including the product life cycle (Vernon, 1966) and the Uppsala internationalisation process (Johanson & Vahlne, 1977). Birkinshaw and Hood (1998) concluded that these two theories ‘work on the assumption that the subsidiary is an instrument of the MNC and, consequently, that it acts solely with regard to head-office-determined imperatives’ (1998:775). As a
consequence, the agency of subsidiary managers is substantially restricted in this strand of literature.

With the relaxation of assumptions of hierarchy, and the introduction of MNC conceptualisations based on heterarchy (Hedlund, 1986) and the differentiated network (Bartlett & Ghoshal, 1989; Nohria & Ghoshal, 1994; 1997), the attention shifted towards viewing subsidiary managers as contributing members to the wider multinational. Given the complexities of managing transnationals or multifocal firms, these scholars argued that subsidiary managers needed to be socialised members of the multinational capable of taking a wider view than the short-term requirements of the particular subsidiary in which they are working at any specific point in time. This thus shifts the focus away from the the top-down view in which subsidiary managers are mere instruments of headquarters.

A similar stance is taken in the literature on autonomous strategic behaviour (Burgelman, 1983a; 1983b) and subsidiary initiatives (Birkinshaw & Hood, 1998; Birkinshaw et al., 1998) which goes further by showing that subsidiary managers have the capability to act as active entrepreneurs. This position is thus similar to the literature on middle management which also points to the key strategic role played by managers at a lower level in the organisation than corporate top management. This feature of the middle management literature is well summarised by Bower and Gilbert (2007) who noted that ‘[w]e have found in one research study after another that how business really gets done has little connection to strategy developed at corporate headquarters’ (2007:74, italics in original). Floyd and Wooldridge (1990; 1994; 1997) have also focused our attention on the critical role of middle managers both in terms of developing and implementing strategies. Their findings indicate that involvement of middle managers in the strategy formation process is associated with improved organisational performance (Woolridge & Floyd, 1990). Boundary spanning middle managers were found to have especially significant levels of strategic influence within their organisations, given that those managers typically mediate between the organisation and its environment (Floyd & Wooldridge, 1997). The above suggests that subsidiary managers of multinationals share many of the characteristics commonly attributed to middle managers. It can thus be argued that subsidiary managers play key roles as recipients and deployers of cross-border integration initiatives. As such they share many of the key characteristics described in the middle management literature even though they may be perceived as top managers in a local subsidiary context.

The active agency of subsidiary managers is also important in relation to the literature on execution. There has been recent interest in execution as evidenced by some best-sellers in the popular management press. Bossidy, et al. (2002) argue that ‘[e]xecution is the unaddressed issue in the business world today. Its absence is the single biggest obstacle to success and the cause of most of the disappointments that are mistakenly attributed to other causes’ (2002:5, italics in original). In a similar vein, Covey (2004) states that ‘[e]xecution is the great unaddressed issue in most organizations today. It is one thing to have a clear strategy; it is quite another to actually implement and realize the strategy, to execute. In fact, most leaders would agree that they’d be better off having an average strategy with superb execution than a superb strategy with poor execution’ (2004:271-275, italics in original). These practitioner oriented sources thus
shift the focus away from the potential elegance of strategy formulation towards actually getting things done. In this context, it would appear that how subsidiary managers respond to corporate integration efforts has a significant impact on the quality of execution. And the quality of execution, at the subsidiary level, has in turn a great deal to do with how successful such integration initiatives will become.

2.6 Outlining the knowledge gap

This section seeks to outline the gap in extant knowledge based on the preceding review of literature in relation to integration and subsidiary management. As the review includes a wide range of literature, both from within and outside, the international business domains, we need a general conceptual framework that allows us to synthesise the various contributions in a format suitable to pinpoint the knowledge gap. Based on numerous attempts at structuring the literature, I argue that a simple framework mapping contributions against the level of analysis allows us to draw key insights. In Figure 2-3 below, all major contributions reviewed in this chapter are mapped against the following five levels of analysis: industry, company, headquarters/parent, subsidiary/business unit and managerial levels. The purpose is to try to pinpoint the level at which these literatures operate in order to inform our understanding of what we know versus what we do not know about cross-border integration. To provide clarity, contributions are classified into belonging to either the MNC strategy and management domain or other literature.

Figure 2-3
Levels of analysis of literature
Starting at the top of Figure 2-3, we note that several strands of literature appear to operate at the intersection of industry and company levels. Within the IB literature, this is the case for much of the strategy and structure literature that derives a variety of different configurations (e.g. multidomestic, global, transnational) based on environmental determinism. Outside the IB field, we note that the literatures on marketing mix standardisation and value chain analysis also appear to be located at this level of analysis.

Moving down, we find a number of literatures that are concerned with issues relating to the relationship between headquarters/parents and subsidiaries стратегические business units. In the IB literature, this is especially the case regarding work relating to MNC control and coordination mechanisms. In addition, we find the subsidiary initiative stream here as it explores how the charters and mandates of subsidiary units can evolve over time. Outside the IB field, we find relevant work relating to strategic integration and corporate parenting at this level of analysis. Both of these strands explore value creation or value destruction between the parent and business units. In addition, we find the work on autonomous strategic behaviour here which has a close similarity to the subsidiary initiative stream in the MNC strategy and management literature.

In the lower half of the figure, as we move from macro towards micro, we find those literatures that relate to the managerial dimension of relevance to cross-border integration. Within the IB literature, the theory of procedural justice occupies a unique position as the only identified stream of IB research that takes a distinct focus on subsidiary managers and their perceptions regarding the fairness of the integration process. Outside the IB literature, we find interesting work relating to post-merger integration, including the dynamics between acquiring and acquired managers that does not appear to be mirrored in the international business literature. We also find literature relating to the managerial dimension of strategic change.

We are now in a position to draw several conclusions regarding the literature of relevance to cross-border integration.

First, we can conclude that the literature on MNC cross-border integration in general is biased towards the macro (industry) and meso (company) levels of analysis with very limited micro level research, with the noteworthy exception of the procedural justice literature.

Second, there is a clear lack of studies concerned with management practice and strategy execution at the subsidiary level. While there is substantial discussion about competing pressures for integration and responsiveness in the MNC strategy and structure stream, there is a lack of understanding regarding how subsidiary managers balance integration and responsiveness to cope with the institutional duality of simultaneously being exposed to requirements from the home and host environments.

Third, given the lack of micro level studies, there is a shortage of managerial prescriptions grounded in micro level research. Existing prescriptions are thus primarily based on research conducted at the macro and meso levels without adequate attention paid to research concerning the managerial dimension.
Fourth, looking beyond the level of analysis framework presented above, we also note that the IB field is dominated by a positivist orientation with a bias towards quantitative studies (Welch & Welch, 2004; Yang, Wang, & Su, 2006). As an example, Welch and Welch (2004) found, in a review of articles published in the Journal of International Business Studies between 1990-1999, that only 3% of published articles reported qualitative research.

Based on the above, the overall research questions for this dissertation are ‘how do MNC subsidiary managers interpret and respond to cross-border integration efforts and what are the managerial implications for headquarters and subsidiary managers?’

This focus of the dissertation seeks to contribute towards closing the knowledge gap identified above by taking a micro rather than macro/meso orientation; by going inside the ‘black box’ of the multinational subsidiary; by deriving managerial prescriptions grounded in micro level research; and by shifting the international business research agenda towards qualitative research.

Following from the identification of the knowledge gap and the research questions, our attention now turns to two additional literatures that can inform the study. The first relates to managerial cognition and especially the sensemaking of managers. This literature is important given the intention to research how subsidiary managers interpret and respond to cross-border integration. The second area of literature concerns emerging micro perspectives on strategy (i.e. strategy-as-practice) and micro-politics. These latter areas are considered worth exploring given the objective to contribute towards moving the IB literature from a macro/meso bias towards micro level research.

These two perspectives have not had a great deal of application within the international business field given the focus on macro and meso levels of analysis, and the documented bias towards positivist research. They thus offer the potential to enhance our understanding of cross-border integration further.

2.7 Sensemaking perspective

The literature on organisational behaviour informs us that early attempts at understanding human nature was often characterised by a simple stimulus-response (S-R) model in which human behaviour was portrayed as fairly mechanistic and passive. Critique of the S-R models led to the modified S-O-R models: ‘Insistence upon a more active role of the perceiver led to a modification of the S-R model to one of S-O-R where the O represented the organism in the link between environmental conditions and responses. Much [organizational behavior] OB research today operates under this S-O-R model, which afford[s] cognitive processes a major role in the behavioral sequence’ (Ilgen, & Klein, 1988:328-329). Managerial agency thus takes centre stage in the S-O-R models as opposed to mechanistic responses to environmental stimuli in the simple S-R models. This perspective thus attempts to forge a link between managerial cognition and organisational action (Dutton & Jackson, 1987) which is useful for this study given the concern with how subsidiary managers interpret and respond to cross-border integration.
The field of international business (IB) is dominated by research based on a positivist paradigm. As a result, most IB research appears to be based on the assumption that the environment exists as an objective entity in isolation from the multinational corporation. From the perspective of sensemaking, reality is socially constructed through the interaction of actors rather than an objective entity that can be isolated from the actors. Sensemaking is defined as the ‘processes of interpretation and meaning production whereby individuals and groups reflect on and interpret phenomena and produce intersubjective accounts’ (Brown, 2000:45). Sensemaking is thus based on the constructivist premise that people create their social reality and then respond to that reality. This leads to a portrait of ‘human activity as an ongoing input-output cycle in which subjective interpretations of externally situated information become themselves objectified via behaviour’ (Porac, Thomas & Baden-Fuller, 1989). The environment is thus not an objective entity that can be isolated from the actors. In fact Daft and Weick (1984) have argued that ‘[o]rganizations must make interpretations. Managers literally must wade into the ocean of events that surround the organization and try to make active sense of them’ (1984: 286). This is in contrast to the objectivist ontology with the assumption of an independent external reality. As argued by Weick (1979) ‘the firm partitioning of the world into the environment and the organization excludes the possibility that people invent rather than discover part of what they think they see’ (1979:166). From a sensemaking perspective, people thus enact reality. Scott (2003) has defined enactment as ‘the active process by which individuals, in interaction, construct a picture of their world, their environment, their situation’ (2003:98). Rather than being static, environments break down and get recreated in a social process (Weick, 1979). ‘To talk about sensemaking is to talk about reality as an ongoing accomplishment that takes form when people make retrospective sense of the situations in which they find themselves and their creations... People make sense of things by seeing a world on which they already imposed what they believe’ (Weick, 1995:15). Weick (1979) is using the term ‘enacted environment’ to signify that meaningful environments are outputs of the organising process rather than inputs to the process. This ongoing process of collective reality construction is capable of producing institutions. In the language of Weick (1995) ‘[i]t is this institutionalizing of social constructions into the way things are done, and the transmission of these products, that links ideas about sensemaking with those of institutional theory. Sensemaking is the feedstock of institutionalization’ (1995:36). Linking this with the previous change discussion, enactment is thus a critical process to help people construct new interpretive schemas, and make sense of their new reality, as the organisation changes from one strategy configuration to another. Labianca, Gray and Brass (2000) have defined schemas as ‘generalized cognitive frameworks that give form and meaning to experience, and contain general knowledge about a domain. They are a collection of related ideas and specific examples about a domain’ (2000:237). Schemas help individuals to process information by reducing ambiguity and creating meaning (Lord & Foti, 1986; Thomas & McDaniel, 1990).

Gioia and Chittipeddi (1991) have argued for the central role of leaders as sensegivers. Based on their definitions, this dissertation will use ‘sensemaking’ to refer to meaning construction and reconstruction by change recipients while ‘sensegiving’ is concerned with the process of attempting to influence the sensemaking and meaning construction
of others towards their preferred redefinition of organisational reality (1991:442). The separation between sensegivers and sensemakers is insightful in a multinational context given the interplay between managers at headquarters and in subsidiaries.

A key feature of organisational life is ambiguity and ambiguity supports several different interpretations at the same time (Weick, 1995). Smircich and Stubbart (1985) propose that ‘[i]n an enacted environment model, the world is essentially an ambiguous field of experience’ (1985:726). Weick (1979) has similarly stated that ‘[t]he basic raw materials on which organizations operate are informational inputs that are ambiguous, uncertain, equivocal’ (1979:6). Given the inherent messiness of organisational life, a key task of organising is to reach an agreement regarding what is real versus what is illusory. Weick (1979) has labelled this process consensual validation, to note that organisational members spend a significant amount of time negotiating an acceptable version of reality to reduce equivocality. As argued by Weick (1995): ‘[i]n real-world practice, problems do not present themselves to the practitioners as givens. They must be constructed from the materials of problematic situations which are puzzling, troubling, and uncertain. In order to convert a problematic situation to a problem, a practitioner must do a certain kind of work. He must make sense of an uncertain situation that initially makes no sense’ (1995:9). The objective of this process is to reduce uncertainty to a workable level so that the organisation can function properly.

There are similarities between consensual validation and McKinley and Scherer’s (2000) concept of creating ‘cognitive order’ meaning ‘a reduction of uncertainty that results from foreclosing alternative possibilities of meaning or action and embracing a single one’ (2000:738). There are also clear parallels to what Brunsson (1985; 1989) calls action rationality referring to focusing on a single path of action in contrast to the evaluation of multiple possibilities in a rational decision-making process. However, given that people enact multiple subjective realities there is possibility for substantial tension as some social actors enact a less ambiguous reality from their perspective. McKinley and Scherer (2000) have argued that ‘the sense of cognitive order felt by top executives as a result of restructuring is not shared by their subordinates, who are prone to perceive organizational restructuring as a source of cognitive disorder, because it disrupts established business processes and opens up alternatives to established ways of getting work done. Therefore, the possibility arises of a bifurcation, or gap, between the cognitions of top managers and their subordinates as organizational restructuring progresses’ (2000:747). This points to the important distinction between top management as change initiators and middle managers as change recipients and change deployers (Balogun & Johnson, 2005). Sensemaking is also made more difficult in ambiguous change situations such as during transition from one strategy configuration to another. In such situations, it thus becomes harder for social actors to enact a new collective interpretive schema of reality. Managers then need to construct new meanings of the changes in order to take action (Kiesler & Sproull, 1982).

As we have seen, the cognitive sensemaking perspective thus makes a departure from the assumption of an objective environment or reality that is separate from social actors. This perspective thus contributes valuable insights into the subjective nature of human interpretation and acknowledges the link between interpretation and action. With the exception of the procedural justice literature, as discussed, this stance is not commonly
adopted in mainstream international business research. As a result, we have the opportunity to enrich our understanding of cross-border integration by applying a research perspective which acknowledges respondents’ perceptions and interpretations.

Figure 2-2 below attempts to identify contributions that a sensemaking perspective could make in this dissertation. The figure illustrates that tension or dissonance can occur if there is a mismatch between subsidiary managers’ schema and the actions taken by managers at headquarters. In the context of subsidiary-headquarters relations, this dissertation defines ‘tension’ as when subsidiary managers experience a degree of incompatibility between local and global requirements.

Figure 2-4
The research focus

Following the sensemaking discussion, we next turn our attention towards recent interest in micro perspectives on strategy and politics. In this context, it is worth noting that these perspectives typically adopt an interpretive position consistent with the cognitive sensemaking discussed above.

2.8 Micro perspectives on strategy and politics

There has recently been an increased interest in exploring strategy phenomena from a ‘micro’ or ‘strategy-as-practice’ perspective, which supports the focus in this dissertation on going inside the black box of the multinational subsidiary (Chia, 2004; Jarzabkowski, 2004; Jarzabkowski, 2005; Johnson & Bowman, 1999; Johnson et al., 2003; Whittington, 1996; Whittington, 2004). For the purposes of clarity, micro strategy is defined as the study of strategy at the level of individuals and their group interactions, in contrast to macro strategy which studies strategy at the level of the organisation, across organisations and the interactions between the organisation and the environment.
Reverting back to Figure 2-3, we thus note that there has been a dominance of macro strategy in relation to cross-border integration.

Within the strategy-as-practice community, there is a growing concern that academic strategy research has lost managerial relevance and become overly obsessed with the rigour and mathematical pyrotechnics of modernist quantitative strategy research. As already discussed, we noted a similar bias in favour of quantitative research in the international business field. The strategy-as-practice perspective is concerned with a gap between academic research about what people do and what they actually do (Jarzabkowski, 2004). The focus is often on ‘the close understanding of the myriad, micro activities that make up strategy and strategizing in practice’ (Johnson et al., 2003:3). Such a view of strategy is consistent with Mintzberg’s (1978) definition of strategy as a pattern in a stream of decisions over time which may arise through planned/deliberate actions as well as through emergent actions.

From the above, we can thus note the emergence of a group of scholars that advocate the need to re-orient strategy research in general towards micro-level. However, it is worth noting that with the exception of Regner’s (2003) comparative study of strategy making at headquarters and in MNC subsidiaries, strategy-as-practice scholars have not paid much attention to international business topics to date.

Next we turn our attention towards the recent debate regarding MNC micro-politics (Dörrenbächer & Gammelgaard, 2006; Dörrenbächer & Geppert, 2006; Geppert, 2003; Mense-Petermann, 2006; Sharpe, 2006). Similar to the strategy-as-practice perspective, we note that scholars interested in MNC micro-politics take a similar micro view and often favour an interpretive stance. Authors writing from this perspective have argued that ‘[t]he focus on micro-politics in MNCs is first and foremost about bringing back the actors and examining the conflicts that emerge when powerful actors with different goals, interests and identities interact with each other locally and across national and functional borders. Despite some general claims to have incorporated actors’ strategies and interests (Doz & Prahalad, 1993) and a general rethinking of the mainly context-based understanding of organizations in terms of action theories since the 1980s, most empirical studies are still strongly influenced by contingency theories’ (Dörrenbächer & Geppert, 2006:255-256, italics in original). The micro-political perspective views politics and conflicts within MNCs as normal social reality rather than as signs of dysfunctional management, or the results of a misfit between a given strategy configuration and the environment (Dörrenbächer & Geppert, 2006). Dörrenbächer and Geppert (2006) have further argued that micro-politics are a normal consequence as MNCs struggle with balancing global integration and local responsiveness but that ‘there are very few scholars developing an awareness of the increasing importance of power, politics and conflicts in the newly emerging transnational organization forms’ (2006:253).

While the micro-politics debate is very recent within an MNC context, there has been a related discussion for some time outside of the IB literature regarding how social actors manage different institutional pressures. Especially noteworthy in this respect is the conceptual work by Oliver (1991) regarding her categorisation of five types of strategic responses to institutional pressures: acquiescence, compromise, avoidance, defiance and
manipulation. Similar arguments have typically not been made in relation to the study of multinational corporations.

Taken together, the two complementary perspectives of strategy-as-practice and micro politics have to date only seen limited application in the field of international business. However, they offer promising avenues to pursue in order to enrich our understanding of cross-border integration.

Against the background of the preceding literature review, identification of knowledge gap and research questions, we now turn our attention to the research methodology applied in this dissertation.
3 METHODOLOGY

This chapter provides an overview of the research design in terms of philosophical perspective, selection of case studies, data collection and data analysis.

3.1 Philosophical perspective

Ontology deals with the nature of reality while epistemology deals with questions about how and what it is possible to know (Chia, 2002). Ontological assumptions are thus concerned with what we believe constitute social reality and epistemology refers to valid ways of gaining insights into the social reality within a particular ontological perspective (Blaikie, 2000). Based on Blaikie (2000), methods are defined as specific techniques or procedures to collect and analyse data while methodology refers to a wider discussion of how research should be conducted.

Blaikie (2000) recommends the selection of a research strategy in order to ensure a consistent and valid approach to answer research questions. Blaikie has identified four possible research strategies: inductive, deductive, retroductive and abductive. Central characteristics of research strategies and how they relate to philosophical perspectives are outlined below in Table 3-1.

<table>
<thead>
<tr>
<th>Philosophical perspectives</th>
<th>Positivist</th>
<th>Critical Rationalism</th>
<th>Structural (Transcendental) Realism</th>
<th>Constructivist Realism</th>
<th>Interpretivist</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Philosophers</td>
<td>Bacon, Mill</td>
<td>Popper</td>
<td>Bhaskar</td>
<td>Harré</td>
<td>Peirce, Willer, Blaikie</td>
</tr>
<tr>
<td>Ontology</td>
<td>Objectivist</td>
<td>(Absolutist / Realist)</td>
<td>Constructivist (Relativist)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scope</td>
<td>Natural &amp; Social Sciences</td>
<td>Social Sciences</td>
<td></td>
<td></td>
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<tr>
<td>Associated Research Strategy</td>
<td>Induction</td>
<td>Deduction</td>
<td>Retroduction</td>
<td>Abduction</td>
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<tr>
<td>Exploration</td>
<td>Major</td>
<td>-</td>
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<td>Major</td>
<td>Major</td>
</tr>
<tr>
<td>Description</td>
<td>Major</td>
<td>-</td>
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<td>Major</td>
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<tr>
<td>Explanation</td>
<td>Minor</td>
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<td>Major</td>
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<tr>
<td>Prediction</td>
<td>Minor</td>
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<tr>
<td>Understanding</td>
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<td>Major</td>
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<tr>
<td>Change</td>
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<td>Minor</td>
<td>Moderate</td>
<td>Moderate</td>
<td>Moderate</td>
</tr>
<tr>
<td>Output</td>
<td>Laws</td>
<td>Tested hypotheses</td>
<td>Models of underlying structures or generative mechanisms</td>
<td>Respondents’ accounts</td>
<td></td>
</tr>
</tbody>
</table>

Selection of research strategy and philosophical perspective

This research is concerned with MNC integration from the perspective of subsidiary managers. Given my intention to understand integration from the perspectives of subsidiary managers my inquiry is based on the assumption that reality is socially constructed (Berger & Luckmann, 1966) and that people respond to their constructed reality. I thus reject the objectivist stance of positivism, critical rationalism and structural/ transcendental realism. Having adopted a constructivist ontology left me with a choice between a retroductive research strategy based on constructivist realism or an abductive research strategy based on classic interpretivism. As I sought to explain how subsidiary managers interpret and respond to corporate integration initiatives, an orthodox interpretive approach was considered unsuitable given my intention to derive explanations. Given this focus in my research questions, I selected a retroductive research strategy from a constructivist realist perspective. Despite the potential for substantial criticism from proponents of several different perspectives, I believe the selected research strategy offers two unique advantages over other possible approaches. First, in contrast to the abstract and detached nature of the inductive and deductive research strategies, the constructivist stance allows me to confront the messy and ambiguous managerial reality of everyday life in multinational corporations. Second, in contrast to the abductive approach, the retroductive strategy allows me to provide explanations rather than simply rich descriptions and accounts of social life from the perspective of social actors.

Retroductive research strategy

The retroductive research strategy is based on realism which is distinct in dividing reality into three domains: the empirical, the actual and the real. Events that can be observed are located in the empirical domain while the actual domain consists of all events whether or not they can be observed. The real domain, in contrast, consists of the underlying structures or generative mechanisms that produce the events in the empirical and actual domains (Bhaskar, 1975). According to Bhaskar’s (1979) structural version of realism the ‘essence lies in the movement at any one level from knowledge of manifest phenomena to knowledge of the structures that generate them’ (1979:13, italics in original). Retroductive research thus starts with an observed regularity or phenomenon and then seeks to uncover either the underlying structure or generative mechanism responsible for the regularity or phenomenon of study. Harré and Secord (1972) have referred to this process of discovery and identification of mechanisms as ‘ethogeny’ (1972:9). Such theorising around mechanisms can aspire to explain but not to predict (Davis & Marquis, 2005). The approach is essentially data driven (Langley, 1999) and then uses imagination and creativity to construct an hypothetical model explaining the regularity. Following from this, the researcher seeks to prove the existence of the mechanism and make possible modifications to the model. This creative process is required as structures and mechanisms in the ‘real’ domain are typically not directly observable but have to be imagined before evidence can be sought (Blakie, 2000). In this regard, there are some similarities to Weick’s (1989) notion of theory construction as disciplined imagination. This approach to theory construction is shared by both structural realism and constructivist realism. The two approaches are instead
separated based on different ontological assumptions regarding whether the nature of reality is objective or socially constructed.

As the retroductive research strategy is based on explaining an observed regularity or phenomenon, rather than identifying it in the first place, the retroductive research strategy relies on either induction or abduction to explore and describe a phenomenon. Following from this, the retroductive logic is used to seek explanation. Based on the underlying difference in ontological assumptions, the structural version depends on the inductive research strategy for exploration and description while the constructivist version is informed by prior abductive research and thus takes the starting point in accounts of how respondents construct reality and act in response to their own constructions (Blaikie, 2000).

Realists further argue that absolute causality cannot be established and the best that can be achieved is an understanding of tendencies and how underlying structures and generative mechanisms are contingent upon contextual factors. This means that even if a structure or mechanism exists in the real domain, it does not have to generate a specific event in the empirical or actual domains. Depending on the context, the mechanism can remain dormant, be cancelled or modified by competing mechanisms (Blaikie, 2000; Tsoukas, 1989). A key task of realist researchers is thus not only to uncover structures or mechanisms but also to understand how these are activated depending on different contextual factors.

Implications of selected strategy

Given that the selected research strategy fits within the paradigm (Kuhn, 1962) of constructivist social science, there are a number of implications following from the choice of research strategy.

This includes the importance of context in contrast to the de-contextual nature prominent in positivist research building on the research tradition initiated by the 17th century rationalists. As argued by Toulmin (1990) ‘[a]fter 1630, philosophers ignored the concrete, timely, particular issues of practical philosophy, and pursued abstract, timeless, and universal (i.e. theoretical) issues. Today, this theoretical agenda is wearing out its welcome, and the philosophical problems of practice are coming back in focus’ (1990:186). In the terminology of the Greek philosophers, this research is thus concerned with ‘phronesis’ rather than ‘episteme’ (Flyvbjerg, 2001; Flyvbjerg, 2006). As used in Aristotelian philosophy, ‘episteme’ refers to scientific knowledge in the sense of the pursuit of universal truths while ‘Phronesis, an Aristotelian term, refers to a discipline that is pragmatic, variable, context dependent, based on practical rationality, leading not to a concern with generating formal covering lawlike explanations but to building contextual, case-based knowledge’ (Clegg & Ross-Smith, 2003:86, italics in original). Similar calls for a reorientation of research towards practice have been made by advocates of both Mode 2 management research (Das, 2003; Huff, 2000; Balogun, Huff, & Johnson, 2003; Romme, 2003; Starkey & Madan, 2001; Tranfield & Starkey, 1998; van Aken, 2005) and strategy-as-practice (Chia, 2004; Jarzabkowski, 2004; Jarzabkowski, 2005; Johnson et al., 2003; Whittington, 1996; Whittington, 2004).
Given the objective to understand social reality from the perspective of social actors, it would be desirable to try to inhabit their social world as a ‘native’ rather than being a detached outsider (Blaikie, 2000). This ideally requires an element of ‘inquiry from the inside’ rather than ‘inquiry from the outside’ (Evered & Louis, 1981).

Constructivist realism takes its starting point in exploration or description generated from the abductive research strategy. These initial accounts provide the opportunity to conduct a first-order descriptive analysis of findings that is closely grounded in the data from the researched case. While perhaps acceptable as the final research product by some abductive researchers, this first-order analysis is the starting point for the realist. The next step consists of a second-order theoretical analysis with the objective of uncovering the generative mechanisms and contextual factors that lead to the events in the empirical or actual domains. The purpose of second-order analysis is to theorise and to generate insights that might be relevant beyond the specific case researched (Gioia & Chittipeddi, 1991).

I argue that grounded theory (Glaser & Strauss, 1967; Strauss & Corbin, 1998) offers a suitable methodology that is consistent with my philosophical stance. Grounded theory seeks to develop theories closely grounded in empirical data and the research methodology is located at the border between abductive and retroductive research strategies. My reasoning is based on Partington (2000) who has advocated the use of grounded theory from a realist perspective to build management theory, and Charmaz (2000; 2006) who has proposed a constructivist version of grounded theory in contrast to the original, somewhat positivist orientation of the approach. Given the need to move between first-order and second-order analysis, grounded theory appears to fit the retroductive research strategy especially well. Blaikie (2000) has argued that qualitative researchers differ to the extent that they take a low stance to preserve respondents’ accounts of concepts and phenomenon versus taking a high stance by imposing their own concepts and categories on lay accounts. The reductionist nature of grounded theory is based on moving to a higher order of abstraction which typically means that the researcher is subsequently imposing categories to abstract from the initial categories which emerge directly from the data. This is especially important in constructivist realism as the second-order analysis requires the researcher to theorise from a high stance to determine generative mechanisms. In this context it is interesting to note the similarities with some forms of abductive research; examples include Gioia and Chittipeddi (1991) who have used first- and second-order analysis and Van Maanen (1979) who refers to first- and second-order constructs.

3.2 Possible critique from philosophical standpoints

The selected research strategy is open to criticism from advocates of alternative philosophical perspectives and research strategies. While I believe that all research ultimately has to be evaluated against the specific ontological and epistemological criteria inherent within a given research strategy, I have tried to outline possible critiques below from advocates of alternative approaches.
Inductive

I believe that researchers focused on classic inductivism would be sympathetic to the ‘data driven’ (Langley, 1999) nature of my research process, with the objective of building theory from bottom-up. However, beyond that they would have substantial ontological and epistemological concerns. From an ontological perspective, they would reject my constructivist view of social reality in favour of the pursuit of discovering the ‘objective’ truth. The implication is that they would reject my research design on two epistemological grounds. First, they would not accept my focus on abduction and the fact that I take my starting point in accounts of how my respondents construct reality. While I am open to multiple realities being constructed by my respondents, and the fact that I seek to understand reality from their perspective, the classic inductivists would instead seek to come closer to an absolute and objective reality. Second, they would have concerns with my involvement in two of the case studies and thus the fact that I could not be regarded as a detached, objective researcher. This would lead them to argue that my involvement would have contaminated the ‘objective truth’. In addition, inductive researchers would argue that the validity of my model of generative mechanisms cannot be established and that it will be up to judgemental arguments rather than scientific evidence to assess the model.

Deductive

Deductive researchers would also have a number of concerns with my research design. From an ontological perspective, they would concur with the viewpoint of the inductivists that multiple realities are not possible in favour of one objective reality. On epistemological grounds, they would thus reject the abductive focus on interacting with respondents to understand how they construct their realities. They would also agree with the inductivists that the validity of the model cannot be scientifically established and that the model would thus have to be assessed on a judgmental basis. Their proposed remedy would be to develop hypotheses from the research for subsequent ‘scientific’ testing. In addition, they would not appreciate the bottom-up, grounded, approach to building data in favour of a priori determined hypotheses for subsequent testing. Having said the above, the deductivists would recognise two features of my approach as resembling their own viewpoints. First, the retroductive approach of using prior knowledge to inform the construction of a model to account for the phenomenon of study would be somewhat similar to setting up hypotheses of how the world works in the deductive approach. Second, my focus on constant comparisons, and alterations between theory and data, would have features in common with the temporary nature of deductivist knowledge and have some similarities with how they seek to refute or falsify (Popper, 1959) an existing theory, based on contradicting empirical evidence, in order to advance our understanding further.

Retroductive

As my research is based on constructivist realism, the research might be challenged by advocates of the structural version of realism. Such researchers would generally recognise and be sympathetic to my focus on generative mechanisms and model building efforts. However, they would have an ontological concern with my
constructivist perspective of social reality. While my starting point is exploration from an abductive stance, using respondents’ own accounts of reality, they would instead insist on starting from the objectivist ontology of classic induction. Thus, while the approach would be largely the same, there are epistemological differences as to what would count as valid knowledge for determining generative mechanisms and constructing models.

Abductive

The critique from within the abductive camp would also be mixed. While abductive researchers would accept my ontological assumption of reality as socially constructed, there would be differing epistemological opinions as to what can be done to analyse the data once it has been collected. From the viewpoint of ‘purist’ interpretivists, all that is possible would be to generate a rich description of how the respondents construct their worlds. They would thus reject my second-order retroductive analysis to analyse and construct a model of generative mechanisms on the grounds that such an approach is not consistent with seeking to understand reality from the perspective of the respondents. By seeking to ‘construct’ a model of generative mechanisms, they would argue that I have contaminated the abductive approach by introducing my own perspective into the model building and taken an inappropriate high stance in contrast to the low stance they would advocate. From an orthodox abductivist perspective, it would thus not be possible to construct a reductionist model of generative mechanisms based on a researcher’s creative imagination and analysis. Having said the above, there are many ‘liberal’ scholars within the abductive camp that would allow the researcher to analyse and interpret the findings with a view to developing propositions or models at a more aggregate level than the individual rich account of social actors.

3.3 Selection of cases

My original intention had been to ‘catch reality in flight’ (Pettigrew, 1990) and conduct a longitudinal, embedded case study of integration initiatives in Orange Denmark. This would have provided the opportunity to conduct action research along the lines of collaborative inquiry (Eden & Huxham, 2002; Reason, 2001; Reason, 2006; Reason & McArdle, 2004; Reason & Torbert, 2001). However following the sale of the business to TeliaSonera, this avenue was no longer feasible given that my secondment from Orange headquarters finished three months after the sale of the business. Given this, I changed focus to a multiple case study design.

The empirical material consists of five case studies of subsidiaries in China (1), Denmark (2), Romania (1) and Sweden (1). Following Birkinshaw and Hood (1998), a subsidiary is defined as ‘a value-adding entity in a host country’ (1998:774). As presented in the introduction chapter, I argue that the mobile communications industry provides a suitable context to research how subsidiary managers interpret and respond to cross-border integration. Given the identified gap in knowledge, the decision was taken to focus specifically on subsidiary managers rather than to also interview managers at headquarters.
Cross-border integration was an important element in all of the researched organisations but the shape and form of integration efforts differed significantly across the case studies. While the research progressed according to the principle of theoretical sampling, whereby cases were selected sequentially, a short overview of the cases is provided below for the reader’s convenience. Further details about the theoretical sampling logic is then provided within each of the first-order findings chapters. In comparison to much positivist research, it is important to stress this point as it might otherwise appear as if the five case studies were selected prior to the start of the fieldwork. The sampling strategy can best be labelled as ‘planned opportunism’ (Pettigrew, 1990) given the combination of theoretical aspects and a consideration for the possibility of securing research access. As will be discussed later, the inclusion of Vodafone China was especially opportunistic.

**Orange Denmark and Orange Romania**

My research interest in cross-border integration was sparked during my secondment from headquarters to the Danish subsidiary of Orange from October 2002 until December 2004. Following a sabbatical leave, I accepted another secondment to Orange Romania to assist the CEO with strategy development. This assignment was much shorter compared with Denmark and only lasted from December 2005 until February 2006. This provided the opportunity to add one more Orange subsidiary to the research programme.

The two Orange cases are examples of far reaching corporate integration efforts that affected a substantial number of business functions. There were thus significant efforts both to align the customer experience as well as to coordinate the delivery of business functions. Orange was running integration efforts by setting business requirements for integration, typically involving some form of consultation with subsidiaries, and then creating central roadmaps for the delivery and rollout across countries. Once decided, integration initiatives were to a high degree ‘forced’ upon subsidiaries, though the scale and speed of deployment varied. The Orange cases are thus examples of integration as configurational changes given the magnitude of change. The cases differ in that the Danish subsidiary was a sub-scale operation with limited bargaining power versus the corporate centre while the Romanian subsidiary was one of the most profitable operations in the Orange group. The hypercompetitive situation in the Danish market, led to the Danish subsidiary being sold to TeliaSonera in October 2004.

Given that I was seconded to both the Danish and the Romanian subsidiaries while conducting the research, these two case studies represent ‘inquiry from the inside’, while the other three case studies are examples of ‘inquiry from the outside’ (Evered & Louis, 1981).

**3 Sweden and 3 Denmark**

The 3 case studies represent a very different approach to cross-border integration. 3 launched with a common brand name across its subsidiaries in Australia, Austria, Denmark, Hong Kong, Ireland, Italy, Sweden and the UK from the beginning. This is in sharp contrast to the gradual internationalisation of Orange. Given this, 3 could procure
networks, IT systems and handsets on a group basis and achieve some economies of scale. However, beyond these major areas, integration was rarely mandated from headquarters but instead took place on a voluntary basis between countries. The result, was a lower level of cross-border integration compared with Orange. However, it was interesting to note that the level of integration between 3 in Sweden and Denmark was very significant and in many ways goes beyond the level of operational integration within Orange. In the Nordic region, there was a shared services organisation responsible for network, IT and finance. The two 3 cases are thus characterised by a limited global layer of integration focused on some major areas including brand name and purchasing together with tight operational integration between Sweden and Denmark.

**Vodafone China**

Vodafone China is a fully owned subsidiary of Vodafone in China. The subsidiary is responsible for managing the relationship with China Mobile which is the world’s largest mobile operator with over 270 million customers when the case study was conducted. China Mobile is organised into 31 subsidiaries covering all provinces in China. The company is majority owned (76%) by the Chinese government and Vodafone only owns 3.27% of the operator. However, given the competence and global scale of the Vodafone Group and the massive local scale of China Mobile, there were 9 cooperation work streams between Vodafone and China Mobile. These work streams covered technical, commercial, cost savings and standard settings areas.

As a majority state-owned company, China Mobile is managed in a top-down way. Given this, there is a Chairman’s forum where the CEO of Vodafone and China Mobile meets twice per year to discuss cooperation opportunities and agree on high priority areas. There is then a more operational steering committee which meets four times per year to establish the roadmap, monitor progress, make operational decisions and resolve issues.

The case of Vodafone in China was yet another case of cross-border integration in the mobile communications industry. Given the low ownership control, and the fact that China Mobile is not branded Vodafone, integration efforts were limited to specific initiatives and were thus closer to a strategic alliance than a subsidiary. However, this case study concerns the fully owned subsidiary Vodafone China rather than China Mobile. To date, most integration initiatives related to value chain/activity integration and there have almost not been any examples of marketing/customer experience standardisation, with the exception of roaming services.

**Comparison of cases**

Looking for similarities and differences between the cases, it appears that there are three different approaches taken to integration. The two Orange cases represent a relatively tight model of integration with large central support and development functions, central roadmaps and programme management and the relatively frequent use of expatriates. Orange is thus largely achieving integration by structural means. However, the level of operational integration of core business functions is rather limited. In contrast, 3 in
Scandinavia represents a very different model with rather limited global integration and an almost non-existent headquarters structure. Coordination efforts are largely the result of the personal commitment of Hutchison’s CEO and ad hoc decisions to cooperate between managers in different countries. However, while this represents the general model for 3, there is a very high level of operational integration in Scandinavia as the business is run through a shared services organisation covering network, IT and finance. The case of Vodafone in China is different again in that it would be more similar to a strategic alliance, limited to specific cooperation programmes. This is in contrast to Vodafone’s overall model which is similar to, and probably more developed than the Orange model of structural integration across a large number of areas. Appendix 14.1 outlines the three different models identified in this research.

There are also significant similarities and differences between the individual case studies. Appendix 14.2 compares the cases across a number of contextual dimensions. Taken together with the previous discussion of three different integration models, the selected cases include a large degree of variation across several different areas that may affect managerial perceptions.

### 3.4 Data collection

A special feature of grounded theory construction is the alternation between data collection and analysis. This implies a cyclical process with constant comparisons between data and the emerging theory, and further data collection based on theoretical sampling, rather than a linear process in which all data is collected up front and only subsequently analysed. For this research programme it means that data collection and analysis have taken place continuously. For the purposes of presentation, this dissertation does however adopt the convention, set by the positivist research paradigm, of presenting literature up front, followed by methods and then findings (Suddaby, 2006). It is however, important to stress that this format has been adopted to provide clarity to the reader, rather than to reflect the chronological unfolding of the research.

Data was collected using semi-structured interviews for all cases. Semi-structured interviews were considered appropriate in order to gain a rich and deep understanding of integration from the perspectives of the respondents. The first case, Orange Denmark, may be considered a pilot study in that it helped to focus the research and take the research topic into the empirical domain. The questions used in the Danish case were later replicated in the other four case studies. However, additional questions were added to the subsequent case studies as I had gained a clearer idea of what I was looking for and the extended literature review had indicated the potential usefulness of unbundling integration into marketing mix/customer experience standardisation and value chain/activity coordination. The interview guide for Romania thus built directly on the Danish guide by adding additional discussion topics. The interview guide used for 3 in Denmark and Sweden as well as Vodafone in China was an updated version of the one used for Orange Romania. The significant changes related to adding some additional questions regarding corporate parenting and questions to understand managerial responses to tensions.
Consistent with the middle management perspective (Floyd & Wooldridge, 1994; Floyd & Wooldridge, 1997; Huy, 2001; Huy, 2002; Woolridge & Floyd, 1990), I included boundary spanning middle managers in all cases to complement my interviews with top management respondents. All respondents were invited to meet with me via e-mail. The invitation e-mail stated that participation in the research was voluntary and that their names would not be identified in the final report. I also provided a brief description of the objectives of the research to ensure that respondents had some time to reflect on the topic, but the interview guide was not distributed in advance. All respondents granted permission for me to digitally record the interviews and they were later transcribed prior to analysis yielding over 150,000 words. Interviews were conducted in English with the exception of five interviews at 3 Sweden and one at 3 Denmark. All transcripts were coded directly in the original language and selected text passages were translated to English for inclusion in this dissertation.

In terms of timing, this meant that I collected and analysed the Orange Denmark data prior to arriving in Romania. I thus conducted both first-order and second-order analysis of the Orange Denmark data before continuing the research with additional empirical material. The same process was repeated for the material collected in Romania. I analysed the Romanian findings in comparison to the Danish data before the decision was taken to extend the research to additional cases. However, following this step, data for the additional three case studies were collected without each additional case being analysed before proceeding to the next. The approach was thus largely developed for the first two cases and subsequently replicated across the other three case studies as illustrated in Figure 3-1 below.

![Figure 3-1 Case studies](image_url)

A list of respondents has been provided in each of the subsequent chapters together with further details regarding the interview guides used.
3.5 Data analysis

This section presents the data analysis process. As the cases were analysed sequentially, I will detail how the analysis evolved in a linear way.

Orange Denmark case

The transcribed interviews were coded in a manner consistent with grounded theory as described in Corbin and Strauss (1998) based on the three phases of open coding, axial coding and selective coding. I started by printing copies of the interview transcripts and conducted line-by-line analysis of the content. During this initial review, I made frequent marks in the margins for possible codes. This process helped to sensitise me to the content in the interviews and to determine possible codes to structure the content. After this first review, I imported all transcripts into the software programme NVivo v2.0 to facilitate further analysis. I repeated the open coding process with line-by-line analysis again in NVivo. However, this time I coded sections of text as free nodes with reference to my original margin notes and additional thinking that had emerged during the review of all transcripts. Already during the open coding process, some higher-order categories started to emerge. When that happened, I created tree nodes to structure both previous free nodes and new emerging nodes. However, the process of free coding continued throughout. This meant that I started the process of clustering nodes in parallel to the open coding. This clustering process is referred to as axial coding in that nodes are re-arranged around central categories. This process of coding continued until no further concepts were identified. When all transcripts had been coded, I again reviewed the nodes and completed the axial coding phase by focusing specifically on the remaining free nodes. During this stage, I renamed, moved or merged nodes to create consistency. In the end I had two primary tree nodes labelled ‘tension’ and ‘management’. The ‘tension’ category structured all findings relating to the frequency of tension, impact of tension, which functions had been affected by tension, reasons for tensions and how managers had reacted to tension. The ‘management’ strategy instead focused on what subsidiary managers had done to manage or cope with tension and what they thought that managers at headquarters should have done differently. During this step in the process, I decided to focus on tension as the primary category and the next step consisted of relating all other categories to tension. This step in the process is known as ‘selective’ coding.

The original node structure from the Danish case is available in Appendix 14.7 and contains a total of 130 nodes.

Orange Romania case

It was my intention to analyse the Romanian case in exactly the same way as the Danish case. However, it proved impossible to approach this case with naïve eyes as I had already analysed the Danish case. I started with a paper-based review of the transcripts and wrote possible codes in the margins. Following this step, I imported the transcripts into NVivo v2.0 and repeated the line-by-line coding to generate free nodes from this open coding exercise. However, after about three interviews, it became clear that the causes of tension did fit well with the primary categories from the Danish case. I then
recreated those as nodes under ‘causes of tensions’ and continued the coding. I also identified an additional cause of tension based on the Romanian data. Given this, open coding and axial coding proceeded much more in parallel than in sequence when coding the Romanian case. The Romanian case was different in that I had added a number of questions related to marketing mix standardisation and value chain integration. To separate those out, I decided to create a tree structure with ‘tensions’ and ‘integration’ as the top nodes. The category used in the Orange Denmark case relating to the management of tensions instead became a sub-category within the ‘tension’ node. This process meant saving time on first-order analysis, compared with the Danish case, as the broad categories around causes of tensions had a good fit. However, at the end of the process I was confronted with two very different node structures for the two cases where the only real similarity was in terms of having similar sub-categories for causes of tensions while the rest was different. With my own retroductive stance, it was essential to seek to isolate generative mechanisms in the ‘real’ domain and then explain how they are activated or not activated depending on contextual factors. To achieve this, I needed to be able to compare the two cases so that the same category, sub-category or construct was called the same thing in both cases. To move forward, I decided to re-code the Danish case.

The node structure from the Romanian case is available in Appendix 14.8 and contains a total of 208 nodes.

**Re-coding the Orange Denmark case.**

I decided to re-code the Danish case from the original transcripts using the Romanian node structure. To achieve this, I saved a new version of the Romanian case and then deleted all Romanian transcript data. Following this, I imported the Danish transcripts again and proceeded with line-by-line coding. However, this time, I did not follow the standard steps of open, axial and selective coding. I was instead ‘testing’ the Romanian node structure on the Danish data. This meant that I needed to create new sub-categories when required to account for Danish differences. In the end I had some Romanian categories that did not contain any data in the Danish case. Such categories were deleted to ensure that all nodes reflected empirical data. This process also identified several passages of text in the Danish case that were consistent with the additional category identified in the Romanian case. I concluded that I had originally overlooked these findings during the first coding of the Danish case. The main benefit from this process was that primary categories and many sub-categories were now the same between the two cases. This created a similar overall structure that ensured a more consistent use of terminology and allowed me to pinpoint similarities as well as differences between the two cases. It is also important to note that I gained additional insight from re-coding the Danish case that made me modify the node structure at the sub-category level. Modifications of that nature were re-created back in the Romanian NVivo node structure to ensure that the structure was mirrored when relevant.

The revised node structure from the Danish case is available in Appendix 14.9 and contains a total of 146 nodes.
**Remaining cases: 3 Denmark, 3 Sweden and Vodafone China**

At the end of the re-coding of the Orange Denmark case, there were thus two separate, but comparable, node structures in NVivo v2.0. This made it difficult to utilise search functions in the software programme to facilitate the process of constant comparisons. This was discussed with my supervisory panel and it was proposed that I should merge the two models and add subsequent cases to the same model. Based on this advice, I created a merged model in the latest version of NVivo (version 7.0). The transcripts for the remaining three cases were then imported into NVivo and coding proceeded according to the replication logic. I frequently used my memory, NVivo’s search functionality and re-readings of the transcripts to check for the existence of emerging codes in already coded transcripts. This process of constant comparison, led to the coding of passages of text based on newly discovered codes. While a number of node categories were replicated across the last three case studies, the opposite is also true in that the latter cases also sensitised me to constructs that I had initially overlooked in the preceding cases.

The combined node structure from all five cases is available in Appendix 14.10 and contains a total of 254 nodes.

**Comparison across cases**

Bryman (1988) has argued that some qualitative research relies on presenting anecdotal or illustrative evidence rather than providing an overview of the typicality or generality of the presented findings. The impact is that the reader might feel uneasy regarding the degree to which the findings are actually representative of the empirical evidence. To remedy such cases of selective anecdotalism, Silverman (1985) has advocated the use of simple counting techniques based on the natural categories that emerge from the data. This provides both the researcher and the reader with an overview of the data. This research programme adopted the ‘simple counting’ procedures proposed by Silverman (1985) and all key parts of the node tree were cross-tabulated across the five cases as illustrated in Appendix 14.3. These tables provide a measure of node groundedness that allows the reader to get an overview of the extent to which passages in the transcripts were coded to nodes across the cases.

Given that Silverman’s (1985) approach is based on counting data in categories that are not alien to the respondents, Bryman (1988) concluded that Silverman’s counting approach provides a valid method to integrate qualitative and quantitative methods within a constructivist research paradigm.

In the first-order findings chapters, the number and percentage of respondents are shown as [5;42%] meaning that 5 respondents, representing 42% of all case respondents, discussed a particular topic. To preserve anonymity, the respondents are coded with a company code and a number. [ODK 3] thus means respondent number 3 from Orange Denmark.
3.6 Interplay of literature and data

As mentioned, grounded theory requires interplay between theory and data. Theorising is thus an integral part of the approach rather than something that is confined to only a particular stage in the research. The implication of this is that literature has been used for different purposes throughout this research programme. First, literature was used to establish the research gap that this programme seeks to contribute towards filling. Second, literature was used again as part of second-order analysis of the Orange Denmark findings. At this stage, literature was used to interpret and make sense of the empirical findings. In parallel, I consulted literature again in a wider sense as I wished not only to explore managerial tensions in an abductive sense but also construct knowledge that would be useful for change and intervention by management practitioners. This led me to conduct a systematic review of literature on MNC integration, and especially to un-bundle integration into marketing mix standardisation and value chain integration. Based on this conceptual argument derived from the literature, I then revised the interview guide for Orange Romania to explore integration deeper within these two categories. Third, literature played yet another role after I had completed first-order analysis of the Orange Romania findings. At this point in time, I was confronted with a wealth of empirical material and I felt the need to approach the material from a specific theoretical framework. Given my philosophical stance of reality as socially constructed, sensemaking emerged as the ‘sensible’ choice. Fourth, the addition of parenting literature led to the inclusion of further questions for the last three cases.

3.7 Summary

Table 3-2 below summarises the central features of this research.

<table>
<thead>
<tr>
<th>Area</th>
<th>Position of dissertation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ontology</td>
<td>Social constructivist</td>
</tr>
<tr>
<td>Research strategy</td>
<td>Retroductive based on abductive accounts</td>
</tr>
<tr>
<td>Philosophical perspective</td>
<td>Constructivist realist</td>
</tr>
<tr>
<td>Theoretical perspective</td>
<td>Sensemaking</td>
</tr>
<tr>
<td>Context</td>
<td>Subsidiaries of multinational companies following corporate strategies that require cross-border integration</td>
</tr>
<tr>
<td>Phenomenon</td>
<td>How subsidiary managers interpret and respond to corporate integration efforts when they perceive a high degree of tension between requirements for local responsiveness and global integration</td>
</tr>
<tr>
<td>Unit of analysis</td>
<td>Subsidiary managers</td>
</tr>
<tr>
<td>Research methodology</td>
<td>Grounded theory</td>
</tr>
<tr>
<td>Data collection method</td>
<td>Semi-structured interviews</td>
</tr>
</tbody>
</table>
4 ORANGE DENMARK CASE

4.1 Introduction

This chapter presents the first-order findings from the first case study conducted at Orange Denmark.

4.2 Case context

Company context

The company was launched by France Telecom in March 1998 under the brand name Mobilix. Following the acquisition of Orange by France Telecom in August 2000, France Telecom’s mobile assets were transferred to the acquired entity. Orange was delisted from the stock exchange as a result of the acquisition but was reintroduced in February 2001 following an IPO. The new management team announced the intention to rebrand former France Telecom operators to Orange which lead to the replacement of Mobilix by Orange in May 2001. The subsidiary was sold to TeliaSonera in October 2004 following bids from a number of telecoms companies to take over the operator.

Market context

When conducting the research, the Danish mobile market had one of the highest levels of competitive intensity in Europe (measured by the Herfindahl-Hirschman index) following deregulation which had led to the introduction of a number of network operators as well as virtual operators. The introduction of virtual operators, starting in 2000, represented a significant discontinuity in the Danish competitive landscape and more than tripled the number of mobile brands in the market during the following three-year period. Together with strict regulatory restrictions on contract binding periods, this led to drastic price reductions and among the highest customer churn levels in Europe.

Given the high competitive intensity, and the sub-scale size of the business, the Danish Orange subsidiary had been suffering from operational losses and negative cash flow since launch of operations. When a new management team took over the subsidiary in October 2002, the business was suffering from poor financial performance and headquarters questioned the viability of the operator. The new management team confronted the simultaneous challenges of turning around the performance of the business, meeting intensified local competition and responding to corporate integration efforts from the Orange Group. Following implementation of a turnaround strategy, the subsidiary achieved improved financial results by end of 2003 with positive performance at both EBITDA and free cash flow levels. This made the subsidiary an attractive takeover candidate to corporations looking to consolidate the Danish mobile market.
Integration context

The strategies of both France Telecom and Orange, prior to 2002, could be characterised as locally responsive (Prahalad & Doz, 1987), multinational (Bartlett, 1986; Bartlett & Ghoshal, 1989) or multidomestic (Hout et al., 1982) given the high degree of local autonomy and competition on a country-by-country basis. France Telecom had operated its mobile companies on a portfolio basis without any common brand name or substantial synergies between the operations. Orange had also followed a strategy of local autonomy. As a result, there were few linkages between the Orange operations apart from the brand name. However, from 2002 onwards, Orange made significant efforts towards implementing greater integration across its different European operations. The Danish case is thus an example of far reaching corporate integration efforts that affected a substantial number of business functions. There were thus significant efforts from the Orange Group both to align the customer experience as well as to coordinate the delivery of business functions. Orange was running integration efforts by setting central business requirements for integration efforts, typically involving some form of consultation with subsidiaries, and then creating delivery roadmaps for rollout across countries. Once decided, integration initiatives were to a high degree ‘forced’ upon subsidiaries though scale and speed of deployment varied.

