Strategies of Multinational Enterprises in Finland - Linkages, Autonomy and Roles

International Business

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1. INTRODUCTION

Globalization continues as companies internationalize (Buckley & Ghauri, 2004) bringing greater product variety to consumers and spreading companies' costs across the world. In order to stay competitive, companies are under constant pressure to decrease expenses, increase product quality and create innovative solutions. Hence, outsourcing has grown, trade has flourished and foreign direct investment (FDI) flows have increased (UNCTAD, 2008). As a result of this global phenomena, multinational enterprises (MNEs) have evolved and risen as important contributors to the world economy (Forsgren et al., 2005).

Multinational enterprises have benefited from trade and opening of economies (Tavares, 2005). They have been able to expand into ever wider regions, reach more customers and benefit from economies of scale. The strategy behind MNEs varies from one firm to another (Yeaple, 2003) depending on the company's vision, mission and capabilities. Strategy also depends on the markets where the company has activities (Duke Corporate Education, (2005) and their economic outlook.

MNEs may also identify roles (Bartlett and Ghoshal, 1986), form linkages (Forsgren et al., 2005) and spread activities via subsidiary operations and according to country specific factors. This paper looks into the different strategies of MNEs' in terms of intra-firm linkages, focal firms' autonomy and subsidiary roles. The aim of this study is to discover what factors affect linkages and autonomy within MNEs in Finland and to investigate the trend in the roles of these companies in Finland.

Whereas the impact of multinationals in developing and emerging economies has been studied quite extensively (Tolentino, 1993; Kennes, 2000), that is not the case for developed economies. Especially MNE and subsidiary linkages and roles in small developed countries has been relatively neglected by researchers, although, MNEs contribute more and more to the global FDI flows and development of countries. Large

multinationals like Nokia from Finland, Unilever from the Netherlands and H&M from Sweden have risen from small countries to have a high impact on many countries around the globe due to their linkages with suppliers, subsidiaries, affiliates, business partners and customers. Hence, it is important to understand the current path of the MNEs and their subsidiaries in the small, developed economy context.

The research is part of a larger international study that looks at the strategies, business relationships and location bound factors of large firms in small economies. Countries that participate in the study in addition to Finland include Belgium, Ireland, the Netherlands, New Zealand and Singapore. Hence, the results from Finland will be used as data for the larger international study in addition to being used in this thesis.

Focal firms of the study include Finnish subsidiaries of foreign MNEs, headquarters of Finnish MNEs and affiliates, which are other Finnish firms in Finland. Linkages, autonomy and activities will be examined among the different companies.

Research Problem: Factors that affect intra-firm linkages are first examined in order to establish an understanding of the influence of resource transfer within company units of a multinational enterprise. Autonomy of firms and subsidiary roles are also investigated in order to learn about factors that affect development of autonomy and subsidiary roles.

Research questions:

1. What factors influence intra-firm linkages within MNEs? The first research question focuses on factors that affect the extent and development of intra-firm linkages within multinational enterprises.

2. What factors have an impact on autonomy of focal firms and what kind of roles do they have in the MNE network? The second research question examines the degree of autonomy and role of focal firms in small developed economies.

Definitions

Autonomy: According to the Merriam-Webster dictionary, autonomy is "the right of self government" or "self-directing freedom" (Merriam-Webster, 2009). Forsgren et al. (2005) refer to power within a network as autonomy while Birkinshaw and Hood (1998) refer to autonomy as degree of freedom to take action.

Linkage: Different units in a network are linked to each other via exchange of resources i.e. business relationships (Forsgren et al 2005). In this thesis, linkages refer to the extent of relationship between units of the MNE and are measured by the transfer of resources within the multinational enterprise.

2. LITERATURE REVIEW

Globalization, multinational enterprises and FDI are topics of high relevance to international business. Research has been conducted over all those topics before and for the purpose of this thesis, FDI and the strategy of MNEs is reviewed. Specific topics that will be discussed further include internal MNE networks and subsidiary roles. The literature review is divided into the following sections: Foreign Direct Investment, Development of the Multinational Enterprise, MNEs and Linkages, and Subsidiary Roles and Autonomy. In order to understand Finland's position in the world economy and its business environment, a short caption on the nation is introduced before the actual literature review.

Finland's Economy and Competitiveness

Although Finland is a small country with a population of 5 million people and has a small economy with a GDP per capita of 35 041€ in 2008 (Statistics Finland, 2008a), it has been able to build distinctive competitive features. With a stable economy, firm political system, non-corrupt environment, developed infrastructure and wealthy society, the nation has established attractive premises for inward FDI.

Finland was ranked number 1 on World Economic Forum's (WEF) Global Competitiveness Report in 2000 and 2001 for the current competitiveness index. (Ministry of Finance, 2002). Finland has also been high among the most innovative countries in the world in the 21st century.

Finland's rise towards a more competitive and innovative economy started in the early 1990s when technology intensity grew quickly in the Finnish industry. During the 1990s, industrial production and exports grew while ICT specialization increased. While Finland was one of the most highly specialized ICT economies in the world in the 1990s and still is very involved in ICT, other developed nations have caught up with it in the 21st century (Prime Minister's office, 2004).

Innovation intensity and technology expenditure, however, are still features that the country insists on. In 2008, Finland ranked second in OECD's ranking of countries' total expenditure on R&D as a percentage of GDP as it spent 3.45% of GDP on R&D (OECD, 2008b). Here the business sector contributed 72.3%, public sector 8.7% and higher education sector 19% (Statistics Finland, 2008b). The innovative nation yet aims to raise R&D spending to 4% of GDP by 2010 (OECD, 2008b). This could imply that Finland and Finnish companies believe in product development and technology, stimulating the country's innovative capacity and the local companies' competitive

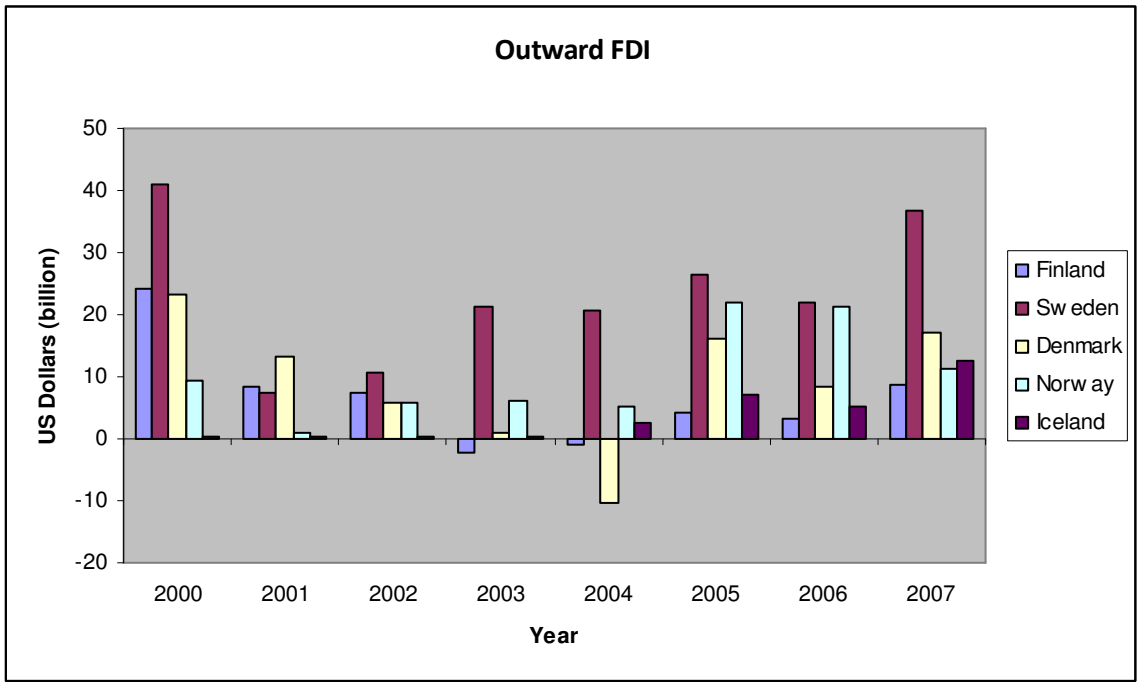
edge. However, the OECD report (OECD, 2008b) points out that majority of the R&D expenditure comes from a few domestic multinational enterprises and is especially concentrated on the electronic industry. Hence, the government is trying to push the innovation and production capacity of Finland by having launched the Innovation Strategy in 2008 (OECD, 2008b).

The biggest industry cluster formations in Finland include the forest, mobile, metal and chemical clusters (Steinbock, 2006). They comprised of 43% of all Finnish exports in 2005 (Steinbock, 2006). Hence, they are important industries that have a large impact on the nation's economy and provide a base for know-how.

The attractiveness of neighboring countries may also be a feature why companies wish to invest in Finland. Finland represents a good gateway to the Baltic countries, Russia and other Nordic countries with its geographical proximity and good political relations. Finland has been said to be a bridge between the East and the West.

Despite numerous attractive features, Finland has not been able to attract as much inward FDI as some other developed nations. In fact, inward FDI as a percentage of GDP is lower in Finland than in other Nordic countries. It can be noted that FDI outflow has fluctuated somewhat through out the 21st century in Finland. Whereas in 2000, the total FDI outflow from Finland was 26 billion euros, in 2003 outflow was -2 billion euros (Bank of Finland, 2008). The latest figure for 2007 shows an outflow of some 5 billion euros. As can be seen from Figure 1, those years were not ordinary years in the FDI outflows but rather peaks within the 21st century.