The Orange Denmark case is thus about integration as early stage configurational change involving a challenger operator with sub-scale size and relatively weak financial performance. Integration took place through centrally structured initiatives rolled out on a global/regional basis.

4.3 Data collection

Respondents

All respondents were members of the management team who managed the business for the two-year period between October 2002 and October 2004. The twelve interviews lasted between 21 and 53 minutes and generated 42,131 words when transcribed. It is important to note that the interviews were conducted in December 2004 after the sale of the business to TeliaSonera.

Table 4-1
Orange Denmark respondents

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Data collection</th>
<th>Interview length</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO</td>
<td>Phone Dec 22, 2004</td>
<td>31 minutes (3,853 words)</td>
</tr>
<tr>
<td>Chief Operating Officer</td>
<td>Face to face Dec 22, 2004</td>
<td>38 minutes (3,935 words)</td>
</tr>
<tr>
<td>Chief Technical Officer</td>
<td>Face to face Dec 23, 2004</td>
<td>48 minutes (5,502 words)</td>
</tr>
<tr>
<td>Chief Financial Officer</td>
<td>Face to face Dec 21, 2004</td>
<td>48 minutes (6,081 words)</td>
</tr>
<tr>
<td>VP Strategy &amp; Planning</td>
<td>Face to face Dec 16, 2004</td>
<td>37 minutes (3,767 words)</td>
</tr>
<tr>
<td>VP Human Resources</td>
<td>Face to face</td>
<td>21 minutes</td>
</tr>
</tbody>
</table>
Interview guide

The interviews for the first case study focused specifically on situations when the respondents had felt competing demands for local responsiveness and global integration by exploring how common it had been for respondents to experience competing demands, in what areas of the business competing demands had been the highest, what the underlying reasons for tension had been, how managers had experienced the tension, what they had done to manage in such situations and what had worked well versus not so well.

The full interview guide is available in Appendix 14.4.

4.4 Tension findings

This section presents the findings relating to local – global tensions as experienced by the Danish subsidiary managers.

4.4.1 Frequency of tensions

All respondents [12; 100%] noted that they had frequently experienced tension between group demands and local requirements. Some of the representative statements include: ‘We more or less discussed this constantly’ [ODK 8]; ‘In my business it was pretty common actually, that was our bread and butter I would say’ [ODK 4]; ‘In my situation it was extremely common’ [ODK 1]; ‘Those kind of conflicts were fairly frequent’ [ODK 2]; and ‘It’s a common thing that happens all the time’ [ODK 5].

4.4.2 Areas affected by tensions

The key areas of tension were commercial, especially product development and propositions marketing, and technical functions that were increasingly being integrated. Support functions were also affected but to a lesser degree.
4.4.3 Causes of tensions

The five areas below will be used to structure findings across the five case studies to enable comparisons across the cases. It is however important to state that these five categories of tensions emerged from the study rather than being imposed on the data based on a priori determined categories from the literature review.

1. Content of integration initiatives
2. Decision-making process and interaction with headquarters representatives
3. Implementation of integration initiatives
4. Loss of autonomy of subsidiary managers
5. Cultural differences

Perceptions of the content of integration initiatives

One of the key drivers of tensions was that managers perceived that the ‘content’ of integration initiatives did not fit well with the requirements of the Danish business. There were four primary drivers of this perception. First, that there were underlying market differences across the Orange footprint that simply made it very difficult to develop initiatives that would be relevant across the European footprint. Second, that initiatives had negative or marginal benefits in a local context. Third, that the Danish business had a different strategy or market positioning that necessitated a different focus. Fourth, that there were legacy set-ups that it would be complex and expensive to replace. Most respondents [10;83%] discussed various aspects of misfit.

Underlying market differences [5;42%]. Fundamental market differences were perceived as generating tension. This included regulatory and competitive differences that lowered the perceived value of initiatives emanating from the corporate centre.

There were a lot of initiatives from the Orange Group that were highly prioritised that didn’t really jibe with what would have been a good strategy for a company in our situation with the competitiveness of the Danish market [ODK 8].

Negative or marginal local benefits [4;33%]. Several managers commented that they saw marginal or even negative value of a number of the proposed or mandated integration initiatives.

The underlying reasons would be that ultimately, the people in the local business felt they knew what was best for the business in terms of its financial and commercial performance and felt that many of the initiatives which were being put forward by Group were not going to add significant incremental value and might even detract from value in terms of using scarce resources that would otherwise be used to develop products and services which would develop more money for the local business [ODK 2].

Different strategy and positioning [3;25%]. Group initiatives were also felt to have primarily been created to address the competitive situation in the two major countries where Orange was present: UK and France. The respondents noted that you need to adapt your strategy to whether you are a market leader or a challenger.
From a Group level you had guidelines and structures and governance that didn’t fit with the Danish market. The basic problem, to boil it down, was that we had a market leader strategy applied to Orange whereas a lot of Orange countries and certainly Denmark, was very much a challenger [ODK 6].

**Legacy set-up [4;33%].** In addition, mandated requirements sometimes required complex and expensive modifications or replacements of legacy systems.

From a Technical perspective there would have been legacy systems which would have needed to be removed to allow a Group solution to be put in place. But there was no methodology of the compensation of the cost of doing it. The local subsidiaries had to bear the cost themselves [ODK 12].

**Perceptions of the decision-making process**

Another key category of tensions related to various aspects of the decision-making process and how headquarters representatives had interacted with subsidiary managers. All interviewed managers [12;100%] discussed tensions arising from the integration process.

**Lack of fair treatment [10;83%].** There were a large number of comments that indicated that the integration process had not been perceived as fair. This included perceptions that the Group had had unrealistically high expectations on how fast integration could be achieved and of the benefits of such initiatives in a local context.

In terms of what did not go well, you could say virtually any part of the process, I would think. In terms of initial consultation, or lack of it, the realism concerning what could be achieved by many of the products which were on the roadmap and in terms of realism of how much value they could bring to a local business against stuff which could be developed specifically for the business locally which would have brought a lot more value, quite obviously. Only a moron in a hurry would fail to see those things I think [ODK 2].

There were also comments that managers felt that integration was driven more by politics and power games than by sound business reasons.

What we could see was a huge fight between UK and France between persons, positions, directions. So maybe they couldn’t tell us the direction because they didn’t know it themselves? We could see the big picture but weren’t told. I never saw a 2 or 5 year plan telling that this is the future set up of the organisation and why we’re working so hard on this delivery [ODK 9].

**Lack of understanding from managers at headquarters [7;58%].** Managers in the Danish subsidiary reported that they had felt that managers at headquarters showed a lack of understanding of local circumstances. Some respondents felt that head office managers were not listening to what subsidiary managers had to say.

I think the operating model was not working. The formal structure did not work. The process for decisions was unrealistic. I could see looking at it with our CTO that it would never work. Nobody seemed to flag the issues. We definitely tried, I tried constantly but no one was listening really [ODK 1].
Subsidiary managers also reported that there was lack of understanding from head office managers stemming from lack of operational knowledge of what it would take to implement integration initiatives locally.

I think the other thing is, with hindsight, that the centre underestimated the complexity of what they were trying to do. So the time frames were all wrong and that’s about having non-operational people doing most of the business, because the deliveries depend on the cooperation of the people in the countries [ODK 10].

One manager reflected that there was unwillingness from Group managers to acknowledge that the central strategy may not be equally effective in all markets.

It’s the inability to fully accept that the Group strategy wouldn’t work to its full extent in all markets [ODK 8].

**Integration not sold to subsidiary managers** [5;42%]. There was thus a lack of strong belief and commitment to the integration process. Some managers noted that it would have helped if managers at HQ would have communicated more and tried to sell integration better.

I think the overall idea of having some kind of global framework was very good and my intention was to follow that framework but it was really hard because the resources from the central HR were not very good and they almost never came out to talk to us about it [ODK 3].

**Lack of trust** [2;17%]. Due to early failures during the integration process, some subsidiary managers did not trust that the Group would deliver what it said.

So [Group] delivery is almost completely nonexistent. If it hadn’t been I think there would have been a much better perception of what the Group was asking us to deliver because we were always being put under extreme pressure to deliver while they delivered nothing [ODK 2].

**Perceptions of implementation**

The next key category of tensions related to statements about the implementation of integration initiatives. Perceived tensions arose for a variety of reasons including goal and resource conflicts, increased bureaucracy, lack of clear direction, inexperienced people at headquarters, unclear roles and responsibilities, and weak delivery. All managers [12;100%] discussed tensions created as a result of weak implementation.

**Goal and Resource conflicts** [11;92%]. A key driver, was conflicting goals based on different units at headquarters setting different targets to the local entity that were not aligned. One of the drivers was a perceived disconnect between short-term financial demands versus long-term benefits of integration initiatives. Integration initiatives often had an adverse short-term impact but no target relief was granted for implementation.

In my mind there was disconnect between the expectations in the local company to deliver a result and what Group wanted long term. So you had the short term targets and Group long term targets. And that was a mismatch. There was no prioritisation, there
was no handling of the consequences, you can easily go the Group way if you are aware of the consequences and you deal with them locally. Meaning that you could be accepting worse and risk your results for a time until you delivered the Group solutions, but no one did that… I think it was a disconnect between local short term and global long term [ODK 9].

There was also no clear method for prioritising global and local demands. This was problematic as all initiatives eventually competed for resources from the same overall budget in the Danish subsidiary.

It was clear that the Orange Group wanted to go for consolidation and a unified approach. What was unclear was how they could prioritise certain initiatives against others when certain initiatives were clearly valueless and others probably had significant value but were apparently being ignored. So that’s kind of a paradox [ODK 2].

**Increased bureaucracy [1;8%].** Participation in Group projects also led to increased paper work at the subsidiary level.

I think the data content team spent over 50-70% of their time reviewing Group papers and commenting on them and basically we didn’t deliver or even prioritise data content anyway, at that time, but spent a lot of time and the output was zero, so it decreased the efficiency in the team… From a local perspective it decreased efficiency. My team had to spend a lot of time interfacing with Group and not interfacing with the local sales team. So they were withdrawn from the market and we were criticized a lot for that from local sales that we were not supporting them, when we were supposed to be spending our time interfacing with Group [ODK 1].

**Lack of clear direction [10;83%].** Another sub-theme relates to unclear objectives and operating rules. One of the key drivers of this was multiple voices issuing different instructions and mandates.

There was no interface between finance and commercial and finance and technical at corporate level. Corporate finance would say you need to reach a hundred and then suddenly Technology comes in and says we have to implement this and it’s not going to increase your 100, it’s going to cost 50. But Finance at Group still said, so what, we want 100. How do you do that? They didn’t talk together [ODK 11].

As a result of this, it meant that the overall direction was unclear.

Because when they launched the work and tried to set up the new processes they were not ready with their analyses. That was still work in progress, it has been work in progress for 2 years on those roadmaps. I mean the roadmap at the GBMP steering committee was changing every time, back and forth, reopening old items, re-discussing old fights that they’d already had. It was just very, very unstructured from their side, I would say [ODK 4].

One respondent noted that that integration seemed to swing like a pendulum between global and local. This perception was later confirmed by other respondents outside of the formal interviews.
Inexperienced people at headquarters [3;25%]. It was also argued that people at Group level did not have the competence to deliver what was required.

I’m not sure it’s because of the fact that they didn’t want to coordinate because I think that they tried to coordinate, but I think that the people that were there maybe were not the right people to run those processes. They didn’t have the experience of running [operations]. I mean, it’s very different coming from one world where you manage different local entities locally to one managing the different local entities centrally with central propositions. It’s a completely different expertise I would say that you expect from the group of people that sit in the headquarters [ODK 4].

Unclear roles and responsibilities [3;25%]. Managers also talked about unclear roles and responsibilities when it came to implementation of integration initiatives. This included both between headquarters and the subsidiaries and between different entities at headquarters.

In Orange we wanted to get to the result of having centralised solutions but we didn’t want to centralise the organisation. They also did it organisation-wise in that there were not created Group organisations to deliver this. They created an organisation grouping responsible for delivery but you still had all the equivalent satellite organisations in each local MCO. So you still had a central technology and commercial competing with local Commercial and Technology. They were definitely unclear about their responsibilities and there wasn’t a centralised organisation behind this…We tried to go for a central solution with decentralised organisations. I think we failed doing that [ODK 9].

Weak delivery of integration initiatives [4;33%]. It was further felt that processes were either lacking or not functioning well.

The other one, the major one that I see is that the infrastructure was not in place. I mean all the resulting bullshit. I mean nothing really happened in the correct way. It was really pushed back from the Group from people that have never had experience in implementing this kind of recharging principles between the different entities. There was not even a clear process in terms of how you manage your budget, your planning phase with regard to that. It was always at the last minute that we got input from GBMP or from wherever to implement into our forecast. And then you don’t have an integration process where you have a chance to discuss how you’re going to make it [ODK 4].

Perceptions of the loss of autonomy

Another category of tension related to subsidiary managers losing power and influence over the way their business was run. Half of the managers [6;50%] discussed tensions resulting from a loss of local autonomy and reluctance to change.

Loss of local autonomy [6;50%]. Local power and influence of subsidiary managers were reduced as a result of the integration process. However, there was no explicit change management process in place to manage this.

Well I think that on a personal level it was frustrating because first, although I had a CEO position in Thailand, there was a lot more autonomy, perhaps because it was
further away, and there was less focus on that particular business. In Denmark, obviously, there was a major change in that context and it was rather frustrating [ODK 2].

**Reluctance to change [4;33%].** Some of the expatriates also noted that a number of their Danish colleagues were reluctant to change and that they had strong national pride in doing things the local way.

From the local side, it’s the Danishness or unwillingness to accept that somebody else sets the rules and says this is the map, this is where we’re going to go. That doesn’t really work with Danish culture and the way people work [ODK 8].

**Perceptions of cultural differences**

**Cultural interaction style [3;25%].** There were also comments about the specific Danish style that are closely related to the reluctance to change described above.

If you work in Thailand for instance you can give people a global mindset because they are immature from a corporate perspective and they want to learn from the global involvement. They’re interested in being more global. In Denmark it’s the other way around. They’re more interested in protecting the language and the local market and the way you do things. ‘We have one of the most penetrated markets in the world, the toughest market in the world, blah, blah, blah. Why would we do it differently? We know how to do it, we’re dealing in the toughest market’. And it’s constricted in that sense. [ODK 7].

In the Orange Denmark case it was difficult to disentangle the influence of culture given that the subsidiary was undergoing strategic change. Culture may thus both have played a role in terms of leading to a reluctance to change (the previous theme), and to differences in cultural interaction style. The effect of cultural differences was much easier to identify in the Vodafone China case as we will see later.

### 4.4.4 Consequences of tensions

The perceived tensions had a number of positive and negative consequences.

**Positive consequences**

Respondents noted getting a new perspective on things and knowledge sharing as primary benefits from integration. However, the discussion of positive benefits was fairly limited in the Danish case [2;17%].

**Getting new perspectives [1;8%].** One respondent noted that a bit of friction between local and Group can generate new perspectives.

I think a little bit of tension is a good thing and it’s permissible if you try to drive from the top specific Commercial or Technical projects because you are aiming to find synergies in the Group and standardise. You will always have some kind of push back from the local team because you’re taking responsibility from them but globally it makes sense. So a little bit of friction and tension is all right but I think in this situation...
we were reaching a too high level of tension because I didn’t feel that it was done in a smart way [ODK 11].

**Knowledge sharing [1;8%].** Another key benefit was increased knowledge sharing across the Group.

The advantage was that there was a lot of knowledge sharing and personally I think it was interesting to see how the in-life process was, for example, when each country had to come up with 10 top initiatives that really worked. That was interesting to see. I think if you got it up and running there was probably some value in it [ODK 1].

**Negative consequences**

There was however substantial discussion around negative consequences [5;42%]. This included both adverse business impact and negative personal impact.

**Business impact**

**Following a sub-optimal strategy [1;8%].** A senior manager felt that the constant conflicts between delivering short-term financial targets and long-term integration initiatives led to a sub-optimisation of the strategy.

The ideal is standardisation. If you do it effectively like Vodafone you can be very successful and reduce costs. But if you don’t do that you drive local businesses to seek new solutions to subscribers because they have to provide solutions to their subscribers because the competition is doing it. We acted tactically when we should have been acting strategically. So what we were doing was effective in terms of turning the performance of the business around, but it wasn’t what we should have been doing [ODK 2].

**Wasting resources [3;25%].** Several managers felt that integration efforts consumed a lot of resources that could have been put to more productive use elsewhere.

It required a lot of time. I spent a lot of time negotiating and discussing with Group; our roadmap and what we were doing in comparison to what their expectations were. So as an individual, it took a lot of my time [ODK 7].

**Loss of time to market [1;8%].** Another business impact was the loss of time to market.

It had an impact on the result of the business, because obvious things that we wanted to do to respond to the Danish market needs and conditions were delayed or not necessarily met because of competing demands [ODK 5].
People impact

Some managers [4;33\%] also noted examples of negative personal impact.

**Demotivation** [1;8\%]. The tension could result in demotivation.

In terms of motivation in the whole organisation, it increased people’s workload, and they felt it was great to be part of a Group, but they never saw complete tangible benefits. They just saw that they had to provide more and more and got less and less back. That took the motivation down in Finance [ODK 11].

**Frustration** [4;33\%]. Several managers reported feeling substantial frustration.

You feel that you are facing an enormous, horrible machinery that’s driving all over you. You can shout and try to defend yourself, but it’s roaring all over you and if you don’t take the decision it’s escalated and your boss gets beaten over the head and you have to do it anyway [ODK 11].

**Generating scepticism** [1;8\%]. It was also noted that the chaos and confusion could generate a sceptical attitude towards integration initiatives.

I should have been tougher on saying we shouldn’t do it if we don’t have the time or resources. We wasted a lot of time like that. I should have gone more for the prioritisations and when I had the opportunity to push a project forward, I should have pushed harder. I was always in doubt whether that target would change in the next few weeks. So I hesitated [ODK 9].

4.4.5 Managing tensions

Managers used a variety of different ways to manage or cope with the perceived tensions.

**Gamesmanship**

Most managers [10;83\%] noted that political ‘gamesmanship’ behaviours constituted vital survival tactics when confronted with competing demands.

**Asking for forgiveness** [2;17\%]. This included asking forgiveness rather than permission before deviating from initiatives.

You have to work with them and make sure that you deliver what you can into the local market. I didn’t have a problem with it. It never really stopped us, though sometimes we would have to ask forgiveness rather than permission, but we had a clear objective; to succeed in the local market. Obviously, we couldn’t violate brand guidelines but we could bend them a bit [ODK 6].

**Break guidelines** [1;8\%]. It also meant accepting that you sometimes had to break guidelines in specific areas in order to achieve overall financial targets.
It made it very difficult because from a local perspective we had targets to meet and to achieve those targets it was necessary to go outside the Group guidelines [ODK 12].

**Build subsidiary alliances [2;17%].** Subsidiary alliances were used to gain bargaining power versus Group.

One of the other big things is you have informal groups or committees forming. So for example, I know for a fact that CEOs would get together prior to meetings with Group and decide on what positions the [subsidiaries] would take on certain issues. And in certain cases I actually know that they went above the formal reporting structure, in terms of products and services, in order to stop things happening. So you actually had whole bits of the organisation pulling in different directions [ODK 10]

**Comply on paper [2;17%].** Another tactic was to comply on paper and make it appear as if the subsidiary was doing much more than was actually the case.

We had major discussions, particularly when it came to allocating spend. And on occasions the impression would be given that more was being done on certain Group activities than actually was, so you’d try to show commitment but actually not do anything. [ODK 10].

**Create confusion [1;8%].** Or creating confusion at the Group level.

You can do a lot of nasty stuff. You create confusion and that I have done on a couple of occasions because the best way to try to avoid being under the light is to put the other guys under the light, and you know you have a big political agenda between GBMP and corporate finance and international finance so you just play them against each other. But it isn’t very productive and I’m not proud of it, but it did help us, I mean, it gave us time, to create confusion [ODK 4].

**Delay implementation [4;33%].** And to use a variety of methods to delay implementation

The biggest tactic is buying time, we don’t say no but we don’t say yes either. It takes time, you need to investigate, you have to prioritise, you need to have the resources, etc. That’s the only way to cope with it in my view. I understand that our CEO couldn’t say no to everything. You needed, of course, to pick your fights, some of the things that you don’t really believe in [ODK 4].

**Make delivery contingent on Group [1;8%].** As the Danish subsidiary was short of resources, it was considered vital to conserve resources to the most critical projects. Management was thus careful to not spend significant local resources on projects that were contingent upon delivery of platforms or enablers from group.

In terms of content management platforms which was a 30m krona investment. Five or six other projects were depending on that so we said ‘yes we’ll deliver these projects’ but we put in asterisks provided that we get a platform delivered by April. If we don’t we can’t deliver the other ones [ODK 5].
**Over embrace selected initiatives [2;17%].** Other methods included claiming that the subsidiary already had implemented the initiative as well as over embracing some initiatives.

By driving all these Corporate projects they could gain a trump card to play in Group, to be able to say ‘hey, we’re really good at that’. It helped to build up the credibility. That’s how I felt in my role [ODK 11].

The author had also personally been involved in making a show-case of the implementation of a new pan-European segmentation model. The Danish subsidiary got substantial recognition from the top management of Orange by becoming a frontrunner of the implementation of the new segmentation.

**Passive compliance [1;8%].** There were also instances of passive compliance with Group initiatives.

The biggest thing that was used was to say well, we don’t have the money, financial results or the physical resource to deliver within the time frame that they were asking. That was then thrown back at the Group to come up with those resources, and 90% of the time their agenda and their plan was far too large to deliver within the timeframes they were saying. They didn’t have the resources themselves. So there was a lot of double bluffing. We’d say, we’d love to do it but we don’t have the resource and then they would come back and say great, we’ll get you the resources. Three months later, we’d find that they didn’t actually have the resources. And it comes back to what I’ve said before, it comes down to budgeting. They didn’t have the budget and we didn’t have the budget, yet they had these big plans [ODK 10].

**Prioritising local demands [5;42%].** It also sometimes meant prioritising local demands over Group.

We had to say, yes, we’ll do it and show them that we did implement certain things and we communicated everything from new bonus targets and policies to our roadmap for delivery of products and services but in the end we had to do our own thing and that satisfied them because they’re so big and we’re so small [ODK 8].

**Interacting with Group**

The way you interact with counterparts at Group level was also seen as important and was discussed by all respondents [12;100%].

**Argue the local case [2;17%].** This included being good at arguing the local case to headquarters representatives.

We tried to get exemptions, where possible. For instance if we had a legacy system that was particularly expensive to change at that point in time we applied to be exempt from the supply of that equipment and go to another supplier [ODK 12].

**Be honest with Group [2;17%].** Two managers talked about the necessity to be honest and straight with Group.
I think in a sense that I managed to stay on good terms with my second boss though I was in an impossible situation and could not deliver. I was open about the issues and I think he agreed with me. We did a lot of other things with the in-life process, like who did the best reporting, on time and we got a lot of credit for that. I said I can’t deliver this stuff but I can deliver this stuff. I made it very clear that it wasn’t that I was ignoring Group because Group was very sensitive to the fact that they were, in the beginning the countries had all the power and Group was weak. Group was challenged in that ‘you don’t know how the locals work’ you can always hide behind that so they were sceptical. So I was being very open with Group, shared information with them, reporting, delivering other stuff and I did that because I used to be Group and knew what it was like when countries didn’t want to share information with us [ODK 1].

**Build personal networks** [7:58%]. It was also considered key to invest the time and efforts to build personal networks at Group level. This was seen as making it easier to get your voice heard and built trust that was needed for inevitable exemptions later on.

It is very political and not necessarily in the negative sense. Political from the point of view of understanding who the players are, and making sure that you’re tapping into that resource, and you’ve got a position that makes sense so they know what you’re at and you know what they’re at and you can come up with a common direction [ODK 7].

**Compromise** [1:8%]. The ability to strike the right compromises was also seen as important

Eventually we got to an easy position where we weren’t entirely satisfied with the outcome but nevertheless, there was a consolidated local/global roadmap which everyone, broadly speaking, was willing to accept and follow [ODK 2].

**Escalation** [1:8%]. Escalation was also used but it provided a mix bag of results.

And obviously, initially, I spoke to [the Group Executive VP for Marketing] who was running the whole show and pushed back but that only led to threats so then we pushed back at different levels so that I had the opportunity to take different decisions if we got severe objectives from Group level and some of that worked in terms of compromises and some of it didn’t [ODK 2].

**Fight back for prioritisation** [1:8%]. A senior manager mentioned that he had tried to argue for prioritisation of initiatives against the local budget. However, the outcome of such moves was often not successful.

The other way is basically, just to, how do you call it, not blackmail, but to take the fight on the financials and the implications it would have but you don’t win this fight usually [ODK 4].

**Get the right targets** [1:8%]. The same manager also noted that the Danish business was struggling as the overall financial targets had been set too high at an earlier date. This meant it was hard to deliver financials when the competitive intensity increased and the Group requested that a larger proportion of local resources would be used on integration initiatives in the short-run.
I think the first key learning is to negotiate the right target up front. Don’t fuck around, just get it over with at once and get the right level. Not to be too aggressive, because if you get it too aggressive you’ll suffer all the way. You need to create some kind of buffer and that’s just the way it is. Take the fight up front instead of taking it after. It’s just a waste of energy [ODK 4].

_Influence rules of the game [1;8%]._ It was also seen as important to participate actively in various Group forums with the specific objective of seeking to influence the rules of the game. This meant both that subsidiary managers could be seen as ‘playing ball’ and were in line with corporate integration efforts and it also made it possible for managers of the Danish subsidiary to exercise a greater amount of influence than the relative size of the Danish subsidiary would normally warrant.

Personally, I was involved in a lot of Group forums, CTO forums and other forums about governance, and about general management from a Group perspective. There was a lot of discussion with all of the entities and with Group structure as to how best we should set it up. So I had a fair bit of influence in that at some stage from a governance perspective [ODK 7].

_Request additional resources [5;42%]._ Managers also requested additional resources from Group to be able to deliver integration requirements.

We hired in consultants. That was a mechanical way of doing it. We would put in the request to Group and get consultants and they would pay them. We ended up with two separate organisations. One delivering local targets one to deliver Group requirements [ODK 9].

_Signal compliance [4;33%]._ This included signalling compliance and showing that you were on board.

I tried complete honesty for a short while. It wasn’t saying no, it was saying we don’t think we can do this, it’s very difficult for us. This showed up in a very red colour on the spread sheets. So we changed the tactics to saying Yes, provided….Essentially you say yes and hope it goes away. It all sounds very counterproductive and it’s not meant to be that but it’s a fact that if we had to do all the projects that everybody wanted us to do the CAPEX project would have to be twice the size of the going one. So it’s about managing [ODK 5].

_Understand the political landscape [3;25%]._ It was also seen as key to have the ability to read and understand the political landscape at Group level.

That’s where the political dimension comes into play. You need to understand the people that are leading the Group at the Group level and how they interact with each other. And then, basically, it’s a game of cards. You need to play your cards right. And if you mess up then you end up doing everything and not doing anything local. It’s a chess game. You need to put your pieces on the chessboard at the right time, in the right order towards the right opponent [ODK 4].
Structure local subsidiary

At a structural level, managers considered it key to get control over the local organisation.

Create a consolidated roadmap [5;42%]. A key initiative consisted of constructing a consolidated local roadmap that contained a total overview of all initiatives that required local resources.

What worked well. Eventually a local/global roadmap was devised which became the roadmap which everyone understood and was following [ODK 2].

Ensure a united management team [2;17%]. It was also seen as important to ensure a united local management team.

On those occasions when there was Group pressure we were pretty good at communicating informing and standing behind each other, all of us, including [the COO], which has not always been as easy as it sounds. But that actually helped us create a team spirit and stand united [ODK 4].

Reprioritise [2;17%]. And often some form of reprioritisation.

On the spot you try to reprioritise in terms of your projects list. Then you inform people of the impacts of this decision versus that decision. It doesn’t mean anybody’s going to answer you but it’s the process. Then on any local as well as international wish list of projects there are projects with high and low impact. So you try to sanity check and reprioritise those so you feel confident that you can deliver the major ones and not necessarily the ones you are doubtful of [ODK 5].

Streamline interfaces [2;17%]. And to streamline interfaces with Group so it was clear what the subsidiary committed to during the course of Group interaction.

What I did was to make sure I had the interfaces into the Group. So we streamlined the interfaces and that was done, not just in Technology, but in a number of areas. So at least, we sort of got some control over the reporting and the understanding of what the requirements were. And that helped, definitely. We just agreed generally at the VP level on the things we would do and wouldn’t do, and we all communicated a similar view to Group in that respect [ODK 7].

Get your priorities straight

Decide on what matters most [3;25%]. In a complex operating environment, with competing objectives and limited resources, it was considered important to keep the eye on the ball and be clear on what really mattered as it was impossible to simply do everything.

Probably the real challenge is to work out which ones are mandatory and can’t be avoided and which ones are the wish list of people who are not particularly senior in the Group corporate organisation [ODK 10].
Decide who you work for [1;8%]. This also included knowing who you really worked for in a matrix structure with multiple reporting lines.

Basically when I was hit by those objectives that my boss in Group wanted me to sign off, I said I’d only sign one set of objectives…You need to decide for yourself which team you’re on and also who is going to take you out if you get into trouble [ODK 1].

4.5 Integration findings

This section presents the findings relating to how subsidiary managers suggested that integration decisions should be made and how integration initiatives should be implemented.

4.5.1 How to make integration decisions

Recommendations in this section relate to how the strategy should be set, how managers at head office should interact with subsidiary managers and how staff should be appointed for head office positions.

Setting the strategy

Agree funding up front [2;17%]. Given the many resource conflicts experienced, agreeing funding of initiatives up front was seen an absolutely essential. The fact that many integration initiatives had been mandated by Group after the local budgets had been set, and Group did not grant any target relief, was seen as a root cause of tensions.

The whole issue of the finance and the budgeting and those things. That’s a much bigger issue, it’s an issue planning budgeting for the Group. I don’t think anybody, even the CEO group have really made anybody understand how key it is to organise the budget process so it works. I know there have been attempts at it but it’s just a shambles [ODK 10].

Cluster similar countries [1;8%]. One manager noted that it had been too much of a ‘one size fits all approach’ in Europe and that it would have made sense to cluster similar countries.

I think it would have been nice feeling that in the whole implementation and roadmap of a project, you feel that there are some kind of modules relating to each type of country. You have an implementation model for the big countries, one for the developing countries and another one for the smaller countries. For example, the African countries were not touched by most of the Group projects so they had a module but there was no intermediate model between the big countries and the small countries [ODK 11].

Modular approach [2;17%]. Rather than having a one size fits all, two managers considered it important to have a modular approach where the level of integration could be varied depending of the circumstances.
When building the platforms you should be able to do modular development. It shouldn’t just be all platforms [ODK 9].

**Adapt customer facing functions [1;8%]**. One respondent noted that functions needed to be more local, the closer they were to customers.

For instance, when buying a laptop, centralise the purchase and price. But don’t centralise the local IT helpdesk. In other words when you’re closer to a customer either internal or external you should use the local [ODK 9].

**Find the right balance [2;17%]**. It was argued that a strategic challenge was to strike the right balance between local and global so that both flexibility and consistency were achieved at the same time.

One thing is that it’s certainly a requirement to have a global strategy. You have to have it if you’re going to be a big telco. But when you’re setting that strategy you also have to allow a certain amount of flexibility; not flexibility for delivery of services because if you’re going to be a global player, you have to have a consistency of delivery. But what those services are, the pricing in different markets and also the ability to buy at different prices where those prices are lower than what can be gained from the global needs to be addressed [ODK 12]

**Focus on what matters most [1;8%]**. A senior manager noted that Orange Group had not focused on integration projects with the largest potential for benefits across the European subsidiaries. This had led to a number of more insignificant, peripheral initiatives being driven at Group level. The manager thus advocated an integration approach that would focus on what mattered most.

**Work towards a clear vision [1;8%]**. A blueprint was also proposed that clearly outlined what the role of the subsidiaries was versus functions at headquarters.

It’s alignment of people’s objectives so it’s very clear what the objective of the country is. The objective of the country is to gain revenue, do sales and marketing, to manage the customer experience, and maybe to advise on what products and services that should be offered. Then the centre’s role would be to find the bullets for those guys to fire. But you can’t have a half-way house where you’ve got the countries saying, ‘well, we’ll only fire certain bullets, and the bullet has to be pink instead of blue’ [ODK 10].

**Appointing the right people**

**Ensure operational people are involved [1;8%]**. A senior manager noted that it was essential to involve operational people throughout the integration process.

I think the other thing, with hindsight, is that the centre underestimated the complexity of what they were trying to do. So the time frames were all wrong and that’s about having non-operational people doing most of the business, because the deliveries depend on the cooperation of the people in the countries. So for the delivery of the mobile services platform, some of it can be done in isolation in the centre but the actual deployment can only be done with the cooperation of the countries [ODK 10].
Get the right people [1;8%]. One respondent stressed the need to appoint the right people at Group level.

You get people who know what they’re doing, who have the right project management and strategic skills perspective. You then prioritise the products and services which are really going to add value across all subsidiaries no matter how large or small they are, and then you ruthlessly implement them. Sounds pretty simple and it is. Orange has simply made it very difficult and not really added significant value or indeed any value [ODK 2].

Interacting with subsidiaries

The respondents also had opinions regarding how the head office should interact with the local subsidiaries.

Be clear that integration will happen [3;25%]. This included the importance of being very clear on the fact that integration will happen and then being consistent in decision-making.

If you’re going to try and deliver things from the centre you need to be very dictatorial. You’re going to do this, you can’t have a fluffy centre because the countries tend to be very practical operational people [ODK 10].

Consult and ‘sell’ integration to subsidiaries [1;8%]. On the other hand, another senior manager argued that head office managers needed to adopt a selling approach and convince him of the integration rationale rather than just mandate initiatives.

But you have to have someone with enough vision and clarity to paint the global roadmap, the global target architecture to convince me that these steps make sense to get there, if you know what I mean. Then it’s all about timing [ODK 7].

4.5.2 How to implement integration

Manage structure

Align subsidiary structures [2;17%]. Due to the complexity of integration, some managers considered it important to align subsidiary structures, or at least interfaces across the Group to facilitate interaction.

I think you can probably align the structure better. Because what tends to happen is that all the entities have a different structure… I think it makes it easier, maybe not across the entities but from a corporate perspective you have a certain structure and you should try to have that structure duplicated or at least agree the interfaces into a local structure because then it’s much easier to communicate and do things commonly and share resources and share the way you do things in particular entities [ODK 7].

Control subsidiaries [1;8%]. Given the significant shift in strategy, minority shareholders might have the right to block integration. In the Danish case, the minority shareholders had originally held Orange hostage until they were bought out. One
manager thus argued that it was important to secure control over subsidiaries prior to integration.

So for example, again using Vodafone, I think a prerequisite to being responsive and centralised is to be a 100% shareholder. Because otherwise the local shareholders say, ‘why are we spending all of this money and becoming more dependent on these guys when they’re using our money to fill their coffers and use elsewhere?’ [ODK 10].

Manage people

**Build a global mindset** [1;8%]. The shift from independent country-by-country operations towards an integrated Group meant that a mindset shift was required throughout the organisation.

Mindset is the key. Mindset needs to be a more globalised view rather than the localised view [ODK 7].

**Review required people profiles** [2;17%]. Two respondents talked about changing business requirements in terms of the people needed to run the businesses.

It depends on the people you put as heads of the subsidiaries locally. I think you have some people who are motivated by having a lot of autonomy even though they may have limited resources and others who want to make a real difference in the market and make changes. If you have the right people leading the subsidiaries and provide them with tools that competition doesn’t have; provide them with a competitive edge and help them make a difference in the market, I think you can sell your project [ODK 11].

**Appoint strong people** [1;8%]. Given the increasingly operational involvement of head office, it was seen as important to get the right people into the new delivery roles.

I think the issue is the transition period and the competence of the people that will set up this new form of business model because it’s completely different, as I see it, you don’t run the local entities in at all the same way and you don’t need the same people to do it either. You need a completely different set of people. Maybe also potentially locally, I mean the rules of the game have to be clear up front, that the centre is the one dictating products, services, whatever that have to be pushed and the local unit is just basically a sales unit more or less [ODK 4].

Manage objectives and resources

**Avoid too many swings** [1;8%]. A middle manager noted that there was a tendency for pendulum swings between centralisation and decentralisation.

I think basically there’s a pendulum swinging. The old Orange was way too decentralised, so they moved to over centralise everything. And I think that that whole integration process was not properly developed. They took it too far and they didn’t align all the development things with financial planning and I think that now Orange is swinging back again [ODK 1].
**Ensure local resources [1;8%].** A senior manager discussed the fact that there needed to be more realism between the size of the local budgets and the strategic aspirations of headquarters, to avoid a mismatch.

I think I’d be more pragmatic about funding requirement, in a way, it’s perspective. Then you get the outcome, you get the synergies, you get the uniform infrastructure and there are significant benefits moving forward from that. Because then you take the objection away Day 1 and the biggest objection is P&L and local market conditions. What do you know about the local market in Denmark? OK, I don’t know much but I know that this product looks good, and this one, and this one and we’re going to deliver it from a corporate perspective and we’re going to help you get it in place and then get individual agreement from the MCOs [ODK 7].

**Implement using a phased approach [1;8%].** Given the complexity of integration, a senior manager discussed the importance of planning and delivering according to phases.

You have to crawl before you can walk and I think that what Orange did was to try and skip the crawling stage, which I think Vodafone must have been through at least at some length more than Orange had. Orange saw themselves being passed over by Vodafone and decided to act really quickly; too quickly from my point of view [ODK 5].

**Manage interaction**

**Establish strong communication [1;8%].** Strong communication makes integration much easier as it provides clarity around the direction.

In a few areas where there was clarity of what we were doing, in small limited areas where there was good communication between group and local it worked great [ODK 9].

**Manage delivery**

**Ensure strong delivery management [1;8%].** A senior manager argued that having a well-oiled delivery machinery was essential to ensure implementation of integration initiatives. This included setting the right targets, agreeing funding, doing proper planning and following initiatives through.

**4.5.3 Context factors affecting integration**

A number of context factors were highlighted by the Danish subsidiary managers as having had an impact on the local situation.

**Service industry [1;8%].** The localised nature of a service industry was seen as adding complications. There was a need to build a network in-country, that required a large customer base to reach minimum-efficiency scale, compared to product industries where products can be shipped on a global basis.
The difficult part with telecommunication is that you have a huge network behind that cannot be global, it has to be local and that’s the tricky bit and I don’t know how to handle that really [ODK 4].

**Legacy versus new [1;8%].** One respondent commented that geographical complexity and different legacies both make integration more challenging.

You’ve got the historic complexity of how the different companies evolved within those geographical complexities and it’s pretty difficult to align that across a common roadmap when you have to deal individually with each of those entities to make it really work [ODK 7].

**Subsidiary strength and size [2;17%].** Two managers noted that the Danish subsidiary was weak, both from the perspective of struggling to meet its financial targets and from the fact that it was so much smaller in size compared to other operations like the UK and France.

The impact of what they were doing was obviously much different on small subsidiaries than it was on large subsidiaries because large subsidiaries have large staff handling this type of area and if someone throws in a few extra peripheral developments, it’s not necessarily going to derail their own commercial progress. Whereas in a business like Denmark, where the amount of capital expenditure and personnel resource that we had in order to deal with this was extremely limited. It had a much more significant effect because it was trying to take away a much greater proportion of what we had at our disposal. And therefore, the impact was huge. So the UK and France could afford to brush it off and they were also in a much more powerful position to brush it off as well, whereas small countries like Denmark that were in weak positions were not [ODK 2].

**Expatriate as CEO [3;25%].** A number of the non-expat managers commented that it made a difference having an expat CEO that was dependent on Group good-will for his future career.

I think the Englishmen who have been here have been much more into development within the Group than the Danish managers who look to another big company in Denmark rather within Group [for their future career]. It made a difference in the long and short term perspective and to networking with the local function and considering the local expertise [ODK 3].

**Transition period [3;25%].** As integration was relatively new in Orange, there were a lot of chaos and initial teething problems from the restructuring.

But I think it was also due to the fact that the Group was going through a restructuring and a lot of new people were in place that didn’t have the overview and they maybe had the responsibility and how do you link the business together [ODK 1].

**Different cultures [1;8%].** Different cultures also had an impact on the complexity of integration.

If you talk about global integration the cultural difference is significant, between local and global. When we tried to centralise globally you had a lot of new people moving in. The old decentralised Orange was very UK mentality, very entrepreneurial etc. Then
you had the more centralised [approach] with all the Swiss people moving in. I think maybe that was why the model didn’t work because you were trying to change and had different thoughts about the right way to do business and it made the transition period in Orange more difficult but also more interesting. I love cultural differences. They’re very interesting but they can make things difficult [ODK 1].

**Long term future of business [1;8%].** One respondent noted that he himself questioned the long-term future of the business and that this made him question the logic of spending money on long-term integration initiatives with a long pay-back time. However, we need to remember that the interview took place two months after the business had been sold to Telia Sonera, which could have led to post-fact rationalisation.

I was always certain that there wouldn’t be a long term view in the business taken. That it was more of a compliance to things that were required in the Group rather than trying to do anything. And I really only paid a lot of attention to the ones that would have a short term effect on the business. Short term being defined as 18-24 months ahead. So things that would help to provide a sound structure for the business rather than things that would cost a lot of money [ODK 10].

**Subsidiary market position [2;17%].** The market position of the subsidiary was also considered very important. The largest subsidiaries in the Group, were in leadership positions, while the Danish subsidiary was a challenger. This meant that the Danish managers felt they needed to take a different approach compared to that mandated by integration efforts.

What’s important is that when you are the number one player in a market and that’s where your headquarters is, you need to have some respect for your other markets and you can’t really have the same strategy everywhere. Even if you can have synergies and some expertise that you can use in other countries. But from the customer perspective, how you are viewed in the market you need to respect if you are a number three player or a number one [ODK 3].

**4.5.4 Learning and implications for next stage**

The Orange Denmark case illustrated how challenging cross-border integration can be. This case study identified the first three causes of local-global tensions: 1) misfit, 2) unfair process, and 3) weak implementation. Loss of autonomy was included after comparison with the Orange Romania case. Tensions generated by cultural differences were included after comparison with the 3 Sweden and Vodafone China cases. Model development thus progressed according to the principles of constant comparison.

There are a number of characteristics that could have contributed towards making the case unique. First, the Danish mobile market had one of the highest levels of competitive intensity in Europe. This pushed Orange Denmark towards a high degree of local market responsiveness. Second, Orange Denmark was a sub-scale challenger operator with weak financial performance. Third, Orange Denmark had low bargaining power versus headquarters given its position. Fourth, the overall size of the budget was comparatively limited, given the small customer base.
The above factors might have had substantial influence on the findings from the case study. For my next case study, I was thus determined to select a case that had very different characteristics but where there were also cross-border integration efforts. Following the end of my assignment to Orange in Denmark, I went to work for the mobile operator Nawras in Oman. I had initially hoped to find an interesting integration angle there but quickly realised that the case was unsuitable. Nawras pursued a multidomestic strategy with almost no integration with the other mobile assets in the owners’ portfolios. I instead decided to concentrate on further literature review rather than to quickly identify the next case study. I thus did not conduct any additional empirical work for over a year.

However, towards the end of my assignment to Oman, I was offered the opportunity to undertake a ten week strategy assignment for Orange in Romania. The former CEO of Orange in Denmark had taken up the position as CEO of the Romanian business and invited me to come. After consultation with my supervisor, it became clear that Orange in Romania was a close to ideal opportunity to conduct additional research. The Romanian market had a much lower competitive intensity compared with Denmark and Orange Romania was a strong incumbent player. With a large customer base, and strong financial performance, Orange Romania had high bargaining power versus headquarters. In addition, Romania was an emerging market with high growth while Denmark was a mature market. This was an additional difference.

Table 4-2
Comparison of Orange Denmark and Orange Romania

<table>
<thead>
<tr>
<th></th>
<th>Orange Denmark</th>
<th>Orange Romania</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competitive intensity</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>Scale of business</td>
<td>Small</td>
<td>Large</td>
</tr>
<tr>
<td>Market position</td>
<td>Challenger</td>
<td>Incumbent</td>
</tr>
<tr>
<td>Bargaining power versus headquarters</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td>Market stage</td>
<td>Mature</td>
<td>Growth</td>
</tr>
</tbody>
</table>

Prior to undertaking the next case, the interview guide was revised. The guide used for Orange Denmark had been focused on tension as a result of competing demands. This was motivated by the fact that I had worked in the business for over two years when conducting the interviews and that I knew that local-global tensions were frequently discussed. However, it was felt that a revised interview guide would be less likely to introduce bias in a research setting that I was less familiar with.
5 ORANGE ROMANIA CASE

5.1 Introduction

This chapter presents the first-order findings from the second case study conducted in Orange Romania.

5.2 Case context

Company context

The Romanian subsidiary of Orange shared a similar history to the Orange Denmark case. The business had been launched by France Telecom in April 1997 using the brand names Mobil Rom and Dialog. The Romanian subsidiary was also transferred to the merged Orange entity following completion of the purchase of Orange by France Telecom in August 2000. Re-branding to Orange took place in April 2002, almost a year later than the Danish subsidiary.

Market context

The Romanian mobile market had a low competitive intensity compared to the Danish market. The population is four times larger and the mobile market was a de facto duopoly as there were four mobile operators but the two smallest players had less than one percent market share each.

Orange Romania was the dominant operator with a market share of over 50% and almost seven million customers. As a consequence, financial results were very strong and the Romanian subsidiary made a significant cash contribution each year to the overall financial results of Orange’s operations outside of the two core markets of France and the United Kingdom. Orange Romania was the largest company in the private sector in Romania and the largest tax paying entity. The company was also a symbol for the transformation of the country since the days of communism. As a result, the company was well respected and the CEO is a public figure in Romanian society.

At the point in time of conducting the case study, there were however some ominous clouds on the horizon. Vodafone had previously passively held a 20% minority stake in Connex which is the second largest mobile operator in the country with a market share slightly lower than Orange. This did however change in March 2005 when Vodafone announced the acquisition of 79% of the equity from the Canadian company Telesystems International Wireless (TIW). Following completion of the acquisition by Vodafone, the business was rebranded Connex-Vodafone in October 2005 and subsequently to just Vodafone in April 2006. Vodafone invested substantially in branding, in upgrading the distribution network and by bringing Vodafone’s global portfolio of products and services to Romania.

In addition, the Greek mobile operator Cosmote, acquired a controlling 70% of the shares in the struggling operator Cosmorom in August 2005 from Romtelecom, and
rebranded it to Cosmote in December 2005. Though a very weak operator in Romania with less than one percent market share, Cosmote in Greece had reached fame for entering the Greek market as the third operator in 1998 and become the largest operator after only three years of operation in 2001. In addition, there were also market rumours that the fourth struggling player, Zapp, might be up for sale.

At the point in time of conducting the case study in January-February 2006, the market was thus changing away from the previously comfortable duopoly situation.

Integration context

The Orange Romania case is also characterised by substantial integration efforts, given the changes in strategy at Orange Group level. Corporate integration efforts affected a wide variety of marketing mix elements and value chain activities. The Orange Romania case study was conducted more than a year later than the Orange Denmark case. Orange Group integration efforts were thus more advanced at the time of the Romanian case study, but the overall nature and scope of integration was of a similar magnitude. In addition, France Telecom had announced, but not yet implemented, wide ranging plans to integrate the Orange Group into France Telecom.

The Orange Romania case is about integration as late stage configurational change involving an incumbent operator with a substantial customer base and strong financial performance. Integration took place through centrally structured initiatives rolled out on a global/regional basis.

5.3 Data collection

Respondents

All respondents were senior managers in the Romanian business. The nine interviews lasted between 36 and 75 minutes and generated 48,990 words when transcribed.

Table 5-1
Orange Romania respondents

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Data collection</th>
<th>Interview length</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO</td>
<td>Face to face</td>
<td>61 minutes</td>
</tr>
<tr>
<td></td>
<td>Feb 1, 2006</td>
<td>(6,928 words)</td>
</tr>
<tr>
<td>Sales Director</td>
<td>Face to face</td>
<td>56 minutes</td>
</tr>
<tr>
<td></td>
<td>Feb 1, 2006</td>
<td>(5,132 words)</td>
</tr>
<tr>
<td>Marketing Director</td>
<td>Face to face</td>
<td>50 minutes</td>
</tr>
<tr>
<td></td>
<td>Jan 31, 2006</td>
<td>(5,735 words)</td>
</tr>
<tr>
<td>Customer Service Director</td>
<td>Face to face</td>
<td>75 minutes</td>
</tr>
<tr>
<td></td>
<td>Feb 1, 2006</td>
<td>(6,056 words)</td>
</tr>
<tr>
<td>HR Director</td>
<td>Face to face</td>
<td>51 minutes</td>
</tr>
<tr>
<td></td>
<td>Feb 2, 2006</td>
<td>(3,489 words)</td>
</tr>
<tr>
<td>Procurement Director</td>
<td>Face to face</td>
<td>65 minutes</td>
</tr>
<tr>
<td></td>
<td>Feb 1, 2006</td>
<td>(7,732 words)</td>
</tr>
<tr>
<td>Brand and Communications Manager</td>
<td>Face to face</td>
<td>61 minutes</td>
</tr>
<tr>
<td></td>
<td>Jan 28, 2006</td>
<td>(5,149 words)</td>
</tr>
</tbody>
</table>
Interview guide

The interview guide was changed after the Orange Denmark case to include additional questions about integration. Bias was avoided by not opening the interviews with questions regarding managerial tensions. The tension related questions were however kept but moved to the final part of the interview following the integration questions. To provide consistency, the case narratives start by reporting the tension related findings even though those questions were asked towards the end of the interview. A number of questions were added in relation to integration that focused on what elements were integrated or standardised today, what the ideal situation would be, why such decisions were made, who make the decisions today, how decisions should ideally be made, how decisions should be implemented and what problems could occur. This provided rich additional data as respondents often provided real life examples to questions. The Danish case had also led me to want to unbundle integration into an external dimension, focused on standardising customer experience between subsidiaries, and an internal dimension focused on activity integration.

The interview guide is available in Appendix 14.5.

5.4 Tension findings

5.4.1 Frequency of tensions

Most Romanian respondents [8; 89%] noted that they frequently experienced tension between Group and local. This included comments like: ‘Such tension is as common as daily’ [ORO 5], ‘It happens all the time’ [ORO 9] and simply ‘Very often’ [ORO 6]. In addition, three respondents noted that the frequency of tensions had increased as integration had progressed: ‘I think it is quite common. And it has come to be more and more acute’ [ORO 8], and ‘I think you feel that tension all the time. There are more and more demands’ [ORO 3].

5.4.2 Areas affected by tensions

Tensions were widely perceived throughout the organisation as noted by a senior manager: ‘I feel tension almost everywhere. I feel tension in commercial. I feel tension in network. I feel tension in IT. I feel tension in finance’ [ORO 4]. Marketing, products and services and technical functions appear to have been particularly affected but there was also significant impact on support functions including finance, procurement and HR. However, sales and customer service were fairly unaffected.
5.4.3 Causes of tensions

Similar to the Orange Denmark case, managerial tensions have been clustered into the four areas below:

1. Content of integration initiatives
2. Decision-making process and interaction with headquarter representatives
3. Implementation of integration initiatives
4. Loss of autonomy of subsidiary managers

There was no evidence of tensions arising from cultural differences.

Perceptions of the content of integration initiatives

The first category of tensions concerns lack of local fit of integration initiatives discussed by most managers [8:89%]. There were four drivers of this perception. First, many initiatives were considered to have negative or marginal benefits in a local context. Second, the Romanian business had a different strategy or market positioning that necessitated a different focus. Third, there were underlying market differences between Romania and the key Orange markets in Western Europe. The fourth reason related to perceived misfit of recent integration into the France Telecom Group. The first three areas were thus shared with the Orange Denmark case.

Underlying market differences [8:89%]. Most managers felt that the there were underlying market reasons generating the misfit of Group initiatives. This included a difference between developed markets in Western Europe and developing markets in Eastern Europe.

When you are in a growing market, an acquisition market like we are now, and voice is the main revenue stream, obviously your offers will be tailored within that area. So again, in a more developed market, where penetration is almost 100%, people would tend to have more retention offers and the focus would turn more towards the existing customers than towards acquiring new customers. So again, it depends very much on where the respective markets are [ORO 1].

A senior manager noted that offers are primarily driven by the local competitive situation and thus responding to local competitors.

Our offers tend to be driven by what the competition is doing here rather than what the rest of the Orange Group is doing elsewhere. Therefore if we suddenly introduced an offer which has been used in the UK, it might look very odd here because people wouldn’t understand how it worked and it might be too much of a step jump from what we have been doing here [ORO 3].

Changing market conditions was also seen as a key driver of misfit. What may seem like a good idea at an earlier date may all the sudden be down prioritised if the local situation changes.
Another set of tensions can appear when you have big movements inside a market which are changing the initial landscape. Then you can have tension because it comes back to prioritisation and what is more important to do [ORO 5].

**Negative or marginal local benefits [4;44%].** Several managers frequently referred to limited or even negative impact of integration initiatives.

From the point of view of marketing again because it is about standardisation of things that for us are not really that important at this moment... Again, they are not really that relevant at this moment for the business and they don’t really feel that the time and effort invested is that relevant [ORO 1].

**Different strategy and positioning [1;11%].** One manager argued that Group initiatives were often developed with the UK and France in mind and the Romanian business had a different strategy and market positioning.