Figure 1: Outward FDI from Nordic Countries



The other Nordic countries were also included in the graph in order to compare Finland's FDI flows to those of similar countries. Especially Sweden and Finland have similar economies as for instance in 2007, Finland's GDP in volume was 123.70 while Sweden's was 121.30 (OECD, 2009b). Sweden has been strong in FDI outflows for the past decade probably due to the expansion of large MNEs like H&M, IKEA and ABB among others. Between 2005 and 2007 Finland has fallen behind all the Nordic countries in FDI outflow implying fewer or lower-value investments abroad by Finnish companies. Of course, fluctuations appear and outward FDI won't be steady upward flow from year to year but the fact that Finland has low FDI outflows in comparison to its neighboring countries, gives an indication on the country's international investment capacity and local companies' ability to internationalize.

In order to see where most of Finland's FDI flows, country statistics were examined. Sweden and the Netherlands gained the most investments from Finland in 2007 while China and Belgium shared the third place in Finland's investments abroad (Bank of Finland, 2008). Most of the outward FDI stock has also remained in Europe as the Netherlands, Sweden and Belgium have acquired most of this stock in 2007 (Bank of Finland, 2008).

As can be seen from the table below, investments to Sweden have decreased while investments to other countries have increased. Interestingly, investments to China have increased in the past decade, which could indicate that Finnish firms are locating some activities like manufacturing to lower cost countries and moving investments further from the safety of home and neighboring countries. Finnish firms have assumingly learned that in order to stay competitive, risks need to be taken and activities spread abroad. Internationalization requires a firm to invest abroad and thus Finnish firms have also formed linkages abroad via foreign direct investment.

Table 1: Outflow of FDI from Finland

Outflow of FDI from Finland											
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Sweden	1422	12770	1228	3953	218	5894	1678	-1700	-1829	-2250	-1379
Netherlands	1339	1324	1490	4850	503	-1870	58	808	1613	938	795
Belgium	30	31	80	-1238	-714	2610	117	-47	-26	7557	4348
China	16	12	147	34	170	-103	315	450	90	39	499

The data from Bank of Finland (2008) shows that Sweden came clearly in first place when examining inward FDI to Finland. The Netherlands, Denmark and the United Kingdom followed the leader. While the inward flow of FDI has been strong from

Sweden for the past decade, other countries are also slowly increasing their investments to Finland.