Brand again. It could be good if we could get greater standardisation and these global campaigns, if they are right, could be very useful to us. Although as we discussed yesterday, if you have significantly different composition in terms of target customers, than they are having in the core business units in Orange, you could end up with advertising that doesn’t really mean anything or that is pushing in the wrong direction [ORO 3].

**Legacy set-up [1;11%].** Legacy set-up could also make it difficult to implement Group initiatives.

When you have a legacy you need to be very careful in terms of how you go from the legacy to a standardised element [ORO 5].

**Misfit with integration into the parent [2;22%].** Two respondents voiced negative feelings towards the parent company, France Telecom. This was also stated by several of the other respondents in other situations when the tape recorder was not running. The Romanian business was originally set up as a fairly independent operation within the France Telecom Group. Employees had then been very positive towards the rebranding to Orange. The latest trend with integration into France Telecom was seen by many as a negative development given that FT was a giant state-owned company. With the previous ‘multidomestic’ strategy, this had not been a problem as FT’s involvement had been limited to primarily financial control.

It is a negative change. For me at least. I cannot see the future at France Telecom level. I am pretty sure everyone sees it as a step back [ORO 6].

**Perceptions of the decision-making process**

The second category of tensions related to the decision-making process and how Group had interacted with subsidiary managers. This category was also discussed by most of the Romanian managers [8;89%].
Lack of fair treatment [5;56%]. There were numerous accounts of managers feeling that the treatment by head office managers had been unfair. This included a feeling that France Telecom was taking its revenge over Orange.

Well, Orange started off as a very young, entrepreneurial organisation and became very successful under charismatic leadership. It was then taken over by a failing incumbent who was a little afraid of it for a while, and didn’t do anything with it, and then achieved its revenge. Although, I think we have actually moved through the revenge period now, and into a more normal approach. Although I think that, in that process, there has been a lot of talent lost because the French are a very proud, arrogant and nationalistic people and they assume that they have a lock on intellectual capital, especially if you have been to the Ecole Polytechnique. So there aren’t many people like me around. And I think there will be fewer and fewer going into the future. So actually, in terms of integration, I think that France Telecom should have acted earlier to integrate Orange into France Telecom. I think that it should have adopted a more open minded approach as to the benefits of using the Orange brand and the Orange brand values. Which is now accepted but it couldn’t stomach it, weirdly, immediately after it had spent all that money to take Orange over. And I think it should have taken a much more objective approach towards talent management. Because what it actually did was to say: ‘the Group as a whole is overstaffed, we cannot downsize in France because of the unions and the government ownership, and therefore we will downsize everywhere else irrespective of talent’. Which is rather like the Russians shooting the Polish officers and it has about the same logic attached to it. So, I would say, implement faster but make sure that you don’t kill the officer class in the organisations that you are integrating on the way through. Because you are basically going to end up like after Stalin’s purging. Because you will have a lot of people who will do exactly what you want, but one day Communism will fall as a result. You have to maintain talent throughout this process [ORO 3].

The tough ethno-centric stance taken by the French was also described with reference to the civil war in Bosnia as involving war lords and ethnic cleansing.

The way that the TOP programme ended up was rather like Bosnia about 1990. There were a lot of war lords with militias cruising around making land grabs and demanding information. And there was something else that was similar to Bosnia. The French implemented a policy of ethnic cleansing as well [ORO 3].

Another manager described it as France Telecom (FT) sucking the life energy out of Orange.

So honestly, I do not think that FT is feeling comfortable about the brand. It was something that was trendy for the market…but they never felt comfortable about the brand. The theory, on the dark side of the force, is saying that you must never put a small child sleeping with his grandmother. Because, the older body will suck the vital energy from the younger body. So basically, the baby will not develop. So the baby should sleep alone or with his parents, never with his grandparents. It is like that here when merging a younger body like Orange with an old body like France Telecom. You end up sucking all the vital energy from Orange and it will collapse. They never felt comfortable. They talked about the brand, it is nice not wearing ties, but then in the end everyone just leaves. And then you just have 1 or 2 people left from the old days. The last of the Mohicans. So I am not quite optimistic about the future [ORO 8].
The same manager also noted that there was a tendency for a snow-ball effect with integration in that the initiatives keep expanding and expanding well beyond their original business rationale.

When you start to build a central team, a headquarters, you can have quick wins. But then when you will go beyond this point, you will start to suffocate the local business in order to justify the central position. You will create a demand because you want to keep your place, and keep your team, so then you generate demand for what you do and you go further and further and you start to strangle the business. And this is a very delicate balance; to know when to stop [ORO 8].

In an example about central FT sourcing contracts, the same manager argued that less than 1% of the total number of contracts generated 90% of savings but that integration efforts just kept increasing all the time anyway. There was thus no end point.

Taking the example of sourcing, I saw a presentation and I was overwhelmed. We have something like 3,400 and something corporate sourcing contracts. Out of these 3,400 something, 27 contracts generate 90% of the savings for the Group. Well come on, why do I need to have over 3,000 contracts and you keep chasing me for the others. Come on, once you have generated 90% in savings with less than 30 contracts, the rest is just wasting time. Why do we need the others? Basically you create a structure, just to follow something which has only a 10% impact [ORO 8].

It was argued that you needed to appoint people with operational experience to avoid this from happening.

If you put only ex-operational guys in charge, they would know it because they will all the time look in the mirror and think, ‘would this be OK or not if it happened to me?’. You cannot have a magical formula to say that when you have reached this point you stop. It is common business sense. But if you put only guys at headquarters, who have never run a business, then you are dead. Because they will take the quick wins to justify their own expansion. They will create a mega structure at headquarters, with lots of people. But you have to remember all the time that the money is coming from the subsidiaries and not from headquarters. The headquarter support is necessary but it is important that you do not cross the point [ORO 8].

There was also a feeling that the Group imposed unrealistically high expectations on the local subsidiary.

There is a products & services roadmap which includes global as well as local products. And it is a bit more realistic now in terms of what can be achieved from the central perspective as against the local perspective. Although, I think that the expectations of product performance are probably still unrealistically high at Group level [ORO 3].

Substantial frustration was also generated when the Group prevented the local subsidiary from taking initiatives in a local context by claiming that this was an area where the Group would be responsible. This generated tension when the Group then failed to deliver what had been promised and local subsidiary managers still had their hands tied.
A good example of that would be advertising. We have now been waiting for two and a half years for the appointment of a Group agency. During that time we have been told we cannot run a pitch for an alternative agency. All of the creative staff previously with our two advertising agencies in Romania have either left Romania or have gone to the agency now working for our competitor. So our agencies have no creative people to speak of. So our advertising has been crap. And this has fed through to brand metrics. But we haven’t been able to appoint a new agency, until recently, because we were told not to as this was a Group decision but the Group didn’t do anything. They said they were going to do, but then they didn’t. So they compelled inaction and then became inactive themselves which is unforgivable [ORO 3].

There was also some resentment towards people in various departments at Group hiding behind the Group label, rather than business rationale, as an excuse for demanding things.

The Group is sort of like a mastermind. You cannot touch it and everybody is hiding behind the ‘Group’. But what exactly is the Group? It is just people in different departments who have said something. It is not a super bullet proof formula… the Group with the big ‘G’ [ORO 8].

**Lack of understanding from managers at headquarters [4:44%].** There was a fair amount of discussion about lack of understanding and experience of managers at headquarters. This included a shortage of operational field experience of headquarters managers.

I think mainly because they do not know how the local businesses operate. I also witnessed in sourcing that they don’t realise how a local procurement department works. What are the day-to-day challenges and you sometime start to wonder if they really believe that my job is to provide reports each and every day. Because they are not aware of what exactly it means to do something. To be in a business. I don’t think it is an evil mind behind this. It is just people who have no experience of running an operational business. Normally they should find out themselves that it does not make sense what they are asking because things like this cannot be handled… They do not know even where Romania is [ORO 8].

This included parochial attitudes of head office managers not realising that there are variations on a country-by-country basis.

It happens that you have to communicate with people who do not have an understanding of other countries and differences. That cannot imagine that the law is different between countries [ORO 4].

**Integration not ‘sold’ to subsidiary [5:56%].** A majority of respondents stated that their level of belief in the integration process was fairly low. A key driver was because there had been only limited communication from head office and integration had not been ‘sold’ to subsidiary managers.

I am not a fan of head office is deciding because I am more oriented to selling ideas and having people buying in the ideas. Because if the headquarters is going to the local managers and are imposing something and he doesn’t get his team committed, the result will be harder to obtain. It is a matter of leadership style because there are situations
when you buy things, and you appreciate that you were given the possibility to buy-in even if you know that it is a top decision. It is a matter of involvement and if you have people locally involved I think the result is better than let’s say receiving a big objective for every country saying you are going to receive this, good luck and see you when you have achieved your target [ORO 7].

A result of the lack of communicating and selling was limited local buy-in:

I do not have too much experience in terms of global implementations but what is quite clear is that it works very well once you get the buy-in. It works very tough once you do not get the buy-in. So if you do not deliver enough explanations and you do not stress enough, and the people locally do not see the advantage of such a global initiative, in the immediate future or in the medium or long-term future, then it is a risk. So whatever you try to do, you should convince the top management to not necessarily just force the local management [ORO 5].

This ultimately led to a lack of faith in the ultimate results of integration:

I guess the worst thing is the lack of belief in the end result. I think people will ultimately agree to, and comply with anything, that they see, even grudgingly, as being valuable in the end. But if the outcome appears to be ridiculous or counterproductive then you will never achieve their buy-in [ORO 3].

**Lack of trust [4;44%].** There was also lack of trust in relation to both the ability of the head office to deliver and the ultimate motives for integration.

I think it is the lack of trust in decisions and projects that are imposed on me [ORO 7].

Trust was further eroded when tensions were not being resolved

Negative is of course if tensions are staying and having quite the same type of tension all the time and nobody is trying to resolve them [ORO 5].

**HQ micro management [2;22%].** Subsidiary managers also felt that they were being micro managed by head office managers.

I will give you a specific example from the business review last week. One of the group’s requirements is that you must not spend more than 2.45% of your revenues on advertising and promotions expenditure. Now, it also says to me that it wants me to achieve specific EBITDA and revenue targets. So, it not only gives me macro targets but it also tries to force me into a box in virtually every area of the P&L and balance sheet to tell me how to do it. And that is ridiculous because you need flexibility because life changes, the market changes. You can’t control down to that level of detail every single aspect of the P&L because then you are going to fail… The thinking, the mindset from the central bureaucrats, is that ‘if I control advertising and promotions expenditures to 2.45% of revenues in Romania, and in every other operating business, then I have restricted advertising and promotions to 2.45%, which is in line with industry benchmarks so haven’t I done a fantastic job’. Yeah, but does anyone look down below and note that we have lost 5% in market share in these five markets. Because we didn’t necessarily have to do this and we could have made more EBITDA if we hadn’t [ORO 3].
Perceptions of implementation

The third category of tensions related to the implementation of integration initiatives which was raised by a majority of respondents [8;89%].

Goal and Resource conflicts [8;89%]. The most widely discussed topic related to conflicting goals and resource conflicts in relation to prioritising local and global demands.

I think the objectives are not aligned…If I have a local objective, which is more or less P&L related, and someone at Group has another objective, he would try and get his objective put in place. But I would start to argue because it is against my local objective. Because when we look at the Group functions, they have some objectives. And then you have objectives by business unit and by subsidiary and they are not harmonised. So he wants to deliver his objective and he doesn’t care…And I start to argue that I cannot do that because I have other things to do. We have objectives coming like this, and like this and like this [ORO 8].

Specifically there was a feeling that local budgets were not dimensioned to factor in the short-term effects of Group initiatives.

Again it is the fact that, when doing these plans, the local resources are not really assessed or dimensioned accordingly. So the local has resources dimensioned for what is in their local objectives and then something comes on top of that and needs to be done with the same kind of resources. And with the result being uncertain and not being sure what will happen, and with objectives not really being that clear and perhaps not really profitably at the moment, it is very difficult to allocate more resources to it [ORO 1].

This included different Group entities cutting the local budgets at the same time as other Group entities were mandating integration initiatives with adverse short-term budget impact.

What is contradictory, when we say one thing and then we cannot do it, is when the budgets are cut for different reasons. Budgetary constraints can sometimes be in opposite direction to some decisions [ORO 2].

A key driver behind resource conflicts was seen as the lack of a way to prioritise local versus global projects.

It is exactly because when having this plan for integration, this global standardisation, doesn’t take into consideration what the activities and priorities are, and basically what the objectives are that have also been set for the local business. So you are setting several separate objectives for the local business and many times you are not making a prioritisation between them. When people have to deliver on several levels that are not consistent between them [ORO 1].

Increased bureaucracy [3;33%]. Increased bureaucracy was also seen as consuming local resources that could have been put to more productive use.

Enormous amounts of local resources are being taken in trying to produce reports and trying to comply with central dictates. And in travelling back and forth between Paris
and London to hear these kind of politburo statements about how things will be handled in the future [ORO 3].

**Lack of clear direction [4;44%]**. The implementation was made difficult by the presence of many different units at headquarters that issued conflicting instructions towards the Romanian subsidiary.

One of the key things about the way in which they are attempting to enforce this is that it is extremely confused. So there are groups within France Telecom and groups within Orange who are often attempting to achieve the same goals. So you get two different work streams, covering the same area, coming from two different directions. And the plethora of initiatives which exist right across the business is huge and therefore people on the ground here get very confused about what the prioritisation is and who is really calling the shots… I think that the way in which power was allowed to reside in various different units, various different functions, various different levels, within the Group, without any clear coordination was a critical negative factor in terms of how this has all evolved [ORO 3].

Some respondents observed that Orange tended to swing back and forth between emphasising local and global dimensions of management. A middle of the road was advocated but it was noted that this seemed difficult to achieve.

It is true that you might face a risk of going into an over integration trying to integrate everything and to make all the processes equal everywhere. You know it is like a pendulum, you go for full centralisation and then decentralisation. The difficult part is to find the middle. Normally it is moving in between. It started with full centralisation, then too much decentralisation and then back towards full centralisation again. And now I think it is somewhere in the middle [ORO 5].

**Inexperienced people at headquarters [3;33%]**. Not having the right people with strong backgrounds was another cause of tension.

Obviously, like with everything, the quality of the people, the calibre of the people, and the approach of the people is going to be critical [ORO 3].

**Weak delivery of integration initiatives [5;55%]**. There was further a feeling among the majority of interviewed managers that actual delivery of integration initiatives was weak.

What is happening with a lot of these things is that the projects start and people are not aware of them and along the line the objectives move and it takes years and years for them to happen. I think the proper way is, when you lead this centrally, if you don’t really have a very clear rollout plan and you are not able to stick with that plan, then the problem appears because people don’t take it seriously anymore… We have seen that happen with different projects. It didn’t work because of this [ORO 1].

It was specifically noted that strong change management was needed throughout the process.

Implementation can be broken first of all by the problem of change management. Any such implementation will introduce changes and it can introduce changes in terms of
organisation, in terms of metrics calculation, in terms of follow-up, in terms of the way you do business. So I think one of the biggest risks, as a deal-breaker in this case, would be not managing the change in fact [ORO 5].

Lack of sufficient ‘home work’ prior to the start of implementation was also generating tension between Group and local.

I think in a lot of cases, the majority of times in fact, global implementations are not necessarily well prepared from the beginning. Initial phases of preparations are generally very much burnt out. This generally puts you in a situation where you lack the buy-in, because the initial phase of analysis is either not done or not properly done and then it begins to be a game of somebody locally who does not really understand why they should do such a thing, who does not really understand what the benefits are, and then fights back instead of constructively bringing things to be better. So what I think could be done better, is the initial phase of analysis and definition of the two elements, the global and local, and explanations of purpose and scope in fact. The other element that can come in, and could be done better, is planning. Because as I have said, one of the big killers of global implementation in local countries is resources. You will never succeed to pilot the business only by global implementation. Therefore, you will always, all the time, also have local implementation. Therefore it will all the time be a balance between resources used for global and local implementation. So in this case, if you do not plan correctly from the beginning, you risk entering very quickly into such resource clashes [ORO 5].

Perceptions of the loss of autonomy

The fourth category of tension related to subsidiary managers losing power and influence over the way their business was run. This was discussed by two thirds of the respondents [6;67%]

Loss of local autonomy [1;11%]. An integrated operating model meant a reduction in the level of management autonomy in the Romanian subsidiary.

If I answer it by saying that, rather facetiously, I often say that if this drive for standardisation and integration continues, the only thing that I will eventually do is to cut ribbons to open Orange shops because I will not have any executive authority apart from that. Because the brand will be developed centrally. The products and services, promotions and tariffs will be developed centrally. All budgets will be controlled centrally. The network decisions will be controlled centrally. Customer service everything, everything. There will be no decisions to take here. We will simply adopt procedures, practices, prices, products and promotions which come out of the middle. And we don’t make any creative decisions at all. We just drive the truck. But I also say that, there is a belief, a naive belief I think, that if this nirvana could be achieved, this would then create the perfect business environment and that the France Telecom Group would be the best performing business in the world. I actually see it the other way. I think that if one adopts this painting by numbers approach, one ends up with a painting which has clearly been painted by numbers. You do not end up with Mona Lisa [ORO 3].
Reluctance to change [5;56%]. A majority of respondents also noted that it was common human behaviour to resist changes, including those related to integration.

Every time, the approach was more like ‘you have to’, well then we come back to the buy-in phase. I think it is human, from the time when you were a child, whenever someone tells you ‘you have to’, the first reaction is why? And if that is a change from what you do normally, your first reaction is why? [ORO 5].

Perceptions of the cultural interaction style

Not identified in this case study.

5.4.4 Consequences of tensions

The perceived tensions had a number of positive consequences.

Positive consequences

Respondents noted getting new perspectives and improvements as the primary benefits from integration. Compared with the Danish case, half [5;56%] of the interviewed managers discussed positive benefits of integration.

Getting new perspectives [4;44%]. If integration is done in a constructive way, subsidiary managers felt they could benefit from gaining a new perspective.

I think that what has happened in the last year like Value Based Marketing, which main activity, but not the only one, was to share best practice. I think it was very useful because if you learn directly from people using some things you become interested. It is not at all imposed. You are the one who is asking for it and it is what happened for us [ORO 9].

Improvements [3;33%]. As a result of getting a new perspective, integration can lead to improvements in the local business.

There can be some positive impact. Sometime you may see or you may find some input during these tensions. You may find some things that you may not see otherwise because you are blind. But during this tension when you explain and you are questioned, you may discover things which can be improved [ORO 4].

Negative consequences

However, like with the Danish case, there was substantial discussion around negative consequences for both the business and the people concerned [8;89%].

Business impact

Crashed implementation [1;11%]. One negative influence is that implementation can crash. A senior manager considered the risk of this especially high if people had not bought into the integration efforts. It was noted that a single person could through spanners in the wheel of implementation.
In my opinion, if somebody is not convinced and doesn’t believe it is a good decision, then one person can crash everything. If HR or sales is not convinced that the decision is correct and leading to benefits, then it doesn’t matter if the others are convinced because one person can crash the project [ORO 4].

**Losing control of local business [1;11%].** One manager also noted that integration could have the effect that you lose control over the way your business is run locally. Rather than having full control over your network, systems, products and services, integrated solutions can become ‘black boxes’ that you do not know how to handle.

The first impact is on network and I have seen it many times. Each time they have started to integrate somehow the technical and the network, we finish by not understanding our network [ORO 6].

**Wasting resources [3;33%].** Integration was seen as taking a lot of resources. And as was previously illustrated, managers often felt that the return was low.

The problems it causes in the local business are related to the time and effort and resources invested in trying to do those things that basically never happen...So I think it is not good for the moral of the people...when time is invested in something that is never finalised [ORO 1].

A senior manager also noted that the constant involvement from Group meant he had to spend additional time to ensure that he always documented every step he took and every decision he made in case he would be challenged later on.

And then you have the emotional part that I am at least part of my time attentive to cover my tracks, to cover my ass so that nobody can blame me about something. And this is time consuming and is not producing any value. Because I know that somebody at Group can challenge me on this so I have an additional workload to ensure that everything is bullet proof from Group involvement [ORO 8].

**Losing time to market [3;33%].** Managers also discussed losing time to market as a result of becoming inward-oriented. The subsidiary did not respond fast enough to changes in the Romanian market place as a consequence.

During these efforts there is time which is lost. We lose time to explain why we need these, these and these and why it would be to the detriment of the business. Why we need to do this, why we need to do that. And the whole process of providing explanations and being understood and raise questions, it is time when everything is blocked [ORO 4].

**Loss of sales [3;33%].** The ultimate impact was manifested in losing sales and revenues.

The latest example we had was a client, I will not name it, whose contract was OK and running. The contract was signed for two years and everything was OK. The Group invitation to bid arrived, because their headquarters wanted to choose. Following all the negotiations we had to, first of all, change the conditions before the expiry of the term. Going lower. And even if here we could have managed to negotiate better we had to offer lower….In this case we don’t like it because it induced a loss for us [ORO 2].
**Neglecting customers [4;44%].** There was substantial frustration that integration made the company inward-oriented with the result that customers were neglected.

And as we were saying yesterday, the one thing which gets neglected, and there is no way you can exaggerate this, it is neglected, is the customer out there on the street. Because there is no one out there talking to the customer or checking that he is getting the right experience when he walks into one of our shops. We are off to London and Paris talking about Group integration and we have been doing that for three years [ORO 3].

**People impact**

Integration related tension also had a personal impact on the Romanian subsidiary managers [4;44%].

**Demotivation [3;33%].** The primary impact discussed related to feeling demotivated.

Even if you have an initial buy-in, you can lose the buy-in after a period of time. Worst case, you can begin to lose local resources and lose experiences and knowhow and knowledge, because people get too much stressed with the tension and then in the end they say ‘nice, do your game alone, but not with me’, which is not necessarily a good thing [ORO 5].

**Frustration [1;11%].** And feeling frustrated.

Because the Group says something and our local needs are different. We need to react fast and we are not able to react fast due to the regulations imposed. And that is the tension. People become frustrated [ORO 4].

And feeling like a fool from being pushed around by conflicting demands from Group over a period of many years without any end.

It depends how long you have already worked for Orange Romania. If you are in the beginning you see challenges. However, after a period of time you feel like a fool. It depends on how long you have worked and on your previous experience [ORO 6].

A senior manager mentioned balancing local and local demands as the primary reason for stress.

With me as an example, my most difficult challenge is to find a balance between the Group policies which are obliging me to do this or that and the business requirements which sometimes are contradictory…This is the most stressful and tense part of my job, the most hard work to find this balance [ORO 4].

**Generating scepticism [2;22%].** A period of unresolved tension and failed integration efforts can also lead to a cynical attitude among managers that undermines the potential for future success.

I think the impact is first of all that people become quite sceptical towards the standardisation process itself. And even if it is something that might be good, they will not feel it anymore like that and they will tend to see it as something negative. This
tension obviously would be the first thing that they would feel. So I think this basically undermines the chances of this process being successful if people are not really seeing it as something good after all [ORO 1].

5.4.5 Managing tensions

Managers used a variety of different ways to manage or cope with the perceived tensions.

Gamesmanship

Similar to the Danish case, managers relied on political gamesmanship behaviours from time to time when confronted with competing demands. A majority of respondents [7;78%] discussed the need to resort to various forms of gamesmanship.

Build subsidiary alliances [1;11%]. To gain bargaining power versus Group, it happened that subsidiary managers formed alliances with peers in other subsidiaries and then challenged Group together.

We have a collaborative association between us [in function X], when we found common things that affected us...We exchange information between us. What do you see? What do you think? What is your opinion? How does it affect you? We make an agreement and then we attack the issues together [ORO 4].

Delay implementation [2;22%]. Delay was also used to push implementation on occasions when it was not possible to challenge the Group or Group denied local exemptions.

I think what normally has happened is that you either ignore it for the moment or you ask for a delay [ORO 1].

Economise the truth [1;11%]. Certain facts were also hidden from headquarters, especially to create buffers that could be used for ‘rainy days’.

Because always the subsidiaries are hiding behind their figures, saving the truth to corporate in order to save some money, some room to manoeuvre [ORO 6].

Passive compliance [2;22%]. This included passive compliance without really working very hard to deliver integration initiatives.

I actually think that to some extent we are successful in spite of, rather than because of, these initiatives. I think we have found a way of adapting, and a method of passive compliance which is enough to satisfy the Group, but not so much that it destroys our business prospects [ORO 3].

Prioritise local demands [4;44%]. When competing demands got too high, and managers felt they could not openly challenge the Group, several respondents concluded that they had prioritised local demands over Group initiatives.

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For me, the priority is the local business. I need to take care of employees, payments, salaries and training. And the Group is telling me, this is the policy, you should do this, you should do that [ORO 4].

**Interacting with Group**

Managers also discussed the importance of how you interact with Group.

*Argue the local case* [5;56%]. Several respondents talked about the need to build up strong cases when asking for exemptions from initiatives mandated by Group.

I shouted that ‘we cannot comply’ and I will keep shouting that we cannot comply with the rules. Because we have this, this and this and I will give explanations. I will try to establish communication channels [ORO 4].

*Build personal networks* [1;11%]. Personal relationships and networks were seen as important to build trust with managers at headquarters.

I think it is very important with a personal network, relationships with the people, and the fact that people trust you. So that the more you tell them something, they know that it is something that has been thought of previously [ORO 9].

*Compromise* [2;22%]. The importance of striking compromises between Group and local was stressed by several managers.

In the end, it is like living together so there are compromises all the time. You have to compromise somehow in solving these tensions [ORO 5].

*Escalation* [2;22%]. The possibility to escalate conflicts to senior managers was also discussed. However that did not ultimately solve the issue but pushed the conflict to another level. It also sometimes helped to delay implementation.

In that situation, you obviously have to go through an upper level and basically present the problem and then the decision will be taken. So the company will negotiate again the importance of what is being set as a local objective and priority and this process and whatever it means as a whole for the company. Depending on the decision it will be done or not [ORO 1].

*Fight back for prioritisation* [1;11%]. One manager also discussed the need to push back as demands were always increasing.

It is simple, I say ‘Do you want one or nothing’... Do you want nothing or you have to choose what you want [ORO 6].
Structure local subsidiary

Reprioritise [1;11\%]. A senior manager mentioned the need to look over current prioritisations when faced with integration requirements.

If it is a too tight deadline…you first of all try to push back deadlines. If you cannot, and there are bigger objectives that will not allow you, then you try to re-allocate and reprioritise. In the end this could have a positive effect because you may find out that you could have optimised your organisation or your way of management [ORO 5].

Get your priorities straight

Decide on what matters most [2;22\%]. Two respondents discussed the need to be clear on what was really important as integration could cause loss of focus in the local subsidiary.

You go back to the resources. If you are not allowed to increase the resources to be able to be the best student and at the same time you have to deliver results. I think the critical one is to deliver results and then to be a good student. You have to make a choice and in the end if you are not a good student but you have a good result you are maybe not congratulated but you are forgiven. In the other case there is no escape [ORO 9].

5.5 Integration findings

This section presents the findings relating to how the Romanian subsidiary managers suggested that integration decisions should be made and how integration initiatives should be implemented.

5.5.1 How to make integration decisions

Recommendations in this section relates to how the strategy should be set, how managers at head office should interact with subsidiary managers and how staff should be appointed for head office positions.

Analysis

Most managers [8;89\%] discussed different forms of analysis as input to standardisation and integration decisions.

Analyse and benchmark local operations [7;78\%]. Several Romanian managers argued for the importance that head office had a good understanding of local operations. A starting point was a sound understanding of local KPIs.

I would start first of all with a common set of KPIs, clear KPIs, with financial reporting. This has to be. Because first of all we have to speak the same language. To speak the same language, we need to refer to the same KPIs and definitions. To report in the same way. If we do not have this, we not know how to compare and to analyse on the same basis [ORO 2].
One manager argued that IT and reporting systems needed standardising in order to be able to extract the same KPIs from the different subsidiaries. This had not yet been achieved.

First of all, in tools, you should have standardised information systems that allows us to see the same things. Because, the results we are analysing are usually different. So if we do not have the same information tools standardised, then we will never be able to see the same results. I am giving just an example. It is a project which has been going on for five years, saying that all the Orange subsidiaries should have the same financial systems. After five years they realise it is not possible due to the local constrains, local financial constraints in fact. As long as you do not have the same tools, you cannot have the same results [ORO 6].

Many managers discussed the need to use benchmarking, both within the company and with external companies, to justify integration efforts.

You would look at benchmarks against the rest of the industry, like the A.T. Kearney European cost benchmarking report, and see that you are underperforming against your competition, which tends to suggest that you need to adopt a different approach in order to improve… Or simply how you are performing against your competition in each market. [ORO 3].

It was also argued that benchmarking should be used to ensure that integration did not by accident result in worse local performance.

If you have very high performance, it would be useful to make benchmarks and to see if you can improve or not. You may damage if you impose standards in some areas which are very high performing the way they are [ORO 9].

**Analyse customer needs [4:44%].** It was also seen as important to analyse similarities and differences in terms of customer needs to assess how similar or different the markets were before deciding on the level of standardisation.

I would like to know first information related to the nations and to the customers in the countries we are looking at. Then I would like to have similarities because people have common features so do the countries. So similarities between them and also among other subsidiaries that were centralised [ORO 7].

As already noted, integration can become too inwardly oriented to the neglect of customers. It was thus argued the importance of viewing standardisation and integration from a customer perspective.

I would look at if, out of these standards, we obtain something relevant for customers [ORO 2].

**Analyse market development stage [4:44%].** Assessing the level of maturity of the different markets was also seen as important before making decisions.

And then there is another point which I think is important. That is in which phase of the business each of the territories are. Because, it is not all the time that you have all the territories at the same level of development of the business itself and of the market. In
some cases, a global deployment would have an effect of pushing up the business. In some cases, it would have the effect of innovativeness. In some cases it would have the effect of pure demonstration of force, not necessarily increasing business [ORO 5].

**Make proper initial assessment [2;22%].** In depth analysis was also seen as essential up front to ensure that the next steps in the process would run smoothly. Proper analysis served to build up confidence in the integration process and to pre-empt tension further down the line and preserve the credibility of head office.

If the documentation before choosing that this will be the product to be implemented was not well conducted, because you may find out that a certain country does not have technical capabilities, or will not have the ability to deliver in time for some very good reasons. Before taking the decision, it has to be checked and feasibility investigated at country level [ORO 2].

It was argued that resource requirements should be analysed early in the process to ensure that there would not be a disconnect between the ambition of corporate integration efforts and the financial reality. There should thus be alignment at headquarters level to avoid subsidiaries being caught in the middle between different Group functions.

Strategically I think that the central entity should ensure that there is a match, there is an overall match between the business objectives of the local entity and what comes as objectives from the standardisation. If there is agreement on all the parameters of the objectives I think it should work fine [ORO 1].

**Setting the strategy**

**Align objectives [1;11%].** Given the many experiences with competing objectives, it was argued that clarity of objectives was necessary for success. This would ensure that different Group functions did not pose conflicting demands.

They should agree about the objectives they give to the business units. And the business units should break down the objectives to the subsidiaries. There are global objectives to be agreed across the Group functions [ORO 8].

**Be clear on integration benefits [4;44%].** It was further argued that head office should be clear on what the purpose is of integration. This will also make it easier to sell integration to subsidiary managers.

First of all I think the proposition of integration is based on relevance of the product itself. And the possibility to obtain some benefits out of integration. It should also be analysed locally what is to be gained and what is to be lost if we do something like this…I don’t think there are answers valid for all areas. It is area by area and has to be very well assessed the relevance. To do something one must obtain anything at the end, either better perceptions by customers or savings [ORO 2].

**Cluster similar countries [2;22%].** Following from a minimum core, it was argued that subsidiaries should be clustered, based on how similar they were. The minimum core
would be deployed across all subsidiaries but further integration could then take place within more similar clusters.

For example between Slovakia, Romania and Poland. That might be easier…When you think about it with companies at the same level of development I think it is easier. However, if you look at 15 companies and some of them are in Africa and some of them in Europe, at different stages of development, it becomes really very complicated [ORO 1].

**Adapt customer facing functions [2; 22%].** Two managers advocated the logic that customer facing functions needed a higher degree of local flexibility to cater to different markets. The level of standardisation and integration should thus be varied area by area.

The areas that I wouldn’t recommend centralising would be marketing, sales and customer service. That is, any direct customer touch point, which needs to have a local design and local flavour to be successful…I would hesitate in getting into the really front line customer touch points because then you are assuming that you know more than the people on the ground. And as Colin Powell says, in his opinion, the local commander is in the best position to know what actions should be taken. And that is the principle you should always operate on. Rather than assume that you can second guess [ORO 3].

**Define overall brand position [1; 11%].** Part of the vision should include a statement of the desired brand position. One manager argued that a common brand position was required in order to base integration efforts around pulling in the same direction.

Starting with brand positioning, I would go to details on common marketing plans, some, those common elements only. The first thing would be the same parameters and definitions and then a clear brand positioning [ORO 2].

**Define minimum core [1; 11%].** Defining the minimum core across all countries was regarded as helpful. A very clear minimum core was seen as strengthening the overall brand positioning without suffocating the subsidiaries.

I think it should be at least a minimum of elements because otherwise you dilute the idea. You cannot standardise something on a worldwide basis which consists of only one element. Basically, I think we do not need to reinvent the wheel here. We can look at other worldwide providers [ORO 8].

**Find the right balance [1; 11%].** A senior manager touched upon the difficulty in striking the right balance between standardisation and adaptation.

When you standardise things you are losing autonomy. We are talking about different countries so you need to leave flexibility to the countries. And sometimes it is not in a favourable position to get everything standardised. So there are two extremes: standardising and independence. And we need to find a place in the middle and it is very difficult [ORO 4].

**Focus on common segments [1; 11%].** Following from a common brand position, integration would be easier if there were commonly defined market segments to develop initiatives towards.
If we speak about how to attack competitor’s clients, this may be very different from
country to country. Competition has not the same weaknesses or strengths in all the
countries. The customers do not react to the same stimulus. This is very dependent on
the market and on the local situation. So we cannot say we standardise a method to sell.
But what we can try to do is to follow some segments. To follow some segments that
can be valuable for all [ORO 2].

**Focus on what matters most [1;11%].** As part of defining the minimum core, one
manager argued for the importance of focusing on those initiatives that mattered most
across the footprint. This also ensured concentration of efforts on fewer initiatives rather
than dilution across too many.

But we should restrict. Because if they propose to us to do a lot of things, we dissipate
our efforts in all directions and finally the processes are slowed down… To focus
exactly on the common products agreed by everyone which again, should not be a very
long list... More focus is needed. More focus and shorter selections of products [ORO
2].

**Work towards a clear vision [3;33%].** Respondents discussed the need to have clarity
around the end goal of integration rather than simply seeing a list of operational
initiatives. It was also regarded as important to stick working towards the overall vision
rather than keep changing regularly.

For me, these decisions are something that has to be taken by looking at very broad
objectives. These multinational companies want to get to this point and they want to
provide these kind of services to business clients or to consumers. So we have to start
with the very broad objectives of the company and then we may see that some of these
objectives cannot be achieved without standardising different things. I think you have to
see where you want to get and then you decide that you have to do it and then you do it
[ORO 1].

**People**

**Ensure operationally experienced people at HQ [1;11%].** The vital importance of
appointing operationally experienced people to head office positions was also
emphasised.

First of all, I would not put anybody in the headquarters until he has run a business. You
must have the local operational experience. You will be the manager of a group of
companies or countries, so if you do not know what it is like to run a business, what
operational issues you are facing, you cannot set the vision because you do not have the
basics to do this. This is an issue right now because you have people, who have not run
a business, maybe they have never driven a car in their life, now they think about what
you should do. They put some ideas about what you should do without understanding
that somehow, all of the things are linked with each other. If they want to change
something, they don’t see that other areas are linked. Because they do not have any
experience. Just guys who gathers reports, analyses reports and then make reports from
other reports. If you really want this to work, you need to put an operational guy in this
position [ORO 8].
Interaction

**Be clear that integration will happen [2;22%].** Subsidiary managers argued that head office should make it clear that integration will happen rather than send weak messages. Integration should then be backed up by strong top management support.

And obviously there has to be a flow of information from subsidiaries to the central office. I think decisions have to be taken and people have no other choice than to do it. Because otherwise, because people don’t want to change. They have their own way of doing things and their own ideas are always better than the ideas that someone else has. It is really a difficult balance how to do this without losing the knowledge from the local market. Because they may have some really good ideas that you don’t want to lose. So you should ensure a workflow of information from the subsidiary to the centre. But they should know that they have to do it. The information will help them to do it the best way. Otherwise, you know if it is a sort of consultancy, should we do this or should we not, you will never reach an agreement because people have their own objectives and their own little worlds [ORO 1].

**Consult and sell integration to subsidiary managers [6;67%].** Most respondents argued that head office managers should adopt a consultative approach to integration rather than just mandate integration.

We have to involve the CEOs of the subsidiaries and their key staff. I think the first time round, the reason why the process failed, was because there wasn’t sufficient consultation. And then they took that consultation on a limited basis and then created this new Group operating model. I would take a lot more consultation. OK, eventually I would have to take central decisions but I am saying that you should achieve the maximum possible level of consultation so that you get the best ideas that you can before you start [ORO 3].

5.5.2 **How to implement integration**

Manage people

**Engage people [1;11%].** Beyond formal commitment, it was seen as important to engage people in the subsidiary to also put their hearts and souls into the implementation.

You can work to a project with your mind and you can work on a project with your mind, soul and everything. And this is the difference. And Romanians as you have seen are very subordinated to the boss. So if the boss is telling them something they will do it. But if you touch their hearts, they will do better than you would ever think they can do. Because they are able to bring a lot of fine tunings that give value. That make the final results better than expected. These are the key elements to success [ORO 7].

**Move people around [1;11%].** Rather than reinventing the wheel in each operation, based on a standard blueprint, the benefits of circulating experts around the Group was put forward.

I would probably ask someone who has implemented it in another country to come to the country that is implementing this and coordinate the whole project. Because I think
the person who implements it once or twice will make less mistakes than a brand new person and also will be able to train a new potential implementer [ORO 7].

Share ways of working [2;22%]. Rather than just having a push from Group, managers argued for creating a subsidiary ‘pull’ effect where people would seek out information and share ways of working. This was seen as leading to a positive climate.

Another thing which normally works, I think it could be changed very much, is the role of the Group into best practice sharing. This is very important. Sometimes, it is more important than to have a Group organisation focused on pure delivery and implementation. Not forgetting to have elements inside that organisation that are focused on communication between entities of the Group and best practice sharing. Because sometimes it is easier to be convinced of a good thing, that the Group wants to implement here, by talking to other people who have done it and it worked well for them, than only the Group coming here and saying ‘you have to do it, because I know it is good and it has worked there’. Wherever you go in terms of integration, there should be an element inside the organisation that facilitate all the time this best practice sharing, and not only facilitates it, it also encourages it, it generates it [ORO 5].

Secure top management commitment [3;33%]. Strong commitment from top management at both Group and local level was regarded as essential in order to send the signal that integration was a top priority. Without this, other projects would be given priority.

The senior people in the organisation should buy into the decisions and be convinced that it is of benefit. It is a mentality. They should be taken on board and feel that it is the right decision. The top people should be convinced of the benefits. If they are convinced of the benefits they will drive the implementation correctly and they will put their efforts to ensure successful implementation [ORO 4].

Manage objectives and resources

Avoid too many swings [1;11]. Consistency was also seen as essential. Frequent changes in direction would cause efforts to be diluted and staff to lose interest.

Then it cannot be moved or changed so that we say today ‘we are doing this’, then tomorrow we change a little bit, this project is no longer the first priority but another project is and so on. If we found, with good documentation, that this is a good element, we should rapidly put it into the market [ORO 2].

Establish dedicated working groups [1;11%]. Like with many things, dedicated resources with responsibility for delivery was considered important to ensure success.

If the process affects lots of processes inside the company, it has to be a dedicated working group. Set up locally. A connection to the central Group for support or reporting. But I think once the target is very well established and the parameters and the KPIs we want to reach, I think local groups can perform very well in implementation. Maybe better than a team coming from the outside [ORO 2].

Establish local prioritisation forum [1;11%]. The need for an overall forum for prioritisation of all local projects regardless of whether the origin is local or Group was
also discussed. Conflicting priorities was seen as leading to sub-optimisation as people worked towards different agendas.

First, we need to prioritise internally with everybody to know what direction we will take and what the key priorities are this month, this quarter and this year. From my point of view, there are a lot of organisations in which everybody is working hard but people are working to different projects or people perceive the importance differently or don’t understand the prioritisation correctly [ORO 7].

Ensure local resources [1;11%]. It was considered essential that resources exist in the local business to deliver Group initiatives. It does not work if the gap between strategic aspirations and financial aspirations is too wide as argued by one manager: ‘It comes back to ensuring that the resources exist’ [ORO 1].

Implement in stages [1;11%]. Rather than a ‘one size fits all’ approach, a staged implementation was advocated. This would make it possible to roll-out in different speeds across various markets and show how efforts had worked in other places.

Obviously it cannot be done everywhere at the same time so it needs to start somewhere. I think it helps a lot if you see that it is being done in stages and that it did work in some other market places [ORO 1].

Manage interaction

The respondents also had opinions regarding how the head office should interact with the local subsidiaries.

Accept mistakes in order to learn [2;22%]. It was argued that the corporate culture has to tolerate mistakes in order to create an open environment where errors generate learning and then improvement. Without that, the culture would instead encourage managers to hide their errors to the greater loss of the company.

Whenever you implement something, something can go wrong. You can make the wrong decisions in the beginning, try to cover it, try to adjust on the way, so the final can be a disaster. And it is very hard to come and say OK, I made a wrong decision, I was stupid. I don’t know what I did but it was the wrong decision so please stop everything and let’s start again [ORO 7].

Establish strong communication [5;56%]. Strong communication was seen as key throughout the implementation process to ensure alignment and an open dialogue.

It is good to communicate. It is good to understand also the reasons people from the Group are doing some things. In fact I think, if we get to a common understanding of the ultimate goal, to build the profitability of the company, because after all we are working to make profits. That is clear. If we take the share and look at the evolution and we know that everything we do has to increase share value, we understand a little bit some of the Group decisions also. So first of all you have to understand the motivation of everyone in order to be open minded [ORO 2].

Establish and use subsidiary feedback loop [2;22%]. Ensuring a feedback loop from subsidiary managers back to head office was advocated. This ensured that bottom-up
feedback from subsidiary managers was taken into consideration to improve the process.

I think that standardising should have a limit and the coordination of standardisation should have the possibility to absorb ideas coming from others. Because what is usually happening is that there is a central point which is deciding that we are going to follow this but things can be improved during their lifetime. If you receive a suggestion from a country it is difficult to change a little the way you are doing standardisation [ORO 7].

**Use subtle control mechanisms [1;11%].** One Romanian manager also argued that it was better for head office to use subtle means of control over subsidiaries rather than an aggressive controlling stance.

You can control without telling that you are controlling and without letting people feel that they are controlled [ORO 9].

**Manage delivery**

**Don’t skip phases [1;11%].** A senior manager commented that phases in the implementation were too often skipped with adverse impact. He viewed it as important to go through the required phases.

What I would probably try to do all the time, is to not burn steps in terms of implementation. However good the communication would be, still it is not a day to day communication, and it is not a full day to day operation that is only between local and global. In this case, I think that you need not necessarily to burn the steps. You need the initial assessment, you need the analysis, you need common understanding, you need the buy-in, you need the implications, you need the planning, you need the follow-up, you need the feedback loop and you also need to show that things are changing because of the loop [ORO 5].

**Stick to the minimum core [1;11%].** As presented earlier, there was a feeling that a company should have a minimum core that is standardised or integrated rather than spreading efforts across everything. Once that minimum core is decided, it was argued that it should be safe-guarded strictly while most other elements were flexible.

I think that once you have reached a decision about the core elements of the standard, you definitely will not allow shifts to happen. Because, when you start to implement something which is standardised, if you start to make compromises, just a little bit this or a little bit that. Because, each and every country will have their own specificity... I would put a standard which does not include everything. It would be just three or four elements but I would stick with it. And I would force you locally to change everything to deliver this. I would then give you the flexibility to adjust all the other factors but not these [ORO 8].

**Ensure strong delivery management [5;56%].** A majority of interviewed managers discussed the need for competent and strong delivery management to pilot integration efforts.
The resource allocation goes again back to having a plan and really sticking to it. And being able to deliver what you say that you have to deliver from the global perspective in the local market [ORO 1].

Given the people impact of integration, strong change management from a people perspective was regarded as important.

For those things affecting people, people’s jobs, it has to be put in place good change processes and programmes. Think of alternatives. It is a most delicate thing to do, if you are affecting people’s jobs... If a new decision affects people’s job, it has to be very well conducted and managed with alternatives and programmes [ORO 2].

Other

*Freedom within guidelines* [1;11%]. A senior manager discussed the need to provide freedom within guidelines to ensure sufficient flexibility while staying true to the overall integration course.

You don’t want minimum compliance to minimum standards. You want hearts and minds, you want buy-in, and you want cooperation. Therefore you need a flexible approach, but not so flexible that you are not achieving the goals you are seeking. So it is kind of about management rather than about the programme. It is about how it is handled. If it is too draconian, then it will start to become counterproductive because people are having their power and influence taken away. And that is difficult to accept. So going through that process sensibly is going to be one of the key challenges [ORO 3].

5.5.3 **Context factors affecting integration**

The Romanian managers indicted some context factors that were seen as having an impact on integration.

*Service industry* [1;11%]. The added complexity of service industries was discussed in relation to product industries where the products can be produced in one location and sold in other places.

Selling telecoms services, and services in general, is actually completely different from selling physical products. Sometimes the job of companies selling finished, physical products is easier from this point of view than a company which is trying to sell services [ORO 5].

*Legacy versus new* [1;11%]. It was also argued that the type of implementation mattered as there were wide differences between different types of integration efforts.

Again, it is a big difference between implementing a global set of standards on something existing or something which is completely new for the market. Because whenever you go for something completely new for the market, you can achieve it easier because you do not have any so called regression risks [ORO 5].
5.5.4 Learning and implications for next stage

The findings from the Orange Romania case were in many ways surprising. Chance had presented this case that had a close to ideal fit from a theoretical sampling perspective. I had expected that there would be substantial differences compared with the Orange Denmark case given the much stronger position of the Romanian subsidiary. And yet, despite all the differences, the tensions experienced by the Romanian managers were very similar with the exception of the cultural factors.

From a theoretical perspective, it is interesting to note that political behaviour appear to have been especially prevalent in the two Orange cases. This raises the question concerning what was unique about these two cases. A particular feature of integration in the two Orange cases, compared with the other three cases, was that integration meant strategic change away from previous autonomy. It would appear that integration efforts were characterised by significant teething-problems as Orange made the transition from autonomy towards integration. There were also examples of discrepancies between the level of ambition and available resources. In addition, the managerial discretion of subsidiary managers was also reduced as a result of integration. This took place at the same time as there were significant market discontinuities in both the Danish and the Romanian markets. In the Danish case, deregulation of the telecoms market had led to a number of new entrants in the form of virtual network operators. In the Romanian case, Vodafone had acquired the largest competitor, Connex, and started re-branding efforts. If anything, managers in the subsidiaries felt the need to respond even more vigorously to local market conditions. It would thus appear that substantial strategic change might trigger micro-politics at the subsidiary level.

We also note that the scope of integration was very ambitious in the Orange cases while it was more limited in the other three case studies. Integration affected several elements of the customer experience as well as internal business functions. From the case studies it would seem that tighter integration might generate political behaviour.

Apart from commonalities, there were also differences between the cases. In this regard, there seem to have been more political behaviour in the Danish case. An examination of the case contexts suggests four potential reasons. First, there were substantial differences in terms of competitive intensity as detailed in Appendix 14.2. The Danish market had one of the highest levels of competitive intensity in Europe, with five network operators and 14 virtual operators, competing in a small country with 5.4 million people. The Romanian case was distinctly different with a population of around 22 million and four mobile operators out of which two were marginal with less than one percent market share each. The Romanian market was thus a de facto duopoly. The intense local competition in Denmark appears to have pushed Danish subsidiary managers in the direction of local responsiveness and away from integration initiatives. Second, Orange Romania had almost 10 times the customer base of Orange Denmark as also shown in Appendix 14.2. The overall size of the budget was thus significantly larger in the Romanian case meaning that integration efforts required a much smaller proportion of total resources in the subsidiary. Every dollar spent thus carried a greater weight in the Danish context. Third, the Danish business was underperforming financially while the Romanian business was exceeding its financial targets. The Danish
business thus had a much lower bargaining power versus headquarters. This made it more difficult for the Danish managers to challenge the opinions of headquarters while managers in Romania could afford more open confrontations. Fourth, Denmark was viewed as culturally and economically closer to the core markets of Orange in Western Europe compared to Romania. As Denmark was closer to the corporate centre it would appear to have been more difficult to argue the case for exemptions compared to Romania that was located in the periphery. Given this, and the fact that Romania was an emerging rather than developed market, it would appear that head office managers were more willing to make concessions in the Romanian case.

The Romanian respondents also provided important comments regarding the challenges of strategic change as part of integration. The case thus provided a sensitising lens which was later applied to the Danish data following the logic of constant comparison. This process identified similar quotes made by the Orange Denmark respondents that had previously been overlooked. From this it became clear that both of the Orange cases were characterised by integration as significant strategic change. Both operators had previously followed multidomestic strategies.

For additional case studies, it thus became interesting to identify integrated operating models that were not going through substantial change. In addition, it would be worthwhile to investigate another multinational other than Orange. With this in mind, I scanned my network of contacts from the telecoms industry to think about suitable case studies. I considered several possible candidates that were rejected due to predominantly multidomestic strategies, including subsidiaries of Millicom, TeliaSonera and TeleDenmark (TDC). This led me to focus on the Nordic subsidiaries of Hutchison in Sweden and Denmark. I had several former colleagues who worked there including my previous manager who had become the CEO at 3 in Denmark. This looked promising from the perspective of negotiating access. In addition, Hutchison was ‘born global’ rather than a previously multidomestic operator that was in transition towards greater integration. Given the opportunity to conduct research in both the Danish and the Swedish subsidiaries of 3, and the fact that I had moved to Singapore, led to me to book consecutive visits for field work.

I made some minor modifications to the interview guide used for the Orange Romania case. I merged the sections talking about value chain integration and marketing mix standardisation as respondents’ comments were similar for the two areas. I also added a number of questions relating to corporate parenting following additional literature review. Some questions were also included regarding which factors influenced how subsidiary managers responded to local-global tensions. This included direct questions about what made them 1) comply, 2) challenge or negotiate, 3) manipulate or 4) ignore requests from headquarters. These categories had been developed as I was analysing and trying to make sense of the data from the two Orange case studies. During that process it was clear that I had primarily asked about questions that helped me to understand ‘causes’ of tensions and ‘consequences’ in terms of impact. This modification was made to allow me to further explore subsidiary managers ‘responses’ to tensions.
In light of the above, the approach taken to theoretical sampling can best be labelled what Pettigrew (1990) has called ‘planned opportunism’, given the combination of analysis of case differences and leveraging industry contacts to secure site access.
6 3 DENMARK CASE

6.1 Introduction

This chapter presents the first-order findings from the third case study conducted of 3 Denmark.

6.2 Case context

Company context

3 is the brand name used by Hong Kong based conglomerate Hutchison Whampoa Limited (HWL) for its third generation (3G) mobile networks in Australia, Austria, Denmark, Hong Kong, Ireland, Italy, Sweden and the UK. Hutchison originally launched Orange in 1994 but subsequently sold Orange to Mannesmann in October 1999. After Vodafone acquired Mannesman in February 2000, the European Commission mandated the sale of Orange as a condition for approving the Mannesmann acquisition. Subsequent to this, France Telecom acquired Orange in August 2000.

Hutchison used the experience gained from Orange together with the proceeds of almost GBP 20 billion from the sale of the operator to become a first mover in third generation mobile communications. For the Nordic region, Hutchison entered into a joint venture with the Wallenberg controlled investment company Investor to bid for 3G licenses. The joint venture called Hi3G is 60% owned by Hutchison and 40% owned by Investor. Hi3G was awarded a 3G license in Sweden in December 2000 and launched Swedish operations in May 2003. Hi3G also won a license in Denmark in September 2001 and launched Danish operations in October 2003. Hi3G was further awarded a 3G license in Norway in September 2003 but had not yet launched operations at the time of conducting the case studies in Denmark and Sweden.

Market context

The Danish market had gone through a period of consolidation but was still one of the most competitive markets in Europe when the case study was conducted. The consolidation wave had led to Orange being acquired by TeliaSonera, the virtual operator Telmore being bought by the incumbent operator TDC and another service provider called CBB being acquired by Sonofon. The TeliaSonera owned operator Telia achieved critical mass following the Orange acquisition and the two aggressive service providers Telmore and CBB became part of the established operators. The mobile market stabilised as a result of these changes. Though 3 in Denmark was clearly sub-scale with less than three percent of the market and below 140,000 customers. Despite high average revenues per customer (ARPU), as a result of targeting high value customers and synergy benefits from integration with Sweden, the CEO of 3 in Denmark estimated that the company needed above 300,000 customers to become EBITDA positive.
**Integration context**

The 3 case studies are interesting in that 3 launched with a common brand name across its subsidiaries from the start. 3 also took steps to procure networks, IT systems and handsets on a group basis from the beginning. Beyond these areas, further integration was rarely mandated but took place on a voluntary basis between countries. As a result, several European subsidiaries had agreed to second product management resources into a team in London to work on content partnerships with major media companies. This initiative originated in the subsidiaries and the decision whether to opt-in or out was left to the local CEOs. As a result, the level of cross-border integration was in general much less compared with Orange. However, the level of integration between 3 in Sweden and Denmark was very significant and goes in many ways far beyond the level of integration in the Orange case studies. On a Scandinavian basis, 3 is run based on the concept of a shared services organisation responsible for network, IT and finance. In a benchmarking between 3 in Denmark and 3 in Austria, it was found that the Danish business was operating at only 60% of the comparable operating costs of 3 in Austria. The 3 case is thus interesting in that the global layer of integration was limited to some major areas, notably brand name and purchasing, while there was very tight operational integration between Sweden and Denmark.

3 Denmark is a case of ad hoc global integration supported by strong regional integration through a Scandinavian shared services organisation. The Danish 3 case is also interesting given the need to interact with both the global headquarters in Hong Kong and the regional shared services organisation based in Stockholm, Sweden.

**6.3 Data collection**

**Respondents**

All respondents were senior managers at 3 Denmark. The six interviews lasted between 43 and 83 minutes and generated 23,452 words when transcribed.

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Data collection</th>
<th>Interview length</th>
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<tr>
<td>CEO (Danish, Male)</td>
<td>Face to face</td>
<td>81 minutes</td>
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<td>May 29, 2006</td>
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<td>Customer Service Director (Swedish, Female)</td>
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<td>Business Development Director (Danish, Male)</td>
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<td>May 30, 2006</td>
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<td>Manager: Strategy, Process and Programme Management (Danish, Male)</td>
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<tr>
<td></td>
<td>May 30, 2006</td>
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</tr>
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**Interview guide**

The interview guide was a slightly modified version of the extended interview guide used in the Orange Romania case. This included merging some areas and adding a number of questions relating to corporate parenting. This updated interview guide was also used for 3 in Sweden and for Vodafone in China.

The interview guide is available in Appendix 14.6.

**6.4 Tension findings**

This section presents the findings related to local – global managerial tensions as experienced by the subsidiary managers at 3 in Denmark.

**6.4.1 Frequency of tensions**

There was substantially less tension reported in the 3 Denmark case compared with the two previous Orange cases. The respondents had differing opinions regarding the frequency of tensions ranging from ‘It is very common’ [3DK 3], to ‘I don’t feel there is a conflict’ [3DK 4].

**6.4.2 Areas affected by tensions**

It would appear that tension was the highest in the areas affected directly by the Scandinavian shared services organisation. This specifically included technical areas such as network and IT. In addition, there had been some tension in finance that appears largely resolved following a reorganisation that put Stockholm in charge of finance in Denmark. The commercial side had been fairly autonomous but recently more steps had been taken in the direction of integrating the commercial side, which had created some friction.

**6.4.3 Causes of tensions**

The same structure, as used in the Orange Denmark and Orange Romania cases, was used to categorise managerial tensions.

Categories of managerial tensions
- 1. Content of integration initiatives
- 2. Decision-making process and interaction with headquarter representatives
- 3. Implementation of integration initiatives
- 4. Loss of autonomy of subsidiary managers
- 5. Cultural differences

However, no passages of text were coded to the last two categories. In this regard it is important to note that the two Orange cases involved substantial strategic change that likely led to a greater sense of loss of autonomy.
Perceptions of the content of integration initiatives

Tensions regarding the perceived misfit of integration initiatives were discussed by a majority of subsidiary managers [4;67%].

Underlying market differences [3;50%]. Half of the subsidiary managers reported misfit based on underlying market differences. It was a widely held perception that Denmark was treated in a somewhat step-motherly fashion by the Nordic headquarters located in Stockholm.

Most of the decisions are based on Swedish market conditions. I’ve never seen a market survey regarding a product that would be beneficial for the Danish business in the business market. We don’t use business cases for doing business. It’s primarily a gut feeling in Sweden [3DK 5].

Legacy set-up [1;17%]. Misfit could also be the result of legacy set-ups that prevented integration initiatives from becoming beneficial. This included the installed base of handsets in the customer base.

If for whatever reason, this particular service could not be implemented on the major handsets, or one of the major handsets, then that would be a problem [3DK 3].

Perceptions of the decision-making process

All managers [6;100%] discussed various aspects of the strategic decision making process or the way that headquarter managers had interacted with the Danish subsidiary that they were not satisfied with.

Lack of fair treatment [4;67%]. A majority of managers felt that the Danish subsidiary was not fairly treated by people in the shared services organisation located in Sweden.

50% of the problem is people’s attitudes. It depends on where people are sitting but a lot of people like to build empires. They want to have responsibility in terms of money and people...If they don’t like me, I won’t get anything [3DK 5].

Lack of understanding from managers at headquarters [5;83%]. Most respondents felt that there was a lack of understanding about the Danish market and the Danish operation among people both in Hong Kong and within the shared services organisation.

I think some of the main problems are that they don’t understand the business, only the IT systems. They need to spend time in the countries where they are responsible for implementation because if you’re just in Stockholm you will never succeed. You need to understand the local business [3DK 5].

Integration not ‘sold’ to subsidiary [2;33%]. Some also discussed that integration initiatives had not been ‘sold’ to mangers in the Danish subsidiary.

It’s all about selling ideas. Whether you’re a CEO or own a company or managing a department, raising your children, whatever, you have to sell your ideas and get buy-in. At 3 there is a total lack of respect of employees’ work and intelligence and
responsibility...So you have to sell the idea to motivate people to get on board and love the idea and work hard on it [3DK 6].

HQ micro management [3;50%]. Half of the respondents also noted that there was a tendency towards micro management of the Danish business. This included handsets being managed by the CEO of Hutchison as well as a variety of operational decisions being micro managed by the Nordic CEO.

They did more or less kill this business with good intentions before I came in. They were all over the place doing micro-management at all levels which for me was a requirement that there would be no one from Sweden calling anyone in this organisation without going through me. Asking, suggesting or simply interfering destroys value. It was the case here at least. The Nordic CEO was all over the place. He would call managers, shop keepers all over the place. But he did stop a week after I joined and he hasn’t done it since [3DK 3].

Lack of governance [3;50]. Many managers felt that there was a lack of governance structure in the Nordic organisation. This meant that there was no transparency regarding how decisions were made and people closer to the seat of power in Stockholm were able to exercise more influence.

Some of the weak areas in Scandinavia right now are due to the governance structure. Most decisions are taken locally and that means that the Nordic CEO can be sitting in a Scandinavian meeting that takes place in Stockholm. Our Danish CEO is not there and does not get information that can have an impact on the Danish business. That’s the main problem. People take local decisions without analysing the impact on the other Scandinavian areas [3DK 5].

Perceived inequity [5;83%]. There was a widespread perception of inequity throughout the Danish organisation. This included a feeling of not being represented in the important Scandinavian decision making forums.

The most important thing is that employees in Denmark don’t feel that they are represented in the Nordic organisation. There is a Nordic organisation that is exclusively staffed with a lot of Swedes [3DK 1].

A number of managers located in Sweden, had Scandinavian or Nordic titles, but it was perceived that these people did not allocate sufficient time to the Danish organisation.

On paper most of these activities are Scandinavian but the governance structure and the mindset of the managers has nothing to do with the Nordic responsibility. If you look for the governance structure we had in place one year ago, we had seven Nordic managers in Sweden and one representative in Denmark representing all areas in Denmark. Our CEO took that discussion and pushed for a new governance structure in Scandinavia. Our main problem is that Nordic managers that have Nordic responsibility have only spent time in Sweden. Most of the decisions are taken at the Swedish management meetings. We are a small box connected to Sweden. They don’t see Denmark as a company at the same level as Sweden in terms of decision power and influence [3DK 5].
A senior manager felt that Swedish problems were addressed much faster than Danish issues due to the fact that the shared services organisation was co-located with the Swedish business.

The shared services organisation with local markets is ideal on a piece of paper. It looks good in a business plan and in board presentations. In reality, it’s very difficult to run… The risk is that you feel less responsible locally if the shared service centres do not perform. If we have sites that are down in Jutland, and I had the CTO sitting in the premises, he would know what I wanted him to do. Maybe it’s a Swedish thing but people seem to cover the till with quilts and you get hidden in a mattress for a long time and they come back and talk processes with you and escalation processes and so forth. So therein lies the danger; the shared services centre has to be more paranoid of customer needs than is presently the case [3DK 3].

This resulted in a perception that all Danish requirements were constantly prioritised with reference to the Swedish situation.

But we are a bit crippled by the fact that everything we want is prioritised against other things in Sweden. If we don’t specify in detail what we need, we don’t get it. Take the understanding of the invoice for example, which generates a lot of calls to customer service. Once it was identified as an issue for both countries it was fixed for Sweden but not for Denmark because the people who have the Nordic responsibility didn’t take it [3DK 4].

The same concerns as were voiced in relation to the Nordic head office in Stockholm, were also expressed in relation to board meetings involving Hutchison staff from Hong Kong and Investor representatives.

I think they chose to forget the Danish experience, because when they talk at the board meetings, they refer to the Swedes and don’t seem to realise that Denmark is a separate entity [3DK 2].

Perceptions of implementation

Most managers [5;83%] also discussed weaknesses in terms of implementation of integration initiatives.

**Goal and Resource conflicts** [2;33%]. One reason related to managers in the shared services organisation not being measured on what they delivered to Denmark.

This happens because Swedish managers are not measured on Danish results. If someone sits in Sweden as a Nordic marketing manager but don’t have any kind of bonus targets on the Nordic level, he won’t care about the Danish business. The Swedish management team has no bonus requirement for the Danish operation. The governance structure in terms of KPIs and bonus targets is local [3DK 5].

**Increased bureaucracy** [1;17%]. Integration could also lead to bureaucracy in terms of additional analysis and information without any obvious value to the Danish organisation.

Tensions are often created at the highest level when something needs approval or when there are changes in the Danish set-up. Especially when there is a difference compared
with how things are done in Sweden. They ask for a lot of analysis. They ask for a lot of information but they never make any decisions. And there is no feedback provided to the Danish organisation informing us why we should do something in a certain way [3DK 1].

**Lack of clear direction** [3;50%]. Half of the respondents noted that there was lack of clarity in terms of the overall direction. There had been frequent changes in certain areas that led to a lack of stability.

You need freedom to run your business. If you make a strategy and operating plan and define KPIs and have a budget that reflects your planning you should have the freedom to run your business. Denmark has no relationship between these areas. We made a distribution strategy last year and that has been changed 3 times; first by the Nordic CEO, then by headquarters in Hong Kong and that means that our budget was completely changed [3DK 5].

**Unclear roles and responsibilities** [2;33%]. In addition, some of the interviewed managers felt that the roles and responsibilities were very unclear.

You have to be extremely clear about who is responsible for what in the organisation. That is not happening in 3. There is a lot of confusion about who does what and those structures get totally fucked up when you have a Nordic CEO who just runs over the whole organisation all the time. The managers will of course lose motivation because he takes responsibility away from them. That is very dangerous for a company [3DK 6].

**Perceptions of the loss of autonomy**

Not identified in this case study.

**Perceptions of the cultural interaction style**

Not identified in this case study.

### 6.4.4 Consequences of tensions

A number of consequences of tensions were also discussed.

**Positive consequences**

Not identified in this case study.

**Negative consequences**

**Business impact**

**Losing control of local business** [1;17%]. The lack of attention paid to the Danish business meant that one manager felt that the Danish organisation had lost control of its own destiny as critical functions were delivered as part of the shared services organisation.

The business impact is that some of the key areas are not prioritised [3DK 5].
**Loss of sales [1;17%].** The strong involvement from Hutchison’s CEO in terms of selecting the handsets had also led to poor reputation for the Danish subsidiary in the beginning.

Depending on the problem, there was a big push to buy a lot of LG handsets from the beginning and they were flawed. It created a massive bad experience in the market and a big hit to this company’s reputation. The only thing to do was to say to Hutchison’s CEO that we can’t buy LG for anything but a spice handset. I have to bet on Nokia and Sony Ericsson and Samsung because I cannot use a brand that was such a fuck-up. And he agreed [3DK 3].

**People impact**

Many managers [4;67%] also commented on negative people impact as a result of integration efforts.

**Demotivation [2;33%].** This included a sense of demotivation.

The impact is the loss of motivation. People have left because they are fed up because someone in Sweden says, ‘we don’t need your help’ or ‘we don’t have time for you’. The business impact is there, from a customer’s point of view, on the invoice layout, has had a bad experience. Even the management team couldn’t read the invoice. So the customer lost motivation. Lastly, it can affect how people in the organisation view the management team. Why can’t we fix it? You can make an organisation rot from the inside. But fixing some of these actions and problems builds trust [3DK 4]

**Frustration [3;50%].** As well as frustration.

It is frustrating. You feel frustrated as a result of market related demands not being met. Denmark is not represented in the Nordic organisation. It is a result of lack of insight from people in Sweden. As an example, there is a department in the shared services organisation called business intelligence. No one in Denmark knows what they are doing but they decide which reports should be delivered and when they will be delivered [3DK 1].

**6.4.5 Managing tensions**

This section presents the findings regarding how the respondents discussed management of tensions.

**Gamesmanship**

Compared with the two Orange cases, only a single respondent discussed various forms of gamesmanship.

**Asking for forgiveness [1;17%].** This included asking for forgiveness rather than permission.

I just do it. I basically ask for forgiveness rather than for permission. Sometimes I do things without asking permission but I also respect the total envelope. If I spend another 6 million on building shop-in-malls, I take it from somewhere else. If they say bring
down cost of sales, I’m the one to know how to do it. And I will act on it. But it seems to be the culture here. The only big problem I had was when I paid out bonus to everyone and informed Stockholm of what I was doing. The Nordic CEO didn’t like it and wouldn’t speak to me for months [3DK 3].

**Become politician [1;17%].** And the need to act as a politician to balance different demands.

It is a very informal organisation that influences things so you have to be somewhat of a politician to make your local subsidiary survive and get the attention that it needs. I think we’ve managed that partly through lobbies but also through good performance and board presentations [3DK 3].

**Interacting with Group**

A majority of respondents [4;67%] discussed how to interact with headquarters.

**Argue the local case [3;50%].** Half of the respondents noted that it was important to develop the necessary skills to argue the case of the local subsidiary to headquarters.

I try to find all the facts to support my argument and argue with them [3DK 2].

**Build personal networks [1;17%].** One manager noted that it was important to build relationships with counterparts in the shared services organisation rather than simply escalate all issues to the Nordic CEO.

The way I’ve worked with Swedes is that instead of pushing and escalating everything to the Nordic CEO, I’ve started a dialogue with the people who have the responsibility [3DK 5].

**Escalation [2;33%].** On the other hand, a senior manager argued that escalation to Hong Kong was sometimes required when there were disagreements between him and the Nordic CEO.

If the Nordic CEO and I, disagree wildly over something, we get the CEO of Hutchison involved. But they are Chinese and they do not move rigorously. They also say that they want your heart and soul and they want to see that if you burn and believe in the case and will do anything for the business, they will trust you because of that. I’ve said things to the CEO of Hutchison that were really important and he allowed it because I felt so strongly for it [3DK 3].

**Fight back for prioritisation [1;17%].** A senior manager argued that it is sometimes necessary to fight for the local subsidiary rather than accepting the views of headquarters.

This is Denmark and it is as hard-core as it gets. We are a real business and we may be small but we have 25 other competitors and 2 runners-up for 3G. It doesn’t matter if we’re only 380 employees and 130,000 customers. This is as hard as it gets… I don’t accept IT [in the shared services organisation] saying ‘No’; I just want to know when they can do it. You have to argue from a position of authority. At some point you stop arguing and just tell them to deliver [3DK 4].
Get people together face to face [1;17%]. This included meeting people face to face rather than just speaking on the phone or exchanging e-mails.

When people got together as we did with this invoice project, you could see the body language when the meeting started, it was like the Berlin Wall between the Danish side of the table and the Swedish side of the table. But two hours later, people were leaning over the table and talking and discussing [3DK 4].

Structure local subsidiary

Half of the respondents discussed the need to get your own subsidiary in shape to be able to interact more effectively with headquarters.

Appoint good local people [1;17%]. This included appointing experienced people to key positions in the subsidiary.

What we’ve done wrong is that the wrong people with no knowledge of telecom had people who did know under them and things were delegated without authority [3DK 4].

Streamline interfaces [3;50%]. And streamlining interfaces across the business so that it was clear who had the authority to interact with headquarters.

Before the current Danish CEO there was much more interference in everything from day-to-day nitty-gritty to bigger things. Now there’s an approval system that makes sense [3DK 4].

6.5 Integration findings

Following from presenting the findings relating to tension, we continue with the respondents’ suggestions regarding how to make integration decisions and implement integration initiatives.

6.5.1 How to make integration decisions

Analysis

Most respondents [5;83%] talked about the need for analysis to support integration decisions.

Analyse and benchmark local operations [3;50%]. Half of the respondents discussed the need to gain in-depth knowledge about the performance of the different subsidiaries before making any decisions.

You need to have some kind of well-defined KPIs on a Scandinavian level so we can start to implement best practice within the region. You need to define and measure the way you’re running the business and then start the improvement flow between companies. Learning sessions between companies [3DK 5].
Analyse customer needs [3;50%]. It was also considered important to understand similarities and differences in customer needs to determine the appropriate level of integration.

The only reason we exist in Denmark is because we’re running a mobile solution on a marginal cost structure on Sweden. We cut 40% of our costs compared to if we were a full-blown operator. Therefore the mindset of the managers is where can we differentiate from Sweden. When does it make sense to build something locally? If we look for the balance between saving money through sharing and time to market activities, I would recommend that we do it on a Scandinavian level because of a cultural background and there’s also understanding of the local needs that needs to be in place. If we start to centralise for example, IT, finance, ERP solutions with Australia, we would lose a lot of awareness [3DK 5].

Analyse market similarities [2;33%]. The same logic was advocated for general market similarities.

You have to analyse what the drivers are for global integration and local responsiveness. If we look at the drivers for global integration, cost is the most important reason. It is thus key to identify meaningful shared services centres across all of Europe. Why have just a Nordic finance department? Couldn’t we just as well have a European finance department? If we look at local responsiveness, a key driver relates to differences in regulation. And Denmark has the toughest regulation in all of Europe. So in this area, it might make more sense to have regional clusters rather than integration across all of Europe. You might have to give businesses in tightly regulated markets more independence [3DK 1].

Avoid ‘not invented here’ syndrome [2;33%]. Two of the respondents talked about the need to prevent excessive localisation following from a ‘not invented here attitude’.

If it was my own company I would definitely go much more into control. I would say that today we take out the network and the IT and then we do it on sales, marketing costs, services etc. We do 95% of things ourselves and 5 percent of things we have to do. I would turn that around to 80% is given; this is what you have to do, these are the key metrics. Don’t reinvent the wheel because we have got 5,000 staff sitting in the UK, we have tons of KPIs to look at and why don’t we use this guy? [3DK 2].

Make proper initial assessment [3;50%]. Half of the respondents felt that it was important to make proper initial assessments and that this was a weak area in the current set-up.

Especially when we talk about development. We have a problem with the process of identifying new products. Because head office forgets that there are local markets called Denmark and Sweden. We need a Nordic project organisation that is better at collecting business requirements and sharing experience across the two markets [3DK 1].

Setting the strategy

Most of the interviewed managers [5;83%] also discussed suggestions for how to set the integration strategy.
**Cluster similar countries [3;50%].** This included clustering similar countries to maximise synergies between the operations.

I believe it is important to cluster similar countries. By doing that you get larger benefits with a European or global organisation [3DK 1].

**Adapt customer facing functions [3;50%].** Half of the respondents also suggested that it was important to adapt customer facing functions while technical delivery and support functions could be more integrated.

For me it’s relatively simple and it’s a journey. Everything that touches the market and the customer should be local. Thereby maximising all the dollars or euros you can spend on creating your brand position in the local market. The customer experience is completely local. Then network, IT systems, platforms and so forth, very easily run centrally and that’s also the 3 Scandinavia business book. We think in terms of shared services and there’s sales, marketing and customer service operations in Denmark and Sweden [3DK 3].

**Define overall brand position and focus on common segments [1;17%].** One manager argued that it was a prerequisite for far reaching integration that the businesses shared more or less the same strategy. This served to align the business requirements.

A key success factor for a market oriented organisation is that you can set and implement the same strategy. In the Nordic region we have decided that our strategy is ‘more for the same’. It is important that the businesses have the same market strategy [3DK 1]

**Focus on what matters most [1;17%].** A senior manager felt it important that centrally coordinated initiatives had major strategic importance and brought benefits that could be leveraged across most of the countries. From his viewpoint, headquarters thus needed to stay out of niche areas.

Deals that they make must be of major strategic global importance, like the Microsoft alliance. Those kinds of very massive globally established brands that we can leverage from, they should stick with, but anything below that they should probably not touch. Britney Spears would not be popular in some markets, but very popular in others. So it gets subjective and emotional and it stops. That’s too low so I think potentially to do a deal with CNN for content services directly on mobile would be something we would be looking for. Below that it starts to get into the local problem area [3DK 3].

**Implement principles rather than exact content [1;17%].** Rather than rigorously seeking to implement exactly the same content or policies, one manager argued for alignment around key principles. He provided the example of being a company that offered bundles versus un-bundled tariff plans rather than rolling out exactly the same price plans in each country.

Would it be wise to offer one tariff worldwide? Probably not because there are different markets and legislation to approach so it would be good to instead set up some KPIs that you want to have. I want to have certain marketing or whatever and then you set up some so you ensure that you end up with it. We believe in bundles so we will go a long
way to try bundles in the market. If group is proven wrong you can take another direction. Otherwise you go with it [3DK 2].

**Standarise IT systems [1;17%].** Even the tightly integrated Swedish and Danish operations, based on a central shared services organisation, had problems comparing operational data. It was thus argued that IT systems and definitions required standardisation in order to compare apples with apples.

The main problem is that our data quality is very poor. 80% of the workload in Denmark is looking into the data quality. Our main problem is data quality and understanding in our business. We get the info from the same place but the definition and the way we reflect customer interaction is not the same. If you don’t have the same processes and you don’t make the same registrations on the same systems you’ll end up with the wrong figures. [3DK 5].

**Work towards a clear vision [1;17%].** Clarity and consistency of direction were also considered important attributes of the integration strategy.

First, have a clear strategy and operational plan and a time line against it and communicate it. Keep communication going every month. This is what we said we would do, this is what we did and this is where we are [3DK 2].

**People**

**Build local market knowledge at headquarters [1;17%].** One manager discussed the need to build up more market and operational knowledge at headquarters in order to effectively operate integrated models.

If you want to run a company on an integrated level, as a shareholder or head office you have to be prepared to gain a lot of knowledge about the separate markets... You either leave the countries to run things themselves and put a strong management team in each country and let them get to it and deliver solid KPIs which aren’t negotiable. Or you need to build up an interest and knowledge to understand the mechanisms in each market... 3 decided to do some integration but they have started to put up boundaries for how we run things without really knowing much about the markets. Maybe integration means headquarters needs to take a responsibility for the local market?...If they have no knowledge of the local market and just base their decisions on views then they can actually destroy value. They own the business and if they choose not to listen, It’s just tough luck and there’s not much else you can do [3DK 4].

**Interaction**

**Consult and sell integration to subsidiary managers [2;33%].** To achieve buy-in, it was felt that headquarters need to do a fair amount of selling of integration to subsidiary managers.

You could say that basically you have to sell ideas and that’s a manager’s finest role. Never come and try to be clever about other countries without knowing what competitive situation they are in and what troubles they are struggling with. I feel that they do that here [3DK 6].
6.5.2 How to implement integration

Manage structure

All respondents [6;100%] discussed the need to manage structural elements to succeed with the implementation of integration initiatives.

Align business processes [1;17%]. One respondent provided an insightful comment that business processes drive a lot of the requirements for technical systems and for people. Aligning business processes thus make it much easier to integrate operations.

During the last 1½ years, I’ve been working very hard to share more on the Scandinavian level but people need to understand that your core product functionality and your main processes need to be aligned. Otherwise you can’t share anything. One of my current projects right now is to share the way we’re doing sales and distribution in Scandinavia and we will end up sharing more than 90% of the processes in sales and distribution. We’ll share a logistic model, the same IT systems in the way we’re doing sales and distribution. We’ll also share the way we count our cost of customer acquisition. I see an evolution where we’ll see tighter integration…The normal arguments are that we need to have a local presence and local solutions because of legal constraints. The way that I’d do it is to look behind the management arguments and look into the way we are running our business, analyse the processes to see if we could share the way we’re doing things. Most of the time we have built a model that doesn’t make sense [3DK 5].

Blueprint global operating model [3;50%]. Half of the interviewed managers talked about the need to blueprint an operating model if you want to integrate across borders.

I can see that the way they have made it within 3 is the right way. The only thing that they have missed is that they have missed building an operating model from a global point of view. We don’t need logistic functions everywhere. This area has been missed a bit. We need an overall process map. They have missed that because they sent some UK guys with lack of operational skills into the local businesses and they failed. Many things were well thought through and there are innovative shared systems but somehow there seems to be an absence in terms of strategy. The reason for that is that people have been allowed to build up local operations. One year ago we had a finance director that built up a true copy of the Swedish one, but it didn’t make any sense to have it [3DK 5].

Establish governance structure [4;67%]. The majority of respondents discussed the need to establish a good governance structure that could balance local and global demands. This was viewed as especially important for smaller countries like Denmark that relied on critical functions located in other countries.

I can give you an example of how informal the organisation is. If you have a good argument for changing something like the invoice layout, to save money and improve the customer experience, you can only get that approved if you know the right people. The problem with an informal organisation is that you will not be successful unless you know the right people [3DK 1].

Establish knowledge sharing structure [5;83%]. Most of the interviewed managers discussed the importance of establishing good infrastructure for knowledge sharing
between operations. 3 was seen as suffering from too much independence between the different countries.

We took one of the guys from our advertising agency and looked at the various advertising campaigns but it’s so high level because everyone is protecting their own things. No one wants any help and they don’t want to share what they’re doing. It’s on a very informal level and it’s very much up to each country to do what they want in terms of working together. I’m not like that, I took a copy paste from Australia and we increased our sales [3DK 6].

**Manage people**

A couple of people [2;33%] talked about the need to manage the people dimension to succeed with implementation of integration.

**Build a global mindset [1;17%].** This included building a global mindset rather than having parochial country-by-country attitudes.

I believe that in order to create something truly integrated the people in charge of Nordic functions have to have a Nordic outlook [i.e. mindset] [3DK 4].

**Provide hands-on leadership [1;17%].** One manager talked about the need to provide hands-on leadership and get everyone on board to deliver the integrated strategy.

It’s basically saying, come up with the facts behind the figures and explain why we do what we do, where we’re heading, share your strategy. You need to get everyone on board [3DK 2].

**Share ways of working [1;17%].** The same manager also discussed the importance of getting people to share ways of working rather than reinventing the wheel in each market.

I would absolutely make it more integrated. They are not getting bang for the buck with the current setup. They need to align the companies much more… In UK it’s a postpaid market how do they do it, different offering with higher minute price, can we copy it? One of the things UK succeeded with was a massive distribution platform in the beginning and then narrowed it down as they went along. It’s probably the same for Sweden and Denmark but don’t let the local sales director take two years to find that out. It costs a shitload of money. Instead of saying, this is what we want to begin with. We need to have access to like 40% of the market in order to take 10% of the gross adds. Just do the math and then amend it and then you still need to have some good ambassadors communicating why. So you get people mentally involved and to buy it. There are so many projects in the board meeting, when I hear the marketing activities for Sweden I think this is where we’ll be going in 2 months time but I see that the Marketing Director hasn’t spoken with Sweden, and thus we will have to copy the cost [3DK 2].

**Get strong people to drive integration [1;17%].** One manager commented on the need for strong management in the local subsidiary.
To be honest, we work so independently so I don’t think people see that. We have to be careful that you don’t get the ‘get out of jail’ excuse every time. That comes back to management. What do you do with the resources that you have. The marketing director says, I can’t do anything with a 70 million market budget. OK. Siemens has 3 million per year. She has 70, she should love it and work with it. You need to keep things in perspective. With a clear local CEO clearly communicating and dedicated to the central guy you get buy in and you get the culture. You need strong management [3DK 2].

**Manage objectives and resources**

*Measure performance at the local level [1;17%].* Integrating companies into larger business units, such as 3 in the Nordic region, can lead to a diffusion of responsibility. Given this, 3 had taken the decision to carefully measure performance at the local country level.

I feel that customer experience integration has gone back to being more local because of operational reasons and financial reasons. Instead of having one consolidated P&L, they wanted to have 2 to make sure that the companies delivered because it’s easier to measure. It gets consolidated at the end anyway because Scandinavia is measured as one business unit. [3DK 4].

**Manage interaction**

A majority of managers [4;67%] also discussed the need to carefully manage the interaction with headquarters.

*Build trust [1;17%].* This included establishing trust between head office and the subsidiary.

One thing that has to do with people is whether you feel that the head office is worthy of your loyalty. If you have a high degree of trust and loyalty you are more likely to comply or to openly challenge or negotiate. If you have a low level of trust and loyalty you are more likely to ignore or dodge it. What we have in 3 is that there’s no fear in the organisation...With the fear factor, you get compliance for really bad ideas and you don’t challenge so if the shareholder is wrong, he would still get something that doesn’t work because people don’t challenge it... Having subsidiary managers dodging or ignoring is not a good thing nor is the fear factor. It’s better to have a compliant and challenging attitude. The fear culture is easy to create; you just scream and shout at people whereas the trust culture is very hard to create. As a leader you have to go in with a lot of your personality. You have to trust and handover and make mistakes about people and put yourself on the line and prove yourself. It’s different personalities. Most people cannot do the fear thing, they would feel sickened. The trust factor is harder but it lasts longer and goes farther. The problem with a trust culture that we have here is that you have to combine a strong focus on performance and delivery with ‘I trust you’. Leaders have to set an example for the other employees to follow [3DK 4].

*Ensure HQ follow-up [1;17%].* The strategy manager discussed the need to properly follow-up integration initiatives across the shared services organisation.

Our organisation is still in start-up mood. A lot of things get started but then we forget to follow-up. As a result, there is no follow-up of initiatives in the Scandinavian organisation [3 DK 1].
Establish strong communication [1;17%]. One manager touched upon the need to establish good communications channels between headquarters and the countries. This included seconding headquarters people to the countries to achieve integration.

You have to have very strong ambassadors represented in each country to tell the CEO why we’re doing this and I think the communication is where the break is [3 DK 2].

Establish and use subsidiary feedback loop [1;17%]. A manager noted that it was important to ensure a working feedback loop between the subsidiary and headquarters.

I think that our board and our HQ are really positive and they listen. They tend to make very good decisions and it’s clear that they think about what works best [3DK 6].

Manage delivery

A majority of managers also discussed the need to carefully manage delivery.

Ensure consistency [2;33%]. Consistency was seen as essential to ensure delivery. One manager proposed that consistency was in fact more important than brilliance as lack of consistency leads to confusion.

I think it’s a very tough question because you can make things work as long as you’re consistent. It doesn’t have to be the most brilliant way of doing it. It’s when you start changing things that you can break it up... So I should be able to go in and get something similar, but if you don’t, you create confusion [3DK 4].

A senior manager compared the management of subsidiaries to raising a family, in an illustrative quote.

A bad parent is the opposite. Inconsistent that doesn’t know what it wants, sometimes it’s things the kids love and then he yells at the kids for non-performance, but the kid is confused and does not know what he’s supposed to do. Sometimes I can get away with this and sometimes I can’t. That creates frustration [3DK 3].

Involve key stakeholders [1;17%]. One manager talked about the need to involve key stakeholders across the involved organisations. This was seen as not always happening due to lack of governance and the start-up mode of the organisation.

If we are implementing larger initiatives, it needs to be structured as a joint Nordic project. I start by identifying who the key stakeholders are across the businesses and then I involve them. It is important to ensure that decisions are made based on the right supporting information and then to communicate why certain decisions have been made [3DK 1].

Ensure strong delivery management [1;17%]. A senior manager talked about the need for basic management including making plans and following up on performance.

Make a clear plan for the network: when will they open sites, when will they be on air, reporting by month. Customer Service: how many calls do they take per agent, shops, how many gross additions do they take per store. Planning and measuring [3DK 2].

Other
**Freedom within guidelines [4;66%]**. A majority of interviewed managers discussed the importance of developing a corporate culture that provided freedom within guidelines. This meant establishing a framework for subsidiary managers to work within. A senior manager used the family metaphor to describe this.

A good parent is consistent. A good parent would say these are the rules, this is what I’ll give you and this is what you have to do for me. You need clear rules. You need governance and clear objectives of what you are supposed to achieve. You need to tell people what you expect and ask them to deliver consistently. It’s done lovingly and with all the necessary support. The father does not go to school with the kid. The father expects the kid to go to school and do what he’s supposed to do [3DK 3].

### 6.5.3 Context factors affecting integration

There was less discussion of contextual factors in the 3 Denmark case compared with the other cases.

**Subsidiary market position [1;17%]**. A senior manager talked about how the subsidiary’s market position and the level of competitive intensity affected the need to be responsive to local market conditions.

In order to survive in this very competitive market and with a brand and virgin technology you need to really understand the market and act on that market’s premises. Standardised solutions worked out in a country far away will not cut it. It needs to feel, live and breathe the market to make it fly. So you have to adapt and make things bespoke for the market. That’s the big difference. It’s what they didn’t understand when they rolled out the business plan [3DK 3].

### 6.5.4 Learning and implications for next stage

The case of 3 in Denmark was valuable in that it provided insights into a very different form of integration. While the two Orange cases were characterised by systematic and programme managed integration efforts, 3 represented a much more entrepreneurial and ad-hoc integration logic. Though, with the added layer of complexity coming from tight operational integration in the Nordic region as a result of the shared services organisation.

3 Denmark was also the first case were change was not a key feature of integration. Correspondingly there were no discussions about loss of autonomy. 3 Denmark was thus coded with the first three tension driving categories of 1) misfit, 2) unfair process, and 3) weak implementation.

There was generally a high level of satisfaction with Hutchison as an owner and the integration efforts that had taken place in terms of brand and procurement. There were some jokes about the CEO of Hutchison micro managing the selection of handsets but overall the respondents seemed to enjoy the high degree of autonomy. Compared with the two Orange cases, it was only a single respondent who discussed various forms of gamesmanship as a means to manage local-global tensions. There was however
substantial frustration with the Nordic shared services organisation that was located in Sweden. This stemmed from a widespread perception that Denmark was given a lower priority. This was later confirmed by sources in Sweden. The Danish 3 case is thus interesting given that both Hong Kong and Stockholm take on the role of headquarters; albeit for different functions. This illustrates that the borders between ‘headquarters’ and ‘subsidiaries’ might be rather fuzzy in some cases.

Compared with the two Orange cases that were analysed sequentially, I travelled immediately from 3 in Denmark to 3 in Stockholm. Given this, data for 3 in Sweden was collected before the Danish 3 case had been analysed.
7 3 SWEDEN CASE

7.1 Introduction

This chapter presents the first-order findings from the fourth case study conducted at 3 Sweden.

7.2 Case context

Company context

The company context for 3 in Sweden is the same as for 3 in Denmark given that both operations were owned 60% by Hutchison Whampoa Limited and 40% by the Swedish investment company Investor.

Market context

At the point in time of conducting the case study, the Swedish mobile market was in between the Danish and Romania cases in competitive intensity. It could thus be characterised as moderately competitive. As in Denmark, the launch of 3 had not been easy given the immaturity of the 3G technology leading to all sorts of problems with the network. However, 3 Sweden was clearly on its way up and had passed 400,000 customers when the interviews were conducted.

Integration context

The integration context is also the same as for the Danish 3 operator. It is however important to note that the shared services organisation was located at the Swedish headquarters and a number of people in Sweden wore double hats in terms of having both a Swedish and a Scandinavian responsibility. This led to the Stockholm office becoming both a Swedish and a regional headquarters.

7.3 Data collection

Respondents

Five of the six respondents were senior managers at 3 Sweden. The sixth respondent had recently moved from the HR Director position to a new position with another company within the Investor Group. As mentioned, Investor owned 40% of 3 in Scandinavia. Interviews lasted between 28 and 62 minutes and generated 23,946 words when transcribed.
Table 7-1
3 Sweden respondents

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Data collection</th>
<th>Interview length</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance Director (French, Male)</td>
<td>Face to face</td>
<td>62 minutes</td>
</tr>
<tr>
<td></td>
<td>May 31, 2006</td>
<td>(3,555 words)</td>
</tr>
<tr>
<td>Marketing Director (Swedish, Male)</td>
<td>Face to face</td>
<td>49 minutes</td>
</tr>
<tr>
<td></td>
<td>May 31, 2006</td>
<td>(4,656 words)</td>
</tr>
<tr>
<td>Chief Technology Officer (Swedish, Male)</td>
<td>Face to face</td>
<td>48 minutes</td>
</tr>
<tr>
<td></td>
<td>May 31, 2006</td>
<td>(3,922 words)</td>
</tr>
<tr>
<td>Customer Service Director (Swedish, Female)</td>
<td>Face to face</td>
<td>58 minutes</td>
</tr>
<tr>
<td></td>
<td>June 1, 2006</td>
<td>(4,791 words)</td>
</tr>
<tr>
<td>HR Director (former) (Swedish, Male)</td>
<td>Face to face</td>
<td>28 minutes</td>
</tr>
<tr>
<td></td>
<td>June 1, 2006</td>
<td>(2,399 words)</td>
</tr>
<tr>
<td>HR Director (new) (Swedish, Female)</td>
<td>Face to face</td>
<td>49 minutes</td>
</tr>
<tr>
<td></td>
<td>June 2, 2006</td>
<td>(4,623 words)</td>
</tr>
</tbody>
</table>

Interview guide

The interview guide was the same as for the 3 Denmark case.

It is provided in Appendix 14.6.

7.4 Tension findings

Similar to the previous cases, this section presents the findings in relation to managerial tensions due to local – global demands as discussed by the interviewed subsidiary managers.

7.4.1 Frequency of tensions

The respondents felt that there was a low level of tension between the Swedish operation and headquarters in Hong Kong given the high degree of independence of the Scandinavian operations.

There was some disagreement regarding the level of tension in Scandinavia between the Swedish and Danish operations. The majority of respondents argued for tension with comments like ‘It is very common’ [3SE 3], ‘It is more common than common that there is tension’ [3SE 6] and ‘There are a lot of tensions between the local priority and Scandinavian priorities’ [3SE 1]. On the other hand, one manager commented that ‘I don’t feel that there is a lot of tension between Sweden and Denmark. And I don’t feel any tension at all between Sweden and Hong Kong’. In this context, it is worth mentioning that this manager had only joined the company within the last six months and might thus have less insight into the historic relationship between the two companies compared with the other respondents who had been with 3 for longer.
7.4.2 Areas affected by tensions

There were also differing opinions regarding which areas were affected by tension. One manager mentioned that ‘It is working well everywhere’, while another stated that ‘All areas are affected’. A third manager commented that there was a lot of tension in marketing while sales was not affected.

7.4.3 Causes of tensions

The same structure as used in the three previous cases was used to categorise managerial tensions.

Categories of managerial tensions
1. Content of integration initiatives
2. Decision-making process and interaction with headquarter representatives
3. Implementation of integration initiatives
4. Loss of autonomy of subsidiary managers
5. Cultural differences

However, no passages of text were coded to the ‘loss of autonomy’ category. This is likely the result of integration not involving strategic change in the case of 3. Managers in the Swedish operation did however experience substantial cultural differences between themselves and their colleagues in Denmark as the findings illustrate.

Perceptions of the content of integration initiatives

Underlying market differences [3;50%]. Half of the respondents talked about underlying differences between countries in the Nordic region which made it difficult to simply standardise market offers and customer experience.

Our Hong Kong owners seem to think that this is a small territory with the same culture and where customers react to the same stimuli. But we have very different regulation regarding contractural binding period for subscriptions. And we also have very different tone of voice when we communicate with customers. We have differences that you will only appreciate if you are from the Nordic region and sometimes we cannot even work out the differences ourselves. We have radio and TV programmes that become a success in one of the countries and totally fail in other Nordic countries. This represents some form of cultural difference [3SE 2].

Perceptions of the decision-making process

Most of the interviewed managers [5;83%] discussed the decision making process and interaction across borders.

Lack of fair treatment [2;33%]. Some respondents discussed the need for fairness in the interaction with managers from headquarters. This included being provided with the rationale for why certain things should be done in a specific way.
Situations that are negative, when I become frustrated and get anxious, is when standardisation is not supported by a clear argumentation for why we need to do something. I think this is the most important point. But then I see this from a Swedish perspective. For me as a Swede, it is very important to understand why we do something. If I understand that I can pretty much accept anything for I know that the owners have the power to decide. I am not naïve enough to think that this is some form of democracy. But I need to understand and not just be told to do something [3SE 6].

**Lack of understanding from managers at headquarters [3;50%].** There were also comments that there was a lack of understanding about Nordic differences from headquarters managers with specific focus on the Hong Kong Chinese from Hutchison.

I think that our owners, and especially our Chinese owners, believe that Denmark is a smaller region of Sweden. Our entire Swedish management team is present at the board meeting and then there is just a single Dane representing Denmark [3SE 6].

**Integration not ‘sold’ to subsidiary [2;33%].** There were also instances when integration initiatives had not been communicated and sold to members of the organisation.

I think the most important factor is participation. The degree to which you involve people in the process and bring them along. It is more difficult to succeed with integration when someone from above has simply decided that you should do something in a certain way… It is not only cultural differences that are overlooked. It is also the fact that I want to be involved in matters that concern my work. I want to understand the arguments for why we should do something. And I want to absorb the arguments so that I can make them my own and then explain to others. I think this is overlooked quite often. People think it is sufficient to just send out a PowerPoint presentation [3SE 6].

**HQ micro management [2;33%].** Micro management was viewed in a negative light and seen by one respondent as something which could lead to the organisation becoming overly passive.

A big motivator is for people to feel that they are doing something great. It is the same in all aspects of life including in relationships with one’s parents, one’s partner or one’s manager. If you are not allowed to do things yourself, and show that you are able, people become pacified. And I think that pacifying people is as dangerous as when you get into a situation when you start to reward and punish every action. In the end you will not get anything done unless there is a direct reward or sanction from above [3SE 2].

**Perceived inequity [3;50%].** Half of the Swedish respondents acknowledged that the Danes may not have been treated in a fair way. Though market realities were put forward as the rationale by one senior manager.

Sweden comes first and Denmark follows. This is a pity because we should treat each country the same. The barrier to that is that you have to move fast in both markets but firstly in the Swedish market because it’s easier than the Danish. There’s less competition. We are in a better position than the Danes. So I would say that from Hong Kong and Investor perspectives we will succeed if we make Sweden a success. We will not succeed if we make Denmark a success and Sweden fails. Sweden has to make it
first. Denmark is icing on the cake. I can agree with that to some extent. Sweden is a bigger market. [3SE 1].

Everyone in Sweden, with the exception of the CTO, works 99.9% with Sweden and couldn’t care less about Denmark [3SE 5].

**Perceptions of implementation**

A majority of managers [4;67%] talked about challenges regarding the implementation of integration initiatives.

**Goal and Resource conflicts [1;17%].** This included an internal struggle between Sweden and Denmark for resources from the shared services organisation.

Another reason is the tight financial situation we are experiencing. Everyone is fighting for resources in the central services organisation [3SE 6].

**Lack of clear direction [2;33%].** Some respondents discussed the lack of clear direction and the swings between centralisation and decentralisation.

It has been centralisation, decentralisation, centralisation and the decentralisation again. But that is what our world is like. It is not just here. It is a world of ‘day strategies’. That is what this company is like. Coming in from the outside I have reflected on this. I thought our Hong Kong owners would have some more influence and tell us how we should do things much more than they have [3SE 2].

One manager noted that the pressure to quickly launch local businesses with limited resources had pushed people in the direction of taking care of their own operating companies and abandoning the initial grand schemes for integration.

We started with a lot of cooperation. But it didn’t work out. So it was abandoned in favour of individual country-by-country solutions. But now we have started to cooperate much more again… In the beginning the companies were in too different phases of their development. In some countries the business market was important and in other countries it was the consumer market…It was difficult to coordinate. And the organisations were very slimmed so there was no time to send people to committee meetings when they needed to launch quickly. It was hard enough just to concentrate on launching your own business [3SE 4].

**Weak delivery of integration initiatives [1;17%].** A senior manager noted that Denmark had been poorly treated during the implementation of integrated Scandinavian solutions. As a result, insufficient adaptation had been made to cater for local business requirements.

The thing that has happened is that when that process started two and a half years ago, it was to be the left arm of Sweden. But when people looked at what should be done in Denmark, they just implemented what worked in Sweden. They didn’t really look at the local requirements and the adaptation that is needed for standard routine and systems to work locally as well. When I go to Denmark I see the legacy and it’s a problem. Danes look at Swedes as a pain in the butt. They don’t think or look ahead so you have the opposite effect; instead of standardising and have a common form, the Danish people
try to do everything on their own…We’re working in the right direction but it takes
time to change the mentality [3SE 1].

**Perceptions of the loss of autonomy**

n/a

**Perceptions of the cultural interaction style**

*Cultural interaction style [5;83%].* A majority of interviewed managers discussed
substantial cultural differences between Swedes and Danes. This included different
attitudes towards sticking to agreements, as commented by two respondents.

The mistake is when you underestimate the differences in mentality between Swedes
and Danes. They are very different. Incredibly different in fact. I have experienced that
on two occasions. You think you have reached an agreement about something but then
you cannot recognise the outcome [3SE 3].

There is a lack of trust due to firstly, the culture. For Swedes, Danes are still the Arabs
of the north. Even though we agree that things are going to be done a certain way,
Danes always go their own way and do what they want [3 SE 1].

**7.4.4 Consequences of tensions**

There was some discussion about both positive and negative consequences of local –
global tensions.

**Positive consequences**

*Knowledge sharing [1;17%].* One manager discussed the value in knowledge sharing.

On the business side, I think it’s good to have an open dialogue on how we should work
together. This is what makes it a business success. We need to aim at getting the best
output [3SE 1]

*Improvements [2;33%].* There can also be business improvements as a result of internal
competition and being challenged to do things in a different way.

Some things are positive since all of us working in this type of company are driven by
competition. It is quite fun when things are going bad for the customer service director
in Denmark and I am sure she thinks the same about me…You need to have something
to compete about. But it can be dangerous as well. It can become too much negative
energy rather than positive energy. It is difficult to tell what level is optimal. When does
it become a hostile environment? When do you stop sharing knowledge? [3SE 6].
Negative consequences

People impact

*Demotivation [2;33%]*. A couple of respondents discussed the risk of demotivation if headquarters took an insensitive approach to the implementation of integration.

At the end of the day, if things don’t work and haven’t been thought through it will have direct impact on your customers in terms of worse customer satisfaction, churn and loss of revenue. You fail at making your own space in the market. You will also have a demotivated local team that doesn’t believe in headquarters and what they want to implement [3SE 1].

7.4.5 Managing tensions

This section presents the findings relating to the management of tensions. Compared with the other cases, no respondent discussed various forms of gamesmanship.

Interacting with Group

*Get people together face to face [1;17%]*. One respondent talked about the need to get people together face to face rather than risk deteriorating relations by escalating issues to more senior managers.

I talk with people. I need to get to understand why we are not acting in a constructive manner. I have never felt that escalation to superior managers have produced anything worthwhile. It is just adding oil to the fire and makes things worse. This hasn’t happened with the new customer services director in Denmark but it did happen before. Then I flew down there or they came to see me here [3SE 6].

7.5 Integration findings

There was substantial discussion regarding how integration decisions should be made and how integration should be implemented.

7.5.1 How to make integration decisions

Analysis

A majority of interviewed managers [4;67%] discussed the requirements for analysis to arrive at sound integration decisions.

*Analyse and benchmark local operations [1;17%]*. This included the use of benchmarking to trigger opportunities to learn from other operations.

We also look at numbers and key performance indicators. I think we are pretty good at doing that. We report KPIs every month and they are then distributed to the different countries. This includes the ARPU level for voice and data and the penetration level. We get that kind of benchmarking every month and I think it is useful. It triggers questions like ‘why is Australia performing so well?’ We found out that they are good
at selling modules with news and content. We then met with 7-8 people from Australia and understood sales better in terms of how you package the services and determine price and commission levels [3SE 4].

**Analyse customer needs [2:33%].** In-depth analysis of customer needs was seen as an area where 3 could improve going forward.

We need more market research to better understand our competitive advantage and how we should develop in a specific country. You need a solid foundation to understand how the market works and what it is that triggers customers [3SE 6].

**Analyse market similarities [1:17%].** One manager talked about opportunities to identify similarities across borders that could be used as the underlying basis to develop joint initiatives.

We don’t do that much research. We should look at that centrally to determine if people need the same type of services. Youth segments are often quite similar between markets so we should do more market research together [3SE 4].

**Avoid ‘not invented here’ syndrome [2:33%].** A couple of respondents discussed the need to safeguard against local tendencies to reject things not invented in the local subsidiary.

All companies and all countries always believe they are very unique. I think people get stuck in too much ‘in the box thinking’. I think you could cooperate across all areas if you take country specific differences like legal and regulatory differences into consideration. But the question is if people really want to do that? In my own experience, people prefer to rely on themselves and determine their own destiny. It is things like: ‘we know Sweden’, ‘we now this’, ‘we know that’ and ‘I know sales’. It is a bit like that. I think that is human nature [3SE 2].

**Make proper initial assessment [1:17%].** In-depth assessments, including business cases, were advocated by one senior manager who considered this a weak area at 3.

I have never been part of a management team in a company where there are so few business cases. It is very surprising to me. Sometimes it amuses me and sometimes it makes me worried. But I am surprised that a loss-making start-up company is making decisions purely on gut feeling or based on the opinion of just one man. I don’t think it would be astonishing if you at least saw one business case every six months or so [3SE 2].

**Setting the strategy**

Half of the respondents [3:50%] discussed how strategic decisions should be made in relation to integration.

**Be clear on integration benefits [1:17%].** One manager advocated that integration had to be done for the right reasons and that there was a clear business rationale behind decisions.
I think it is important that decisions to standardise or integrate are made for the right reasons. And I think it is important to also see that the thing being discussed is up and running and working in other countries. When you have something that is working, you should quickly try and deploy it across the other countries so that you beat the competition [3SE 4].

Adapt customer facing functions [2;33%]. A couple of the respondents concluded that it was important to adapt the customer experience while back office and support functions could be integrated to a greater extent.

You need to get loyal customers to make money over time. And activities that build relationships with customers are very different across countries and depend on culture. So you need a lot of autonomy when it comes to such areas. However, when it comes to supporting areas like network, IT, and even our CRM system, we don’t need that much autonomy. We could standardise a lot of things like that. But we must preserve independence when it comes to how we interact with customers. I don’t think we should standardise that [3SE 6].

Find the right balance [1;17%]. A senior manager expressed how difficult it is to find the right balance when it comes to integration. He specifically talked about the need to not damage small operators by imposing solutions developed for operators with substantially larger customer bases.

It is not easy. I worked for Europolitan before. It was the company that Vodafone acquired. Before them, AirTouch bought Europolitan and owned 50%. Vodafone owned the other 20% and 30% was floating on the stock exchange. Back then, AirTouch was responsible for governance. They owned Mannesman and they owned a lot of operators. They operated with the philosophy of demonstrating and sharing experiences across countries. In many ways, it was quite similar to what we have today. It is important to not force a routine or system onto a small company like Vodafone did with Europolitan. Implementing mega systems or complex routines will kill the small company that lacks volume in terms of customer base and headcount. You have to operate the business based on the local conditions [3SE 3].

Let offer differences determine level of integration [1;17%]. The same manager commented that the differences in offer structure between countries decided most of the business requirements for processes and systems.

If we had exactly the same offers to customers across different countries, I think we could have used the same systems and just changed the languages. But that is not the case…Offers in Sweden and Denmark are very different. It is the local competitive situation that determines what type of offers you require [3SE 3].

People

Build local market knowledge at headquarters [2;33%]. A few respondents discussed the need to develop in-depth local market understanding among managers at headquarters. This would allow managers at headquarters to see when there were real market differences, that needed to be catered for, and when subsidiary managers were over-stating the needs for localisation.
You need two-way communication. It is very important that you pick up unique things. There are good things at the local level and there are good things at the global level. It is important that head office understands the local conditions. Because if you let the subsidiary decide everything becomes local. You must be able to see through that and identify when you have genuine similarities and differences versus when it is just bullshit [3SE 3].

Interaction

Be clear that integration will happen [1;17%]. A senior manager talked about the need to be very clear that integration was the end result and that what was up for discussion was the ‘how’ of integration rather than whether integration should happen or not.

I would force them into the same room until we are done. Then we can move on. I left it too much up to them and it took too much time [3SE 1].

Consult and sell integration to subsidiary managers [3;50%]. Half of the respondents discussed the importance of consultation and selling from managers at headquarters.

I would try to get buy-in from people by involving them in the process instead of just saying, this is how it’s going to work [3SE 1].

7.5.2 How to implement integration

The managers at 3 in Sweden provided insights regarding the implementation of integration initiatives.

Manage structure

Most managers [5;83%] discussed the need to manage structural elements.

Align business processes [1;17%]. This included aligning business processes to facilitate integration.

If our vision is to have the same system behind it would be good to have the same administrative processes [3SE 1].

Blueprint global operating model [1;17%]. A senior manager noted that there was no overall operating model for how 3 should function. The company was instead held together by the CEO of Hutchison.

The CEO of Hutchison is the glue that ties together all of Europe. And it takes a lot of effort for him to manage to achieve that. There is no structural capital within 3…So the CEO plays a critical role [3SE 5].

De-layer headquarters [1;17%]. An advantage of the hands-on management style of Hutchison was that there are no unnecessary layers between the CEO of Hutchison and operating company CEOs.

Hutchison doesn’t have any large office somewhere in Europe that is responsible for coordinating Sweden, Denmark, England, Austria and Italy. There is no overhead.
Instead, the top management team of Hutchison, together with local partners, manage the businesses in an extremely hands-on way. The CEO of Hutchison will talk with all the local CEOs on a weekly basis [3SE 5].