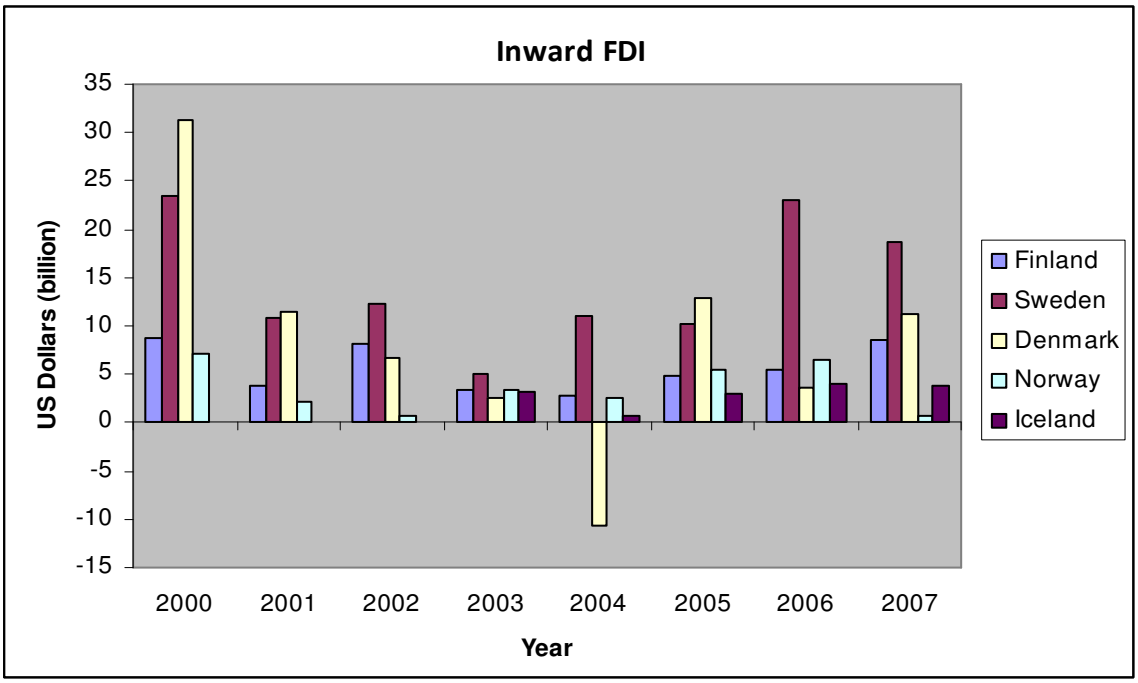
Table 2: Inflow of FDI to Finland

Inflow of FDI to Finland											
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Sweden	596	9945	924	6970	3685	6247	1531	1182	3794	1530	574
Netherlands	359	-240	1603	950	-46	189	-552	72	105	647	1590
Denmark	54	508	1125	410	-160	124	-90	-162	-37	322	4307
U.K.	126	155	432	473	888	567	-129	-36	-296	539	354

If looking closer at inward FDI flows to Finland (Figure 2), it can be noted that 1998 was a peak year within the 3 past decades as incoming FDI rose to 10.9 billion euros. The year 2000 was also among the best FDI incoming years with 9.6 billion euros while 2007 was the third highest year with 8.3 billion euros. Some of the low spots occurred in 1985 with incoming FDI of 114 million euros and in 1991 net outflow of FDI of -168 million euros during Finland's depression. Figure 2 shows the flow of inward FDI to Finland between 1985 and 2007.

Although the flow has fluctuated within the past 30 years, inward FDI seems to be growing or at least staying at a positive flow. Finland's low attraction for inward FDI, however, shows when it is compared to other OECD countries. A graph of the Nordic countries' inward FDI shows the difference between Finland and the other Nordic countries. Sweden has again been able to attract by far the most FDI among the Nordic countries followed by Denmark. Finland and Norway have been at a similar stage in attracting inward FDI.

Figure 2: Inward FDI from the Nordic countries



The Finnish government has wondered why the country is not able to attract more FDI and the corporate tax rate in Finland has been claimed to be one factor for low FDI. The Ministry of Finance (2002) argues in its report that Finland was among the most attractive economies in terms of corporate tax in the mid-1990s but as many nations, especially in Europe, have lowered their tax levels in the 21st century, Finland's attractiveness in terms of tax rate has decreased. High personal taxation and labor costs have also been mentioned as weakening elements for Finland (Prime Minister's Office, 2004).

The OECD economic survey on Finland (OECD, 2008) gave some more reasons for Finland's low attraction of FDI: (1) relatively high labor cost, (2) inflexibility of labor markets, (3) in some sectors the high level of ownership by the state, (4) in some sectors the rigid product market regulations. These factors may also reflect in activities performed in Finland as both Finnish and foreign companies may choose to perform

labor intensive activities elsewhere while concentrating product development in Finland only to those goods that are highly demanded in Finland in order for them to be eligible with the Finnish product market regulations. Hence, structural changes to be done in order to raise Finland's attractiveness for inward FDI.

2.1 Foreign Direct Investment

When examining MNEs and subsidiaries, foreign direct investment (FDI) is a topic that needs to be explored. Through FDI, a better understanding on MNEs' international strategies is formed and on the linkages that are created among parties within the organization.

The International Monetary Fund (IMF) defines FDI in terms of an investment where the investor holds 10% or more of a company's equity (IMF, 2003). Furthermore, Dunning (2001) adds that FDI does not only include financial assets but it also refers to transfer of technology and intellectual capital. Hence, FDI constitutes of knowledge, technology, capital and financial assets being transported to a foreign country. FDI may take the form of establishing a wholly owned subsidiary, forming a joint-venture, taking part in a merger or an acquisition. Both ownership and control over company activities are essential elements in FDI (Dunning, 2001).

Foreign investment may be divided between horizontal and vertical FDI. While horizontal FDI refers to investing in related production facilities, which will serve the host country market, vertical FDI is associated with investments abroad for intermediate input production elsewhere in the value chain in order to gain advantage from resources and efficiency (Tadesse and Ryan, 2004). Conglomerate FDI is a third type of FDI, which is a combination of horizontal and vertical FDI. (Moosa, 2002) Depending on their strategy and location, companies can choose among these FDI options. Their

activities will be determined by the FDI choice and will give an indication of the type of strategy that they are engaged in.

As competition increases globally so do FDI flows. Even in the event of trade stagnating, FDI stays as an attractive form of investment due to its ability to avoid trade barriers. (Moosa, 2002). FDI flows have increased extensively in the past as firms are seeking access to foreign markets and to gain an edge or competitive advantage. Developed countries have increased their investments into developing countries in the past due to lower production costs and growing market potential. IT giants like Nokia and Microsoft, for instance, have invested to India due to abundance of skilled work force and lower costs.