**Establish knowledge sharing structure [3;50%].** A drawback of the informal organisation was however an absence of a formalised knowledge sharing structure. This meant a low level of cooperation between 3 in Scandinavia and other 3 operators.

It is a big distance to the other 3 companies apart from Denmark. We don’t have any contact with them. We should be able to better utilise each others experiences to save time and resources. I think we should work more closely together [3SE 6].

Opinions ranged from those who wanted just a minimum of structure to facilitate knowledge sharing…

I believe in best practice sharing. I think you can get quite far with that. Perhaps, we would need some more structure when it comes to areas like advertising to have a more formalised exchange. There are clear opportunities to borrow ideas from each other. At present it is all based on you actually knowing your colleagues within the company. We should perhaps structure knowledge sharing or experience transfer more around all elements of service launches [3SE 4].

…to those who advocated more sophisticated web solutions.

I believe in having an electronic hub where you can find TV commercials, advertising and sales campaigns. Something that allows you to pick’n mix and adapt to your own needs [3SE 2].

**Manage people**

All of the interviewed managers [6;100%] discussed the importance to manage the people dimension to ensure success of integration.

**Ensure cultural integration [1;17%].** This included the need to build a common corporate culture in the Nordic region to make employees in different countries feel that they belong to the same organisation.

HR is not integrated. It is completely local. If we ever want to be one company promoting the brand in the same way, a big part of HR needs to be focused on having a common Scandinavian function especially around the values and culture development. You will always have a local part of HR which is the operative part but the big strategy part of HR should be standardised [3SE 1].

**Build a global mindset [2;33%].** A common mindset was thus seen as a requisite.

They need to go to Denmark and see what really works and what doesn’t work. What we are missing is Scandinavianity. They need to get out and talk to people, look at the routines and systems [3SE 1].

**Get new people without legacy [1;17%].** A senior manager discussed the difficulty in making people change the way they do business. He thus favoured replacing the
management teams of businesses in case you needed to substantially change the level of integration within the company.

Before looking at that you should change the management in the local entities. You always have a legacy that think it’s the best. Definitely get fresh blood to re-work and take the best of both businesses. Then, you should look at the external side but look on the internal side of things because that’s where the money is in terms of cost savings. Have an open forum and agree on it with new people who have no history. Then send out the message internally. External integration requires educating the market. Internally, if the will is there from the management, it just works [3SE 1].

**Replace blockers [2;33%].** Changes might thus necessitate the replacement of people who are blockers.

If I’m the new leader and find resistance in the company, I would first explain what’s needed and then those that are still negative, should be replaced. It’s a strong barrier [3SE 1].

**Provide hands-on leadership [6;100%].** All managers talked about the value of hands-on leadership from headquarters. Hutchison’s top management had gained a lot of respect from acting as heavily involved owners rather than distant bureaucrats.

3 hasn’t got any head office in the traditional sense. They do of course have a head office in Hong Kong but it is not like they have 500 people sitting there. Instead, there are a few people who travel around to visit the different companies all the time. And they have their ears to the local markets. Their presence is really felt in the operating companies. It is very dangerous if you have a top management team at headquarters that is distant from the operating companies and instead try to run the business through management reports. At 3, the business is run in real time [3SE 5].

**Share ways of working [2;33%].** A couple of respondents talked about the need to share ways of working rather than getting stuck in parochial mindsets and re-inventing the wheel in different operations.

It’s a combination of both. You need adaptation. Take customer finance. The dunning process and collection process cannot be the same as there are different laws in Sweden and Denmark. But the basic structure of the process should be the same. But it’s not because of the legacy or the local requirements but because people wanted to do things their own way. What is missing today is humility on both sides. Let’s learn from each other and take the best from both companies [3SE 1].

**Get strong people to drive integration [2;33%].** Integration requires direction in addition to consultation and selling to ensure action in the end.

If everyone should be involved in every decision, it can take forever to make decisions and nothing ever gets delivered…It is important to get people to rally behind the leader… The Danish CEO is authoritarian in many ways. He is firm and he can show the way. But he manages to get his people to stand behind him. I think he could present whatever news and still maintain the support of his people. That’s the kind of leadership you need [3SE 6].
**Treat people well [1;17%].** A senior manager discussed the importance of treating people well in the organisation and respecting them.

The level of underlying respect is important. How do I treat the organisation that I am responsible for? How do I treat my subordinates? What do I make them feel when I present my dictates? How well have I supported my arguments? [3SE 6]

**Manage interaction**

A majority of respondents [4;67%] talked about the importance of how you interact across borders.

**Build trust [1;17%].** This included the importance of placing a high degree of trust in the local management teams.

I believe in placing a lot of trust in the management teams of the operating companies rather than having people at headquarters making decisions. The key factor for success is the local CEO and management team. They should be empowered and trusted to run the business. And the board should of course constantly challenge the local management team [3SE 5].

**Don’t suffocate entrepreneurship [1;17%].** Releasing entrepreneurship was also seen as critical to get the most out of people and the best solutions.

This is a company that didn’t exist six years ago. There is no high profile entrepreneur who has created the company. It was founded by two investment companies. I think you would have killed creativity if the owners had issued specific dictates regarding how the business should be run. People have instead been allowed to find their own ways and test what has worked and what has not [3SE 5].

**Encourage people interaction rather than bureaucracy [1;17%].** The same manager talked about encouraging people interaction rather than bureaucratic rule through policies and procedures.

It is not manuals, processes and procedures that should govern how you work. It is important that people are interacting and talking to each other [3SE 5].

**Establish strong communication [3;50%].** Half of the respondents felt that strong communication was essential to drive integration.

The thing that I always come back to is the psychology behind it. Putting the right set of mind in the stakeholders. Then the thing is done through people and leadership and communication is the key [3SE 1].

**Establish and use subsidiary feedback loop [2;33%].** A couple of the interviewed mangers discussed the need to establish a working feedback loop from subsidiaries to headquarters.

I think it is value adding when headquarters listens to my opinion and considers the local situation even when I know that we need to align. It could be the case when we need to implement the same system across Scandinavia. It is important that the process
is done in such a manner that you feel like a participant and that you have the opportunity to influence [3SE 6].

Other

*Prevent unnecessary drift* [2;33%]. Some respondents felt that the drive for local autonomy had resulted in unnecessary localisation and thus a drift away from common solutions. This was sometimes done while hiding behind different regulatory conditions.

We and the Danes always put the blame on the different regulations. But in reality the two countries have been driven by a desire for autonomy. As a result we have become more different than we should be. But it has been done in the name of regulatory differences with statements like ‘We have different regulation’ or ‘We are different’. However, it is beyond doubt that we could have had more synergies and worked closer together [3SE 6].

*Freedom within guidelines* [5;83%]. Most respondents discussed the need to provide freedom to operating company managers within an established framework. This provided flexibility for subsidiary managers.

I strongly believe that top management in this case should set the direction but stay away from the operational details. These should be left to the operational guys locally to fix [3SE 1].

And it provided freedom while at the same time ensuring that headquarters was present.

It is important to be clear about roles and responsibilities. You need to offer support when times are tough and praise when times are good. It is important to always be present but never to micro manage [3SE 5].

Such a model allowed managers the joy of feeling ownership for their businesses while respecting overall guidelines.

It is very important to provide freedom within responsibility…You need to create a mental framework. This is the frame. This is what we should achieve. This is the business model. This is where we are heading. And these are the boundaries you cannot overstep. Within these boundaries, you will be given the freedom to grow up and develop…Within the boundaries, you will be allowed to make mistakes [3SE 2].

*Achieve integration through independence* [2;33%]. In contrast to the other four case studies, managers in Sweden talked about the need for operating companies to feel independent before they could cooperate on equal terms.

I think it is important that every organisation feels independent. It is then very easy to cooperate and be generous. If you don’t feel independent and cooperation is based on someone else telling you how things should be it is very hard to open up…I think cooperation between Sweden and Denmark would improve if both companies felt independent [3SE 6].

From this perspective, the degree of cooperation and integration between Sweden and Denmark might actually increase if Denmark was granted more independence.
There is cooperation between Sweden and Denmark but it is not really genuine cooperation…It is a bit of an injustice done to the Danes but it does work. I believe that in the next phase, when we get out of the start-up mode, I think it will be more natural for us to cooperate [3SE 2].

7.5.3 Context factors affecting integration

A number of context factors were also discussed.

Subsidiary strength and size [1;17%]. One respondent noted that strong financial performance provided flexibility and freedom.

If you have a very profitable company, that gives you freedom of action. It is much easier to tell headquarters that some initiative is useless if you are profitable. It is also easier in such situations to accept something without arguing. It is thus easier to interact with headquarters if you have strong performance. So I think you are quite unlikely to ignore or manipulate headquarters if you have strong financial results [3SE 2].

Subsidiary market position [1;17%]. The market position of the subsidiary and the competitive intensity were also seen as influential factors. Quick changes in the local markets might require swift responses. This makes it difficult to rigidly stick to global integration plans if local resources are needed to respond to a local challenge.

The other barrier I see especially in this industry, is that we work from an underdog position. We have to work very quickly all the time. To apply this change management to the entity you have to give the entity the chance to focus on the change management and implement it. But the issue now is that we don’t have time to implement something new all the time while you’re trying to integrate and follow a blueprint set up by headquarters. You need time to implement the change [3SE 1].

Clearly valuable projects [1;17%]. Those projects that provide clear and undisputable value were singled out as special cases when subsidiary managers might accept to simply be told to implement the projects.

In my experience, nothing will block a really great idea that is logical and seems to lead to good results. There may be cultural differences. In Sweden, I think it is important to have discussed things in detail. But I don’t think it is about consensus. I think the talk about Swedes and consensus is nonsense. It is not consensus that people are after. They want to be able to influence the process. When you see something brilliant you are prepared to just accept it and even to be force fed. But the situation is different when you feel that something will not work or that you will waste resources. You need to be able to discuss such things thoroughly and not just experience that decisions are handed down from above [3SE 2].
7.6 Learning and implications for next stage

The Swedish 3 case was different than originally envisaged given the fact that Stockholm was also the headquarters for the Nordic shared services organisation. Thus, while 3 in Sweden was technically a subsidiary of Hong Kong, on par with Denmark, the Swedish organisation also had some of the characteristics of a headquarters.

The findings matched the three first tension categories: 1) misfit, 2) unfair process, and 3) weak execution. There was no discussion regarding change and the loss of autonomy like with the Danish 3 case. However, there were a number of interesting comments made by the respondents at 3 in Sweden about substantial cultural differences that had generated tension between Sweden and the Danish organisation. This led to the creation of another core category for tension. Following comparison with the other cases, relevant findings were also identified for Orange in Denmark. These were however more difficult to disentangle from ‘loss of autonomy’ given that change was a strong feature in the Orange Denmark case.

If we compare the two Orange cases, with the two 3 cases, we find a distinct difference in the attitudes of managers towards integration. While a large number of managers at Orange were sceptical regarding the benefits of integration, most respondents at 3 were instead positive towards integration. A number of managers at 3 felt that, if anything, more integration rather than less was the way to move forward. The greater disbelief in the benefits of integration appears to have triggered more political behaviour in the Orange cases.
8 VODAFONE CHINA CASE

8.1 Introduction

This chapter presents the first-order findings from the fifth case study conducted at Vodafone China. This case was added based on an opportunistic logic rather than the theoretical sampling logic applied to the previous cases. I was invited to the annual meeting of the Academy of International Business to present papers and the 2006 meeting took place in Beijing, China. Given this, I contacted the Chief Representative of Vodafone in China, whom I know from before, to investigate whether it would be possible to conduct a case study in conjunction with the conference. Vodafone is the largest international mobile communications company in the world and China Mobile is the world’s largest operator. I knew from discussions with people within Vodafone that China Mobile was viewed by many as part of the Vodafone Group despite the fact that the relationship was technically closer to a strategic alliance. I was interested in researching how these two giants worked together across a number of cooperation areas. I felt that this might add some value to the research programme even though it was not a standard headquarters-subsidiary relationship.

8.2 Case context

Company context

China Mobile is the world’s largest mobile operator with over 270 million customers at the time of conducting this case study. China Mobile was incorporated in September 1997 and listed on the stock exchanges in Hong Kong and New York in October 1997. The company is organised into 31 subsidiaries covering all provinces in China. China Mobile is considered a state-owned enterprise given that the majority of shares (76%) are owned by the Chinese government and Vodafone only owns 3.27% of the operator.

Vodafone initially acquired 2.18% of the business for USD 2.5 billion in November 2000. This was followed by the signing of a strategic alliance agreement in February 2001 with the objective of cooperating across several areas including products and services, technology, operations and management. Vodafone subsequently increased its equity stake to 3.27% in May 2001 by investing an additional USD 750 million. Despite its small share, Vodafone is the second largest single shareholder in China Mobile after the Chinese government.

Following the investment in China Mobile and the signing of the strategic alliance agreement, Vodafone established a fully owned representative office in Beijing in November 2001. The office has grown in size but consisted of only nine people when conducting the case study. This case study is focused on Vodafone’s China office rather than directly on China Mobile as the latter cannot be considered a subsidiary of Vodafone, given the size of the minority holding.
Market context

China is the world’s largest market for mobile communications with over 400 million customers. The Chinese mobile market has the lowest competitive intensity of all case studies. China Mobile has a 65% market share (GSM technology) and China Unicom, another state-owned enterprise, a 35% market share (CDMA technology).

The low competitive intensity is a function of both rapid market growth and the fact that only two mobile operators serve the world’s most populous country with 1.3 billion people.

Integration context

Given Vodafone’s low ownership level, and the fact that China Mobile is not branded Vodafone, integration efforts are limited to specific initiatives and are thus closer to a strategic alliance than a subsidiary. To date, most integration initiatives relate to value chain/activity integration and there have almost not been any examples of marketing/customer experience standardisation, with the exception of roaming services. However, given the competence and global scale of the Vodafone Group and the massive local scale of China Mobile, there are nine cooperation work streams between Vodafone and China Mobile. These work streams cover technical, commercial, cost savings and standard settings areas. It is the responsibility of Vodafone’s Beijing office to coordinate these nine work streams.

As a majority state-owned company, China Mobile is managed in a top-down way. Given this, there is a Chairman’s forum where the CEO of Vodafone and China Mobile meets twice per year to discuss cooperation opportunities and agree on high priority areas. There is then a more operational steering committee which meets four times per year to establish the roadmap, monitor progress, make operational decisions and resolve issues.

8.3 Data collection

Respondents

The respondents were programme and project managers at Vodafone’s China Office. They were responsible for managing projects across the nine cooperation work streams. The initial interviews were 73 and 41 minutes and generated 10,849 words when transcribed. In addition, I had a brief discussion with Vodafone’s Chief Representative in China which was not transcribed. Following distribution of a draft version of the dissertation, I had a follow-up phone interview with the programme manager for 47 minutes, generating 3,355 words when transcribed. The interviews are labelled in the format [Programme] and [Project] for the two managers.
Table 8-1
Vodafone China respondents

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Data collection</th>
<th>Interview length</th>
</tr>
</thead>
<tbody>
<tr>
<td>Programme Manager</td>
<td>Face to face</td>
<td>73 minutes</td>
</tr>
<tr>
<td>(Chinese, Female)</td>
<td>June 22, 2006</td>
<td>(7,436 words)</td>
</tr>
<tr>
<td></td>
<td>Phone follow-up</td>
<td>47 minutes</td>
</tr>
<tr>
<td></td>
<td>January 11, 2007</td>
<td>(3,355 words)</td>
</tr>
<tr>
<td>Project Manager</td>
<td>Face to face</td>
<td>41 minutes</td>
</tr>
<tr>
<td>(Chinese, Female)</td>
<td>June 22, 2006</td>
<td>(3,413 words)</td>
</tr>
</tbody>
</table>

**Interview guide**

The interview guide was the same as for the 3 Denmark case. However given that I was less familiar with Vodafone in China compared with the other four case studies, I allowed the discussions to start with more background information.

The interview guide is provided in Appendix 14.6.

**8.4 Tension findings**

The same structure, as used in the previous four cases, was used to categorise managerial tensions.

Categories of managerial tensions
1. Content of integration initiatives
2. Decision-making process and interaction with headquarter representatives
3. Implementation of integration initiatives
4. Loss of autonomy of subsidiary managers
5. Cultural differences

However, similar to the two 3 case studies no passages of text were coded to the ‘loss of autonomy’ category.

**8.4.1 Frequency of tensions and areas affected by tension**

These questions were not relevant given the structure of the nine work streams.

**8.4.2 Causes of tensions**

**Perceptions of the content of integration initiatives**

One respondent provided several examples of how China Mobile staff had perceived misfit in relation to integration initiatives proposed by Vodafone. These examples covered different products and services, as well as branding, and were coded to the following nodes: underlying market differences, negative or marginal local benefits, and different strategy and positioning. Following a review of an earlier version of this dissertation, staff at Vodafone in China judged that the actual quotes were too sensitive to be included in the final version of the dissertation as the material revealed business
sensitive material covered by a non-disclosure clause in the strategic alliance agreement between Vodafone and China Mobile. Based on this request, the quotes have been removed from the dissertation but the findings are retained in the quantitative overview provided in Table 14-2.

Perceptions of the decision-making process

Both respondents discussed different aspects of decision-making and interaction between Vodafone and China Mobile.

Lack of understanding from managers at headquarters [2;100%]. There was a feeling that the level of understanding from Vodafone’s managers outside of China was rather limited.

I cannot say that the level of understanding is very deep. Everyone understands that China is very big. The subscriber base is huge. That is the common understanding. There is no confusion about that. But in terms of how to make it work here, I don’t think the understanding is very deep. And China is still, in terms of the global footprint, I don’t think that China is top priority. Europe is the central focus. China is not the central focus [Project].

On occasions, managers from Vodafone had simply treated China Mobile like any other operating company that could be told by headquarters what to do. The staff at Vodafone’s Beijing office took efforts to educate their Vodafone colleagues about the Chinese market, about China Mobile and Chinese culture.

They think that China is a very remote country and Vodafone is simply the best in the world. Then we show them this paper which tells them that the Chinese economy is now the fourth in the world, China’s telecoms market is now the biggest in the world and still growing fast. And how big China Mobile is. The customer base is bigger than ours and the EBITDA margin is better than ours. And after they read this, they understand why we want them to treat China Mobile as a partner rather than just another operating company. And we also do a culture orientation course for the senior management and we summarise this for everyone in the working groups to tell them how to work with Chinese people. This includes the Chinese concept of ‘losing face’. Chinese do not want to have direct conflicts in front of their managers in a meeting. And the Chinese concept of ‘no surprise’. They want to know in advance what you will raise during formal meetings or conference calls. This type of basic business culture orientation helps to educate our European colleagues [Programme].

Lack of trust [1;50%]. Trust was viewed as important to establish a good working relationship between Vodafone’s headquarters and the Beijing office.

We do constructive push back if they don’t listen. If they don’t listen and they are dictating ‘this is what you need to do, just do it’. That is very bad. And also if they do not trust us. We need to win trust from many parties but first of all our head office needs to trust us [Programme].

Perceived inequity [2;100%]. Both respondents discussed the need to establish an equitable relationship between Vodafone and China Mobile.
We are certainly seeking benefits for Vodafone. That is clear. But if we are only seeking benefits for Vodafone and only thinking from the Vodafone perspective. The mindset cannot be that Vodafone wants this and then we go and tell China Mobile that [Programme].

While it was not possible to have exactly equal benefits for each project, it was important that the overall relationship remained equitable over time.

For all commercial projects, for example, I cannot say that the benefits are balanced. It is just unlikely that you can have equal balance. Sometimes the other party gains more than the other and sometimes vice versa [Project].

Perceptions of implementation

Both managers also talked about the implementation of joint initiatives.

Goal and Resource conflicts [1:50%]. Different levels of objectives were sometimes not reconciled. This meant that some strategic projects conflicted with shorter term budgets and performance targets.

Re-prioritisation. It happens for several reasons. One is the disconnect between the senior management versus the working level. I mentioned some projects that were identified during the chairman’s forum, the highest senior management meeting. When they are thinking about something, they think strategically 3-5 years ahead. But when it comes down to the working level they are saying that my KPIs for the next 24 months have nothing to do with this. Why should I spend a significant amount of time on this topic [Programme].

Increased bureaucracy [1:50%]. The different cooperation work streams also led to a lot of paperwork and the need to coordinate with people in different parts of the world and in different time zones.

You get a lot of paper work to do. A lot of reporting. Numerous reports: daily, weekly, by-weekly, monthly. Only to write those reports takes 25% of my time but do not generate any value [Programme].

Weak delivery of integration initiatives [1:50%]. Tension could also be created when the parties had agreed to an initiative but delivery did not happen as planned.

We have a typical case. We proposed to set up a project, an intellectual property project. The work plan was developed and both parties meet for the workshop. The shake hands and everything is courteous. But later on, China Mobile did not even set up the work team for half a year. But the work plan has been approved [Project].

Perceptions of the cultural interaction style

Both respondents talked about cultural challenges. The parties seem to operate in very different ways that cause misunderstanding and irritation on both sides.
Cultural interaction style [2; 100%]. There were numerous examples provided of how it was difficult to work together due to cultural differences. This included the Chinese perceiving the Europeans as too direct and straightforward.

The Europeans, especially the Spanish or the Dutch, they are very direct. When they write e-mails, they talk about the issue directly. In China we start with ‘how is the weather today’ or something similar. However some Europeans go straight to the point and they do not use some terms that the British might use like ‘would it be possible to…’, a little bit indirect. They will just say ‘I need you to do this’ [Programme].

On the other hand, many European Vodafone representatives found it hard to understand when the Chinese meant ‘yes’ or ‘no’.

Unless there is a very big benefit they will very often not follow even if they say ‘yes’. It is because of Chinese culture. They will not say ‘no’ directly…When they say ‘yes’, I don’t think the Vodafone people understand the meaning of this kind of ‘yes’…Sometimes they do not say ‘no’ but you can see from their behaviour that it is a ‘no’ [Project].

There were also very different working styles and reluctance from China Mobile to commit to specific deliverables and timeframes.

The different working styles may also cause tension. But China Mobile is a very big company. The different parts of China Mobile are very different. The R&D and technology sides are more Westernised. They know about Gantt charts. They know about Vodafone’s way of working in terms of setting a plan with milestones and reviewing progress. And they understand KPIs. It is easier to get R&D to follow the Vodafone management style. But on the other side, they do not want to commit. For many projects, it is the first time for them to work with us, so they do not have experience of how long time it will take. They do not want to make any commitments so that they may lose face later on. Like saying it will take 6 months and then it takes 8 months. They don’t like us in the steering committee meeting to review the milestone progress. They don’t like this way and they feel it is like a test. They feel that they are being tested at the meetings every quarter. They are more into ‘claim victory’ type of meetings where they say what they have achieved. But there may originally have been 10 targets to meet and they have only delivered 5. Then it is not successful. But they prefer to just tell the audience about the 5 that they have achieved. This is causing tension as well. The Europeans are more time sensitive. They want to move on the agenda all the time. Even when we have agreed an agenda at the beginning of the meeting, the Chinese may come back after 30 minutes and want to discuss other topics that are more important. Then the Vodafone people may say that we have already agreed the agenda and concluded the earlier topics [Programme].

8.4.3 Managing tensions

There was some discussion regarding the management of tension. There were however no comments in relation to the use of gamesmanship.

Interacting with Group

Both respondents talked about how to interact with headquarters.
Argue the local case [1;50%]. This included the need to become good at arguing the local case to managers at headquarters.

We also need to push back Vodafone and tell them what we see as realistic and constructive to do in China. This might not be realised by our colleagues in the UK. Our colleagues in the UK may not realise what we can do so we must remind them. But if they are raising requests that are not realistic, then we need to also constructively push back and tell them that this is not what you should do in China [Programme].

Educate headquarters [2;100%]. Given the large differences between the UK and China, the Beijing office managers had taken it upon themselves to actively seek to educate both parties to bridge the gaps.

We are not only telling our European colleagues how they should deal with the Chinese. We also tell China Mobile how they should work with Europeans [Programme].

Structure local subsidiary

Streamline interfaces [1;50%]. One of the project managers discussed the need to establish good interfaces across the business.

This was a mess for some time but later on we came up with a process. We identified key account managers for China in for example Vodafone Group technology. All problems that we think we need to escalate to Group technology management, we go to that person who reports directly to the CTO [Programme].

Get your priorities straight

Decide who you work for [1;50%]. The need to be clear on who you work for was also discussed.

So we remember that we are Vodafone employees and seek benefits for Vodafone. But we are not blindly following what the Group people want to do in China. We gather knowledge and then tell them what we think that Vodafone and China Mobile can do together in China [Programme].

8.5 Integration findings

There were also a number of comments raised regarding the making of integration decisions and the implementation of integration initiatives.

8.5.1 How to make integration decisions

Analysis

Make proper initial assessment [1;50%]. One manager talked about the need to make proper assessments of the strategic goals of the parties.

First we need to understand. Then to be understood. We need to really understand the strategic goals of the different parties. What does Vodafone achieve from China. Will
Vodafone only see China as a low cost base? Or does Vodafone see China for opportunities? We need to first understand and contract with Vodafone what they expect from China. We are paid by Vodafone. And from China Mobile we also need to understand their international strategy. What are their concerns? What are their priorities? To understand each side is very important [Programme].

Setting the strategy

**Focus on what matters most [1;50%].** The need to prioritise all potential integration areas was also discussed. Eventually both sides agreed to a short list of projects for execution.

We organise brainstorm sessions. It is a long list. After we collect their priorities. Their individual priorities from both sides. Then we come up with a long list. We may identify 20 interesting areas for the next 12-18 months. Then from the long list, we identify the objectives, scope, financial benefits for each project which comes down to a short list of about 10 proposed projects for example. Then we go to Group marketing and Group technology to check with them for an indication of how much resources we may need to work on the projects. Then we get their sign-off and commitment and responsible persons for the projects. We then come back to China Mobile with a proposal from Vodafone on the short list [Programme].

**Work towards a clear vision [1;50%].** It was also argued that it is important to know what the overall strategic direction is; both globally and for China.

A very important job is on the strategy because we can come up with our own strategy based on our understanding but we don’t know the business in the other countries. They [headquarters] have the special view of the whole footprint of Vodafone, so that they can come up with the strategy. Then when they come up with the global strategy framework we are in a better position to customise the China strategy [Programme].

People

**Build local market knowledge at headquarters [1;50%].** The need for in-depth local market understanding at headquarters was also discussed.

Vodafone is quite big and China is very remote. A lot of people do not quite understand what China is because China is so far and remote. They do not understand China and they do not understand China Mobile. Especially how big China Mobile is, how significant, how impactful it is in China. It is not easy for either party to give in easily. One party will say ‘this is what I want’. Each party is so used to it because they are so strong powers [Project].

Interaction

**Consult and sell integration to subsidiary managers [1;50%].** Similar to other cases, the importance of consultation and selling of integration initiatives was discussed.

They need to listen. They need to listen to the local viewpoint. Seek to understand first. And second, they sit in a very good position where they have information from everywhere. So they should have the responsibility to consolidate, integrate and synergise best practice sharing in various parts in the footprint. And they need to have
the wisdom to identify when something working in one country will not work in China. They need to have the wisdom to identify what will work in another country. And then they need to organise the help to each island, the China island, to help them to communicate so that they can work better as a whole. The whole should be bigger than the sum of the parts. This is what we want the head office to do [Programme].

8.5.2 How to implement integration

Manage structure

De-layer headquarters [1;50%]. One of the project managers mentioned that Vodafone China had previously reported to a person in a lower level in the hierarchy at headquarters. This led to delays in decision-making and low visibility for the Beijing office. There was also only a limited amount of authority delegated to the managers in the Beijing office. However, following a recent restructuring, the head of the Beijing office instead reported to one of the top people at headquarters.

Now we have changed the structure. This means decentralisation. They want to give more flexibility and more power to the local side…This is a positive change for us. It started earlier this year [Programme].

Establish governance structure [1;50%]. The same respondent also discussed the importance of a well functioning governance structure with clear channels for decision making, communication and escalation.

From my perspective, it is a good move to make the governance structure work better. Because one of the typical concerns for the head office, versus a remote representative office, is what are these guys doing every day. …We need to come up with a communication scheme which the management feels confident with so that they know the status and make sure that we have enough opportunity to escalate [Programme].

Manage people

Both of the interviewed managers talked about the importance of managing people in an effective way to ensure the success of integration.

Acknowledge integration efforts [1;50%]. Managers in the Beijing office took specific steps to recognise contributions to joint projects between China Mobile and Vodafone. This was done to raise the profile of participants given that these projects sometimes fell outside of standard job descriptions.

That is why we come to China Mobile and raise this indirectly by providing recognition. All the people that have contributed their time and efforts in our projects will be recognised by senior management. In the senior management meeting, they will have a session about the Vodafone joint projects. And when we have their CEO or their CTO meeting we will mention this so that they get visibility inside their organisation. They get a chance to interface and meet and talk with their senior management [Programme].
**Move people around [1;50%]**. There was also an exchange programme designed to share experience between China Mobile and Vodafone. This helped people build networks and to gain a better understanding of the other party.

We also have a people exchange programme with China Mobile. The idea is Vodafone sending one person in R&D and China Mobile sending one person. And we exchange people in different parts of the organisation for about 12 months so that they understand each other’s processes and can support joint projects [Programme].

**Secure top management commitment [1;50%]**. As a state owned enterprise (SOE), China Mobile operated in a very centralised manner. It was thus a key requirement to secure top management commitment for any initiatives on the joint roadmap.

They also need to understand China Mobile’s way of decision making. It is top-down. You need to get the buy-in of the senior management at China Mobile. That is very important. They need to push it down to make it work…China Mobile is very, very centralised. China has 31 provinces and China Mobile has 31 subsidiaries. When the Group says ‘do it’, pretty much all 31 provinces will do it [Project].

**Treat people well [1;50%]**. One manager noted that China Mobile was a great host for all visitors from Vodafone. Visitors thus felt a bit like royalty when pampered by their Chinese hosts. This helped to build up good-will and to make Vodafone employees want to return to support further projects in China.

China Mobile takes perfect care of our guests. When China Mobile says it is a working lunch, it is a banquet with 10 courses. Chinese people are very hospitable. When they come here to meet with vendors, they are also very nicely treated [Programme].

**Manage objectives and resources**

There was some discussion on the need to prioritise projects and ensure local resources.

**Establish dedicated working groups [1;50%]**. As discussed in the tensions section, there had been occasions when China Mobile had not established working groups for agreed joint projects. One manager talked about the need to ensure that resources were actually allocated to joint projects.

**Establish local prioritisation forum [1;50%]**. To manage joint projects, the parties had established a governance structure that included an overall prioritisation forum that pulled together all requirements for joint projects. This was done as part of a steering committee which met once per quarter.

On the governance structure, we made the investment in China Mobile and then we signed the strategic alliance agreement. In that, the Chairman’s forum is defined. Our CEO and the CEO of China Mobile meet two times per year. They set the overall strategy. Then below that, is what we call the steering committee. This committee meets four times per year. That committee approves plans for projects or any other decisions. It is more about implementation…During the Chairman’s forum they identify these interesting strategic areas and then the steering committee take the responsibility to
further follow-up and confirm whether we should start on initiatives. Or if we should form working groups to work on it [Programme].

**Manage interaction**

Effective interaction was also advocated by the respondents.

**Build trust [1;50%].** One respondent talked about the need to build trust with managers at headquarters. Vodafone’s Beijing Office is far from headquarters and a lot of interaction happens through reports.

[Headquarters] is not confident with the information we provide. If we send too much they say, we don’t have time to read. If we send too little they say that we are hiding something. So we need to clarify expectations and build their confidence in terms of what we do in China [Programme].

**Encourage people interaction rather than bureaucracy [1;50%].** Getting people together, face to face, was seen as the fastest way to achieve progress. Circulating draft versions and trying to resolve issues over conference calls was, in comparison, a time consuming process.

It is much, much more efficient to work face to face. We need to have 10 conference calls to clarify 5 pages of specifications. It takes only 2 hours face to face [Programme].

**Establish strong communication [1;50%].** Two-way communications was also seen as vital.

The communication channel needs to be there. Either top-down or bottom-up but the mutual communication needs to be there [Project].

**Manage delivery**

**Involve key stakeholders [1;50%].** Given the top down structure of China Mobile, one manager discussed the need to ensure that the key stakeholders, with proper authority, were involved throughout the process.

**Other**

**Freedom within guidelines [1;50%].** The need for headquarters to provide freedom for the subsidiaries to develop within clear guidelines was also discussed.

The head office is like a parent. As a parent, you should have control. You cannot really spoil the kids and let them do whatever they want. You should have the control overall in an overall sense. But as a good parent you need to understand the kids very well and develop a very good plan for the development of these kids. And kids also varies. You cannot really use one single method to treat all kids. It will not work out because each kid has its own strengths and weaknesses [Project].
8.5.3 Context factors affecting integration

The respondents discussed a number of contextual factors that impacted on integration.

**Legacy versus new [1;50%].** It was seen as easier to implement new projects that were not affected by the legacy of either party.

Both parties can get along pretty well and to comply with it under the condition that it is something which is new for both parties. So that both parties can do it together and benefit together. It is a new start for both parties [Project].

**Clearly valuable projects [1;50%].** Projects that were perceived as clearly valuable by China Mobile were also more likely to be successfully implemented.

Another case is that the heads of the two big giants, they see a certain project as valuable. Then they say ‘yes, let’s do it’. China Mobile is top down. When the big guy says ‘yes’, then people follow [Project].

**Projects championed by junior people [1;50%].** China Mobile was also seen as less likely to comply with projects that had been initiated by more junior people in Vodafone.

Typical example for this is that in the start of the project, the originator of the project is not from the top. Either he is from Vodafone, at Director level or someone below that who has proposed something. And if it is not something which is high on China Mobile’s agenda, then maybe in the very beginning they may say ‘yes’ but later on it will not really work out [Project].

8.6 Feedback from Vodafone China

The draft version of this dissertation was distributed to all respondents in December 2006 in order to share the research findings and allow respondents to comment. One of the interviewed managers at Vodafone China, labelled [Programme] felt that the situation had changed significantly since conducting the interviews. Based on this feedback, I scheduled a phone interview for 11 January 2007 in order to receive updated information, which is reported below.

The key change within Vodafone was the appointment of a new CEO for the EMAPA region covering Central Europe, Middle East, Asia Pacific and Affiliates shortly after the initial interviews had been conducted. The new CEO had made efforts to get to know China and had spent one week in China travelling to Beijing, Shanghai and Harbin in order to get acquainted with Chinese culture, economy, politics and consumers. Managers in the Beijing office had previously not experienced this level of attention from senior headquarters staff as noted by the respondent.

We have been here for five years and this is the first time that an executive committee member from Vodafone spends a whole week in China...We see this as a firm commitment to China [Programme].

The regional CEO met with a number of business leaders in China, including both Chinese and expatriates, and with government officials. One message that had come across was the importance of developing a strong and empowered local team in China that had the ability to bridge the gap between headquarters and the local Chinese market.

The most interesting concept he learnt during the trip is a word called ‘cultural bilingualism’. It is very difficult for a foreigner to really get into the centre of a social circle which is built up by Chinese. Therefore, it is not really about mixing the two cultures. You cannot mix the two cultures. They are so distinct. Therefore, the foreigners making business in China need to develop the ability to switch modes. When you talk to Chinese people you need to switch to the Chinese mode. When you talk to headquarters, you need to switch to another mode. Therefore, as a foreign company, you need to develop a very strong local team. And you delegate to this team when you meet with the senior management so that the local team have authority from you. I think [the CEO] did believe all of this. After this trip, the interest in China, the attention and support to China was significantly raised [Programme].

The new CEO had also taken steps to ensure integration of the China office into the Vodafone Group. Previously, the Beijing office had been more of an isolated appendix rather than fully integrated.

I recall something interesting when [the new CEO] came to our office. We asked ‘what is your expectation of the China team?’ It is a typical question we ask every visiting executive. The typical answer is that we like you to ‘blah, blah, blah’. [The new CEO] was very different. He said, the question should be modified because the China team is not fighting alone. I would say ‘What are Vodafone’s objectives in China apart from what I expect you to do in China?’ So the Group CEO, and all the Group resources, he lined up a team, and then himself and the regional CEO reporting to him. This whole team works as ‘One Vodafone’ to leverage China for the benefit of the whole Vodafone. For the first time we felt that we are very closely linked with the Group. He also proposed some very small details about communication between Vodafone China and the Group. Like day to day, we now have online news. Due to IT reasons, we used to receive the American or the Japanese news (before we sold Japan), rather than the UK news. And there was online training that we didn’t participate in. And there are internal Vodafone magazines that we didn’t receive. He took note of all of this and then told one of his direct reports who works on business improvement and integration. He has tasked that team to incorporate China into the global platform. This is the first time that we feel that we are part of the EMAPA team. We used to think of ourselves as just the Vodafone China team. The identity, the feeling of the identity, is now that we are part of the EMAPA team. Which I think is beneficial for both. Both for headquarters people and for the China team [Programme].

Following the new CEO’s initial trip to China, he had organised a ‘China Day’ at headquarters in order to raise awareness about China at headquarters and among other countries in the EMAPA region.

In the EMAPA region, as we cover many, many countries, and the people who work in the Group may not have been, or very few people apart from [the CEO] have travelled to all these countries. They do not understand each other. We probably speak 17 languages and have very different cultures. He suggested the need to help build mutual understanding. And also to introduce the concept of China and the latest development of
the Chinese market to Group people. Therefore we had the China Day, a whole day workshop about China. We had speakers from Vodafone China on the overall Chinese history and economy, on the Chinese market, about Chinese culture. About our partner China Mobile. About our vision in China. What our objectives are. We also invited our business partners who are working with us to explore opportunities in China. For example, we are trying to find low cost suppliers in China. That event was a good success. Many people had follow-up questions. It aroused their interest in China [Programme].

The initial one week trip and the China Day had been followed by a significant increase in interaction between staff at the Beijing office and the Vodafone Group.

[The Beijing Office manager] gets to travel more for the headquarters management meetings. It is a symbol that we are more strategically linked with headquarters. All the working level people, including the technology and the head of commercial, the project managers, and myself we also travel more or much more than before. Vodafone is making efforts to design a clear China strategy which should be available within the next two months. Vodafone’s global strategy is evolving. Therefore we need to also clearly define the up to date strategy and strategic goals in China. The whole project team has more interaction including both face to face interaction and day to day contacts with their Group counterparts. Also, [the regional CEO’s] team members are also flying more frequently to China. When we talk with each other, it is not like we are talking to someone we never met. Someone we don’t really know. We know what the person looks like. We know the person, not only their voice. It helps with the efficiency and the effectiveness of work [Programme].

The interviewed manager concluded that these changes had provided a lot more clarity regarding the overall direction, which had improved motivation.

Now I understand my job much better than before. This is primarily because we have now stated a clear global strategy and we are in the course of defining very clear strategic objectives for Vodafone. I know the big picture of where we are going. And it helps because I can see how I can contribute towards achieving these goals. That is very motivating [Programme].

In comparison to before, the higher level of attention and commitment from the regional CEO had increased the belief in that the strategy and objectives for China really meant something. Previously, such statements appear to have been more empty words, and that it was difficult to take them seriously which had led to an element of hesitation.

We developed the Vodafone China vision, mission and values a long time ago. We know the most important things we should do in China. But without the strong attention and commitment from headquarters, I don’t think I had the current level of confidence that this was really what the Group people wanted. So when I made efforts to deliver results according to the three or four mission statements or goals, I was not that confident that this was absolutely the right thing for me to do. But now I see the alignment from the top management in the company down to the working level in Vodafone China. Everyone is fully aligned. Everybody is on the same page for what should be done in China. It fits with the global strategy, it fits with the China strategy. And it fits with my objectives. This alignment or transparency provides a huge confidence I believe [Programme].
In sum, the follow-up interview provided further insights into what headquarters can do to energise and motivate subsidiary managers. First, it appears essential to make subsidiary managers feel that they are part of the group rather than being an appendix far out in the periphery. Second, it suggests the importance of attention and genuine commitment from headquarters. Third, it seems vital to ensure clarity and alignment regarding strategy and objectives.

8.7 Learning

The Chinese case illustrated that many of the same categories that were identified in the previous four case studies were also relevant in this case. This suggests that many of the findings might apply across a variety of cross-company forms of cooperation and integration beyond formal headquarters-subsidiary ties.

Tensions were identified in the four areas of: 1) misfit, 2) unfair process, 3) weak execution and 5) cultural misunderstandings. There was no discussion of the fourth area of loss of autonomy. This is also logical given that change was not a core component of integration.

The case of Vodafone in China was very different in that integration initiatives were much more limited in scope and were clearly identified and jointly agreed between Vodafone and China Mobile. From the cases, it was more difficult to identify the extent to which conflicts between the parties were the result of political behaviour or primarily challenges due to very different corporate and national cultures of the actors.

The follow-up interview suggests that the relationship between headquarters and subsidiaries can change in a relatively short period of time. In this particular case, changes seem to have led to positive improvements. Presumably, changes could also quickly generate negative effects. This echoes Weick’s (1979) suggestion that organisations keep falling apart and thus require ‘chronic rebuilding’ and that processes need to be continually reaccomplished (1979:44). In addition, the follow-up interview highlighted the limitation of a ‘snap shot’ approach to conducting research in that any account is coloured by the circumstances when collecting the data. A processual study might have yielded additional insights in this regard. The opportunity to interact with a respondent and discuss the draft dissertation was also a very rewarding experience. This suggests the potential benefits of a collaborative action research approach such as cooperative inquiry (Eden & Huxham, 2002; Reason, 2001; Reason, 2006; Reason & McArdle, 2004; Reason & Torbert, 2001).

As nothing fundamentally new emerged in the Chinese case, from a content perspective, this provides some indication that theoretical saturation (Glaser & Strauss, 1967; Strauss & Corbin, 1998) has been reached. However, theoretical saturation is a concept that better fits with a positivist research strategy based on an objectivist ontology. From the perspective of a constructivist stance, it cannot be ruled out that another researcher might have reached a different conclusion.
9 SECOND-ORDER ANALYSIS

In this chapter, I seek to theorise on the basis of the first-order findings from the individual case studies. The tone of voice will thus change from the respondents’ accounts, which were used for the abductive descriptions, to my own voice as I seek to construct theory based on the retroductive approach. Beyond being consistent with the chosen research strategy, this method of presentation also has the benefit of separating the descriptive first-order findings from my second-order theorising. I hope that this will serve to address some of the issues surrounding lack of transparency of qualitative research by allowing the reader to independently review the first-order descriptions in separation from the second-order theorising.

The objective is to develop a grounded theory that provides insights into the causes of tensions at the subsidiary level and how subsidiary managers responded to such tensions.

9.1 Managerial tensions at the subsidiary level

The first task is to search for the generative mechanisms that produced tension in the case studies and seek to outline the contingent factors that activated the mechanisms. The objective is to explain the causes of managerial tensions across the five case studies. In line with the constructivist stance adopted in this research programme, the emerging theory is viewed in terms of a stimulus-organism-response (S-O-R) model. This is in contrast to earlier attempts at understanding human nature according to a simpler stimulus-response (S-R) model in which human behaviour was portrayed as fairly mechanistic and passive (Ilgen & Klein, 1989). Managerial agency thus takes centre stage in the grounded theory developed below rather than environmental determinism. Subsidiary managers’ interpretation and sensemaking are thus considered vital to understand their responses as the contextual contingency differences, listed in Appendix 14.2, only appear to explain some differences between primarily the two Orange cases.

The first-order findings identified five mechanisms generating managerial tensions at the subsidiary level:

1. Misfit of initiatives
2. Unfair process
3. Weak execution
4. Loss of autonomy
5. Cultural misunderstanding

This chapter will discuss each mechanism in turn and seek to identify the contingent factors that activated the tensions. Consistent with the retroductive research strategy, the emerging theory will be discussed in terms of tendencies rather than absolutes (Blaikie, 2000). The identified mechanisms are assumed to be located in the ‘real’ domain. This implies that they might be transferable to other situations provided that the context is similar and the mechanisms are triggered by the contingent factors. The findings might
thus be transferable provided that there is a degree of similarity between the sending context and the receiving context (Lincoln & Guba, 1985).

9.1.1 Perceived misfit of initiatives

The first mechanism capable of generating tension is defined as when subsidiary managers perceive a misfit between what is mandated by headquarters and the local business requirements. This dimension is thus primarily concerned with the content of integration decisions.

Evidence

Perceived misfit of integration efforts were reported by managers in all of the five case studies as shown in Table 14-2. There were most discussions by managers in the two Orange case studies, probably due to the magnitude of integration driven by headquarters at the same time as the competitive climate was intensified in Denmark and in Romania.

Contingent factors triggering mechanism

This mechanism is more likely to be triggered the greater the perceived difference between countries considered for implementation of integration initiatives. This includes differences between markets and subsidiaries as well as the relative importance of integration initiatives in a local context.

Underlying market differences. These factors include the level of market maturity (introduction, growth, maturity), the degree of competitive intensity, customer behaviour, legal and regulatory frameworks, the degree of sophistication in sales and marketing infrastructure and cultural differences. There were examples of these factors provided in all five case studies.

Subsidiary differences. There may be significant differences in terms of the market position of the subsidiaries (challenger, incumbent), the brand positioning and target segments. Priorities are also likely to change depending on the lifecycle of the company (start-up, growth, maturity). In addition, different legacy set-ups may contribute to a perception of misfit. Examples of this were provided both during the start-up phase of 3 as well as for the two Orange cases.

Different strategic focus. The degree to which integration initiatives address major concerns of the business or can generate significant revenue growth and/or cost savings. This was especially discussed in the Orange Romania case given that most integration initiatives originated from a Western European context.

9.1.2 Perceived unfair process

The second mechanism capable of generating tension is defined as subsidiary managers’ perception of the fairness of the integration process. This includes the way decisions are
made and how head office managers interact with subsidiary managers. This dimension thus relates to the process of integration and the behaviour of head office managers.

Evidence

Perceptions regarding the lack of fairness in the integration process were discussed by managers in all of the five case studies. This is illustrated in Table 14-2. It is surprising to note that a large number of subsidiary managers felt that they were not fairly treated by their counterparts at headquarters. Subsidiary managers also universally reported that managers at headquarters lacked sufficient understanding of the local market conditions.

Contingent factors triggering tension

This mechanism is likely to be triggered when subsidiary managers feel that head office managers do not treat them well or when they are ignorant of the local situation.

Unfair treatment. This includes lack of consultation with subsidiary managers, failure to listen to feedback, micro management and lack of trust in subsidiary managers. It also includes a culture of fear that would make subsidiary managers hesitant to openly voice concerns. It can also be the result of perceived inequity. Examples of such behaviours were reported across all the case studies. In addition it includes darker elements such as ethnic cleansing in favour of specific nationalities as discussed in the Orange Romania case.

Integration not ‘sold’. The process can also be viewed as unfair if subsidiary managers do not feel that integration has been explained and ‘sold’ to them but rather simply mandated from headquarters. This was discussed in all case studies with the exception of Vodafone in China. The integration set-up was quite different in the China case given that the integration roadmap was jointly agreed rather than mandated by headquarters. This probably explains why managers at Vodafone China did not discuss this topic.

Lack of HQ understanding. This includes a head office staffed with managers without sufficient operational experience. It also relates to head office managers who have not invested time and effort to gain a deep understanding of the subsidiaries’ local conditions. It is noteworthy that this was discussed across all five case studies.

9.1.3 Perceived weak execution

The third mechanism capable of generating tension is defined as subsidiary managers’ perception of the implementation of integration. This dimension is thus concerned with the execution of integration.

Evidence

Examples of weak execution of integration initiatives were reported by managers in all of the five case studies as shown in Table 14-2. Goal and resource conflicts regarding local versus global priorities appear to have been especially common.
Contingent factors triggering tension

**Goal and resource conflicts.** This occurs when integration initiatives are started without resources being agreed. Local and global projects then compete for the same resources in the local subsidiary. Typically examples occur when global projects are introduced after the local budgets have been agreed. There were slight differences between the cases. In the two Orange cases, this type of tension occurred as integration initiatives were seen as consuming large amounts of local resources that could have been put to better use. In the Orange cases plus Vodafone in China there were also examples of conflicting short-term and long-term objectives. In contrast, tensions in the two 3 cases were created due to a fight for resources from the Nordic shared services organisation.

**Lack of clear direction.** This can occur when different parts of headquarters put forward inconsistent instructions towards subsidiaries. Examples include focusing on short term financial performance by cutting budgets at the same time as other head office departments mandate integration initiatives that require additional resources. Also, if delivery roadmaps keep changing frequently, little actual delivery takes place. There was general discussion across the cases that the overall objective and long-term direction of integration was not sufficiently clear to subsidiary managers.

**Inexperienced people at headquarters.** The Orange cases illustrated how subsidiary managers felt that managers at headquarters lacked sufficient operational experience. This is likely the result of previously non-operational managers at headquarters being transferred into operational roles with the responsibility for group-wide implementation projects.

**Unclear roles and responsibilities.** This results in either too many people trying to do the same thing or things falling between stools as no one is responsible for a particular activity. This was reported in Orange Denmark and in 3 Denmark. These two subsidiaries had the lowest bargaining power versus headquarters of the five cases. This finding might thus be the result of subsidiary managers feeling that managers at headquarters did not take their concerns seriously.

**Weak delivery.** A lack of planning means that integration initiatives are started without proper preparation and thus clarity regarding who should deliver what and when using which resources. As illustrated in the Orange cases, a poor prior track record of headquarters delivery can also make subsidiary managers hesitant to fully support new integration initiatives.

9.1.4 Perceived loss of autonomy

The fourth mechanism capable of generating tension is defined as subsidiary managers’ perception of the loss of autonomy as a result of integration efforts. It is thus different compared with the previous three mechanisms as it relates to subsidiary managers, and their loss of power and control.
Evidence

The loss of control was only discussed in the two Orange case studies as shown in Table 14-2. These were also the only two cases where integration meant large scale strategic change. It would thus appear that there needs to be change from autonomy towards integration for this mechanism to become activated.

Contingent factors triggering tension

Change from independence to integration. This form of tension was only noted in the two Orange cases which indicates that strategic change away from independence towards integration is required for this tension to occur.

Reluctance to change. The two Orange cases provided several examples of how subsidiary managers resisted the changes being imposed by headquarters. In a multidomestic configuration, subsidiary managers typically have full managerial discretion as long as the budget is delivered. Integration then reduces the level of autonomy of subsidiary managers as their decision making authority is reduced. The CEO of Orange Romania noted that in the extreme case, his only role would eventually be to cut ribbons and perform other ceremonial tasks.

9.1.5 Perceived cultural misunderstanding

The fifth mechanism capable of generating tension is defined as subsidiary managers’ perceptions of cultural misunderstanding leading to a tense working relationship. This dimension is thus concerned with the cultural differences experienced during integration. It relates specifically to misunderstandings resulting from differences in working style such as attitudes towards time and processes, and the importance placed on sticking to agreements.

Evidence

This type of tension was only reported in the following three cases: Orange Denmark, 3 Sweden and Vodafone China as shown in Table 14-2. The case of China is relatively straightforward as there were substantial differences in terms of both national and corporate culture between Vodafone and China Mobile. The other cases appear more difficult to explain. However, further analysis reveals the reason. The respondents in Orange Denmark and 3 Sweden all referred to a tendency for Danish managers to strive for a very high degree of autonomy. The three respondents discussing this in Orange Denmark were all non-Danes describing their Danish colleagues. The five respondents in 3 Sweden all talked about their Danish colleagues. While it is perhaps not surprising that culture can pose challenges between the UK and China, it is more interesting to note the amount of tension generated in the interaction of Danes and non-Danes including with the Swedes.

Attitude towards time, process and agreements. The discussion with managers at 3 in Sweden (relating to Denmark) and the managers at Vodafone in China revealed
differences in the degree to which time, processes and agreements were considered binding obligations between parties.

9.2 Managerial responses at the subsidiary level

This section identifies the different responses that subsidiary managers used to manage or cope with tension and the contingent factors that appear to influence such responses. While the previous section closely followed the coding in the data, this section is based on imposing categories onto the cases. I argue that responses fall in two different categories. In the first category we find responses in which subsidiary managers follow headquarters instructions or have an open dialogue with head office managers. This includes complying with, negotiating or challenging integration decisions. In the other category, we have cases where subsidiary managers manipulate or ignore head office instructions. This section seeks to understand what factors lead to compliance or an open dialogue with headquarters versus managers manipulating or ignoring what headquarters desires.

9.2.1 Comply

Definition

Complying means that subsidiary managers substantially follow the integration decisions made by headquarters.

Evidence

The five cases provided different illustrations of what factors influenced subsidiary managers’ compliance with headquarters mandated integration initiatives.

Contingent factors

It would appear that the following factors contribute towards triggering this mechanism.

Valuable and possible. When subsidiary managers see integration initiatives as valuable and possible in the local context, the natural response appears to be compliance. This was reported by managers as the most obvious cases of successful integration efforts. One respondent in 3 Sweden noted that subsidiary managers were prepared to accept being force-fed by initiatives only as long as the benefits were obvious.

Resource dependence. If subsidiary managers are heavily dependent on head office for resources or for approval of expenditure plans, this can force compliance. Orange Denmark was a special case where the poor performance of the business made managers more willing to comply with integration initiatives even if they would have preferred to fight back.

Fear of repercussions. Managers may also comply out of fear of repercussions. Subsidiary managers referred specifically to the risk of going against top corporate priorities championed by the Group CEO. This was mentioned especially for the two
Orange cases were subsidiary managers had been threatened that non-compliance would have adverse impacts on their careers.