According to the United Nations (UNCTAD, 2008) the flow of FDI has more than doubled for developing economies in the past decade from $191 billion (1997) to $500 billion (2007). Developed nations, on the other hand, have increased their FDI flows even more as in 1997 the figure was $285 billion while in 2007, it was $1, 248 billion (UNCTAD, 2008). A table of the data can be found from the Appendices. As can be seen, developed countries have been the major forces in driving FDI and thus should be examined more carefully in terms of FDI flows.

Kojima (2000) has compared developed countries with geese in terms of guiding less developed countries with the flying geese model (FGM), which explores the effect of FDI on countries. It distinguishes more developed countries as the leading goose showing the way while the less developed countries as the following geese trying to catch up in industrialization (Kojima, 2000).

Rojec and Damijan (2008) point to the original 15 EU-members as the leading goose while the other less developed EU nations follow the more developed economies in technology and restructuring. More developed economies spread industries with lower technology to developing countries in the form of FDI while they develop better

technology at home (Rojec & Damijan, 2008). According to this model, one would expect companies in Finland to conduct manufacturing abroad and keep more technology oriented activities like R&D and product development in Finland.

According to Egger and Pfaffermayr (2005), small developed economies have the highest percentage of outward FDI and trade as a percentage of GDP. Small developed economies are likely to invest abroad in high proportions due to small domestic markets, high product potential abroad and lower costs abroad. Egger and Pfaffermayr (2005) also note that in developed economies, the growth of outward FDI has been driven by a decrease in establishment costs of foreign affiliates due to formation of trade agreements and lowering of trade barriers.

2.1.1 FDI's Role and Impact

Numerous reasons exist for companies to invest abroad. Porter (1998) claims that enterprises follow their competitors abroad in order to be in a similar position. I would say that another aspect that has been a factor for companies to divest their activities to various locations is exchange rate volatility. In order to reduce the impact of exchange rate fluctuations and political risks, companies rather spread their assets on a broader scale than put all eggs in one basket.

Firms are able to obtain strategic competences if they form strategic linkages with companies that hold complementary capabilities (Nohria and Garcia-Pont, 1991). Chen and Chen (1998) identified FDI as one of the forms of strategic linkage as it enables a company to reach for strategic resources in a foreign market.

Countries try to find ways for attracting more inward FDI. Michael Porter's (1998) clusters may be claimed to be an attractive tool for inward FDI since a wide body of

knowledge and skills lie within a cluster. Companies may be interested in investing to a country with extensive knowledge of their field in the hope of learning from the experts.

FDI is claimed to have positive and negative effects both on the home country and the host country. Moosa (2002) identified the worsening of trade balance, negative employment effects and the slowing down of technological progress in the home country as factors that have been associated with inward FDI. Outward FDI, on the other hand, has been said to export talented employees abroad and spilling of domestic technology to foreigners (Moosa, 2002).

FDI may also have positive effects, which Moosa (2002) discusses from the host country's perspective as FDI's roles: import-substituting, export increasing or government initiated. First of all, import-substituting refers to substituting importing for production at the host country and thus building plants and providing jobs at the host country. Secondly, Moosa (2002) explains that export-increasing FDI occurs as the host country exports raw materials and intermediate goods from the host country to the investing country and its subsidiaries abroad, hence, increasing trade from the host country. Thirdly, government initiated FDI may occur if the government wishes to set off negative balance of payments by developing incentives for inward FDI. (Moosa, 2002)

On top of that, expansionary and defensive types of FDI also exist. While expansionary FDI focuses on the exploitation of firm specific assets at the host country, defensive FDI refers to firms investing into countries with cheap labor in order to reduce costs (Chen and Ku, 2000).

2.2 Development of the Multinational Enterprise

Multinational enterprises differ from local companies due to their international and wide operation scope. As one of the research questions concentrates on differences between foreign and local companies, previous literature on MNEs and their advantages are studied. Furthermore, in order to develop a clear understanding on internationalization, multinational enterprises (MNEs) should be investigated. MNEs have several definitions but basically they can be defined as corporations that have activities abroad in the form of subsidiaries, affiliates and joint-ventures (Moosa, 2002). Rugman and Verbeke (2001) identify a MNE as an organization that has value-added activities in at least two countries.

Firm Specific Advantages (FSAs), which are specific capabilities that only one company possesses (Moore, 1995) are important attributes that build MNE's competitiveness. According to Kogut and Zander (2003), companies gain a competitive advantage from their superior information, know-how and innovation capability. Therefore, these skills are crucial for any competitive company to stay on the path to success and prosperity.

In order to better understand where today's MNEs stand and which countries have been the most prominent FDI recipients and investors, some statistics on FDI stock should be looked at. Although numerous companies have international transactions and are present in several countries, 90% of the world FDI stock is held by the Fortune 500 MNEs (Rugman, 2000). Interestingly enough, most of the top 500 MNEs, however, have concentrated their sales to their home leg of the 'triad' meaning North America, the European Union (EU) or Asia and most of them had their headquarters in one of the geographic areas in 2000 (Rugman & Verbeke, 2004).

Prior to 1938, inward FDI stock was mostly concentrated in resource rich developing countries, which held about 67% of the world inward FDI stock (Tolentino, 1993).

However, the share has shifted towards developed countries, which held two-thirds of the world FDI stock in 1960 (Tolentino, 1993). Although FDI flow to developing countries like China and India has increased in the past decade as developed countries have established manufacturing facilities and other business units to developing countries, still in 2007, the FDI stock ratio remained much higher for developed countries as they accounted for 68% of the world FDI stock. (UNCTAD, 2008) This shows the power of the North American, EU and Asian economies and the importance of the three in the world economy. Penetrating into unknown markets seems to hold even MNEs back as they concentrate their sales on their home region.

2.2.1 Location Advantages of MNEs

Due to their large size and international experience, MNEs can gain competitive advantage by spreading activities abroad. When choosing where to extend activities, location advantages are to be determined for the host country. The host country should be attractive and offer opportunities that cannot be gained from anywhere else. Porter (1998) claims that a diamond of national advantages can be drawn for each country. The diamond is split into demand conditions, factor conditions, related and supporting industries and domestic rivalry. (1) Demand conditions identify the home market demand and local customers' sophistication of the products. (2) Factor conditions refer to factors of production like skilled labor that enable competition in a specific industry. (3) Related and supporting industries, on the other hand, describe the extent of suppliers and other related participants that are competitive on an international scope. (4) Domestic rivalry specifies the country's environment for company creation, management and competition. (Porter, 1998)

Often, location advantages may be present but environmental factors deteriorate their effect. For instance, low protection of intellectual property rights in the host country

may discourage firms from investing into a R&D plant in that country. (Benito et al. 2003) Moreover, the resources that are transferred might not be well-suited for the host country and thus won't provide competitive advantage in a particular location due to factors such as unstable political environment, unavailability of skilled labor, poor infrastructure and market size (Sharma and Erramilli, 2004).

On the other hand, environmental factors may also encourage inward FDI in terms of incentives. Governments may give tax relieves, subsidies or even place laws that encourage inward FDI. A country may, for example, place strict import regulations and thus indirectly encourage foreign firms to invest into domestic production plants (Bernito et al. 2003).

Much depends on the political, economic and legal structure of the host country when a firm is considering to establish business in that particular location. Michalet (1997) conducted a study on the key characteristics of attractive FDI economies and found that a stable political and economic environment in addition to a clear and regulatory legal structure were among the most important factors. From 13 attractive FDI target countries, Michalet (1997) identified 6 "core" countries, which are most attractive for European and American firms to invest in: (1) of CEE: Hungary and Poland; (2) of the Mediterranean: Turkey and maybe Portugal; (3) of Asia: Malaysia and Thailand. The trend shows that most investments are forwarded to low cost countries and developed countries are left out from receiving FDI. Companies are concentrating ever more to cost efficiency and thus one would assume that companies that are located in Finland are more concentrated on small scale activities like marketing, HRM and finance rather than for instance on production plants.

Michalet (1997) further found that both European and American companies, in general, preferred to invest to Asia as their first choice for FDI location. Yet, when he separated the European countries into individual countries, some differences emerged. For instance, German, Dutch, Italian, Swedish and Finnish companies rather invest more

readily to CEE countries whereas French and the British rather invest into the Mediterranean ring. One reason for this may be location as Scandinavia, Germany and the Netherlands are closer to the CEE countries than to the Mediterranean countries

Moreover, each country's firms were more carefully studied. Those Finnish companies that are market seeking, place Russia as the first choice for FDI probably due to its close proximity and large market while the cost-minimizing Finnish firms placed Malaysia and Thailand as the most prominent FDI locations obviously due to lower costs (Michalet, 1997).

Despite Michalet's results, most of Finland's outward FDI has gone to Sweden and the Benelux countries in the past 10 years (Bank of Finland, 2008). This may be so because moving on to similar countries is easier than conquering countries with a very different culture and long geographic distance. Sweden and Finland have a similar economy and culture while the Benelux countries represent small economies with small populations similar to Finland, which make them attractive as starting targets in internationalization. Hence, even small firms can establish business in those countries while expansion to distant countries and larger economies may not be possible.

2.2.2. Firm Specific Advantages

Firm specific advantages are strategic resources that give the firm competitive edge over other players (Africa, 2004). Every successful firm has some firm specific advantages, on top of location and environmental advantages, which differentiates it from competitors. Distinctive resources may comprise of technological know-how and skilled labor. The firm specific advantages set a base for my comparison of local firms versus subsidiaries of foreign firms in Finland.