**Not worth the fight.** Certain initiatives may not live up to the criteria of ‘valuable’ and ‘possible’ but the negative impact may be too small to risk a fight with head office. Compliance may then be the result as managers wish to save goodwill for when they need it more.

**Part of blueprint.** Some features appear to be considered fundamental to the multinational’s identity and business model. This will typically include institutionalised aspects such as brand names and logos that are essential to create coherence across subsidiaries. However, this typically only applies to ingrained features of the multinational rather than to new initiatives or changes to existing features. There were thus no examples reported in the cases of subsidiary managers seeking to challenge the brand name or corporate values. This factor was identified using Sherlock Holmes’ style ‘the dog that did not bark’ logic rather than being derived directly from respondents’ quotes.

**Presence of expatriates.** Three respondents in the Orange Denmark case argued that the expatriate CEO was more inclined to comply with headquarters and less likely to pick a fight. This was seen as a result of expatriates being both socialised to headquarters norms and as being dependent on headquarters for their future career progression within the company.

It is important to note regarding the above that both resource dependence and fear of repercussions can suppress healthy discussions about integration efforts and lead to passive rather than genuine compliance. And performance may suffer as a result.

### 9.2.2 Negotiate or Challenge

**Definition**

Negotiation means that subsidiary managers negotiate with headquarters to change some aspects of the proposed integration initiative. This includes scope, timeframes, resources and targets. The objective is to take part in the integration initiative but in a different way than originally envisaged by headquarters.

Challenging means that subsidiary managers openly question integration efforts put forward by headquarters with the objective of either opting out or fundamentally changing the nature of the integration initiative.

Both of the above are thus potentially constructive responses as they open up a dialogue with headquarters.

**Evidence**

There were frequent discussions by respondents across several cases regarding the need to argue the local case against headquarters.
Contingent factors

Negotiating with or challenging head office appears more likely to happen when some of the following conditions are met.

**Low value.** Initiatives that have a relatively low value in the local context may not justify immediate prioritisation or full implementation as per the original scope. Respondents in the two Orange cases, 3 Denmark and Vodafone China provided examples of products and services with business cases that appeared negative in the local market.

**Inappropriate.** Integration, as envisaged by headquarters, might be inappropriate in the local contexts due to factors such as legal and regulatory framework or cultural factors. Respondents in both Orange Denmark and 3 Denmark talked specifically about legislation that prevented long contractual binding periods.

**Lack of resources.** Shortage of financial or people resources in the local subsidiary may make it difficult or impossible to follow Group requirements. The case of Orange Denmark is illustrative in that the mandated integration initiatives were considerably larger than the total CAPEX budget for the subsidiary.

**Legacy set-up.** There may be specific legacy conditions that make implementation, as requested, difficult or uneconomical. Legacy set-ups affected implementation in both Orange Denmark and Orange Romania.

It would appear that one or more of the above factors need to be combined with the following to result in negotiation or challenge from subsidiary managers:

**Tolerant culture.** Negotiation as well as challenge are more likely when the organisational culture is open and allows for an honest dialogue between subsidiary and headquarters.

**High subsidiary bargaining power.** This is the case when subsidiary managers high bargaining power versus head office makes the latter more likely to listen and consider subsidiary managers opinions. This was a clear difference between Orange Denmark and Orange Romania. Orange Denmark had a very low bargaining power versus headquarters and subsidiary managers reported in detail the need to resort to political gamesmanship behaviours to cope with the local – global tensions. In contrast, Orange Romania had a much higher bargaining power versus headquarters. There appears to have been less common to apply gamesmanship tactics in the Romanian case. The CEO in Romania had previously been the CEO in Denmark and reported that his bargaining power was substantially greater in Romania compared to what it had been in Denmark.
9.2.3 Manipulate

Definition

Manipulation means that subsidiary managers use gamesmanship to avoid following the instructions of headquarters but without challenging or negotiating openly.

Evidence

As discussed above, there was primarily a discussion of political gamesmanship behaviour in the two Orange cases.

Contingent factors

The situation is similar to when subsidiary managers negotiate with or challenge headquarters with the significant exception that subsidiary managers do not feel that they can openly engage head office in a dialogue or they have previously been over ruled but do not wish to comply. Manipulation is thus more likely to happen when managers fear repercussions from head office and feel that they cannot engage in an honest dialogue. Alternatively when managers feel the need to hide something from head office managers, such as a lack of compliance.

Intolerant culture. When there is a culture of fear, managers might not dare to openly negotiate or challenge headquarters. Threats by the corporate CEO of the Orange Group had triggered manipulative actions by managers in Orange Denmark and Orange Romania.

Low subsidiary bargaining power. If subsidiary managers have low bargaining power versus head office, they may have a more difficult time to argue their case for exemptions or modifications to proposed integration initiatives. This is the opposite of the above discussion about high bargaining power.

Something to hide. Managers might also have something to hide that may be revealed if they engage in an open dialogue with head office. Examples of this included budget discussions when subsidiary managers created buffer zones to use for future contingencies. This was discussed in the 3 Sweden and Orange Romania cases.

Perceived injustice. There were some indications of an ‘eye for an eye’ logic according to which perceived injustice appear to have legitimised manipulative behaviour for subsidiary managers. This tendency was most prevalent in the Orange Denmark case where there was substantial tension and a majority of managers felt unfairly treated.

9.2.4 Ignore

Definition

Ignoring means that subsidiary managers carry on with their local business without taking note of integration initiatives.
Evidence

This was discussed by managers in Orange Denmark and Vodafone China.

Contingent factors

**Insignificant initiatives.** This included integration initiatives that were viewed as insignificant. These initiatives would typically not be ‘programmed’ into the overall delivery machinery and appear in Group wide status tracking.

**Initiatives or rules appear irrelevant.** If initiatives imposed by head office clearly appear irrelevant for the local context, they may simply be ignored.

**Championed by junior people.** Initiatives that are driven by junior staff at Group without direct backing from more senior people. This was discussed in the Vodafone China case and in the Orange Denmark case,

9.2.5 Re-connecting with literature

Figure 9-1 below presents a summary of the grounded theory developed above regarding causes and consequences of tensions at the subsidiary level based on the five researched cases.

Figure 9-1
Summary of causes and consequences of tensions
Following from this is an attempt to re-connect with extant literature with the objective of integrating the empirically grounded findings with the existing knowledge base.

The model above is presented as a theory of sensemaking at the subsidiary level. Building on Figure 2-4 in the literature review, I argue that subsidiary managers’ experience of dissonance/tension between local and global requirements might result in attempts to reinforce their local schema. Alternatively, subsidiary managers might attempt to re-frame the schema held by managers at headquarters or seek to undermine headquarters integration actions.

Subsidiary managers' schema
Subsidiary managers' interpretation
Experience of dissonance/tension
Attempts to reinforce local schema
Attempts to re-frame schema of HQ managers or undermine HQ actions

Headquarters managers' schema

Figure 9-2
Managing dissonance/tension

Voluntary cooperation from subsidiary managers might thus require a change in subsidiary managers’ schema. This is aligned with the argument by Bartlett and Ghoshal (1989) about the need to change the ‘psychology’ before attempting to change the physiology or anatomy as discussed in the literature review. This suggests that managers at MNC headquarters have critical roles to play as sensegivers (Gioia & Chittipeddi, 1991) in order to influence subsidiary managers’ sensemaking processes.

The summary model illustrates that the findings can be related to existing constructs and theories. The contribution thus lies in the integration of literature from different domains into a theory of causes and consequences of local-global tensions at the subsidiary level.

Perceived strategic drift

The five cases illustrated many cases where subsidiary managers perceived a misfit between centrally mandated integration initiatives and local business requirements. Subsidiary managers felt that integration initiatives, while often laudable at a conceptual level, did in fact weaken the competitiveness of the local subsidiary operating in a local market context. Given this, it could be argued that subsidiary managers’ local schema made them perceive integration efforts as characterised by a form of strategic drift. Strategic drift is defined as a gradual drift and de-coupling of environmental change (i.e.
external change) and strategic change (i.e. internal change). The result, over time, is that environmental changes and incremental strategic changes in the company move apart (Johnson, 1988). However, the strategic drift in the researched cases was different in that headquarters managers were responding to a different enacted environment than the one that subsidiary managers experienced in the local contexts in which they were embedded. Subsidiary managers may thus perceive corporate strategic drift when their experience suggests that the corporate strategy is unclear, unrealistic or inappropriate in a local operating context. In terms of subsidiary management, there are ample opportunities for disagreement on ‘environmental’ requirements and required strategic responses. From the perspective of subsidiary managers, strategic initiatives originating at headquarters might thus be perceived as drifting away from the job that needs to be done in the local operating context.

**Perceived lack of procedural justice**

A number of the findings related to subsidiary managers’ perceptions of the strategy process and how they felt they had been treated by managers at headquarters. These findings are closely related to the construct known as procedural justice (Kim & Mauborgne, 1991; Kim & Mauborgne, 1993b; Kim & Mauborgne, 1993a; Kim & Mauborgne, 1993c; Kim & Mauborgne, 1995; Taggart, 1999). Procedural justice is defined by Kim and Mauborgne as ‘the extent to which the dynamic of the multinational’s strategy-making process for its subsidiary units are judged to be fair by subsidiary top management’ (1993a:422). A high level of perceived procedural justice has been shown to lead to significantly greater compliance by subsidiary units even in the situation when subsidiary managers disapprove of the decisions taken by the corporate centre. The construct is thus essential as it will inevitably be difficult to please all subsidiary units in a transnational company, and yet integration and compliance is required to make a global integration strategy work.

As mentioned in the literature review, Kim and Mauborgne (1993c) have outlined five central pillars to procedural justice in the context of multinational management. First, the existence of two-way communication between the corporate centre and the subsidiary in strategic decision making. Second, the ability for subsidiary managers to legitimately challenge the strategic views of the corporate centre. Third, that the corporate centre is knowledgeable about the local situation of subsidiaries. Fourth, that subsidiary managers are given an account of the final strategic decisions by the corporate centre together with an explanation of the rationale behind the final decision. And fifth, that the corporate centre is consistent in decision making across subsidiaries. The findings from this research illustrated lack of procedural justice on all five pillars listed above and showed how lack of procedural justice can result in significant tensions at the subsidiary level.
Perceived weak strategy execution

A number of the findings related to perceived poor execution of the integrated strategy. Even an appropriately formulated strategy will not ensure success if execution is done poorly. Bossidy, et al. (2002) argue that ‘[e]xecution is the unaddressed issue in the business world today. Its absence is the single biggest obstacle to success and the cause of most of the disappointments that are mistakenly attributed to other causes’ (2002:5, italics in original). The empirical evidence suggests that subsidiary managers perceived strategy execution as weak across multiple areas and that this can result in substantial tension at the subsidiary level.

Perceived loss of personal control

Personal control (Greenberger & Strasser, 1986) is a construct that provides significant insight into the loss of managerial autonomy perceived by the subsidiary managers in the two Orange cases during the transition period from a multidomestic to an integrated strategy configuration. Greenberger and Strasser (1986) define personal control as ‘the individual’s beliefs, at a given point in time, in his or her ability to effect a change, in a desired direction, on the environment. Individuals in organizations are viewed as desirous of increasing their personal control’ (1986:164). In their review of related literature, Greenberger and Strasser found that decreases in personal control resulted in a range of different negative consequences for both individuals and organisations. Some of these factors are of particular relevance to this research such as: increased stress, decreased performance, increased sabotage and depression. Greenberger and Strasser (1986) further state that ‘individuals will attempt to satisfy their needs for control in spite of (and frequently because of) the barriers and constraints the organization places on the attainment of personal control’ (1986:174). The empirical findings from the two Orange cases illustrate how subsidiary managers might experience a loss of personal control following from a change to an integrated strategy. This happened at the same time as there was discontinuity in the competitive landscape and managers perceived competitive intensity as increasing and the need to respond vigorously in the local market contexts. This research thus shows how a loss of personal control can lead to substantial tensions among subsidiary managers.

Perceived cultural differences

There were discussions of cultural differences and misunderstandings in three of the case studies: Orange Denmark, 3 Sweden (in relation to Denmark) and Vodafone China. The potential for cultural challenges is not surprising given the seminal studies by Hall (1960) and Hofstede (1980; 1981; 1985). While cultural misunderstanding between China Mobile and European based Vodafone staff could be expected, given both high psychic distance (Johanson & Vahlne, 1977) and different corporate cultures requiring double-layered acculturation (Barkema, Bell, & Pennings, 1996), it was interesting to note the level of friction between Danes and their Northern European colleagues from Sweden and the UK. Denmark is located in the same small power distance/weak uncertainty avoidance, as Sweden and the UK, in Hofstede’s (1985) research which might suggest that cultural friction would be less common. This indicates that culture
can play a significant role even between countries located in the similar quadrant on Hofstede’s (1985) cultural country maps.

The empirical findings further indicate differences in attitudes towards time and agreements that are consistent with the dimensions of culture identified by Hall (1960).

**Logics of action and organisational coupling**

Consistent with the chosen research strategy, different contexts are considered to have a significant impact on how social actors make sense of their world and how they act. Given this, it is interesting to note that very little research has addressed differences in strategy making between headquarters and subsidiaries. In a rare study addressing this gap, Regnér (2003) found that “[s]trategy making in the periphery was *inductive*, including externally oriented and exploratory strategy activities like trial and error, informal noticing, experiments and the use of heuristics. In contrast, strategy making in the centre was more *deductive* involving an industry and exploitation focus, and activities like planning, analysis, formal intelligence and the use of standard routines’ (2003:57, italics in original). From this, it would appear that strategy making follows different logics of action (Friedland & Alford, 1991) depending on the context of actors. Logics of action can be defined as ‘systems of scripts, norms, and schemas among which people shift’ (DiMaggio, 1994:39). Snook has argued (2000) that organisational actors shift between two fundamental logics of action: task-based and rules-based. When following a task-based logic of action, actors are guided by the need to complete a task at hand. This contrasts with the rules-based logic of letting policies and procedures guide action. If we synthesise these arguments in relation to multinational companies, it would appear that the deductive nature of strategy making at headquarters (the centre) is closer to a rules-based logic while the inductive strategy making in subsidiaries (the periphery) gravitate towards a task-based logic. This argument is further strengthened by reference to the integration-responsiveness discussion. In order to achieve integration, it makes perfect sense for headquarters to follow a deductive process based on analysis across multiple markets and subsidiaries. A reductionist rules-based strategy logic has the advantage of allowing managers at headquarters to make sense out of a complex combination of markets and subsidiaries. In contrast, the inductive strategy logic that Regnér (2003) found in the periphery, makes perfect sense from a subsidiary perspective given the presence of a range of idiosyncratic pressures for local market responsiveness. As subsidiaries are operational units, a task-based logic is practical given the need to respond to a particular operating environment.

Following from the above discussion, we gain further insight into the differences of strategy logic if we introduce the concept of loose coupling (Weick, 1976). Weick (1979) has argued that ‘[l]oose coupling occurs either when two separate systems have few variables in common or when common variables are weak compared to the other variables that influence the system. Two systems that are joined by few common variables or weak common variables are said to be loosely coupled. What loose coupling means practically is that if one of the variables is disturbed, the disturbance will tend to be limited rather than to ramify’ (1979:111). Loose coupling is interesting in a multinational context given that subsidiaries can be viewed as loosely coupled from headquarters most of the time. This especially characterises multidomestic strategy
configurations. In contrast, integration requires tighter coupling between the organisational units in the multinational. Responsiveness on the other hand, is dependent on loose coupling to allow subsidiary managers the operational freedom to respond to local conditions.

If we try to synthesise the discussion above, we find that these different constructs combine together to shed further light on strategy making at headquarters and in subsidiaries. The deductive strategy making at headquarters is thus well suited for a ‘rules-based’ logic of action and requires tight coupling to drive consistency and integration across the multinational. In contrast, we find that the inductive strategy logic in subsidiaries is correspondingly well suited to a ‘task-based’ logic of action and requires loose coupling to allow subsidiary managers to be responsive to differences in local market conditions. These features are summarised in Table 9-1 below.

<table>
<thead>
<tr>
<th>Difference between headquarters and subsidiaries</th>
<th>Headquarters</th>
<th>Subsidiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategy making</td>
<td>Deductive</td>
<td>Inductive</td>
</tr>
<tr>
<td>Logics of action</td>
<td>Rules-based</td>
<td>Task-based</td>
</tr>
<tr>
<td>Priority given to</td>
<td>Integration / Standardisation</td>
<td>Responsiveness / Adaptation</td>
</tr>
<tr>
<td>Desired coupling</td>
<td>Tight</td>
<td>Loose</td>
</tr>
</tbody>
</table>

**Practical action and practical drift**

I argue that Snook’s (2000) constructs of practical action and practical drift can be used to shed further light on the non-compliant managerial behaviours revealed in the case studies. The concept of practical action is required to understand how practical drift occurs. Snook (2000) has defined practical action as ‘behavior that is locally efficient, acquired through practice, anchored in the logic of the task, and legitimised through unremarkable repetition’ (2000:182). Snook has described how local procedures, over time, can become legitimate: ‘Anchor in the logic of the task, locally efficient procedures acquired through practice gain legitimacy through unremarkable repetition. If such emergent actions survive long enough without interfering with global interests, and if local procedures are successfully repeated without consequence, they stand a good chance of becoming accepted practice’ (Snook, 2000:184). Thus, local practice can become legitimised and thus institutionalised over time provided that emergent local actions are allowed to continue over extended periods of time and that the consequences are not grave enough for someone to put an end to them. Practical action follows a task-based logic of doing ‘whatever it takes’ to get the job done in a local operating environment. Snook (2000) argues that members in an organisation alternate back and forth between a rule-based and a task-based logic of action according to the context. However when ‘a disconnect between the real world constraints of everyday practice and those imposed by artificial, external dictated logic of action creates an inherently unstable situation. Instability generates pressures for change’ (Snook, 2000:192). Snook continues: ‘When the rules don’t match, pragmatic individuals adjust their behavior accordingly; they act in ways that better align with their perceptions of current demands. In short, they break the rules’ (2000:193). Snook (2000) has labelled this phenomenon practical drift which is defined as ‘the slow, steady uncoupling of
A key driver behind practical drift is the constant and often ever increasing requirements for efficiency in local operations. Meyer and Rowan (1977) have argued that ‘conflicts between categorical rules and efficiency arise because institutional rules are couched at high levels of generalization (Durkheim, 1933) whereas technical activities vary with specific, unstandardized, and possibly unique conditions. Because standardized ceremonial categories must confront technical variations and anomalies, the generalized rules of the institutional environment are often inappropriate to specific situations’ (1977:355). Over time, there is thus typically a growing discrepancy between the optimal functioning of the organisation and the demands for efficiency. Alternatively, the sheer magnitude of rules, policies or guidelines is simply too difficult to follow when in the field. When small incremental deviations meet no resistance, they are reinforced and eventually institutionalised (Snook, 2000).

As most organisational subsystems are loosely coupled, there is typically limited danger in practical drift. However, most rules exist for a reason and ‘[t]he organizational challenge arises precisely because, as each uneventful day passes in a loosely coupled world, it becomes increasingly difficult to demonstrate the integrative benefits of global standardization over the practical benefits of local adaptation. Hence, the behavioral balance tips in the direction of local adaptation at the expense of global synchronization’ (Snook, 2000:196)

The impact of this is a growing discrepancy between local practical action and global written rules (Snook, 2000:196). The result is described by Snook (2000): ‘[t]he net effect of this practical drift is a general loosening of globally defined rationality. Gone is the tightly logical and synchronized rationale that governed system design and rule production at birth. In its place are multiple incrementally emergent sets of procedures, each born out of unique subunit logics grounded in the separate day-to-day pragmatics of loosely coupled worlds’ (2000:197). The danger is of course what happens when the loosely coupled everyday reality is replaced by instances of tight coupling between the unit making the rules, typically the headquarters, and the field unit responsible for action, typically the subsidiary. When units become more tightly coupled, there is a much higher probability that the rules, that have been broken, were needed to avoid some negative consequence. I argue that this is not an exclusive characteristic of high profile disasters in highly reliable organisations, such as the one researched by Snook (2000), but also something that can be unveiled under much less dramatic circumstances. A mundane example would be when a telecoms operator has mandated requirements for the design of billing systems. There are typically very good local reasons for deviating from such changes, especially if there are costly changes to legacy systems and no immediate benefits of following the rules from headquarters. Another example would be when a series of locally-efficient incremental modifications alters the original specifications. In a loosely-coupled world, these changes do typically not have an immediate impact. However, problems will arise when the multinational has sold a similar tariff plan to a multinational customer and discovers that it cannot be implemented across subsidiaries as the uniform standard no longer exists at the
subsidiary level. We then have an instance of sudden tight coupling where practical drift has significant consequences at the corporate level.

The performance impact of practical drift is difficult to untangle ex-ante as practical drift may have both positive and negative consequences depending on the context in which it occurs. It is also possible that practical drift may have a positive local effect while a negative impact for the multinational as a whole. Unfortunately it is often not possible to distinguish the effect until ex post, and sometimes not even then due to causal ambiguity. An interesting situation could occur if there is a substantial difference in interpretation between managers at headquarters and in the subsidiaries. Subsidiary managers may feel that headquarter managers are misinterpreting the market place and that their deliberate strategy, manifested through centrally mandated initiatives and policies, in fact represent strategic drift (Johnson, 1988) making the company less responsive to the local operating environment the subsidiary is facing. When subsidiary managers then adapt or resist policies or initiatives originating from the corporate centre to fit their local operating environment, headquarters may see that as practical drift in a pathological sense.

Given the inherent complexity of managing global integration in large multinationals, question marks can be raised regarding the extent to which tensions can ever be managed away in a rational manner. De-coupling (Meyer & Rowan, 1977) as a result of practical actions at the subsidiary level may thus constitute vital survival skills for subsidiary managers in multinationals when confronted with irreconcilable demands for global integration and local responsiveness. In the language of Brunsson (1985; 1989), subsidiary management may thus on occasions use ‘hypocrisy’ and de-couple talk, decisions and action to manage competing demands and keep the subsidiary functioning.
10 MANAGERIAL IMPLICATIONS

This chapter outlines the managerial implications of the dissertation.

10.1 Managing integration at headquarters

Figure 10-1 below summarises the implications for managers at headquarters based on the findings of this research. The details of the model are discussed in the following sections. This section thus seeks to develop actionable knowledge (Argyris, 1996), for use by management practitioners, in the form of design propositions (Romme, 2003) and solutions concepts (van Aken, 2005). The recommendations presented below should not be viewed as an exact science but rather as a design exemplar which ‘means that practitioners do not have to design a solution for their problem from scratch, as would be the case for a totally novel situation, but that the design assignment consists of choosing the right solution concept and then designing a specific variant of the solution concept to suit the specific situation’ (van Aken, 2005:23). These recommendations may thus help practitioners to craft strategies (Mintzberg, 1987) of relevance to their own integration challenges.
10.1.1 Integration decision making

This section presents the findings regarding decision-making in relation to integration.

Appoint and involve the right people

Respondents in the two Orange cases discussed the need to ensure that operational people were involved in the decision-making process. The purpose of this was to inject an element of realism into the planning of integration initiatives by taking local implementation requirements into consideration. This can be achieved both by appointing ex-operational people to headquarters and by involving subsidiary managers during the decision-making process.

The interviewed managers in the two 3 cases and in Vodafone China talked about the need for headquarter managers to build up in-depth local market knowledge. Close engagement with subsidiaries and study of the local operating environments prevent headquarters managers from becoming isolated in corporate ivory towers.

Prepare analysis

There was widespread discussion across the cases about the need to anchor integration decisions in thorough analysis rather than to just rush ahead with integration. This included in-depth analysis and benchmarking of the local operations. A number of respondents also discussed the need to study local market conditions to determine similarities and differences between countries. The guiding logic is that substantial business and market differences make it more difficult to integrate. A number of variables were mentioned including similarities in customer needs, market development stage, company development stage and media channels. Such analysis was seen as making it easier to deflect parochial criticism that every market is too unique to be integrated.

Develop strategy

Respondents discussed the need to be clear about the purpose and benefits of integration. This included having a clear vision for the company and how integration would contribute towards realising the envisaged future. Some respondents noted that it was important to see that integration was driven by business rationale rather than power ambitions of managers at headquarters. Following from this, it was argued that consistent objectives needed to be established that aligned long-term ambitions with short-term budgets and resources. This included realistic expectations of overall subsidiary performance and the contribution of integration initiatives in a local context. Funding considerations thus have to be addressed at an early stage to avoid a too large discrepancy between ambition and means.

Integration was seen as easier to achieve if companies had a similar market position and targeted the same market segments. Given this a number of the interviewed managers talked about the potential to cluster similar countries together to achieve integration rather than simply apply a ‘one size fits all’ strategy across the board.
The need to focus on what really mattered was also discussed given some negative experiences with ever expanding integration efforts as well as focus on what was perceived as niche areas of limited value. In addition, respondents in the two Orange cases discussed the potential to develop a modular approach based on a minimum core, consistent across all countries, and then further modules that were applied to subsidiaries with more similar circumstances. This would thus allow for a differentiated approach.

One respondent in the 3 Denmark case also touched upon a pragmatic approach based on applying shared principles rather than standardising the exact content across markets. Thus while the output might not be exactly the same it could still be based on following the same underlying principles or processes.

It was further considered important to develop a flexible strategy that provided ‘freedom within guidelines’ rather than to impose a rigid strategy from above. This was seen as safe-guarding the need for alignment within the multinational without tying subsidiary managers’ hands behind their backs or stifling entrepreneurship or creativity.

10.1.2 Integration execution

The five case studies also generated insights into the execution of integration decisions.

Manage resources

Managers in the two Orange cases talked about the need to align corporate ambitions and resources at the subsidiary level due to the many conflicts experienced between long-term integration goals and short-term budgetary constraints. It was proposed that the budget and target setting process for subsidiaries needed to be integrated with strategy making and integration at corporate headquarters to prevent similar disconnects from occurring. The need for dedicated working groups was also stressed to ensure that people were allocated to drive initiatives forward.

The establishment of various prioritisation forums was discussed to ensure that resources could be allocated to local and global priorities and that resource conflicts between the two could be resolved.

Managers in the Orange case studies talked about the benefits of implementing integration efforts in stages rather than in one giant project. This allowed for gradual learning and modifications along the implementation path. It was also seen as providing proof that integration worked which generated a positive atmosphere. Managers in the two Orange subsidiaries and in 3 Sweden also discussed the importance of avoiding pendulum swings between local and global as that created a ‘stop-and-go’ feeling in the subsidiary and made resource planning difficult.
Manage structure

Given the risk of competing demands for resources from local and global projects, the need for a clear and working governance structure was discussed. This appears to have been a problem especially in 3 Denmark where many subsidiary managers felt that Denmark was being ignored by the shared services organisation. The topic was also discussed at Vodafone in China given the complexity to manage joint projects across Vodafone and China Mobile.

The benefits of aligning business processes was discussed given that processes drive the design of systems and has organisational impacts. Thus, if processes could be aligned, there was greater potential to achieve cross-border integration.

Integration also requires coordination between different organisational entities in the multinational. Respondents thus argued that there needs to be some efforts to align the organisation structures between subsidiaries or to at least determine interfaces.

One respondent in the Orange Denmark case argued that ownership control of subsidiaries made it much easier to realise integration plans. In the case of Orange Denmark, minority shareholders had previously blocked cross-border integration efforts.

Managers in the two 3 cases discussed the need to blueprint an overall operating model for the multinational so that it was clear what organisational units were responsible for what and how processes worked between headquarters and subsidiaries.

There were also some discussions in the Orange Sweden and Vodafone China cases about the benefits of de-layering headquarters to limit bureaucracy and provide swift decision-making.

Managers in the two 3 cases talked about the need to improve knowledge sharing structures to facilitate cross-border learning. There appears to have been an almost complete lack of structural support for integration within 3 given the ad hoc approach taken to integration.

Manage people

The people dimension was considered very important across the cases. In those cases where integration meant strategic change, it was proposed that new profiles needed to be compiled as business requirements might change substantially. The need to appoint strong managers, with credibility in the organisation as well as drive, was proposed to ensure that integration would move forward. The need to replace blockers was also discussed in the 3 Sweden case. Given that integration might mean significant strategic change, it was considered essential to be aware of and manage situations where roles would be substantially re-defined as a result of integration. This was seen as especially important in cases where subsidiary managers’ autonomy was curtailed.
The need to ensure top management commitment was also discussed. It appears to have been especially important in high power distance cultures such as Romania and China judging from the case findings.

A consistent theme across all case studies was the request for managers at headquarters to adopt a consultative approach and to ‘sell integration’ to subsidiary managers. However, managers in the two Orange cases and in 3 Sweden also stated that it was important to make it clear that integration ‘will happen’ and what was being discussed was the details around implementation rather than the overall strategic direction. Such efforts of sensegiving (Gioia & Chittipeddi, 1991) might be especially important when integration means substantial change.

The need for constant communication was stressed across all five case studies. Managers at Vodafone China and 3 Sweden advocated getting people together face to face rather than relying on more impersonal means of communications such as e-mails. This helped to defuse tense situations where the firing off of e-mails could aggravate the situation.

It was also seen as important to treat people well in other parts of the organisation. Judging from the tensions created by perceptions of unfair process, it would appear that this trivial sounding point needs emphasising. As an example, managers at Vodafone in China made special efforts to acknowledge integration efforts made by parties contributing to joint projects. The need to build and maintain trust was also discussed across the two 3 case studies and in Vodafone China. This included an open corporate culture were mistakes were accepted provided that learning was generated. In addition, respondents in the two Orange cases discussed the need to treat all nationalities in an equal manner given a widespread perception that France Telecom had favoured French nationals. This was even described by one respondent as ‘ethnic cleansing’.

Integration was seen as easier to achieve if there was a global mindset and at least some level of cultural integration within the multinational. It was also considered important to encourage knowledge sharing between different organisational units. Both cultural integration and knowledge sharing was seen as facilitated by transferring people around as well as meeting on business trips. Some respondents talked about the need to create a subsidiary ‘pull’ for integration in order to let the companies grow together rather than integration only being perceived as a ‘push’ from headquarters.

**Manage delivery**

Strong delivery management was emphasised in the two Orange cases and 3 Denmark. This included involving key stakeholders and a consistent approach throughout the process.

There was some discussion in the Orange Romania case about the need to not skip phases in the implementation and rush ahead without having done a proper job. There was also a discussion about the need to stick to the minimum core of what had been decided in the strategy rather than getting carried away in a ’mission creep’ fashion towards ever expanding integration.
The need for headquarters to follow-up on integration initiatives was stressed in the 3 Denmark case where a start-up mood appear to have led to more things being initiated than followed through. Respondents in 3 Sweden and Orange Romania also talked about the importance of establishing and using feedback loops from subsidiaries into the corporate centre to modify integration initiatives and approaches when required.

10.2 Managing integration in the multinational subsidiary

This section presents the findings regarding how subsidiary managers balanced competing demand from global integration efforts and local requirements. The research identified four areas: 1) management of subsidiary priorities, 2) management of subsidiary structure, 3) management of interaction with headquarters, and 4) self-management.

10.2.1 Manage subsidiary priorities

The research identified the risk of multiple voices and conflicting objectives during the integration process. This was especially the situation for the two Orange case studies. Given this, it helps to decide an overall stance towards integration to know if the guiding star should be to maximise local performance or to follow any and all instructions from headquarters.
As a baseline against which to discuss and prioritise Group initiatives, it would appear essential to have a credible strategy and plan in the local subsidiary. This also helps to identify areas where Group support could be helpful.

10.2.2 Manage subsidiary structure

The management of a number of structural components emerged from the five case studies. Some managers at Orange Denmark discussed the importance of creating an overall consolidated roadmap in the local subsidiary. Integration will mean that origination of initiatives will take place both within the subsidiary and at various units at headquarters. Given this, it is helpful to build up a consolidated roadmap of all initiatives with their contribution to the business and resource implications. A total overview provides a picture against which to make trade-offs and ultimately manage delivery.

Cross-border integration typically means that the subsidiary will have a multitude of interfaces across different levels and in different functional areas at headquarter level and possibly with employees in other subsidiaries. Streamlining interfaces is essential to ensure control over who can commit the subsidiary to what level of participation. It also ensures that consistent information flows from the subsidiary to Group. This was discussed by managers at Orange Denmark, 3 Denmark and Vodafone China.

Given that initiatives from both Group and the local subsidiary may compete for the same local resources, there needs to be a local prioritisation forum with an escalation channel to Group. The consolidated roadmap discussed above, is a useful tool for forum participants.

As with streamlined interfaces, it is important the management team acts in unison versus Group to appear professional.

10.2.3 Managing interaction with headquarters

Managers across all case studies, apart from 3 Sweden, discussed the importance of becoming competent at arguing the local case to managers at headquarters. To argue with data that is perceived as objective, such as market research findings of high quality research, appears to give more credibility compared to arguing that something simply does not work in a local context without providing justification.

There were discussions about the need to establish personal relationships with people at headquarters. This provides early insight into what happens at headquarters in addition to ensuring that the subsidiary’s voice will be heard if required.

All case studies showed that subsidiary managers felt that managers at headquarters had insufficient understanding of local market conditions. There is thus a need to continuously educate headquarters about the local situation.

Signalling that you are on board builds up credibility and a good reputation for future situations when the subsidiary may need exemptions or modifications.
It was viewed as vital to be able to read the political landscape and use that input to help prioritise which of the Group initiatives and targets were most important when faced with conflicting demands.

In cases where local resources fell far short of group ambitions, managers in the Orange Denmark case appear to have had some success in terms of requesting additional resources from headquarters to finance implementation of group initiatives.

There was also some discussion regarding the need to develop an ability to compromise to arrive at outcomes that could be accepted by managers at both headquarters and in subsidiaries.

Even small subsidiaries appear to be able to exercise significant leverage by being active participants in various Group forums that establish the rules of the game. In such forums, strong participants appear to be able to wield greater power than the size of their operation.

From the case findings, it would also appear that gamesmanship might become inevitable in certain situations. Subsidiary managers might thus need to master manipulation for use in such circumstances when an open discussion is not possible. This includes a variety of different manipulation tactics such as asking for forgiveness rather than permission, creating confusion, complying on paper, delaying implementation, building subsidiary alliances and making deliverables contingent on Group.

10.2.4 Self-Management

A number of respondents noted that it could be very stressful to be torn between local and global priorities. The complexity of matrix-style reporting relationships, either implicit or explicit, in many cases meant that it was difficult to determine who was ultimately responsible for a particular issue. The ability to manage stress thus appears to be an important competence to not succumb to competing pressures. The respondents discussed different ways of achieving this. One approach was to consider the overall value creation potential in the local subsidiary as the ultimate goal. Other, less outcome oriented approaches, included simply limiting the hours worked or serving the person who shouted the loudest.

Given the risk of conflicting objectives, and thus the potential of not being able to please everyone, some respondents commented that it helps to clarify who you work for. One respondent noted that the ultimate authority is the person in the organisation who can decide your destiny.
11 CONTRIBUTION AND LIMITATIONS

This research programme was initiated due to a previous focus on integration from a macro perspective and thus a lack in our micro level understanding of how subsidiary managers balance pressures for integration and responsiveness. The research specifically focused on how subsidiary managers interpret and respond to cross-border integration efforts originating from the corporate headquarters when also confronted with substantial pressures for local responsiveness. The empirical material was collected by going inside five multinational subsidiaries in four countries to interview 35 managers in order to better understand cross-border integration from their perspectives. Based on this research, we now know a lot more about what happens inside multinational subsidiaries and this knowledge can be used to guide management action. The core thesis resulting from this research is that subsidiary managers’ perceptions and responses are central to the outcome of corporate integration efforts. Given this, managers at headquarters have critical roles to play as sensegivers and change deployers in order to influence the sensemaking and actions of subsidiary managers.

This chapter begins by outlining the contribution to knowledge according to the framework developed by Boyer (1990) consisting of scholarship of discovery, scholarship of integration, scholarship of application and scholarship of teaching.

The research could be labelled as ‘normal science’ in Kuhn’s (1962) terminology given that the existing paradigm relating to MNC strategy and headquarter-subsidiary relations has been extended rather than fundamentally reinvented.

Following from the overview of the contribution of the dissertation, the chapter continues with a discussion of the limitations of the research and presents efforts made to disseminate the findings from the research programme.

11.1 Scholarship of discovery

Boyer’s (1990) category of scholarship of discovery corresponds to what is commonly implied by the term academic research.

This section will outline the contribution of the dissertation to the different literatures reviewed in Chapter 2 to illustrate how this research has moved the MNC strategy and management field forward. Figure 11-1 below summarises the key contributions of the dissertation by level of analysis in a format similar to Figure 2-3.
This dissertation has made the most significant contribution in the lower half of the figure in relation to a micro level perspective of integration. As noted in the literature review, we had a knowledge gap at this level of analysis as micro level cross-border integration issues have previously only been partly covered by the literatures on procedural justice in a headquarter-subsidiary context and the emerging field of MNC micro-politics. This research has specifically added an understanding of the causes of local-global tensions in multinational subsidiaries and managerial responses (as was illustrated in Figure 9-1). This model has identified five drivers that can trigger tensions in a subsidiary context. These drivers were 1) perceived misfit / strategic drift, 2) perceived lack of procedural justice, 3) perceived weak strategy execution, 4) perceived loss of personal control and 5) perceived cultural misunderstanding, based on a sensemaking perspective. This research has also outlined some contingent factors that influence what actions managers take to manage or cope with competing demands between local responsiveness and global integration. The managerial responses include a discussion regarding whether subsidiary managers are likely to comply, challenge or negotiate, manipulate or ignore integration efforts originating at the corporate headquarters. This includes rich examples of both overt and covert political behaviours in MNC subsidiaries. The research also uncovered some contingent factors that appear to influence these managerial responses at the subsidiary level.
This research thus provides further insights into how subsidiary managers cope with the challenges posed by operating in a context of institutional duality (Kostova & Roth, 2002) as a result of simultaneously being embedded in both local and group environments. In extant literature we note that while the existence of institutional duality has been recognised, there have only been a limited number of studies which address managerial responses. One exception is the argument by Kostova and Roth (2002) regarding ‘ceremonial adoption’ of headquarters’ practices in MNC subsidiaries. This could be viewed as an example of MNC micro-politics (Dörrenbächer & Geppert, 2006). Ceremonial adoption can be perceived as a coping mechanism when subsidiary managers are faced with conflicts between global categorical rules and the need to deliver local efficiencies (Meyer & Rowan, 1977). According to Kostova and Roth (2002) ‘when confronted with internal organizational pressure from their parent company to adopt a practice, foreign subsidiaries act as active agents and may adopt the practice to varying degrees’ (2002:217) and ‘units from different institutional contexts may have different interpretations of the practice, leading in turn, to different responses. Those in more favourable environments will be better equipped to understand the practice and to adopt it in their units because they will view it as consistent with the local context’ (2002:218). As suggested by Kostova and Roth (2002) ‘ceremonial adoption is likely to result from high uncertainty about a practice or a belief that it is not valuable combined with strong pressure to adopt the practice coming from the legitimating environment’ (2002:220). Ceremonial adoption can thus be viewed as an example of Brunsson’s (1985; 1989), argument that managers de-couple talk, decisions and actions to manage competing demands. As evidenced by the high degree of political behaviour in the two researched Orange subsidiaries, the findings of this dissertation also lend further support to Eisenhardt and Bourgeois’ (1988) conclusion that organisational politics is linked to centralised, rather than decentralised, decision making. This dissertation has provided further empirical support for the existence of ceremonial adoption in MNC subsidiaries. However, the dissertation has added a richer overview of managerial responses to institutional duality than those described by Kostova and Roth (2002). There are thus clear parallels to the five strategic responses to institutional pressures outlined by Oliver (1991): acquiescence, compromise, avoidance, defiance and manipulation. However, while Oliver’s paper is conceptual in nature, this dissertation presents empirical evidence regarding managerial responses and contingent factors. The result is a more rounded view of subsidiary managers’ actions and behaviours grounded in micro level empirical data.

The dissertation also offers further support for the importance of procedural justice (Kim & Mauborgne, 1991; Kim & Mauborgne, 1993a; Kim & Mauborgne, 1993c) in a headquarter-subsidiary context. The absence of procedural justice appears to be more likely to lead to non-compliant managerial behaviours at the subsidiary level. Following from this, we might thus expect a higher level of micro political behaviours, such as ceremonial adoption, if subsidiary managers do not feel that the integration has been fair. It is noteworthy that managers in all five subsidiaries expressed concerns regarding the fairness of the integration process and how they had been treated by managers at headquarters.

Moving further up in Figure 11-1, the research found that cross-border integration can lead to similar tensions and frustrations at the subsidiary level, as discussed in the post-
merger integration literature regarding managers in the acquired firm. This suggests that integration relating to both post-merger integration and cross-border integration share common features. Regarding the literature on strategic change, the dissertation has illustrated the frustrations experienced by the managers in the two Orange subsidiaries as they perceived a reduction in their level of personal control (Greenberger & Strasser, 1986). The findings of this research thus provide further support for the relevance of personal control for changes to multinational strategy configurations. Personal control has previously been used in a headquarter-subsidiary context by Partington (1998). The research also provides additional support for Huy’s (2002) argument that middle managers play vital roles in terms of maintaining continuity during times of significant strategic transition.

At the middle level of analysis, we find the discussions regarding autonomous strategic behaviour (Burgelman, 1983b; Burgelman, 1983a), in the mainstream strategic management field, and of subsidiary initiative (Birkinshaw et al., 1998; Birkinshaw & Fry, 1998) in the international business field. This dissertation has clearly shown that subsidiary managers are active agents that are capable of having significant influence on corporate integration efforts. Figure 9-1, illustrates some of the factors that can contribute towards an outcome of either subsidiary alignment or subsidiary drift. This dissertation thus provides arguments, going beyond extant literature that link subsidiary managers’ actions and agency with alignment or drift at the level of the MNC subsidiary unit. Whilst building on autonomous strategic behaviour and subsidiary initiative, this dissertation has added a richer understanding of both compliant and non-compliant managerial behaviours. As we have seen, subsidiary managers’ perceptions and actions are thus likely to have significant impact on the successful execution of corporate integration efforts.

This research has also shown that the findings of the ‘corporate parenting’ literature is highly relevant in an MNC context. This is especially the case regarding the potential for headquarters to destroy value in subsidiaries (Goold & Campbell, 2002; Goold et al., 1998). This finding does not come as a surprise but it is important to note that the corporate parenting discussion largely exists outside the literature on headquarters-subsidiary relations in the international business field. This research has thus confirmed the relevance of this stream of research to an MNC context.

In the middle of Figure 11-1 we find the theoretical arguments regarding practical drift and strategic drift. The research has indicated that Snook’s (2000) theory of practical action and practical drift has a wider relevance than just disasters in high reliability organisations. This suggests that there is potential for these constructs to be used in a variety of different contexts beyond Snook’s original application. The dissertation has also extended Johnson’s (1988) construct of strategic drift by showing that subsidiary managers can perceive headquarters proactive integration decisions as strategic drift and they may then take mitigating actions. This might be the result of subsidiary managers responding according to their local schema. This suggests that strategic drift may be perceived differently depending on the location of the social actors and the context in which they are embedded. Given this, it would appear that managers at headquarters have critical roles to play as sensegivers (Gioia & Chittipeddi, 1991), especially when integration efforts mean significant change at the subsidiary level.
In addition, the research makes a theoretical contribution to our understanding of different strategy modes at headquarters and in subsidiaries. This is achieved by relating strategy making modes (Regnér, 2003), logics of action (Snook, 2000) and loose coupling (Weick, 1976) with the integration-responsiveness discussion (Prahalad & Doz, 1987; Bartlett & Ghoshal, 1989). This contribution brings together theoretical constructs from different fields to provide a deeper understanding of differences in perspectives and behaviour of managers at headquarters and in subsidiaries.

At the highest level of analysis (macro/meso), this dissertation makes a contribution to the literature on MNC strategy and structure by un-bundling cross-border integration. This was illustrated in Figure 2-1 in the literature review chapter by separating integration scope from integration type. Integration scope includes 1) internal: value chain activities, and 2) external: customer experience / marketing mix. Integration type includes 1) alignment consisting of integration as ongoing strategic coordination, and 2) change meaning integration as ‘one-off strategic change’. As already discussed, this provides some insights into the debate regarding whether ‘structure follows strategy’ or ‘strategy follows structure’ (Burgelman, 1983b; Chandler, 1962). Managerial decisions to standardise marketing mix elements can result in the need for structural adjustments in order to integrate the value chain as a result of marketing mix standardisation. This would correspond to ‘structure follows strategy’. However, decisions concerning value chain integration may necessitate a standardisation of the customer experience beyond what may have been contemplated initially. Such effects would instead correspond to ‘strategy follows structure’. This interrelationship between decisions to standardise the customer experience and decisions to integrate value chain activities does not appear to have been explored sufficiently in extant literature. This un-bundling of integration allows the field of international business to contribute theoretical arguments back to mainstream strategic management. This is relevant as the field of international business might have become too much of an importer rather than an exporter of theoretical ideas in relation to core disciplines within the field of management studies.

Knowledge about practice

This dissertation also offers knowledge about management practice. It provides a rich account of what subsidiary managers actually do to reconcile competing demands for integration and responsiveness. There are thus parallels to Mintzberg’s (1973; 1975) work in terms of trying to understand what actually happens inside the complex managerial world. The dissertation thus makes a contribution to the emerging perspective of strategy-as-practice (Chia, 2004; Jarzabkowski, 2004; Jarzabkowski, 2005; Johnson et al., 2003; Whittington, 1996; Whittington, 2004). In this regard, it is worthwhile to notice that strategy-as-practice scholars are typically not letting multinational contexts take centre-stage for their studies with the noteworthy exception of Regnér (2003). This dissertation has thus contributed towards expanding the contextual arena for strategy-as-practice research.

In addition, the dissertation provides insights into change and transformation in the mobile communications industry. In addition to the empirical research, this is illustrated
in the overview of the mobile communications industry and from archival research of mobile operators’ annual reports.

11.2 Scholarship of integration

The dissertation has made a contribution towards integrating disparate fields within management studies. First, the literature review provided a broad overview of how different forms of ‘integration’ and ‘coordination’ have been used in extant research. This illustrated parallels across diverse literatures including MNC strategy, marketing standardisation, corporate parenting, post-merger integration, international joint ventures and strategic alliances, and strategic change. The outcome of this is a richer understanding of integration than what could have been achieved from within a single literature. This includes insights into integration rationales, challenges and capabilities. Second, following from the grounded analysis of the empirical findings, an attempt was made to re-connect with literature and develop a theory of the causes and consequences of tensions at the subsidiary level including contingent factors. The resulting model integrates literature from such diverse fields as strategic management (strategic drift), MNC strategy (procedural justice), practitioner oriented implementation literature (execution), organisational behaviour (personal control), cross-cultural studies (cultural differences) and organisation theory (logics of action, practical drift). The end product thus draws upon several bodies of knowledge rather than respecting the neat borders of theoretical disciplines. While this avenue is certainly open to potential criticism, Lawrence (1992) has advocated such problem-oriented research over conventional theory-oriented research. Finally, Table 3-1 in the methodology chapter provides an overview of different philosophical perspectives and illustrates points of agreement and disagreement between different research traditions. This synthesis of different research approaches could be useful beyond the scope of this dissertation.

11.3 Scholarship of application

Beyond addressing areas of interest to the academic community, this dissertation also yields insights of value to the practitioner community. First, the research has resulted in prescriptive models of integration for use by managers at both headquarters and in subsidiaries. These prescriptions are grounded in micro level data in contrast to much of the existing prescriptions relating to cross-border integration. These models will hopefully be able to convey at least some valuable insights to a practitioner audience but the prescriptions have to be applied with caution based on an understanding of the sending and receiving contexts (Lincoln & Guba, 1985). Second, the prescriptive research findings have been applied in a consulting project with an international mobile operator who wishes to establish integrated operations on a regional basis. This provided confidence that the models and findings of this research programme are accessible to a wider audience of managers. This is viewed as important in light of Chia’s (2004) critique that much strategy research speaks ‘in a language foreign to its application’ (2004:33). In addition, Lawrence (1992) has commented that he considers the primary quality test of research to be whether or not it is used in practice.
Methodological approaches

The dissertation has illustrated how the retroductive research strategy can be used from a constructivist realist perspective (Blaikie, 1993; Blaikie, 2000) to research strategic management at the subsidiary level. The realist focus on underlying structures or generative mechanisms and contingent factors has not made much impact in the fields of international business and strategic management. The dissertation has also linked the constructivist realist perspective with grounded theory and illustrated how the two approaches can be combined. This research makes a minor methodological contribution by providing ‘proof-of-concept’ for other researchers interesting in exploring the realist approach.

11.4 Scholarship of teaching

There have been some, but to date limited, opportunities to teach the findings from this research programme. This includes guest lecturing to students in the following three institutions:

- Chinese University of Hong Kong (Executive MBA programme)
- Cranfield School of Management (Full-time MBA programme)
- Oman College of Banking & Financial Studies (Exec. Education programme)

I hope that I will be able to continue to teach the next cohorts of managers about the challenges of cross-border integration.

11.5 Limitations and suggestions for further research

A key limitation of this dissertation is that all respondents were subsidiary managers. This was in line with the research design but needs to be acknowledged nevertheless given that it takes two to tango; integration requires action of managers at both headquarters and in subsidiaries. While the dissertation makes a contribution to knowledge by focusing explicitly on the subsidiary management perspective, the flipside of the coin is a ‘biased’ account based exclusively on information from subsidiary respondents. An alternative research design could have interviewed managers both in subsidiaries and at headquarters level to identify similarities and differences in their schemas and explored possible perception gaps.

Another limitation of this research relates to the reliance on respondents’ retrospective accounts of integration and headquarters-subsidiary relations. My original intention had been to ‘catch reality in flight’ (Pettigrew, 1990) and study cross-border integration as it unfolded in the case of Orange in Denmark. This avenue was closed when the business was sold to TeliaSonera in October 2004. Whilst I found a way to re-orient the research, I still believe that there would have been advantages with such a process-oriented study compared to the reliance here on respondents’ retrospective, and therefore possibly biased, accounts. A future study could track specific integration initiatives over time, ideally from both headquarters and subsidiary perspectives. Alternatively, an action research approach could be utilised in order to co-create knowledge together with the
respondents (Eden & Huxham, 2002; Reason, 2001; Reason, 2006; Reason & McArdle, 2004; Reason & Torbert, 2001).

The dimensions used for theoretical sampling in this study did not focus specifically on successful and unsuccessful integration efforts. Further research could select ‘polar’ cases of successful and unsuccessful integration attempts to try to understand the causes of success and failure. Such an approach might come closer to an Eisenhardt (1989b) or Yin (2003) positivist approach to case studies.

The research was limited to the mobile communications industry. This industry could be classified as ‘high-velocity’ (Eisenhardt & Bourgeois, 1988), as well as transnational (Bartlett & Ghoshal, 1989) or multifocal (Prahalad & Doz, 1987), which might have exacerbated the level of local-global tensions and thus affected the findings. Further studies could focus on how subsidiary managers respond to pressures for integration and responsiveness in a variety of different contexts.

Drawing on Thorngate’s (1976) and Weick’s (1979) categories of accuracy, simplicity and generality used to categorise theoretical forms, Langley (1999) argues that grounded theory approaches are high in accuracy but correspondingly lower in simplicity and generality. Grounded theories thus stay relatively close to the original data which makes it harder to move from the particular to the general. Given that grounded theory has been used in this research programme, Langley’s (1999) observation provides a high level overview of the strengths and shortcomings of the chosen approach. Alternative methodological approaches might yield additional insights.

Generalisation of findings has always been a sensitive issue for all case based research. Hence, this issue needs to be addressed also regarding the findings generated from this research. In this regard, it is important to note that empirical generalisation in a conventional sense was not the aim of the research. The important question is thus not statistical generalisation but rather if the findings generated from this study could have relevance in contexts beyond the scope of the five researched subsidiaries. As the research is based on realist inquiry, I would argue that this might be the case. The essence of the realist approach is the focus on uncovering generative mechanisms and contingent factors to seek to explain events occurring in the actual or empirical domain. As a result, this research has identified a number of generative mechanisms that are assumed to be located in the ‘real domain’. These ‘generative mechanisms endure, even when they are not acting, and they act in their normal way, even when the consequents of the law-like statements they establish are not realized due to countervailing forces or the operation of other intervening mechanisms’ (Tsoukas, 1989:552). This means that generative mechanisms are ‘real’ in the sense that they are capable of producing events in the actual and empirical domains but such events need not happen if they are not activated by contingent factors or countervailing factors or mechanisms intervene. For the realist researcher, uncovering such relationships is the essence of science.

However, given that the inquiry has been based on an unconventional philosophical perspective, the dissertation also includes thick descriptions of the research settings to allow the reader to judge whether the results could be applicable to other similar
contexts (Balogun & Johnson, 2004). This will hopefully provide an element of comfort for readers not used to the logic of realism. In Yin’s (2003) terminology, this means that the research will hopefully allow for an amount of analytic generalisation rather than statistical generalisation. However, it is also important to remember Van Maanen’s (1988) cautionary words that ‘[m]eanings are not permanently embedded by an author in the text at the moment of creation. They are woven from the symbolic capacity of a piece of writing and the social context of its reception’ (1988:25). From this viewpoint, a limitation of the research is that the author can only control the sending context and not the receiving context (Lincoln & Guba, 1985).