Africa (2004) has classified types of firm resources according to their ability to provide competitive advantage. The first type of firm resource can be drawn into the Resource-Based View (RBV), which exploits firm specific advantages based on the company's resources and routines. It looks at the company's resource endowment and deployment (Sharma & Erramilli, 2004). Africa (2004) has also identified neutral resources, which are complementary as they are required for smooth operation but do not add significant advantages for the firm's opearations (Africa, 2004).

2.3 MNEs and Linkages

Exchange of ideas, knowledge transfer and relationships are examples of factors that can form linkages between different parties. Linkages may create dependencies among groups and form a sense of belonging as individuals and groups form closer ties. Hence, organizations can connect subsidiaries, headquarters and other participants via linkages and thus develop a more coherent whole. The first research question examines the types of linkages that companies form within MNE networks and therefore linkages are now further discussed.

Giroud and Scott- Kennel (2008) argue that subsidiaries are nodal points in linkages forming relationships that extend beyond market relationships, transfer of capital, people and knowledge. Ghoshal and Bartlett (1990) argue that the depth of linkages may vary according to company and country. In some countries regulations and external factors such as poor communication infrastructure may hinder the formation of linkages among subsidiaries, suppliers and customers (Ghoshal and Bartlett, 1990). The local traditions may also make entrance difficult. In Japan, for example, foreigners have often difficulties in entering the market and forming linkages among the local business partners due to the strong ties within the local community among business partners, which have formed over decades.

2.3.2 Intra-Organizational Relationships within a MNE

Intra-organizational relationships within an enterprise enhance the company's synergy and allow for transfer of skills, ideas and knowledge. Linkages within an organization enable transfer of best practices and resources among members of the firm enabling better competitive advantage against rivals and creation of a more functional and coherent MNE.

During the Transnational Era from the 1990s to 2000 MNE is characterized as a network (Dosi and Patelli, 2008). According to Malnight (1996) network-based MNEs conduct an integrated worldwide strategy where interdependent resources and activities are allocated globally via linkages. This definition applies to numerous MNEs of today as corporations are growing ever larger and expanding further to various parts of the world. The different entities need to coordinate activities in order to build synergies and form coherent organizations.

According to Hulbert and Brandt (1980), the structure of the MNE is dependant on its size and extent of international presence. MNEs with a few foreign subsidiaries often use direct reporting structure as reporting and information flow directly between the managers of the subsidiaries and top managers of the headquarters (Hulbert and Brandt, 1980).

Subsidiaries' roles and responsibilities differ within the organizational model of an MNE (Bartlett and Ghoshal, 1986). As MNEs grow in size with higher sales and more operations, an international division is often appointed at the headquarters to coordinate activities and stay in contact with the subsidiaries. Hulbert and Brandt (1980) recognize the global structure as the third type of formation when the MNE's activities have expanded to a large network worldwide. The authors identified product divisions, regional groups, functional duties and matrix design as forms of structuring the MNE

into various sections in order to be able to coordinate the activities more efficiently and effectively (Hulbert and Brandt, 1980).

Whereas structure is often developed between the headquarters and a subsidiary, information and skills may also be shared between individual subsidiaries within the MNE. Knowledge and technology can be swamped between different entities within a MNE in order to benefit the whole organization. Knowledge transfer, however, may be dependant on business context and be relation-specific and thus is not always applicable to other business units (Andersson et al 2002). One form of conducting business may not work in all the subsidiaries but may need to be modified according to each country's practices. Ideas, however, can always be transferred to other units and experiences may grow into common practices.

The Resource Based View theory emphasizes the efficiency of transferring resources to the host market without losing their value (Sharma and Erramilli, 2004). In order for the competitive advantage to be kept during resource transfer, the counterparties at the host country need to have accurate skills, technology, financing and organizational capabilities for carrying out the production and marketing activities (Sharma and Erramilli, 2004).

Lee et al. (2008) discuss the impact of relational capital and knowledge transfer within the MNE. Knowledge flow between subsidiaries and the headquarters enable the headquarters to gain market information from various markets around the world and thus develop products for the global customers (Lee et al. 2008). Hence, close ties between HQs and subsidiaries enable the evolvement of relation capital via knowledge and information transfer (Lee et al., 2008).

Monteiro et al (2008) have identified frequency of communication and reciprocity as means that enable further knowledge flows and further interaction among units in the future. With more frequent communication, a subsidiary or headquarters gives

indication of its operations and possible information that can be useful to other units (Monteiro et al 2008) as the received knowledge is combined into local context. (Schultz 2003). In a study of 171 subsidiaries of Swedish MNEs, communication among peers enhanced horizontal knowledge flows significantly while communication with the headquarters did not have much of an impact on knowledge flows (Monteiro et al 2008).