It could be argued that the trustworthiness of the inquiry (Lincoln & Guba, 1985) was increased as I was an ‘insider’ in two of the researched subsidiaries and knew those respondents from my work. In addition, I had access to additional documentation in the two Orange subsidiaries in relation to both strategy and delivery roadmaps at group as well as local levels. However, there are possible sources of response bias that may have had an impact on the research. This is especially important to discuss in relation to the two Orange case studies. First, I was employed by the parent company of both subsidiaries and I knew all the respondents. As an insider, I could get close to the data but it also meant that my ability to be naïve was limited (Gioia & Chittipeddi, 1991). Second, a number of the respondents in the Danish case had already left or were in the process of leaving the company. Managers who had left the business may have had negative attitudes towards integration efforts that were stopped due to the sale of the business. This may, on the other hand, have resulted in more honest views of the integration efforts. Overall, I believe it was positive to combine inquiry from the inside with inquiry from the outside. The first two case studies, conducted from the inside, helped to sensitise me to the research topic and to contextual factors. This was very valuable for the following three case studies, conducted from the outside, given that I had a much more limited exposure to those research settings.

**11.6 Dissemination of research findings**

The findings from this research programme have been disseminated through several conference papers and one journal article as detailed in Table 11-1 below.

<table>
<thead>
<tr>
<th>Conferences</th>
<th>Paper</th>
<th>Co-authors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Academy of International Business (AIB)</td>
<td>Un-bundling strategic integration in the multinational corporation</td>
<td>Cliff Bowman</td>
</tr>
<tr>
<td>2006, Beijing</td>
<td>Causes and consequences of practical drift in the multinational subsidiary</td>
<td>Cliff Bowman and Véronique Ambrosini</td>
</tr>
<tr>
<td>Academy of Management (AoM) 2006, Atlanta</td>
<td>Marketing mix standardization in multinational corporations: A review of the evidence</td>
<td>Cliff Bowman</td>
</tr>
<tr>
<td></td>
<td>Challenges to cross-border integration: An exploratory study of MNC subsidiary</td>
<td>Cliff Bowman and</td>
</tr>
</tbody>
</table>

Table 11-1

Conference papers and journal articles
<table>
<thead>
<tr>
<th>Event/Conference/Book/Publication</th>
<th>Title</th>
<th>Authors</th>
</tr>
</thead>
<tbody>
<tr>
<td>British Academy of Management (BAM) 2006, Belfast</td>
<td>Towards a micro model of the multinational corporation&lt;br&gt;The causes, consequences and mediating effect of practical drift in the multinational subsidiary</td>
<td>Véronique Ambrosini&lt;br&gt;Cliff Bowman and Véronique Ambrosini</td>
</tr>
<tr>
<td>Academy of International Business (AIB) 2007, Indianapolis</td>
<td>The micro-politics of cross-border integration: Five case studies of multinational subsidiaries&lt;br&gt;Beyond induction and deduction: The case for retroductive research in international business</td>
<td>Cliff Bowman</td>
</tr>
<tr>
<td>Academy of Management (AoM) 2007, Philadelphia</td>
<td>Righteous management: A contribution to the debate on the crisis in management education&lt;br&gt;Local-global tensions in multinational subsidiaries: Cases from mobile communications&lt;br&gt;Integrating the multinational: Lessons from subsidiary managers</td>
<td>Jon Billsberry&lt;br&gt;Cliff Bowman and Véronique Ambrosini</td>
</tr>
</tbody>
</table>

The paper together with Jon Billsberry is not directly related to the dissertation but inspiration for writing the paper came after having found that a significant proportion of interviewed subsidiary managers had experienced tensions relating to lack of procedural justice and fair treatment.
12 PERSONAL REFLECTIONS

The long nature of a PhD journey offers ample time for reflection. In my case, reflection has been an integral part of my efforts given that I have worked in several multinational corporations at both headquarters and in subsidiaries. In particular, I worked for two of the five case companies while collecting the data. My research journey has thus been an opportunity to stand back from a busy managerial career to try and make sense of my own experience as well as to interpret the viewpoints of my respondents. With the benefit of hindsight, I should have been even more reflexive and used my deep involvement with the two Orange case studies for ethnographic work in the form of both extensive field notes and an auto-ethnography. I believe it was my prior indoctrination with positivist thinking that led me to ignore such opportunities for data collection. In fact, I have found it much harder than I had expected to break loose from the conceptual shackles of positivism. Terminology referring to prediction, generalisation, validity and reliability has infused academia and it is sometimes hard not to use such positivist language as the yardstick against which to measure other forms of scholarly endeavours. For me, this research programme has thus been a reflexive journey into a world I had previously only known as a manager. In addition, it has been an attempt to break free from the rather one-dimensional ‘scientific’ world in which positivism represents the only valid form of knowledge generation. The opportunity to learn about the philosophy of science, including different ontological and epistemological assumptions, has thus been a valuable part of the doctorate and led me to appreciate intellectual pluralism.

Besides the above, the part I value the most relates to a sense of being part of a community and contributing to a collective undertaking that transcends national and organisational borders. This is very different from working in a company where information is often jealously guarded within the firm rather than shared openly through conferences and publications. While working on this doctoral dissertation, I have in chronological order lived in Sweden, Denmark, Oman, Romania and Singapore. And yet, I have been ‘plugged’ into the same community of scholars along the journey, read the same publications and submitted papers to the same conferences. The research community has also provided ample opportunities to engage in stimulating and rewarding discussions with faculty, fellow doctoral students and MBAs.

Another inevitable part of a doctorate is that you take on a more humble attitude towards scholarly efforts. In the beginning of doctoral studies I remember how I, together with fellow doctoral students, frequently labelled most research published in top journals as being of low value. While I still believe that much of management research suffers from a clear lack of relevance, I have come to appreciate the beauty of academic writing as a result of learning how difficult it is to conduct and summarise research. In this regard, I am pleased that I have been able to present research findings from this dissertation to both a scholarly audience at leading conferences as well as to practitioner audiences at full-time and executive MBA programmes.

Writing a dissertation was also challenging given the different shape and form compared to shorter, much more focused, academic papers destined for conferences and
journals. It took some time getting used to but afterwards I can conclude that it is a privilege to not be restricted to just 7,000-10,000 words; this is especially the case when presenting qualitative research.

At the end of the dissertation, I must confess that I only ever know what my research was about after I had done it despite the pretense of rationality conveyed through the structure of the dissertation. As such, it thus echoes Weick’s (1979) dictum of ‘how can I know what I think until I see what I say?’ (1979:133) and Bateson’s (1978) ‘an explorer can never know what he is exploring until after it has been explored’ (1978:22).

As final thoughts, it is my wish that the findings from this dissertation will ultimately help at least some practicing managers with the challenges of cross-border integration.
13 REFERENCES


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## 14 APPENDIX

### 14.1 Comparison of different integration models

<table>
<thead>
<tr>
<th></th>
<th>Centrally structured global integration</th>
<th>Ad hoc global integration with regional operations</th>
<th>Specific cooperation programmes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cases</strong></td>
<td>Orange Denmark</td>
<td>3 Sweden</td>
<td>Vodafone China</td>
</tr>
<tr>
<td></td>
<td>Orange Romania</td>
<td>3 Denmark</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Global strategic control</strong></td>
<td>Tight covering many areas</td>
<td>Loose apart from brand and purchasing</td>
<td>Limited to specific cooperation areas only</td>
</tr>
<tr>
<td><strong>Global financial control</strong></td>
<td>Tight</td>
<td>Tight</td>
<td>N/A given small stake in China Mobile</td>
</tr>
<tr>
<td><strong>HQ ownership control</strong></td>
<td>Fully controlled (almost 100% ownership)</td>
<td>Majority control (60% owned)</td>
<td>Minority stake (3.27% owned)</td>
</tr>
<tr>
<td><strong>Size of central functions</strong></td>
<td>Very large</td>
<td>Very small</td>
<td>Very large</td>
</tr>
<tr>
<td><strong>Integrated core operations</strong></td>
<td>Limited</td>
<td>Very high from shared services</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Primary coordination mechanisms</strong></td>
<td>Structural through central roadmaps and programme management</td>
<td>Personal through Hutchison CEO and informal links</td>
<td>Structural through Vodafone China</td>
</tr>
<tr>
<td></td>
<td>Expatriates</td>
<td>No expatriates</td>
<td>China team</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Expatriates</td>
</tr>
</tbody>
</table>
### 14.2 Comparison of individual case studies

<table>
<thead>
<tr>
<th></th>
<th>Orange Denmark</th>
<th>Orange Romania</th>
<th>3 Denmark</th>
<th>3 Sweden</th>
<th>Vodafone China[^5]</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Country population[^1]</strong></td>
<td>5.5 million</td>
<td>22.3 million</td>
<td>5.5 million</td>
<td>9.0 million</td>
<td>1.3 billion</td>
</tr>
<tr>
<td><strong>GDP/capita PPP adjusted[^1]</strong></td>
<td>Developed USD 34,600</td>
<td>Developing USD 8,200</td>
<td>Developed USD 34,600</td>
<td>Developed USD 29,800</td>
<td>Developing USD 6,800</td>
</tr>
<tr>
<td><strong>Corruption index[^2]</strong></td>
<td>4</td>
<td>85</td>
<td>4</td>
<td>6</td>
<td>78</td>
</tr>
<tr>
<td><strong>Country</strong></td>
<td>Denmark</td>
<td>Romania</td>
<td>Denmark</td>
<td>Sweden</td>
<td>China</td>
</tr>
<tr>
<td><strong>Population</strong></td>
<td>5.5 million</td>
<td>22.3 million</td>
<td>5.5 million</td>
<td>9.0 million</td>
<td>1.3 billion</td>
</tr>
<tr>
<td><strong>GDP/capita PPP adjusted</strong></td>
<td>Developed USD 34,600</td>
<td>Developing USD 8,200</td>
<td>Developed USD 34,600</td>
<td>Developed USD 29,800</td>
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<tr>
<td><strong>Corruption index</strong></td>
<td>4</td>
<td>85</td>
<td>4</td>
<td>6</td>
<td>78</td>
</tr>
<tr>
<td><strong>Mobile market development</strong></td>
<td>Mature</td>
<td>Rapid growth</td>
<td>Mature</td>
<td>Mature</td>
<td>Early growth</td>
</tr>
<tr>
<td><strong>Owner origin</strong></td>
<td>French</td>
<td>French</td>
<td>Hong Kong</td>
<td>Hong Kong</td>
<td>UK</td>
</tr>
<tr>
<td><strong>Owner control</strong></td>
<td>100%</td>
<td>Above 95%</td>
<td>60% (40% Investor)</td>
<td>60% (40% Investor)</td>
<td>3.27%</td>
</tr>
<tr>
<td><strong>Power distance (country/owner)[^3]</strong></td>
<td>Low (18) vs. High (68)</td>
<td>High (90) vs. High (68)</td>
<td>Low (18) vs. High (68)</td>
<td>Low (31) vs. High (68)</td>
<td>High (80) vs. Low (35)</td>
</tr>
<tr>
<td><strong>Uncertainty avoidance (country/owner)[^3]</strong></td>
<td>Low (23) vs. High (86)</td>
<td>High (90) vs. High (86)</td>
<td>Low (23) vs. Low (29)</td>
<td>Low (29) vs. Low (29)</td>
<td>Low (30) vs. Low (35)</td>
</tr>
<tr>
<td><strong>Individualism (country/owner)[^3]</strong></td>
<td>High (74) vs. High (71)</td>
<td>Low (30) vs. High (71)</td>
<td>High (74) vs. Low (25)</td>
<td>High (71) vs. Low (25)</td>
<td>Low (20) vs. High (89)</td>
</tr>
<tr>
<td><strong>Masculinity (country/owner)[^3]</strong></td>
<td>Low (16) vs. Mid (43)</td>
<td>Mid (42) vs. Mid (43)</td>
<td>Low (16) vs. High (57)</td>
<td>Low (5) vs. High (57)</td>
<td>High (66) vs. High (66)</td>
</tr>
<tr>
<td><strong>Market position</strong></td>
<td>Challenger</td>
<td>Leader</td>
<td>Challenger</td>
<td>Challenger</td>
<td>Leader</td>
</tr>
<tr>
<td><strong>Market share</strong></td>
<td>14%</td>
<td>51%</td>
<td>2.5%</td>
<td>5%</td>
<td>65%</td>
</tr>
<tr>
<td><strong>Competitive intensity[^4]</strong></td>
<td>High (HH Index = 2,200)</td>
<td>Low (HH Index = 4,700)</td>
<td>High (HH Index = 2,700)</td>
<td>Medium (HH Index = 3,600)</td>
<td>Low (HH Index = 5,450)</td>
</tr>
<tr>
<td><strong>Customer base</strong></td>
<td>Small 750,000</td>
<td>Medium 137,000</td>
<td>Small 400,000</td>
<td>Very large &gt;270 million</td>
<td></td>
</tr>
<tr>
<td><strong>Bargaining power vs headquarters</strong></td>
<td>Low</td>
<td>High</td>
<td>Low</td>
<td>Medium</td>
<td>High</td>
</tr>
</tbody>
</table>

Notes: 1) CIA World Factbook, 2) www.transparency.org for 2005 report on corruption perception where the least corrupt country is ranked as number 1, 3) www.geert-hofstede.com, 4) calculated based on company data and regulator statistics, 5) data refers to China Mobile rather than Vodafone’s office
14.3 Coding tables

Table 14-1
Integration Rationale

<table>
<thead>
<tr>
<th></th>
<th>Orange Denmark</th>
<th>Orange Romania</th>
<th>3 Denmark</th>
<th>3 Sweden</th>
<th>Vodafone China</th>
<th>Overall</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost reduction</td>
<td>n/a</td>
<td>9 (100%)</td>
<td>6 (100%)</td>
<td>3 (50%)</td>
<td>1 (50%)</td>
<td>19 (54%)</td>
</tr>
<tr>
<td>Secure HQ control</td>
<td>n/a</td>
<td>2 (22%)</td>
<td>0</td>
<td>0</td>
<td>1 (50%)</td>
<td>3 (9%)</td>
</tr>
<tr>
<td>Sharing best practices</td>
<td>n/a</td>
<td>6 (67%)</td>
<td>1 (17%)</td>
<td>2 (33%)</td>
<td>1 (50%)</td>
<td>10 (29%)</td>
</tr>
<tr>
<td>Gain market advantage</td>
<td>n/a</td>
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<td>0</td>
<td>1 (17%)</td>
<td>1 (50%)</td>
<td>9 (26%)</td>
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<tr>
<td>Leverage combined scale</td>
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<td>0</td>
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<tr>
<td>Strategic-defensive</td>
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<td>0</td>
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## Causes of Tensions

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<tr>
<th>Content: Perceived misfit</th>
<th>Orange Denmark</th>
<th>Orange Romania</th>
<th>3 Denmark</th>
<th>3 Sweden</th>
<th>Vodafone China</th>
<th>Overall</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>10 (83%)</td>
<td>8 (89%)</td>
<td>4 (67%)</td>
<td>3 (50%)</td>
<td>1 (50%)</td>
<td>26 (74%)</td>
</tr>
<tr>
<td>Underlying market differences</td>
<td>5 (42%)</td>
<td>8 (89%)</td>
<td>3 (50%)</td>
<td>3 (50%)</td>
<td>1 (50%)</td>
<td>20 (57%)</td>
</tr>
<tr>
<td>Negative or marginal benefits</td>
<td>4 (33%)</td>
<td>4 (44%)</td>
<td>0</td>
<td>0</td>
<td>1 (50%)</td>
<td>9 (26%)</td>
</tr>
<tr>
<td>Different strategy or positioning</td>
<td>3 (25%)</td>
<td>1 (11%)</td>
<td>0</td>
<td>0</td>
<td>1 (50%)</td>
<td>5 (14%)</td>
</tr>
<tr>
<td>Legacy set-up</td>
<td>4 (33%)</td>
<td>1 (11%)</td>
<td>1 (17%)</td>
<td>0</td>
<td>0</td>
<td>6 (17%)</td>
</tr>
<tr>
<td>Misfit of integration partner</td>
<td>0</td>
<td>2 (22%)</td>
<td>0</td>
<td>0</td>
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<td>2 (6%)</td>
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</table>

<table>
<thead>
<tr>
<th>Process: Perceived lack of fair process</th>
<th>Orange Denmark</th>
<th>Orange Romania</th>
<th>3 Denmark</th>
<th>3 Sweden</th>
<th>Vodafone China</th>
<th>Overall</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of fair treatment</td>
<td>12 (100%)</td>
<td>8 (89%)</td>
<td>6 (100%)</td>
<td>5 (83%)</td>
<td>2 (100%)</td>
<td>33 (94%)</td>
</tr>
<tr>
<td>Lack of HQ understanding</td>
<td>7 (58%)</td>
<td>4 (44%)</td>
<td>5 (83%)</td>
<td>3 (50%)</td>
<td>2 (100%)</td>
<td>21 (60%)</td>
</tr>
<tr>
<td>Integration not ‘sold’ to subsidiary</td>
<td>5 (42%)</td>
<td>5 (56%)</td>
<td>2 (33%)</td>
<td>2 (33%)</td>
<td>0</td>
<td>14 (40%)</td>
</tr>
<tr>
<td>Lack of trust</td>
<td>2 (17%)</td>
<td>4 (44%)</td>
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<td>0</td>
<td>1 (50%)</td>
<td>7 (20%)</td>
</tr>
<tr>
<td>HQ micro management</td>
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<td>2 (22%)</td>
<td>3 (50%)</td>
<td>2 (33%)</td>
<td>1 (50%)</td>
<td>8 (23%)</td>
</tr>
<tr>
<td>Lack of governance</td>
<td>0</td>
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<td>3 (50%)</td>
<td>0</td>
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<td>3 (9%)</td>
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<tr>
<td>Perceived inequity</td>
<td>0</td>
<td>0</td>
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<td>3 (50%)</td>
<td>2 (100%)</td>
<td>10 (29%)</td>
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</table>

<table>
<thead>
<tr>
<th>Execution: Perceived weak execution</th>
<th>Orange Denmark</th>
<th>Orange Romania</th>
<th>3 Denmark</th>
<th>3 Sweden</th>
<th>Vodafone China</th>
<th>Overall</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal and resource conflicts</td>
<td>12 (100%)</td>
<td>8 (89%)</td>
<td>5 (83%)</td>
<td>4 (67%)</td>
<td>2 (100%)</td>
<td>31 (89%)</td>
</tr>
<tr>
<td>Increased bureaucracy</td>
<td>11 (92%)</td>
<td>8 (89%)</td>
<td>2 (33%)</td>
<td>1 (17%)</td>
<td>1 (50%)</td>
<td>23 (66%)</td>
</tr>
<tr>
<td>Lack of clear direction</td>
<td>10 (83%)</td>
<td>4 (44%)</td>
<td>3 (50%)</td>
<td>2 (33%)</td>
<td>0</td>
<td>19 (54%)</td>
</tr>
<tr>
<td>Inexperienced people at headquarters</td>
<td>3 (25%)</td>
<td>3 (33%)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>6 (17%)</td>
</tr>
<tr>
<td>Unclear roles and responsibilities</td>
<td>3 (25%)</td>
<td>0</td>
<td>2 (33%)</td>
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<td>0</td>
<td>5 (14%)</td>
</tr>
<tr>
<td>Weak delivery of integration initiatives</td>
<td>4 (33%)</td>
<td>5 (55%)</td>
<td>3 (50%)</td>
<td>1 (17%)</td>
<td>1 (50%)</td>
<td>14 (40%)</td>
</tr>
<tr>
<td>category</td>
<td>Orange Denmark</td>
<td>Orange Romania</td>
<td>3 Denmark</td>
<td>3 Sweden</td>
<td>Vodafone China</td>
<td>Overall</td>
</tr>
<tr>
<td>--------------------------------------</td>
<td>----------------</td>
<td>----------------</td>
<td>-----------</td>
<td>----------</td>
<td>----------------</td>
<td>---------</td>
</tr>
<tr>
<td><strong>Autonomy: Perceived loss of local autonomy</strong></td>
<td>6 (50%)</td>
<td>6 (67%)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>12 (34%)</td>
</tr>
<tr>
<td>Loss of local autonomy</td>
<td>6 (50%)</td>
<td>1 (11%)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>7 (20%)</td>
</tr>
<tr>
<td>Reluctance to change</td>
<td>4 (33%)</td>
<td>5 (56%)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>9 (26%)</td>
</tr>
<tr>
<td><strong>Culture: Perceived cultural differences</strong></td>
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<td>0</td>
<td>5 (83%)</td>
<td>2</td>
<td>10 (29%)</td>
</tr>
<tr>
<td>Cultural interaction style</td>
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</table>
Table 14-3
Consequences of tensions

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<tr>
<th></th>
<th>Orange Denmark</th>
<th>Orange Romania</th>
<th>3 Denmark</th>
<th>3 Sweden</th>
<th>Vodafone</th>
<th>China</th>
<th>Overall</th>
</tr>
</thead>
<tbody>
<tr>
<td>Positive consequences</td>
<td>2 (17%)</td>
<td>5 (56%)</td>
<td>0</td>
<td>2 (33%)</td>
<td>0</td>
<td></td>
<td>9 (26%)</td>
</tr>
<tr>
<td>Getting new perspectives</td>
<td>1 (8%)</td>
<td>4 (44%)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
<td>5 (14%)</td>
</tr>
<tr>
<td>Knowledge sharing</td>
<td>1 (8%)</td>
<td>0</td>
<td>0</td>
<td>1 (17%)</td>
<td>0</td>
<td></td>
<td>2 (6%)</td>
</tr>
<tr>
<td>Improvements</td>
<td>0</td>
<td>3 (33%)</td>
<td>0</td>
<td>2 (33%)</td>
<td>0</td>
<td></td>
<td>5 (14%)</td>
</tr>
<tr>
<td>Negative consequences: Business</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>5 (42%)</td>
<td>8 (89%)</td>
<td>2 (33%)</td>
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<td>0</td>
<td></td>
<td>15 (43%)</td>
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<td>Crashed implementation</td>
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<td>0</td>
<td>0</td>
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<td>1 (3%)</td>
</tr>
<tr>
<td>Losing control of local business</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>0</td>
<td>1 (11%)</td>
<td>1 (17%)</td>
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<td>0</td>
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<tr>
<td>Following a sub-optimal strategy</td>
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<td></td>
<td></td>
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<td>1 (8%)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
<td>1 (3%)</td>
</tr>
<tr>
<td>Wasting resources</td>
<td>3 (25%)</td>
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<td>0</td>
<td>0</td>
<td></td>
<td>6 (17%)</td>
</tr>
<tr>
<td>Losing time to market</td>
<td>1 (8%)</td>
<td>3 (33%)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
<td>4 (11%)</td>
</tr>
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<td>Loss of sales</td>
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<td></td>
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</tr>
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<td>Neglecting customers</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
<td>4 (11%)</td>
</tr>
<tr>
<td>Negative consequences: People</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>4 (33%)</td>
<td>4 (44%)</td>
<td>4 (67%)</td>
<td>2 (33%)</td>
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<td></td>
<td>14 (40%)</td>
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Table 14-4
Managing tensions: Gamesmanship

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<th>Gamesmanship</th>
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<th>Orange</th>
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<th>3</th>
<th>Vodafone</th>
<th>Overall</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Denmark</td>
<td>Romania</td>
<td>Denmark</td>
<td>Sweden</td>
<td>China</td>
<td></td>
</tr>
<tr>
<td>Ask for forgiveness</td>
<td>2</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>(17%)</td>
<td>(17%)</td>
<td>(17%)</td>
<td>(17%)</td>
<td>(9%)</td>
<td></td>
</tr>
<tr>
<td>Become politician</td>
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<td>0</td>
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<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>(0%)</td>
<td>(0%)</td>
<td>(17%)</td>
<td>(0%)</td>
<td>(3%)</td>
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<td>0</td>
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</tr>
<tr>
<td></td>
<td>(8%)</td>
<td>(0%)</td>
<td>(0%)</td>
<td>(0%)</td>
<td>(3%)</td>
<td></td>
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<tr>
<td>Build subsidiary alliances</td>
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<td>0</td>
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<td>3</td>
</tr>
<tr>
<td></td>
<td>(17%)</td>
<td>(11%)</td>
<td>(0%)</td>
<td>(0%)</td>
<td>(9%)</td>
<td></td>
</tr>
<tr>
<td>Comply on paper</td>
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<td>0</td>
<td>0</td>
<td>2</td>
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<tr>
<td></td>
<td>(17%)</td>
<td>(0%)</td>
<td>(0%)</td>
<td>(0%)</td>
<td>(6%)</td>
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</tr>
<tr>
<td>Create confusion</td>
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<td>0</td>
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</tr>
<tr>
<td></td>
<td>(8%)</td>
<td>(0%)</td>
<td>(0%)</td>
<td>(0%)</td>
<td>(3%)</td>
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</tr>
<tr>
<td>Delay implementation</td>
<td>4</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>(33%)</td>
<td>(22%)</td>
<td>(0%)</td>
<td>(0%)</td>
<td>(17%)</td>
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<tr>
<td>Economise the truth</td>
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<td>0</td>
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<td></td>
<td>(0%)</td>
<td>(11%)</td>
<td>(0%)</td>
<td>(0%)</td>
<td>(3%)</td>
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</tr>
<tr>
<td>Make deliverables contingent on HQ</td>
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<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>(8%)</td>
<td>(0%)</td>
<td>(0%)</td>
<td>(0%)</td>
<td>(3%)</td>
<td></td>
</tr>
<tr>
<td>Overembrace some initiatives</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>(17%)</td>
<td>(0%)</td>
<td>(0%)</td>
<td>(0%)</td>
<td>(6%)</td>
<td></td>
</tr>
<tr>
<td>Passive compliance</td>
<td>1</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>(8%)</td>
<td>(22%)</td>
<td>(0%)</td>
<td>(0%)</td>
<td>(9%)</td>
<td></td>
</tr>
<tr>
<td>Prioritise local demands</td>
<td>5</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>(42%)</td>
<td>(44%)</td>
<td>(0%)</td>
<td>(0%)</td>
<td>(26%)</td>
<td></td>
</tr>
</tbody>
</table>
### Table 14-5
Managing tensions: Group/HQ interaction

<table>
<thead>
<tr>
<th>Group/HQ interaction</th>
<th>Orange Denmark</th>
<th>Orange Romania</th>
<th>3 Denmark</th>
<th>3 Sweden</th>
<th>Vodafone China</th>
<th>Overall</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>12 (100%)</td>
<td>8 (89%)</td>
<td>4 (67%)</td>
<td>1 (17%)</td>
<td>2 (100%)</td>
<td>27 (77%)</td>
</tr>
<tr>
<td>Argue local case</td>
<td>2 (17%)</td>
<td>5 (56%)</td>
<td>3 (50%)</td>
<td>0</td>
<td>1 (50%)</td>
<td>11 (31%)</td>
</tr>
<tr>
<td>Be honest and straight with Group</td>
<td>2 (17%)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2 (6%)</td>
</tr>
<tr>
<td>Build personal networks</td>
<td>7 (58%)</td>
<td>1 (11%)</td>
<td>1 (17%)</td>
<td>0</td>
<td>0</td>
<td>9 (26%)</td>
</tr>
<tr>
<td>Compromise</td>
<td>1 (8%)</td>
<td>2 (22%)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3 (9%)</td>
</tr>
<tr>
<td>Educate HQ</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2 (100%)</td>
<td>2 (6%)</td>
</tr>
<tr>
<td>Escalation</td>
<td>1 (8%)</td>
<td>2 (22%)</td>
<td>2 (33%)</td>
<td>0</td>
<td>0</td>
<td>5 (14%)</td>
</tr>
<tr>
<td>Fight back for prioritisation</td>
<td>1 (8%)</td>
<td>1 (11%)</td>
<td>1 (17%)</td>
<td>0</td>
<td>0</td>
<td>3 (9%)</td>
</tr>
<tr>
<td>Get people together face to face</td>
<td>0</td>
<td>0</td>
<td>1 (17%)</td>
<td>1 (17%)</td>
<td>0</td>
<td>2 (6%)</td>
</tr>
<tr>
<td>Get the right targets up front</td>
<td>1 (8%)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1 (3%)</td>
</tr>
<tr>
<td>Influence the rules of the game</td>
<td>1 (8%)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1 (3%)</td>
</tr>
<tr>
<td>Request additional resources</td>
<td>5 (42%)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>5 (14%)</td>
</tr>
<tr>
<td>Signal compliance</td>
<td>4 (33%)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>4 (11%)</td>
</tr>
<tr>
<td>Understand the political landscape</td>
<td>3 (25%)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3 (9%)</td>
</tr>
</tbody>
</table>

### Table 14-6
Managing tensions: Structure local organisation

<table>
<thead>
<tr>
<th>Structure local organisation</th>
<th>Orange Denmark</th>
<th>Orange Romania</th>
<th>3 Denmark</th>
<th>3 Sweden</th>
<th>Vodafone China</th>
<th>Overall</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>7 (58%)</td>
<td>1 (11%)</td>
<td>3 (50%)</td>
<td>0</td>
<td>1 (50%)</td>
<td>12 (34%)</td>
</tr>
<tr>
<td>Create consolidated roadmap</td>
<td>5 (42%)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>5 (14%)</td>
</tr>
<tr>
<td>Ensure united management team</td>
<td>2 (17%)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2 (6%)</td>
</tr>
<tr>
<td>Appoint good local people</td>
<td>0</td>
<td>0</td>
<td>1 (17%)</td>
<td>0</td>
<td>0</td>
<td>1 (3%)</td>
</tr>
<tr>
<td>Reprioritise</td>
<td>2 (17%)</td>
<td>1 (11%)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3 (9%)</td>
</tr>
<tr>
<td>Streamline interfaces</td>
<td>2 (17%)</td>
<td>0</td>
<td>3 (50%)</td>
<td>0</td>
<td>1 (50%)</td>
<td>6 (17%)</td>
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</table>
### Table 14-7
Managing tensions: Get your priorities straight

<table>
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<tr>
<th></th>
<th>Orange Denmark</th>
<th>Orange Romania</th>
<th>3 Denmark</th>
<th>3 Sweden</th>
<th>Vodafone China</th>
<th>Overall</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Get your priorities straight</strong></td>
<td>4 (33%)</td>
<td>2 (22%)</td>
<td>0</td>
<td>0</td>
<td>1 (50%)</td>
<td>7 (20%)</td>
</tr>
<tr>
<td><strong>Decide on what matters most</strong></td>
<td>3 (25%)</td>
<td>2 (22%)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>5 (14%)</td>
</tr>
<tr>
<td><strong>Decide who you work for</strong></td>
<td>1 (8%)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1 (50%)</td>
<td>2 (6%)</td>
</tr>
</tbody>
</table>

### Table 14-8
Managing tensions: Personal approach

<table>
<thead>
<tr>
<th></th>
<th>Orange Denmark</th>
<th>Orange Romania</th>
<th>3 Denmark</th>
<th>3 Sweden</th>
<th>Vodafone China</th>
<th>Overall</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Personal approach</strong></td>
<td>0</td>
<td>2 (22%)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2 (6%)</td>
</tr>
<tr>
<td><strong>Serve the one who shouts the loudest</strong></td>
<td>0</td>
<td>1 (11%)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1 (3%)</td>
</tr>
<tr>
<td><strong>“Switch off”</strong></td>
<td>0</td>
<td>2 (22%)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2 (6%)</td>
</tr>
<tr>
<td>Table 14-9</td>
<td>Analysis</td>
<td>Orange Denmark</td>
<td>Orange Romania</td>
<td>3 Denmark</td>
<td>3 Sweden</td>
<td>Vodafone China</td>
</tr>
<tr>
<td>------------</td>
<td>----------</td>
<td>----------------</td>
<td>---------------</td>
<td>-----------</td>
<td>----------</td>
<td>----------------</td>
</tr>
<tr>
<td>Analyse and benchmark local operations</td>
<td>0</td>
<td>7 (78%)</td>
<td>3 (50%)</td>
<td>1 (17%)</td>
<td>0</td>
<td>11 (31%)</td>
</tr>
<tr>
<td>Analyse customer needs</td>
<td>0</td>
<td>4 (44%)</td>
<td>3 (50%)</td>
<td>2 (33%)</td>
<td>0</td>
<td>9 (26%)</td>
</tr>
<tr>
<td>Analyse market development stage</td>
<td>0</td>
<td>4 (44%)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>4 (11%)</td>
</tr>
<tr>
<td>Analyse market similarities</td>
<td>0</td>
<td>1 (11%)</td>
<td>2 (33%)</td>
<td>1 (17%)</td>
<td>0</td>
<td>4 (11%)</td>
</tr>
<tr>
<td>Avoid ‘not invented here’ syndrome</td>
<td>0</td>
<td>0</td>
<td>2 (33%)</td>
<td>2 (33%)</td>
<td>0</td>
<td>4 (11%)</td>
</tr>
<tr>
<td>Make proper initial assessment</td>
<td>0</td>
<td>2 (22%)</td>
<td>3 (50%)</td>
<td>1 (17%)</td>
<td>1 (50%)</td>
<td>7 (20%)</td>
</tr>
<tr>
<td>Analysis</td>
<td>6 (50%)</td>
<td>9 (100%)</td>
<td>5 (83%)</td>
<td>3 (50%)</td>
<td>1 (50%)</td>
<td>24 (69%)</td>
</tr>
<tr>
<td>Strategy</td>
<td>Agree funding up front</td>
<td>2 (17%)</td>
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<td>0</td>
<td>0</td>
<td>2 (6%)</td>
</tr>
<tr>
<td>Align objectives</td>
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<td>1 (11%)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1 (3%)</td>
</tr>
<tr>
<td>Be clear on integration benefits</td>
<td>0</td>
<td>4 (44%)</td>
<td>0</td>
<td>1 (17%)</td>
<td>0</td>
<td>5 (14%)</td>
</tr>
<tr>
<td>Cluster similar countries</td>
<td>0</td>
<td>2 (22%)</td>
<td>3 (50%)</td>
<td>0</td>
<td>0</td>
<td>5 (14%)</td>
</tr>
<tr>
<td>Adapt customer facing functions</td>
<td>1 (8%)</td>
<td>2 (22%)</td>
<td>3 (50%)</td>
<td>2 (33%)</td>
<td>0</td>
<td>8 (23%)</td>
</tr>
<tr>
<td>Define overall brand position</td>
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<td>1 (11%)</td>
<td>1 (17%)</td>
<td>0</td>
<td>0</td>
<td>2 (6%)</td>
</tr>
<tr>
<td>Define minimum core</td>
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<td>1 (11%)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1 (3%)</td>
</tr>
<tr>
<td>Find the right balance</td>
<td>2 (17%)</td>
<td>1 (11%)</td>
<td>0</td>
<td>1 (17%)</td>
<td>0</td>
<td>4 (11%)</td>
</tr>
<tr>
<td>Focus on common segments</td>
<td>0</td>
<td>1 (11%)</td>
<td>1 (17%)</td>
<td>0</td>
<td>0</td>
<td>2 (6%)</td>
</tr>
<tr>
<td>Focus on what matters most</td>
<td>1 (8%)</td>
<td>1 (11%)</td>
<td>1 (17%)</td>
<td>0</td>
<td>0</td>
<td>3 (9%)</td>
</tr>
<tr>
<td>Implement a modular approach</td>
<td>2 (17%)</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>2 (6%)</td>
</tr>
<tr>
<td>Let offer differences determine level of integration</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1 (17%)</td>
<td>0</td>
<td>1 (3%)</td>
</tr>
<tr>
<td>Implement principles rather than exact content</td>
<td>0</td>
<td>0</td>
<td>1 (17%)</td>
<td>0</td>
<td>0</td>
<td>1 (3%)</td>
</tr>
<tr>
<td>Standardise IT systems</td>
<td>0</td>
<td>1 (11%)</td>
<td>1 (17%)</td>
<td>0</td>
<td>0</td>
<td>2 (6%)</td>
</tr>
<tr>
<td>Work towards a clear vision</td>
<td>1 (8%)</td>
<td>3 (33%)</td>
<td>1 (17%)</td>
<td>0</td>
<td>0</td>
<td>6 (17%)</td>
</tr>
<tr>
<td></td>
<td>Orange Denmark</td>
<td>Orange Romania</td>
<td>3 Denmark</td>
<td>3 Sweden</td>
<td>Vodafone China</td>
<td>Overall</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>----------------</td>
<td>---------------</td>
<td>-----------</td>
<td>----------</td>
<td>----------------</td>
<td>---------</td>
</tr>
<tr>
<td><strong>People</strong></td>
<td>1 (8%)</td>
<td>3 (33%)</td>
<td>1 (17%)</td>
<td>2 (33%)</td>
<td>0</td>
<td>7 (20%)</td>
</tr>
<tr>
<td>Build local market knowledge at HQ</td>
<td>1 (17%)</td>
<td></td>
<td>2 (33%)</td>
<td>0</td>
<td>3</td>
<td>9 (%)</td>
</tr>
<tr>
<td>Ensure operational people are involved in the integration process</td>
<td>0</td>
<td>1 (11%)</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>3 (3%)</td>
</tr>
<tr>
<td>Get the right people</td>
<td>1 (8%)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1 (3%)</td>
</tr>
<tr>
<td><strong>Interaction</strong></td>
<td>4 (33%)</td>
<td>6 (67%)</td>
<td>2 (33%)</td>
<td>3 (50%)</td>
<td>1</td>
<td>16 (46%)</td>
</tr>
<tr>
<td>Be clear integration will happen</td>
<td>3 (25%)</td>
<td>2 (22%)</td>
<td>0</td>
<td>1 (17%)</td>
<td>0</td>
<td>6 (17%)</td>
</tr>
<tr>
<td>Consult and sell integration to subsidiary managers</td>
<td>1 (8%)</td>
<td>6 (67%)</td>
<td>2 (33%)</td>
<td>3 (50%)</td>
<td>1</td>
<td>13 (37%)</td>
</tr>
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</table>
### Table 14-10
How integration decisions should be implemented

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<th></th>
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<th>3 Denmark</th>
<th>3 Sweden</th>
<th>Vodafone China</th>
<th>Overall</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Manage structure</strong></td>
<td>3 (25%)</td>
<td>0</td>
<td>6 (100%)</td>
<td>5 (83%)</td>
<td>1 (50%)</td>
<td>15 (43%)</td>
</tr>
<tr>
<td>Align business processes</td>
<td>0</td>
<td>0</td>
<td>1 (17%)</td>
<td>1 (17%)</td>
<td>0</td>
<td>2 (6%)</td>
</tr>
<tr>
<td>Align subsidiary org. structures</td>
<td>2 (17%)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2 (6%)</td>
</tr>
<tr>
<td>Ensure control of subsidiaries</td>
<td>1 (8%)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1 (3%)</td>
</tr>
<tr>
<td>Blueprint global operating model</td>
<td>0</td>
<td>0</td>
<td>3 (50%)</td>
<td>1 (17%)</td>
<td>0</td>
<td>4 (11%)</td>
</tr>
<tr>
<td>De-layer HQ</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1 (17%)</td>
<td>1 (50%)</td>
<td>2 (6%)</td>
</tr>
<tr>
<td>Establish governance structure</td>
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<td>4 (67%)</td>
<td>0</td>
<td>1 (50%)</td>
<td>5 (14%)</td>
</tr>
<tr>
<td>Establish knowledge sharing structure</td>
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<td>5 (83%)</td>
<td>3 (50%)</td>
<td>0</td>
<td>8 (23%)</td>
</tr>
<tr>
<td><strong>Manage people</strong></td>
<td>3 (25%)</td>
<td>5 (56%)</td>
<td>2 (33%)</td>
<td>6 (100%)</td>
<td>2 (100%)</td>
<td>18 (51%)</td>
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<tr>
<td>Acknowledge integration efforts</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1 (50%)</td>
<td>1 (3%)</td>
</tr>
<tr>
<td>Ensure cultural integration</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1 (17%)</td>
<td>0</td>
<td>1 (3%)</td>
</tr>
<tr>
<td>Engage people</td>
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<td>1 (11%)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1 (3%)</td>
</tr>
<tr>
<td>Get new people without legacy</td>
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<td>0</td>
<td>0</td>
<td>1 (17%)</td>
<td>0</td>
<td>1 (3%)</td>
</tr>
<tr>
<td>Build a global mindset</td>
<td>1 (8%)</td>
<td>0</td>
<td>1 (17%)</td>
<td>2 (33%)</td>
<td>0</td>
<td>4 (11%)</td>
</tr>
<tr>
<td>Provide hands-on leadership</td>
<td>0</td>
<td>0</td>
<td>1 (17%)</td>
<td>6 (100%)</td>
<td>0</td>
<td>7 (20%)</td>
</tr>
<tr>
<td>Move people around</td>
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<td>1 (11%)</td>
<td>0</td>
<td>0</td>
<td>1 (50%)</td>
<td>2 (6%)</td>
</tr>
<tr>
<td>Replace blockers</td>
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<td>0</td>
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<td>2 (33%)</td>
<td>0</td>
<td>2 (6%)</td>
</tr>
<tr>
<td>Review people profile required</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2 (6%)</td>
</tr>
<tr>
<td>Share ways of working</td>
<td>0</td>
<td>2 (22%)</td>
<td>1 (17%)</td>
<td>2 (33%)</td>
<td>0</td>
<td>5 (14%)</td>
</tr>
<tr>
<td>Get strong people to drive integration</td>
<td>1</td>
<td>0</td>
<td>1 (17%)</td>
<td>2 (33%)</td>
<td>0</td>
<td>4 (11%)</td>
</tr>
<tr>
<td>Secure top management commitment</td>
<td>0</td>
<td>3 (33%)</td>
<td>0</td>
<td>0</td>
<td>1 (50%)</td>
<td>4 (11%)</td>
</tr>
<tr>
<td>Treat people well</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1 (17%)</td>
<td>1 (50%)</td>
<td>2 (6%)</td>
</tr>
<tr>
<td>Manage objectives and resources</td>
<td>Orange Denmark</td>
<td>Orange Romania</td>
<td>3 Denmark</td>
<td>3 Sweden</td>
<td>Vodafone China</td>
<td>Overall</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>----------------</td>
<td>----------------</td>
<td>-----------</td>
<td>----------</td>
<td>----------------</td>
<td>---------</td>
</tr>
<tr>
<td>Manage objectives and resources</td>
<td>2 (17%)</td>
<td>3 (33%)</td>
<td>1 (17%)</td>
<td>0</td>
<td>0</td>
<td>6 (17%)</td>
</tr>
<tr>
<td>Avoid too many swings</td>
<td>0</td>
<td>1 (11%)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1 (3%)</td>
</tr>
<tr>
<td>Establish dedicated working groups</td>
<td>0</td>
<td>1 (11%)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1 (3%)</td>
</tr>
<tr>
<td>Ensure local prioritisation forum</td>
<td>0</td>
<td>1 (11%)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1 (3%)</td>
</tr>
<tr>
<td>Ensure local resources</td>
<td>1 (8%)</td>
<td>1 (11%)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2 (6%)</td>
</tr>
<tr>
<td>Implement in staged approach</td>
<td>1 (8%)</td>
<td>1 (11%)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2 (6%)</td>
</tr>
<tr>
<td>Measure performance at local level</td>
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<td>0</td>
<td>1 (17%)</td>
<td>0</td>
<td>0</td>
<td>1 (3%)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Manage interaction</th>
<th>Orange Denmark</th>
<th>Orange Romania</th>
<th>3 Denmark</th>
<th>3 Sweden</th>
<th>Vodafone China</th>
<th>Overall</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manage interaction</td>
<td>0</td>
<td>6 (67%)</td>
<td>4 (67%)</td>
<td>4 (67%)</td>
<td>2 (100%)</td>
<td>16 (46%)</td>
</tr>
<tr>
<td>Accept mistakes in order to learn</td>
<td>0</td>
<td>2 (22%)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2 (6%)</td>
</tr>
<tr>
<td>Build trust</td>
<td>0</td>
<td>0</td>
<td>1 (17%)</td>
<td>1 (17%)</td>
<td>1 (50%)</td>
<td>3 (9%)</td>
</tr>
<tr>
<td>Don’t suffocate entrepreneurship</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1 (17%)</td>
<td>0</td>
<td>1 (3%)</td>
</tr>
<tr>
<td>Ensure HQ follow-up</td>
<td>0</td>
<td>0</td>
<td>1 (17%)</td>
<td>0</td>
<td>0</td>
<td>1 (3%)</td>
</tr>
<tr>
<td>Encourage people interaction rather than bureaucracy</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1 (17%)</td>
<td>0</td>
<td>1 (3%)</td>
</tr>
<tr>
<td>Establish strong communication</td>
<td>0</td>
<td>5 (56%)</td>
<td>1 (17%)</td>
<td>3 (50%)</td>
<td>1 (50%)</td>
<td>10 (29%)</td>
</tr>
<tr>
<td>Establish and use subsidiary feedback loop</td>
<td>0</td>
<td>2 (22%)</td>
<td>1 (17%)</td>
<td>2 (33%)</td>
<td>0</td>
<td>5 (14%)</td>
</tr>
<tr>
<td>Use subtle control mechanisms</td>
<td>0</td>
<td>1 (11%)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1 (3%)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Manage delivery</th>
<th>Orange Denmark</th>
<th>Orange Romania</th>
<th>3 Denmark</th>
<th>3 Sweden</th>
<th>Vodafone China</th>
<th>Overall</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manage delivery</td>
<td>1 (8%)</td>
<td>7 (78%)</td>
<td>4 (66%)</td>
<td>0</td>
<td>1 (50%)</td>
<td>13 (37%)</td>
</tr>
<tr>
<td>Don’t skip phases in process</td>
<td>0</td>
<td>1 (11%)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1 (3%)</td>
</tr>
<tr>
<td>Be consistent</td>
<td>0</td>
<td>0</td>
<td>2 (33%)</td>
<td>0</td>
<td>0</td>
<td>2 (6%)</td>
</tr>
<tr>
<td>Involve key stakeholders</td>
<td>0</td>
<td>0</td>
<td>1 (17%)</td>
<td>0</td>
<td>1 (50%)</td>
<td>2 (6%)</td>
</tr>
<tr>
<td>Stick to the minimum core</td>
<td>0</td>
<td>1 (11%)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1 (3%)</td>
</tr>
<tr>
<td>Ensure strong delivery management</td>
<td>1</td>
<td>5 (56%)</td>
<td>1 (17%)</td>
<td>0</td>
<td>0</td>
<td>7 (20%)</td>
</tr>
</tbody>
</table>
### Table 14-11
Contextual variables affecting integration

<table>
<thead>
<tr>
<th>Variable</th>
<th>Orange Denmark</th>
<th>Orange Romania</th>
<th>3 Denmark</th>
<th>3 Sweden</th>
<th>Vodafone China</th>
<th>Overall</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prevent unnecessary drift</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2 (33%)</td>
<td>0</td>
<td>2 (6%)</td>
</tr>
<tr>
<td>Provide freedom within guidelines</td>
<td>0</td>
<td>1 (11%)</td>
<td>4 (66%)</td>
<td>5 (83%)</td>
<td>1</td>
<td>11 (31%)</td>
</tr>
<tr>
<td>Achieve integration through independence</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2 (33%)</td>
<td>0</td>
<td>2 (6%)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Variable</th>
<th>Orange Denmark</th>
<th>Orange Romania</th>
<th>3 Denmark</th>
<th>3 Sweden</th>
<th>Vodafone China</th>
<th>Overall</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service industry</td>
<td>1 (8%)</td>
<td>1 (11%)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2 (6%)</td>
</tr>
<tr>
<td>Legacy versus new</td>
<td>1 (8%)</td>
<td>1 (11%)</td>
<td>0</td>
<td>0</td>
<td>1 (50%)</td>
<td>3 (9%)</td>
</tr>
<tr>
<td>Subsidiary strength and size</td>
<td>2 (17%)</td>
<td>0</td>
<td>0</td>
<td>1 (17%)</td>
<td>0</td>
<td>3 (9%)</td>
</tr>
<tr>
<td>Having an expatriate as CEO</td>
<td>3 (25%)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3 (9%)</td>
</tr>
<tr>
<td>Transition period</td>
<td>3 (25%)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3 (9%)</td>
</tr>
<tr>
<td>Different culture</td>
<td>1 (8%)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1 (2%)</td>
</tr>
<tr>
<td>Long term future of the business</td>
<td>1 (8%)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1 (3%)</td>
</tr>
<tr>
<td>Subsidiary market position</td>
<td>2 (17%)</td>
<td>0</td>
<td>1 (17%)</td>
<td>1 (17%)</td>
<td>0</td>
<td>4 (11%)</td>
</tr>
<tr>
<td>Clearly valuable projects</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1 (17%)</td>
<td>1 (50%)</td>
<td>2 (6%)</td>
</tr>
<tr>
<td>Projects championed by junior people</td>
<td>1 (8%)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1 (50%)</td>
<td>2 (6%)</td>
</tr>
</tbody>
</table>
14.4 Interview guide: Orange Denmark

Opening questions:
1. How common was it to experience competing demands between [Telco] Group global/regional integration initiatives and requirements for local market responsiveness?
2. How did you feel about dealing with competing demands?
3. What impact, if any, did competing demands have on how you managed your work?

Specific questions if tension was established:
4. In what areas of the business were the competing pressures the highest?
5. If there was tension, what were the reasons behind the tension?
6. Did you discuss the tension explicitly in the management team? In what way?
7. What strategies/tactics did you use to manage/cope with tensions? [key question to spend considerable time on during the interview]
8. What worked well/not so well? Why?
9. Would you have done anything differently with hindsight? Why?
10. What learning can you derive from your experience?
14.5 Interview guide: Orange Romania

PART I – Marketing Mix Standardisation

*Marketing mix* is defined to include elements of the customer experience such as brand name, product, offer structure, packaging, advertising, promotion, sales and distribution, customer service, warranties, website and price.

*Standardisation* is defined as standardising elements of the marketing mix, to at least some extent, across multiple markets. The opposite of standardisation would be total autonomy where the local subsidiaries would have complete freedom in relation to how to manage the elements of the marketing mix.

**WHAT to standardise?**
1. What elements of the marketing mix are standardised in your company? To what extent?
2. What elements of the marketing mix do you think might be suitable versus not suitable for standardisation? – Why?

**WHY standardise?**
3. Why do you standardise elements of the marketing mix across subsidiaries in multiple markets and what outcomes are you seeking to achieve?

**WHEN to standardise?**
4. When does it make sense versus not sense to seek to standardise the marketing mix? What are the indicators?

**HOW to standardise?**
5. How does your company decide on what marketing mix elements to standardise?
6. What information or tools assist in making good standardisation decisions?
7. How should the strategic decision process be organised between headquarters and subsidiaries to ensure appropriate standardisation decisions?
8. What are the key success factors versus ‘deal breakers’ to ensure effective implementation of standardisation?
9. What management processes or practices facilitate implementation of standardisation?
10. If attempts to standardise aren’t working properly, what are the problems that this causes?

**Other**

Anything else of importance we have not discussed in relation to standardisation?
PART II – Value Chain Integration

Integration of value chain activities

*The value chain* is used to categorise a company’s generic value adding activities. The first category consists of ‘primary activities’ such as: inbound logistics, production, outbound logistics, sales and marketing and maintenance. The second category consists of ‘support activities’ including administration, human resource management, R&D and procurement.

*Integration* is defined as physical integration or strategic coordination of activities in the value chain across subsidiaries in multiple markets. The opposite of integration would be completely stand alone subsidiaries in every market with independent as well as complete stand alone value chains to serve the local market.

**WHAT to integrate?**
11. What activities in the value chain are integrated in your company? To what extent?
12. What activities in the value chain do you think might be suitable versus not suitable for integration? – Why?

**WHY integrate?**
13. Why do you integrate activities in the value chain across subsidiaries in multiple markets and what outcomes are you seeking to achieve?

**WHEN to integrate?**
14. When does it make sense versus not sense to seek to integrate value chain activities? What are the indicators?

**HOW to integrate?**
15. How does your company decide on what value chain activities to integrate?
16. What information or tools assist in making good integration decisions?
17. How should the strategic decision process be organised between headquarters and subsidiaries to ensure appropriate decisions regarding value chain integration?
18. What are the key success factors versus ‘deal breakers’ to ensure effective implementation of value chain integration?
19. What management processes or practices facilitate implementation of value chain integration?
20. If attempts to integrate aren’t working properly, what are the problems that this causes?

**Other**
21. Anything else of importance we have not discussed in relation to integration?
PART III – Relationship between Standardisation and Value Chain Integration

Relationship between standardisation and value chain integration
22. How would you describe the relationship between decisions to standardise marketing mix elements and decisions to integrate value chain activities? How do the decisions influence each other?
23. Do you typically consider both aspects together in decision making or treat them as separate areas?
   What decisions are typically made first?

PART IV – Balancing Local Responsiveness and Global Integration

Responsiveness is defined as decisions taken autonomously by a subsidiary to respond primarily to local customer needs or competitive demands (Prahalad & Doz, 1987).

Integration is defined as physical integration or strategic coordination of activities in the value chain across subsidiaries in multiple markets. The opposite of integration would be completely stand alone subsidiaries in every market with independent as well as complete stand alone value chains to serve the local market.

Competing demands are defined as situations when there is a conflict, at least in the short run, between pursuing both ‘local’ and ‘global/regional’ requirements simultaneously.

HOW common is tension?
24. How common is it to experience competing demands between ‘local’ and ‘global’ requirements in your company?

WHERE is tension created?
25. In what functions in your company is the tension the highest? – Why?

WHY is tension created?
26. What are the underlying reasons causing tensions?
27. What could have been done to avoid the creation of tension?

WHAT is the impact of tension?
28. What is the impact of tensions?

HOW to manage tension?
29. What strategies/tactics have you used to manage tensions or mitigate the effects of tensions?
   a. What worked well/not so well? Why?
   b. Would you have done anything differently with hindsight? Why?
   c. What learning can you derive from your experience?
Other

30. Anything else of importance we have not discussed in relation to balancing local responsiveness and global integration?
14.6 Interview guide: 3 Denmark, 3 Sweden, Vodafone China

PART I – Marketing Mix Standardisation & Value Chain Integration

*Marketing mix* is defined to include elements of the customer experience such as brand name, product, offer structure, packaging, advertising, promotion, sales and distribution, customer service, warranties, web site and price.

*Standardisation* is defined as standardising elements of the marketing mix, to at least some extent, across multiple markets. The opposite of standardisation would be total autonomy where the local subsidiaries would have complete freedom in relation to how to manage the elements of the marketing mix.

*The value chain* is used to categorise a company’s generic value adding activities. The first category consists of ‘primary activities’ such as: inbound logistics, production, outbound logistics, sales and marketing and maintenance. The second category consists of ‘support activities’ including administration, human resource management, R&D and procurement.

*Integration* is defined as physical integration or strategic coordination of activities in the value chain across subsidiaries in multiple markets. The opposite of integration would be completely stand alone subsidiaries in every market with independent as well as complete stand alone value chains to serve the local market.

**WHAT to standardise and integrate? (have prompt card ready)**
1. What elements of the marketing mix are standardised in your company today? Do you feel that this is the appropriate level of standardisation?
2. What activities in the value chain are integrated in your company today? Do you feel that this is the appropriate level of integration?
3. Has the level of standardisation and integration been constant since the launch of operations or has there been any significant changes?

**WHY standardise/integrate?**
4. Why do you standardise marketing mix elements and integrate value chain activities? What outcomes are you seeking to achieve?

**WHEN to standardise/integrate?**
5. When does it make sense versus not sense to seek to standardise and integrate? What are the indicators?

**HOW to standardise/integrate?**
6. How does your company decide on what to standardise and integrate?
7. What information or tools assist in making good standardisation and integration decisions by managers at headquarters?
8. How should the strategic decision process be organised between headquarters and subsidiaries to ensure appropriate standardisation and integration decisions?
9. What are the key success factors versus ‘deal breakers’ to ensure effective implementation of standardisation and integration?
10. If attempts to standardise or integrate aren’t working properly, what are the problems that this causes?

**OUTCOME of standardisation/integration**

11. When does headquarters ‘add value’ with standardisation and integration?
12. When does headquarters ‘destroy value’ with standardisation and integration?
13. What characterises headquarters as a ‘good parent’ in relation to standardisation and integration?
14. What characterises headquarters as a ‘bad parent’ in relation to standardisation and integration?
15. What factors influence how you respond to standardisation and integration initiatives?
   i. Comply
   ii. Challenge or negotiate
   iii. Manipulate
   iv. Ignore

**Other**

16. Anything else of importance we have not discussed in relation to standardisation and integration?

**PART II – Balancing Local Responsiveness and Global Integration**

**Responsiveness** is defined as decisions taken autonomously by a subsidiary to respond primarily to local customer needs or competitive demands (Prahalad & Doz, 1987).

**Integration** is defined as physical integration or strategic coordination of activities in the value chain across subsidiaries in multiple markets. The opposite of integration would be completely stand alone subsidiaries in every market with independent as well as complete stand alone value chains to serve the local market.

**Competing demands** are defined as situations when there is a conflict, at least in the short run, between pursuing both ‘local’ and ‘global/regional’ requirements simultaneously.

**HOW common is tension?**

17. How common is it to experience competing demands between ‘local’ and ‘global’ requirements in your company?

**WHERE is tension created?**

18. In what functions in your company is tension the highest? – Why?

**WHY is tension created?**

19. What are the underlying reasons causing tensions?
20. What could have been done to avoid the creation of tension?
**WHAT is the impact of tension?**
21. What is the impact of tensions?
   b. Business impact
c. Personal impact

**HOW to manage tension?**
22. What strategies/tactics have you used to manage tensions or mitigate the effects of tensions?
   d. What worked well/not so well? Why?
e. Would you have done anything differently with hindsight? Why?
f. What learning can you derive from your experience?

**Other**
23. Anything else of importance we have not discussed in relation to balancing local responsiveness and global integration?
14.7 Original Danish node structure
Original Danish Node Structure

NVivo revision 2.0.161 Licensee: Andreas


NODE LISTING

Nodes in Set: All Tree Nodes
Created: 3/30/2005 - 9:04:35 PM
Modified: 4/15/2005 - 8:26:34 AM
Number of Nodes: 130

1 (1) /Management

2 (1 3) /Management/Subsidiary Management

3 (1 3 11) /Management/Subsidiary Management/Personal skills

4 (1 3 11 2) /Management/Subsidiary Management/Personal skills/Get your priorities straight

5 (1 3 11 2 2) /Management/Subsidiary Management/Personal skills/Get your priorities straight/Prioritize business performance

6 (1 3 11 2 5) /Management/Subsidiary Management/Personal skills/Get your priorities straight/Pick the right fights

7 (1 3 11 2 13) /Management/Subsidiary Management/Personal skills/Get your priorities straight/Know who you work for

8 (1 3 11 6) /Management/Subsidiary Management/Personal skills/Know the dirty tricks

9 (1 3 11 6 1) /Management/Subsidiary Management/Personal skills/Know the dirty tricks/Forgiveness rather than permission

10 (1 3 11 6 3) /Management/Subsidiary Management/Personal skills/Know the dirty tricks/Comply on paper

11 (1 3 11 6 4) /Management/Subsidiary Management/Personal skills/Know the dirty tricks/Delay implementation

12 (1 3 11 6 11) /Management/Subsidiary Management/Personal skills/Know the dirty tricks/Play out group entities against each

13 (1 3 11 6 14) /Management/Subsidiary Management/Personal skills/Know the dirty tricks/Overembrace some projects

14 (1 3 11 6 15) /Management/Subsidiary Management/Personal skills/Know the dirty tricks/Claim we already have it

15 (1 3 11 6 19) /Management/Subsidiary Management/Personal skills/Know the dirty tricks/Make deliveries contingent on group

16 (1 3 11 6 20) /Management/Subsidiary Management/Personal skills/Know the dirty tricks/Leverage implementation knowledge

17 (1 3 11 7) /Management/Subsidiary Management/Personal skills/Demonstrate loyalty

18 (1 3 11 7 18) /Management/Subsidiary Management/Personal skills/Demonstrate loyalty/Show you are a good and loyal soldie

19 (1 3 11 8) /Management/Subsidiary Management/Personal skills/Build networks

20 (1 3 11 8 6) /Management/Subsidiary Management/Personal skills/Build networks/Networking and dialogue

21 (1 3 11 8 8) /Management/Subsidiary Management/Personal skills/Build networks/Subsidiary coalitions
(1 3 11 8 17) /Management/Subsidiary Management/Personal skills/Build networks/Interface with Group at the right
(1 3 11 9) /Management/Subsidiary Management/Personal skills/Know the pitfalls
(1 3 11 9 6) /Management/Subsidiary Management/Personal skills/Know the pitfalls/Discussing too honestly
(1 3 11 9 9) /Management/Subsidiary Management/Personal skills/Know the pitfalls/Argue bottom line financials
(1 3 11 23) /Management/Subsidiary Management/Personal skills/Keep business sense

(1 3 13) /Management/Subsidiary Management/Organizational skills
(1 3 13 3) /Management/Subsidiary Management/Organizational skills/Influence the rules of the game
(1 3 13 5) /Management/Subsidiary Management/Organizational skills/Know your financials
(1 3 13 5 9) /Management/Subsidiary Management/Organizational skills/Know your financials/Importance of initial targets
(1 3 13 5 16) /Management/Subsidiary Management/Organizational skills/Know your financials/Request funding
(1 3 13 10) /Management/Subsidiary Management/Organizational skills/Argue with objective research data
(1 3 13 11) /Management/Subsidiary Management/Organizational skills/Parallel implementation organization
(1 3 13 12) /Management/Subsidiary Management/Organizational skills/Change skill sets
(1 3 13 24) /Management/Subsidiary Management/Organizational skills/Ensure your organization is in order
(1 3 13 24 2) /Management/Subsidiary Management/Organizational skills/Ensure your organization is in order/Get the right people
(1 3 13 24 2 1) /Management/Subsidiary Management/Organizational skills/Ensure your organization is in order/Get the right people/Experienced staff
(1 3 13 24 5) /Management/Subsidiary Management/Organizational skills/Ensure your organization is in order/Create consolidated roadmap
(1 3 13 24 10) /Management/Subsidiary Management/Organizational skills/Ensure your organization is in order/Streamline subsidiary interfaces
(1 3 13 24 11) /Management/Subsidiary Management/Organizational skills/Ensure your organization is in order/Get total overview fast
(1 3 13 24 12) /Management/Subsidiary Management/Organizational skills/Ensure your organization is in order/Ensure united management team
(1 3 13 24 22) /Management/Subsidiary Management/Organizational skills/Ensure your organization is in order/Justify exemptions

(1 4) /Management/Headquarter Management
(1 4 1) /Management/Headquarter Management/Vision and strategy
(1 4 1 6) /Management/Headquarter Management/Vision and strategy/Communicate strategy
(1 4 6) /Management/Headquarter Management/Organizational skills
(1 4 6 1) /Management/Headquarter Management/Organizational skills/Get the right people
(1 4 6 1 2) /Management/Headquarter Management/Organizational skills/Get the right people/Understand expats versus locals
(1 4 6 2) /Management/Headquarter Management/Organizational skills/Implementation roadmap
(1 4 6 2 1) /Management/Headquarter Management/Organizational skills/Implementation roadmap/Know what to standardise
(1 4 6 2 3) /Management/Headquarter Management/Organizational skills/Implementation roadmap/Differentiate subsidiaries

(1 4 6 3) /Management/Headquarter Management/Organizational skills/Agree funding

(1 4 6 4) /Management/Headquarter Management/Organizational skills/Align structure

(1 4 6 5) /Management/Headquarter Management/Organizational skills/Set operating model

(1 4 6 7) /Management/Headquarter Management/Organizational skills/Need to own the subsidiaries

(1 4 6 8) /Management/Headquarter Management/Organizational skills/Develop mindset

(1 4 6 12) /Management/Headquarter Management/Organizational skills/Beware of pendular swings

(2) /Tensions

(2 1) /Tensions/Frequency

(2 1 6) /Tensions/Frequency/Frequency of tensions

(2 1 10) /Tensions/Frequency/Frequency of management discussions

(2 2) /Tensions/Impact

(2 2 1) /Tensions/Impact/Time and speed

(2 2 3) /Tensions/Impact/Loss of motivation

(2 2 4) /Tensions/Impact/Loss of focus

(2 2 4 8) /Tensions/Impact/Loss of focus/Reprioritisations

(2 2 5) /Tensions/Impact/Knowledge sharing

(2 2 6) /Tensions/Impact/Decrease efficiency

(2 2 6 10) /Tensions/Impact/Decrease efficiency/More admin resources required

(2 2 7) /Tensions/Impact/Lost local opportunities

(2 2 9) /Tensions/Impact/Needed to break guidelines

(2 5) /Tensions/Affected business functions

(2 7) /Tensions/Reasons for tensions

(2 7 1) /Tensions/Reasons for tensions/Poor organization

(2 7 1 1) /Tensions/Reasons for tensions/Poor organization/No overall forum for prioritization

(2 7 1 3) /Tensions/Reasons for tensions/Poor organization/Unclear roles and responsibilities

(2 7 1 5) /Tensions/Reasons for tensions/Poor organization/Multiple voices issuing direction

(2 7 1 10) /Tensions/Reasons for tensions/Poor organization/Unclear rules of the game

(2 7 1 20) /Tensions/Reasons for tensions/Poor organization/Lack of processes and governance

(2 7 1 21) /Tensions/Reasons for tensions/Poor organization/Going through a transition period

(2 7 1 24) /Tensions/Reasons for tensions/Poor organization/Dual reporting roles
(2 7 1 26) /Tensions/Reasons for tensions/Poor organization/Unrealistic implementation plans
(2 7 1 27) /Tensions/Reasons for tensions/Poor organization/Lack of subsidiary differentiation
(2 7 1 32) /Tensions/Reasons for tensions/Poor organization/Poor information flows
(2 7 2) /Tensions/Reasons for tensions/Different conditions
(2 7 2 3) /Tensions/Reasons for tensions/Different conditions/Market differences
(2 7 2 3 9) /Tensions/Reasons for tensions/Different conditions/Market differences/Legislative differences
(2 7 2 14) /Tensions/Reasons for tensions/Different conditions/Market differences/Geographic complexity
(2 7 2 18) /Tensions/Reasons for tensions/Different conditions/Market differences/Cultural differences
(2 7 2 5) /Tensions/Reasons for tensions/Different conditions/Subsidiary differences
(2 7 2 5 1) /Tensions/Reasons for tensions/Different conditions/Subsidiary differences/Size
(2 7 2 5 15) /Tensions/Reasons for tensions/Different conditions/Subsidiary differences/Different heritage - legacy
(2 7 2 5 28) /Tensions/Reasons for tensions/Different conditions/Subsidiary differences/Resource availability
(2 7 4) /Tensions/Reasons for tensions/Lack of trust
(2 7 4 1) /Tensions/Reasons for tensions/Lack of trust/Financial underperformance
(2 7 4 2) /Tensions/Reasons for tensions/Lack of trust/Power games
(2 7 4 3) /Tensions/Reasons for tensions/Lack of trust/Unclear end game
(2 7 4 19) /Tensions/Reasons for tensions/Lack of trust/Unclear end game/Not seeing end game
(2 7 4 30) /Tensions/Reasons for tensions/Lack of trust/Unclear end game/End game not communicated to all
(2 7 4 8) /Tensions/Reasons for tensions/Lack of trust/Lack of subsidiary consultation
(2 7 4 23) /Tensions/Reasons for tensions/Lack of trust/Group non delivery
(2 7 10) /Tensions/Reasons for tensions/Competing goals
(2 7 10 1) /Tensions/Reasons for tensions/Competing goals/Different timeframes
(2 7 10 13) /Tensions/Reasons for tensions/Competing goals/Target inconsistency
(2 7 10 29) /Tensions/Reasons for tensions/Competing goals/Pursuing own agendas
(2 7 10 33) /Tensions/Reasons for tensions/Competing goals/Inflexible supplier framework agreem
(2 7 12) /Tensions/Reasons for tensions/Inflexible mindsets
(2 7 12 1) /Tensions/Reasons for tensions/Inflexible mindsets/Centralist mindset
(2 7 12 10) /Tensions/Reasons for tensions/Inflexible mindsets/Parochial attitudes
(2 7 13) /Tensions/Reasons for tensions/Redefined management roles
(2 7 13 17) /Tensions/Reasons for tensions/Redefined management roles/Management demotion
(2 7 14) /Tensions/Reasons for tensions/Lack of experienced people
(2 7 14 4) /Tensions/Reasons for tensions/Lack of experienced people/Lack of experience
(2 7 14 31) /Tensions/Reasons for tensions/Lack of experienced people/Lack of right people
(2 7 34) /Tensions/Reasons for tensions/Disagreement on direction
(2 7 34 1) /Tensions/Reasons for tensions/Disagreement on direction/Different prioritization
(2 7 34 6) /Tensions/Reasons for tensions/Disagreement on direction/CEO pet projects
(2.8) /Tensions/Reactions to tensions
(2.8.2) /Tensions/Reactions to tensions/Personal reactions
(2.8.2.1) /Tensions/Reactions to tensions/Personal reactions/Not bothered
(2.8.2.2) /Tensions/Reactions to tensions/Personal reactions/Rational versus emotional
(2.8.2.6) /Tensions/Reactions to tensions/Personal reactions/Frustration
(2.8.2.7) /Tensions/Reactions to tensions/Personal reactions/Divided
(2.8.2.8) /Tensions/Reactions to tensions/Personal reactions/Resignation
(2.8.9) /Tensions/Reactions to tensions/Gradual acceptance
(2.8.9.1) /Tensions/Reactions to tensions/Gradual acceptance/Denial
(2.8.9.2) /Tensions/Reactions to tensions/Gradual acceptance/Passive compliance
(2.8.9.3) /Tensions/Reactions to tensions/Gradual acceptance/Genuine compliance
14.8 Romanian node structure
NODE LISTING

Nodes in Set: All Tree Nodes
Created: 3/29/2006 - 1:02:07 PM
Modified: 3/29/2006 - 1:02:07 PM
Number of Nodes: 208

1 (1) /Integration
2 (1 1) /Integration/Context Factors
3 (1 1 1) /Integration/Context Factors/Products versus services
4 (1 1 2) /Integration/Context Factors/Type of implementation
5 (1 1 3) /Integration/Context Factors/Legacy versus new

6 (1 2) /Integration/Affected Business Areas
7 (1 2 1) /Integration/Affected Business Areas/Mix Elements
8 (1 2 1 1) /Integration/Affected Business Areas/Mix Elements/Web
9 (1 2 1 2) /Integration/Affected Business Areas/Mix Elements/Advertising
10 (1 2 1 3) /Integration/Affected Business Areas/Mix Elements/Pricing
11 (1 2 1 4) /Integration/Affected Business Areas/Mix Elements/Products and services
12 (1 2 1 5) /Integration/Affected Business Areas/Mix Elements/Sales and distribution
13 (1 2 1 6) /Integration/Affected Business Areas/Mix Elements/Customer service
14 (1 2 1 7) /Integration/Affected Business Areas/Mix Elements/Promotions
15 (1 2 1 8) /Integration/Affected Business Areas/Mix Elements/Brand
16 (1 2 1 9) /Integration/Affected Business Areas/Mix Elements/Offer structure
17 (1 2 1 10) /Integration/Affected Business Areas/Mix Elements/Network
18 (1 2 1 11) /Integration/Affected Business Areas/Mix Elements/Packaging

19 (1 2 2) /Integration/Affected Business Areas/Value Chain
20 (1 2 2 1) /Integration/Affected Business Areas/Value Chain/HR
21 (1 2 2 2) /Integration/Affected Business Areas/Value Chain/Finance
22 (1 2 2 3) /Integration/Affected Business Areas/Value Chain/Procurement
23 (1 2 2 4) /Integration/Affected Business Areas/Value Chain/Sales
24 (1 2 2 5) /Integration/Affected Business Areas/Value Chain/Marketing
Integration

Affected Business Areas

Value Chain

Network and IT

Customer service

Logistics

Administration

Interrelationship

Link between outside and inside

Treated separately

Integration Rationale

Cost reduction

HQ control

Share best practice

Employee Motivation

Market positioning advantage

Standardised customer experience

Promote Western image

Selling to corporate customers

Sustain global position

How to Make Integration Decisions

Interaction

Consultative approach

Be clear integration will happen

Selling approach

View from business owner perspective

Create country pull effect

Strategy

Customer facing functions

Define minimum core

Align objectives

Be clear on integration benefits

Cluster similar countries

Work towards a clear vision

Focus on what matters most

Define brand position

Focus on common segments
(1 6 20 1) /Integration/Implementing Integration/Delivery management/Stick to the minimum core
(1 6 20 5) /Integration/Implementing Integration/Delivery management/Strong delivery management
(1 6 20 15) /Integration/Implementing Integration/Delivery management/Don't skip phases
(1 6 20 18) /Integration/Implementing Integration/Delivery management/Strong change management

(1 7) /Integration/How Integration Decisions Are Actual
(1 7 1) /Integration/How Integration Decisions Are Actual/Who is making decisions
(1 7 2) /Integration/How Integration Decisions Are Actual/How decisions are made

(10) /Tensions
(10 1) /Tensions/Causes of Tensions
(10 1 1) /Tensions/Causes of Tensions/Perceived misfit
(10 1 1 3) /Tensions/Causes of Tensions/Perceived misfit/Negative or marginal local benefits
(10 1 1 3 4) /Tensions/Causes of Tensions/Perceived misfit/Negative or marginal local benefits/Group focused on niche areas
(10 1 1 3 6) /Tensions/Causes of Tensions/Perceived misfit/Negative or marginal local benefits/Marginal benefits
(10 1 1 3 8) /Tensions/Causes of Tensions/Perceived misfit/Negative or marginal local benefits/Negative results
(10 1 1 5) /Tensions/Causes of Tensions/Perceived misfit/Different strategy and positioning
(10 1 1 5 1) /Tensions/Causes of Tensions/Perceived misfit/Different strategy and positioning/Difference in target segments
(10 1 1 5 2) /Tensions/Causes of Tensions/Perceived misfit/Different strategy and positioning/Different sales & distribution
(10 1 1 9) /Tensions/Causes of Tensions/Perceived misfit/Misfit of integration partner
(10 1 1 12) /Tensions/Causes of Tensions/Perceived misfit/Underlying market differences
(10 1 1 12 3) /Tensions/Causes of Tensions/Perceived misfit/Underlying market differences/Fit with local competitive situation
(10 1 1 12 5) /Tensions/Causes of Tensions/Perceived misfit/Underlying market differences/Different HR markets
(10 1 1 12 7) /Tensions/Causes of Tensions/Perceived misfit/Underlying market differences/General market differences
(10 1 1 12 10) /Tensions/Causes of Tensions/Perceived misfit/Underlying market differences/Cultural differences
(10 1 1 12 11) /Tensions/Causes of Tensions/Perceived misfit/Underlying market differences/Changing market conditions

(10 1 2) /Tensions/Causes of Tensions/Perceived lack of justice
(10 1 2 1) /Tensions/Causes of Tensions/Perceived lack of justice/Lack of HQ understanding
(10 1 2 1 1) /Tensions/Causes of Tensions/Perceived lack of justice/Lack of HQ understanding/Lack of Group operational knowledge
(10 1 2 1 3) /Tensions/Causes of Tensions/Perceived lack of justice/Lack of HQ understanding/Group micro management
(10 1 2 1 7) /Tensions/Causes of Tensions/Perceived lack of justice/Lack of HQ understanding/Parochial attitudes at HQ
(10 1 2 1 8) /Tensions/Causes of Tensions/Perceived lack of justice/Lack of HQ understanding/Oversimplistic HQ management
(10 1 2 3) /Tensions/Causes of Tensions/Perceived lack of justice/Lack of trust
(10 1 2 3 14) /Tensions/Causes of Tensions/Perceived lack of justice/Lack of trust/Trust missing
(10 1 2 3 16) /Tensions/Causes of Tensions/Perceived lack of justice/Lack of trust/Tensions not resolved
(10124) Tensions/Causes of Tensions/Perceived lack of justice/Lack of local belief in process
(101242) Tensions/Causes of Tensions/Perceived lack of justice/Lack of local belief in process/Lack of communication and selling
(101246) Tensions/Causes of Tensions/Perceived lack of justice/Lack of local belief in process/Lack of local buy-in
(101219) Tensions/Causes of Tensions/Perceived lack of justice/Lack of fair treatment
(1012191) Tensions/Causes of Tensions/Perceived lack of justice/Lack of fair treatment/Unrealistic Group expectations
(1012193) Tensions/Causes of Tensions/Perceived lack of justice/Lack of fair treatment/War lords and ethnic cleansing
(1012194) Tensions/Causes of Tensions/Perceived lack of justice/Lack of fair treatment/Revenge from HQ
(1012195) Tensions/Causes of Tensions/Perceived lack of justice/Lack of fair treatment/Group inaction
(1012197) Tensions/Causes of Tensions/Perceived lack of justice/Lack of fair treatment/HQ taking energy of subsidiary
(1012198) Tensions/Causes of Tensions/Perceived lack of justice/Lack of fair treatment/Lack of empowerment
(1012199) Tensions/Causes of Tensions/Perceived lack of justice/Lack of fair treatment/Integration that never stops
(10121910) Tensions/Causes of Tensions/Perceived lack of justice/Lack of fair treatment/Hiding behind the Group label
(10121912) Tensions/Causes of Tensions/Perceived lack of justice/Lack of fair treatment/Lack of Group value add
(10121915) Tensions/Causes of Tensions/Perceived lack of justice/Lack of fair treatment/Lack of transparency and fairness

(1013) Tensions/Causes of Tensions/Perceived weak execution
(10131) Tensions/Causes of Tensions/Perceived weak execution/Resource conflicts
(101312) Tensions/Causes of Tensions/Perceived weak execution/Resource conflicts/Goal or resource conflicts
(101316) Tensions/Causes of Tensions/Perceived weak execution/Resource conflicts/Increased bureaucracy
(101319) Tensions/Causes of Tensions/Perceived weak execution/Resource conflicts/Lack of prioritisation
(1013112) Tensions/Causes of Tensions/Perceived weak execution/Resource conflicts/Too tight deadlines
(10132) Tensions/Causes of Tensions/Perceived weak execution/Weak preparation
(1013211) Tensions/Causes of Tensions/Perceived weak execution/Weak preparation/Poor initial assessment
(10133) Tensions/Causes of Tensions/Perceived weak execution/Lack of clear objectives
(101333) Tensions/Causes of Tensions/Perceived weak execution/Lack of clear objectives/Multiple voices
(10134) Tensions/Causes of Tensions/Perceived weak execution/Weak people
(10137) Tensions/Causes of Tensions/Perceived weak execution/Pendular swings
(101313) Tensions/Causes of Tensions/Perceived weak execution/Weak delivery
(1013131) Tensions/Causes of Tensions/Perceived weak execution/Weak delivery/Feeling like a guinea pig
(1013135) Tensions/Causes of Tensions/Perceived weak execution/Weak delivery/Weak implementation
(10131310) Tensions/Causes of Tensions/Perceived weak execution/Weak delivery/Weak change management

(1014) Tensions/Causes of Tensions/Perceived loss of local power
(10141) Tensions/Causes of Tensions/Perceived loss of local power/Loss of local power
(10142) Tensions/Causes of Tensions/Perceived loss of local power/Finding the balance
(10143) Tensions/Causes of Tensions/Perceived loss of local power/Reluctance to change
161 (10 1 5) /Tensions/Causes of Tensions/Misunderstanding

162 (10 2) /Tensions/Consequences of Tensions

163 (10 2 1) /Tensions/Consequences of Tensions/Positive consequences

164 (10 2 1 1) /Tensions/Consequences of Tensions/Positive consequences/Getting new perspective

165 (10 2 1 2) /Tensions/Consequences of Tensions/Positive consequences/Improvements

166 (10 2 3) /Tensions/Consequences of Tensions/Negative consequences

167 (10 2 3 15) /Tensions/Consequences of Tensions/Negative consequences/Business impact

168 (10 2 3 15 1) /Tensions/Consequences of Tensions/Negative consequences/Business impact/Resource impact

169 (10 2 3 15 1 3) /Tensions/Consequences of Tensions/Negative consequences/Business impact/Resource impact/Wasting time to cover ones ass

170 (10 2 3 15 1 4) /Tensions/Consequences of Tensions/Negative consequences/Business impact/Resource impact/Losing good people to Group

171 (10 2 3 15 1 8) /Tensions/Consequences of Tensions/Negative consequences/Business impact/Resource impact/Wasting resources

172 (10 2 3 15 5) /Tensions/Consequences of Tensions/Negative consequences/Business impact/Losing control of local business

173 (10 2 3 15 6) /Tensions/Consequences of Tensions/Negative consequences/Business impact/Customer impact

174 (10 2 3 15 6 1) /Tensions/Consequences of Tensions/Negative consequences/Business impact/Customer impact/Neglecting customers

175 (10 2 3 15 6 2) /Tensions/Consequences of Tensions/Negative consequences/Business impact/Customer impact/Loss of sales

176 (10 2 3 15 6 10) /Tensions/Consequences of Tensions/Negative consequences/Business impact/Customer impact/Losing time to market

177 (10 2 3 15 6 14) /Tensions/Consequences of Tensions/Negative consequences/Business impact/Customer impact/Company perceived as out of touch

178 (10 2 3 15 11) /Tensions/Consequences of Tensions/Negative consequences/Business impact/Crashed implementation

179 (10 2 3 16) /Tensions/Consequences of Tensions/Negative consequences/People impact

180 (10 2 3 16 4) /Tensions/Consequences of Tensions/Negative consequences/People impact/Cover your ass

181 (10 2 3 16 6) /Tensions/Consequences of Tensions/Negative consequences/People impact/Feeling like a fool

182 (10 2 3 16 7) /Tensions/Consequences of Tensions/Negative consequences/People impact/Demotivation

183 (10 2 3 16 9) /Tensions/Consequences of Tensions/Negative consequences/People impact/Generating scepticism

184 (10 2 3 16 12) /Tensions/Consequences of Tensions/Negative consequences/People impact/Personal stress

185 (10 2 3 16 13) /Tensions/Consequences of Tensions/Negative consequences/People impact/Missed targets

186 (10 3) /Tensions/Managing tensions

187 (10 3 1) /Tensions/Managing tensions/Gamesmanship

188 (10 3 1 1) /Tensions/Managing tensions/Gamesmanship/Passive compliance

189 (10 3 1 5) /Tensions/Managing tensions/Gamesmanship/Prioritise local demands

190 (10 3 1 6) /Tensions/Managing tensions/Gamesmanship/Economise the truth

191 (10 3 1 11) /Tensions/Managing tensions/Gamesmanship/Delay implementation

192 (10 3 1 14) /Tensions/Managing tensions/Gamesmanship/Build subsidiary alliances
Managing tensions

Personal approach

1. Serve the one who shouts the loudest
2. Switch off

Get your priorities straight

1. Decide on what matters most

Structure local organisation

1. Reprioritise

Group interaction

1. Argue local case
2. Compromise
3. Fight back for prioritisation
4. Escalate
5. Build personal networks

Frequency of Tensions

Areas of Tensions
14.9 Re-coded Danish node structure
Nodes in Set: All Tree Nodes
Created: 3/31/2006 - 11:24:19 AM
Modified: 3/31/2006 - 11:24:19 AM
Number of Nodes: 146

1 (1) /Integration
2 (1 1) /Integration/Context Factors
3 (1 1 4) /Integration/Context Factors/Subsidiary strength
4 (1 1 5) /Integration/Context Factors/Relative size of subsidiary budget
5 (1 1 6) /Integration/Context Factors/Restructuring
6 (1 1 7) /Integration/Context Factors/Geographical complexity
7 (1 1 8) /Integration/Context Factors/Different legacy
8 (1 1 9) /Integration/Context Factors/Expatriate at top
9 (1 1 10) /Integration/Context Factors/Transition period
10 (1 1 11) /Integration/Context Factors/Different cultures
11 (1 1 12) /Integration/Context Factors/Long term future of business
12 (1 1 13) /Integration/Context Factors/Subsidiary market position

13 (1 5) /Integration/How to Make Integration Decisions
14 (1 5 1) /Integration/How to Make Integration Decisions/Interaction
15 (1 5 1 14) /Integration/How to Make Integration Decisions/Interaction/Be clear integration will happen
16 (1 5 1 18) /Integration/How to Make Integration Decisions/Interaction/Selling approach
17 (1 5 2) /Integration/How to Make Integration Decisions/Strategy
18 (1 5 2 1) /Integration/How to Make Integration Decisions/Strategy/Modular approach
19 (1 5 2 2) /Integration/How to Make Integration Decisions/Strategy/Agree funding up front
20 (1 5 2 3) /Integration/How to Make Integration Decisions/Strategy/Customer facing functions
21 (1 5 2 13) /Integration/How to Make Integration Decisions/Strategy/Work towards a clear vision
22 (1 5 2 21) /Integration/How to Make Integration Decisions/Strategy/Focus on what matters most
23 (1 5 2 25) /Integration/How to Make Integration Decisions/Strategy/Find the right balance
24 (1 5 3) /Integration/How to Make Integration Decisions/People
(1 5 3 1) /Integration/How to Make Integration Decisions/People/Get the right people
(1 6) /Integration/Implementing Integration
(1 6 1) /Integration/Implementing Integration/Structure
(1 6 1 1) /Integration/Implementing Integration/Structure/Align subsidiary structures
(1 6 1 2) /Integration/Implementing Integration/Structure/Controlled subsidiaries
(1 6 3) /Integration/Implementing Integration/People
(1 6 3 1) /Integration/Implementing Integration/People/Strong people
(1 6 3 3) /Integration/Implementing Integration/People/Global mindset
(1 6 3 4) /Integration/Implementing Integration/People/Review people profiles required
(1 6 14) /Integration/Implementing Integration/Objectives and resources
(1 6 14 10) /Integration/Implementing Integration/Objectives and resources/Ensure local resources
(1 6 14 12) /Integration/Implementing Integration/Objectives and resources/Implement in stages
(1 6 20) /Integration/Implementing Integration/Delivery management
(1 6 20 5) /Integration/Implementing Integration/Delivery management/Strong delivery management

(10) /Tensions
(10 1) /Tensions/Causes of Tensions
(10 1 1) /Tensions/Causes of Tensions/Perceived misfit
(10 1 1 3) /Tensions/Causes of Tensions/Perceived misfit/Negative or marginal local benefits
(10 1 1 3 4) /Tensions/Causes of Tensions/Perceived misfit/Negative or marginal local benefits/Group focused on niche areas
(10 1 1 3 6) /Tensions/Causes of Tensions/Perceived misfit/Negative or marginal local benefits/Marginal benefits
(10 1 1 3 8) /Tensions/Causes of Tensions/Perceived misfit/Negative or marginal local benefits/Negative results
(10 1 1 5) /Tensions/Causes of Tensions/Perceived misfit/Different strategy and positioning
(10 1 1 5 3) /Tensions/Causes of Tensions/Perceived misfit/Different strategy and positioning/Different market position
(10 1 1 12) /Tensions/Causes of Tensions/Perceived misfit/Underlying market differences
(10 1 1 12 1) /Tensions/Causes of Tensions/Perceived misfit/Underlying market differences/Different regulation
(10 1 1 12 3) /Tensions/Causes of Tensions/Perceived misfit/Underlying market differences/Fit with local competitive situation
(10 1 1 12 7) /Tensions/Causes of Tensions/Perceived misfit/Underlying market differences/General market differences
(10 1 1 12 10) /Tensions/Causes of Tensions/Perceived misfit/Underlying market differences/Cultural differences
Tensions/Causes of Tensions/Perceived lack of justice

Lack of HQ understanding
- HQ refusing to listen
- Lack of Group operational knowledge
- Parochial attitudes at HQ
- Oversimplistic HQ management

Lack of trust
- Trust missing

Lack of local belief in process
- Lack of communication and selling
- Lack of local buy-in

Lack of fair treatment
- Unrealistic Group expectations
- War lords and ethnic cleansing
- Lack of transparency and fairness

Perceived weak execution
- Resource conflicts
- Goal or resource conflicts
- Increased bureaucracy
- Lack of prioritisation
- Unclear roles and responsibilities
- Unclear strategy and objectives
- Lack of visibility and overview

Weak delivery
- Group non delivery
- Weak implementation
(10 1 4) /Tensions/ Causes of Tensions/ Perceived loss of local power
(10 1 4 1) /Tensions/ Causes of Tensions/ Perceived loss of local power/ Loss of local power
(10 1 4 3) /Tensions/ Causes of Tensions/ Perceived loss of local power/ Reluctance to change

(10 1 5) /Tensions/ Causes of Tensions/ Misunderstanding

(10 2) /Tensions/ Consequences of Tensions
(10 2 1) /Tensions/ Consequences of Tensions/ Positive consequences
(10 2 1 1) /Tensions/ Consequences of Tensions/ Positive consequences/ Getting new perspective
(10 2 1 3) /Tensions/ Consequences of Tensions/ Positive consequences/ Knowledge sharing
(10 2 3) /Tensions/ Consequences of Tensions/ Negative consequences
(10 2 3 15) /Tensions/ Consequences of Tensions/ Negative consequences/ Business impact
(10 2 3 15 1) /Tensions/ Consequences of Tensions/ Negative consequences/ Business impact/ Resource impact
(10 2 3 15 1 8) /Tensions/ Consequences of Tensions/ Negative consequences/ Business impact/ Resource impact/ Wasting resources
(10 2 3 15 2) /Tensions/ Consequences of Tensions/ Negative consequences/ Business impact/ Suboptimal strategy
(10 2 3 15 3) /Tensions/ Consequences of Tensions/ Negative consequences/ Business impact/ Taking a lot of time
(10 2 3 15 6) /Tensions/ Consequences of Tensions/ Negative consequences/ Business impact/ Customer impact
(10 2 3 15 6 10) /Tensions/ Consequences of Tensions/ Negative consequences/ Business impact/ Customer impact/ Losing time to market
(10 2 3 16) /Tensions/ Consequences of Tensions/ Negative consequences/ People impact
(10 2 3 16 1) /Tensions/ Consequences of Tensions/ Negative consequences/ People impact/ Frustration
(10 2 3 16 7) /Tensions/ Consequences of Tensions/ Negative consequences/ People impact/ Demotivation
(10 2 3 16 9) /Tensions/ Consequences of Tensions/ Negative consequences/ People impact/ Generating scepticism
(10 2 5) /Tensions/ Consequences of Tensions/ Other
(10 2 5 2) /Tensions/ Consequences of Tensions/ Other/ Enacting the transnational
(10 2 5 4) /Tensions/ Consequences of Tensions/ Other/ Needed to break guidelines

(10 3) /Tensions/ Managing tensions
(10 3 1) /Tensions/ Managing tensions/ Gamesmanship
(10 3 1 5) /Tensions/ Managing tensions/ Gamesmanship/ Ask for forgiveness
(10 3 1 7) /Tensions/ Managing tensions/ Gamesmanship/ Prioritise local demands
(10 3 1 12) /Tensions/ Managing tensions/ Gamesmanship/ Create confusion
(10 3 1 16) /Tensions/ Managing tensions/ Gamesmanship/ Passive compliance
(10 3 1 19) /Tensions/ Managing tensions/ Gamesmanship/ Claim already have it
(10 3 1 20) /Tensions/ Managing tensions/ Gamesmanship/ Over embrace some initiatives
(10 3 1 21) /Tensions/ Managing tensions/ Gamesmanship/ Make deliverables contingent on group
(10 3 1 22) /Tensions/ Managing tensions/ Gamesmanship/ Break guidelines
120 (10 3 1 30) /Tensions/Managing tensions/Gamesmanship/Build subsidiary alliances
121 (10 3 1 31) /Tensions/Managing tensions/Gamesmanship/Comply on paper
122 (10 3 1 32) /Tensions/Managing tensions/Gamesmanship/Delay implementation
123 (10 3 2) /Tensions/Managing tensions/Structure local organisation
124 (10 3 2 6) /Tensions/Managing tensions/Structure local organisation/Create consolidated roadmap
125 (10 3 2 8) /Tensions/Managing tensions/Structure local organisation/Ensure united management team
126 (10 3 2 9) /Tensions/Managing tensions/Structure local organisation/Streamline interfaces
127 (10 3 2 10) /Tensions/Managing tensions/Structure local organisation/Internal negotiations
128 (10 3 2 23) /Tensions/Managing tensions/Structure local organisation/Reprioritise
129 (10 3 3) /Tensions/Managing tensions/Get your priorities straight
130 (10 3 3 14) /Tensions/Managing tensions/Get your priorities straight/Decide who you work for
131 (10 3 3 24) /Tensions/Managing tensions/Get your priorities straight/Decide on what matters most
132 (10 3 5) /Tensions/Managing tensions/Group interaction
133 (10 3 5 3) /Tensions/Managing tensions/Group interaction/Signal compliance
134 (10 3 5 11) /Tensions/Managing tensions/Group interaction/Understand the political landscape
135 (10 3 5 13) /Tensions/Managing tensions/Group interaction/Get the right targets up front
136 (10 3 5 15) /Tensions/Managing tensions/Group interaction/Build personal networks
137 (10 3 5 18) /Tensions/Managing tensions/Group interaction/Be honest and straight with Group
138 (10 3 5 25) /Tensions/Managing tensions/Group interaction/Request additional resources
139 (10 3 5 26) /Tensions/Managing tensions/Group interaction/Argue local case
140 (10 3 5 27) /Tensions/Managing tensions/Group interaction/Compromise
141 (10 3 5 28) /Tensions/Managing tensions/Group interaction/Fight back for prioritisation
142 (10 3 5 29) /Tensions/Managing tensions/Group interaction/Escalation
143 (10 3 6) /Tensions/Managing tensions/Influence rules of the game
144 (10 3 6 1) /Tensions/Managing tensions/Influence rules of the game/Influence rules of the game
145 (10 8) /Tensions/Frequency of Tensions
146 (10 9) /Tensions/Areas of Tensions
14.10 Combined node structure for all five cases
Node Summary Report

Project: PhD Combined

Generated: 12/02/2007 15:38

Integration
Integration\Affected Business Areas
Integration\Affected Business Areas\Interrelationship
Integration\Affected Business Areas\Interrelationship\Link between outside and inside
Integration\Affected Business Areas\Interrelationship\Treated separately
Integration\Affected Business Areas\Mix Elements
Integration\Affected Business Areas\Mix Elements\Advertising
Integration\Affected Business Areas\Mix Elements\Brand
Integration\Affected Business Areas\Mix Elements\Customer service
Integration\Affected Business Areas\Mix Elements\Network
Integration\Affected Business Areas\Mix Elements\Offer structure
Integration\Affected Business Areas\Mix Elements\Packaging
Integration\Affected Business Areas\Mix Elements\Pricing
Integration\Affected Business Areas\Mix Elements\Products and services
Integration\Affected Business Areas\Mix Elements\Promotions
Integration\Affected Business Areas\Mix Elements\Sales and distribution
Integration\Affected Business Areas\Mix Elements\Web

Integration\Affected Business Areas\Value Chain
Integration\Affected Business Areas\Value Chain\Administration
Integration\Affected Business Areas\Value Chain\Customer service
Integration\Affected Business Areas\Value Chain\Finance
Integration\Affected Business Areas\Value Chain\HR
Integration\Affected Business Areas\Value Chain\Logistics
Integration\Affected Business Areas\Value Chain\Marketing
Integration\Affected Business Areas\Value Chain\Network and IT
Integration\Affected Business Areas\Value Chain\Procurement
Integration\Affected Business Areas\Value Chain\Sales
**Integration**

**Context Factors**
- Championed by junior people
- Clearly valuable projects
- Different cultures
- Expatriate at top
- Long term future of business
- Service Industry
- Subsidiary market position
- Subsidiary strength and size
- Transition period

**Integration**

**How Integration Decisions Are Actually Made**
- How decisions are made
- Who is making decisions

**Integration**

**How to Make Integration Decisions**

**Analysis**
- Analyse and benchmark local operations
- Analyse customer needs
- Analyse market development stage
- Analyse market similarities
- Avoid Not Invented Here localisation
- Make proper initial assessment

**Interaction**
- Be clear integration will happen
- Consultation and selling

**People**
- Build local market knowledge at HQ
- Ensure operational people in process
- Get the right people

**Strategy**
- Agree funding up front
- Align objectives
Integration\How to Make Integration Decisions\Strategy\Be clear on integration benefits
Integration\How to Make Integration Decisions\Strategy\Cluster similar countries
Integration\How to Make Integration Decisions\Strategy\Customer facing functions
Integration\How to Make Integration Decisions\Strategy\Define brand position
Integration\How to Make Integration Decisions\Strategy\Define minimum core
Integration\How to Make Integration Decisions\Strategy\Find the right balance
Integration\How to Make Integration Decisions\Strategy\Focus on common segments
Integration\How to Make Integration Decisions\Strategy\Focus on what matters most
Integration\How to Make Integration Decisions\Strategy\Modular approach
Integration\How to Make Integration Decisions\Strategy\Offer differences determine integration
Integration\How to Make Integration Decisions\Strategy\Principles rather than exact content
Integration\How to Make Integration Decisions\Strategy\Standardise IT systems
Integration\How to Make Integration Decisions\Strategy\Work towards a clear vision

Integration\Implementing Integration
Integration\Implementing Integration\Delivery management
Integration\Implementing Integration\Delivery management\Don't skip phases
Integration\Implementing Integration\Delivery management\Ensure consistency
Integration\Implementing Integration\Delivery management\Involve key stakeholders
Integration\Implementing Integration\Delivery management\Stick to the minimum core
Integration\Implementing Integration\Delivery management\Strong delivery management

Integration\Implementing Integration\Freedom within guidelines

Integration\Implementing Integration\Integration through independence first

Integration\Implementing Integration\Interaction
Integration\Implementing Integration\Interaction\Accept mistakes to learn
Integration\Implementing Integration\Interaction\Build trust
Integration\Implementing Integration\Interaction\Don't suffocate entrepreneurship
Integration\Implementing Integration\Interaction\HQ follow-up
Integration\Implementing Integration\Interaction\People interaction rather than bureaucracy
Integration\Implementing Integration\Interaction\Strong communication
Integration\Implementing Integration\Interaction\Use subsidiary feedback loop
Integration\Implementing Integration\Interaction\Use subtle control mechanisms
Integration|Implementing Integration|Objectives and resources
Integration|Implementing Integration|Objectives and resources|Avoid too many swings
Integration|Implementing Integration|Objectives and resources|Dedicated working group
Integration|Implementing Integration|Objectives and resources|Ensure local prioritisation
Integration|Implementing Integration|Objectives and resources|Ensure local resources
Integration|Implementing Integration|Objectives and resources|Implement in stages
Integration|Implementing Integration|Objectives and resources|Measure at operational level

Integration|Implementing Integration|People
Integration|Implementing Integration|People|Acknowledge integration contributions
Integration|Implementing Integration|People|Cultural integration
Integration|Implementing Integration|People|Engage people
Integration|Implementing Integration|People|Get new people without legacy
Integration|Implementing Integration|People|Global mindset
Integration|Implementing Integration|People|Hand-on leadership
Integration|Implementing Integration|People|Move people around
Integration|Implementing Integration|People|Replace blockers
Integration|Implementing Integration|People|Review people profiles required
Integration|Implementing Integration|People|Share ways of working
Integration|Implementing Integration|People|Strong people
Integration|Implementing Integration|People|Top management commitment
Integration|Implementing Integration|People|Treat people well

Integration|Implementing Integration|Prevent unnecessary drift

Integration|Implementing Integration|Structure
Integration|Implementing Integration|Structure|Align business processes
Integration|Implementing Integration|Structure|Align subsidiary structures
Integration|Implementing Integration|Structure|Controlled subsidiaries
Integration|Implementing Integration|Structure|Create global operating model
Integration|Implementing Integration|Structure|De-layer HQ
Integration|Implementing Integration|Structure|Establish governance
Integration|Implementing Integration|Structure|Knowledge sharing structure

Integration|Integration Rationale
Integration|Integration Rationale|Cost reduction
Integration\Integration Rationale\HQ control
Integration\Integration Rationale\Leverage combined scale
Integration\Integration Rationale\Market positioning advantage
Integration\Integration Rationale\Market positioning advantage\Promote Western image
Integration\Integration Rationale\Market positioning advantage\Selling to corporate customers
Integration\Integration Rationale\Market positioning advantage\Standardised customer experience
Integration\Integration Rationale\Market positioning advantage\Sustain global position
Integration\Integration Rationale\Share best practice
Integration\Integration Rationale\Strategic-defensive

Tensions
Tensions\Areas of Tensions
Tensions\Causes of Tensions

Tensions\Causes of Tensions\Cultural differences
Tensions\Causes of Tensions\Cultural differences\Cultural interaction style

Tensions\Causes of Tensions\Perceived lack of fair process
Tensions\Causes of Tensions\Perceived lack of fair process\HQ micro management
Tensions\Causes of Tensions\Perceived lack of fair process\Lack of fair treatment
Tensions\Causes of Tensions\Perceived lack of fair process\Lack of fair treatment\Disrespectful style
Tensions\Causes of Tensions\Perceived lack of fair process\Lack of fair treatment\Group inaction
Tensions\Causes of Tensions\Perceived lack of fair process\Lack of fair treatment\HQ doesn't care about subsidiary
Tensions\Causes of Tensions\Perceived lack of fair process\Lack of fair treatment\HQ not explaining rationale
Tensions\Causes of Tensions\Perceived lack of fair process\Lack of fair treatment\Integration that never stops
Tensions\Causes of Tensions\Perceived lack of fair process\Lack of fair treatment\Lack of transparency and fairness
Tensions\Causes of Tensions\Perceived lack of fair process\Lack of fair treatment\Unrealistic Group expectations
Tensions\Causes of Tensions\Perceived lack of fair process\Lack of fair treatment\War lords and ethnic cleansing
Tensions\Causes of Tensions\Perceived lack of fair process\Lack of governance
Tensions\Causes of Tensions\Perceived lack of fair process\Lack of HQ understanding
Tensions\Causes of Tensions\Perceived lack of fair process\Lack of HQ understanding\HQ lack of country and market knowledge
Tensions\Causes of Tensions\Perceived lack of fair process\Lack of HQ understanding\HQ refusing to listen
Tensions\Causes of Tensions\Perceived lack of fair process\Lack of HQ understanding\Lack of Group operational knowledge
Tensions\Causes of Tensions\Perceived lack of fair process\Lack of HQ understanding\Oversimplistic HQ management
Tensions\Causes of Tensions\Perceived lack of fair process\Lack of HQ understanding\Parochial attitudes at HQ
Tensions\Causes of Tensions\Perceived lack of fair process\Lack of selling and buy-in
Tensions
Causes of Tensions
Perceived lack of fair process
Lack of trust
Perceived lack of fair process
Perceived inequity
Lack of representation
Perceived lack of fair process
Perceived inequity
Unfair balance between parties
Perceived lack of fair process
Perceived inequity
Unfair resource allocation

Tensions
Causes of Tensions
Perceived loss of local autonomy
Loss of local autonomy
Lack of representation
Unfair balance between parties
Unfair resource allocation

Tensions
Causes of Tensions
Perceived misfit
Different strategy and positioning
Misfit of integration partner
Negative or marginal local benefits
Underlying market differences
Changing market conditions
Cultural differences
Different regulation
Fit with local competitive situation
General market differences

Tensions
Causes of Tensions
Perceived weak execution
Goal or resource conflicts
Increased bureaucracy
Unexperienced people at HQ
Lack of clear direction
Constant reprioritisations
Lack of prioritisation
Multiple voices
Pendular swings
Unclear strategy and objectives
Unclear roles and responsibilities
Weak delivery of integration initiatives
Feedback loop not working
Group non delivery
Weak change management
Weak implementation
Tensions\Causes of Tensions\Perceived weak execution\Weak delivery of integration initiatives\Weak preparation

Tensions\Consequences of Tensions
Tensions\Consequences of Tensions\Negative consequences
Tensions\Consequences of Tensions\Negative consequences\Business impact
Tensions\Consequences of Tensions\Negative consequences\Business impact\Crashed implementation
Tensions\Consequences of Tensions\Negative consequences\Business impact\Customer impact
Tensions\Consequences of Tensions\Negative consequences\Business impact\Customer impact\Losing time to market
Tensions\Consequences of Tensions\Negative consequences\Business impact\Customer impact\Loss of sales
Tensions\Consequences of Tensions\Negative consequences\Business impact\Neglecting customers
Tensions\Consequences of Tensions\Negative consequences\Business impact\Suboptimal strategy
Tensions\Consequences of Tensions\Negative consequences\Business impact\Wasting resources

Tensions\Consequences of Tensions\Negative consequences\People impact
Tensions\Consequences of Tensions\Negative consequences\People impact\Demotivation
Tensions\Consequences of Tensions\Negative consequences\People impact\Frustration
Tensions\Consequences of Tensions\Negative consequences\People impact\Generating scepticism

Tensions\Consequences of Tensions\Other
Tensions\Consequences of Tensions\Other\Enacting the transnational

Tensions\Consequences of Tensions\Positive consequences
Tensions\Consequences of Tensions\Positive consequences\Getting new perspective
Tensions\Consequences of Tensions\Positive consequences\Improvements
Tensions\Consequences of Tensions\Positive consequences\Knowledge sharing

Tensions\Frequency of Tensions

Tensions\Managing tensions
Tensions\Managing tensions\Comply, challenge, manipulate, ignore

Tensions\Managing tensions\Gamesmanship
Tensions\Managing tensions\Gamesmanship\Ask for forgiveness
Tensions\Managing tensions\Gamesmanship\Become politician
Tensions\Managing tensions\Gamesmanship\Break guidelines
Tensions\Managing tensions\Gamesmanship\Build subsidiary alliances
Tensions\Managing tensions\Gamesmanship\Comply on paper
Tensions\Managing tensions\Gamesmanship\Create confusion
Tensions\Managing tensions\Gamesmanship\Delay implementation
Tensions\Managing tensions\Gamesmanship\Economise the truth
Tensions\Managing tensions\Gamesmanship\Make deliverables contingent on HQ
Tensions\Managing tensions\Gamesmanship\Over embrace some initiatives
Tensions\Managing tensions\Gamesmanship\Passive compliance
Tensions\Managing tensions\Gamesmanship\Prioritise local demands

**Tensions\Managing tensions\Get your priorities straight**
Tensions\Managing tensions\Get your priorities straight\Decide on what matters most
Tensions\Managing tensions\Get your priorities straight\Decide who you work for

**Tensions\Managing tensions\Group interaction**
Tensions\Managing tensions\Group interaction\Argue local case
Tensions\Managing tensions\Group interaction\Build personal networks
Tensions\Managing tensions\Group interaction\Compromise
Tensions\Managing tensions\Group interaction\Be honest and straight with Group
Tensions\Managing tensions\Group interaction\Educate HQ
Tensions\Managing tensions\Group interaction\Escalation
Tensions\Managing tensions\Group interaction\Fight back for prioritisation
Tensions\Managing tensions\Group interaction\Get people together face to face
Tensions\Managing tensions\Group interaction\Get the right targets up front
Tensions\Managing tensions\Group interaction\Influence rules of the game
Tensions\Managing tensions\Group interaction\Request additional resources
Tensions\Managing tensions\Group interaction\Signal compliance
Tensions\Managing tensions\Group interaction\Understand the political landscape

**Tensions\Managing tensions\Personal approach**
Tensions\Managing tensions\Personal approach\Serve the one who shouts the loudest
Tensions\Managing tensions\Personal approach\Switch off

**Tensions\Managing tensions\Structure local organisation**
Tensions\Managing tensions\Structure local organisation\Appoint good local people
Tensions\Managing tensions\Structure local organisation\Create consolidated roadmap
Tensions\Managing tensions\Structure local organisation\Ensure united management team