Furthermore, subsidiaries that share much knowledge are also likely to gain much knowledge from others due to the reciprocity factor (Schultz 2003; Monteiro et al 2008). A study conducted by Monteiro et al (2008) on 171 subsidiaries of Swedish MNEs supports the reciprocity concept as those subsidiaries that shared their knowledge often also gained an inflow of knowledge from other units within the MNE while those that didn't share, were unlikely to gain knowledge from others.

The first hypothesis could be formulated as follows:

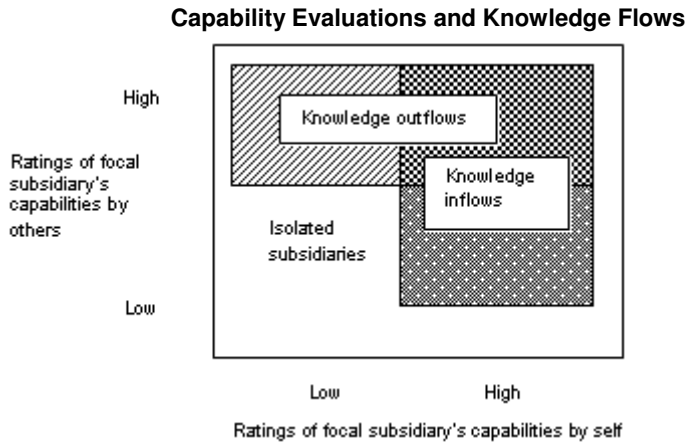
H1: If firms transfer resources to other units, they are likely to also gain more resources from other units.

Whereas knowledge is an asset that tends to be seen as an important contributor to a company's success, De Luca and Atuahene-Gima (2007) argue that the integration and configuration of knowledge are the main factors for success. Obviously, if the HQ or subsidiary cannot utilize the given knowledge to its advantage, sharing the information does not bring any value.

Monteiro, Advidsson and Birkinshaw (2008), on the other hand, studied subsidiaries' knowledge flows within the MNE and focused on the lower flow and non-flow of knowledge. They identified a link between capability evaluations and knowledge flows

in the form of 2x2 matrix where ratings of focal subsidiary's capabilities by others and by itself influenced the flow of knowledge.

Figure 3: Capability Evalutations and Knowledge Flows



From Figure 3 we can see that subsidiaries that are rated highly by others and/or by themselves in capabilities, tend to transfer much knowledge. If other subsidiaries rate the focal subsidiary's capabilities high, the headquarters and other subsidiaries are likely to approach the subsidiary and thus it is a potential source of knowledge flows. If the focal subsidiary rates its capabilities high by itself, it tends to be a potential recipient of knowledge flows as it draws knowledge from others. With low ratings of capabilities by others and by self, some subsidiaries grow isolated from the MNE network as they do not contact other subsidiaries or the headquarters nor do others approach the isolated subsidiaries. (Monteiro et al 2008).

Monteiro et al (2008) point out that subsidiaries with highly rated capabilities by themselves tend to have high motivation towards knowledge inflows as they understand the value of knowledge from other units and possibility to incorporate that knowledge. The study of subsidiaries of Swedish MNEs revealed that the performance of isolated

subsidiaries is lower than that of non-isolated subsidiaries as they do not have access to the information network of the MNE where information on opportunities and obstacles flow (Monteiro et al 2008). Hence, isolated subsidiaries could then be said to have a lower probability for survival and for gaining large scale success as they are not engaged in the sharing of best practices and are not part of the MNE 'support network'.

Embeddedness, which refers to a company's relationship with other business partners (Forsregn et al., 2005) may be seen as a strategic tool for a subsidiary to succeed (Andersson et al 2002). The enterprise's future capability and expected performance may be modified by network embeddedness (Andersson et al 2002). Malnight (1996) also argues for networking as he discusses about the development of a network based organization via building linkages, forming specialized and allocated roles while also creating a method for coordinating dispersed activities.

Via embeddedness, a company is likely to gain more from its partners and thus perform more activities at the host country. Johanson and Vahlne (1977) point out that the key source of experience is created via current activities. As a subsidiary performs more activities, the subsidiary is also likely to gain more knowledge and capabilities. While Monteiro et al. (2008) have discussed highly rated capabilities, I would argue that these could be diverted to a high number of activities and thus with the number of activities, the effect on intra-firm linkages could be examined. Subsidiaries with many activities are likely to hold much information and knowledge that can be transferred between other units within the MNE. As activities and linkages have been examined, a second hypothesis for the first research question may be formed for linkages, as follows:

H2: The number of different activities performed by focal firms in the host country is positively related to resource transfer via intra-firm linkages

Although network embeddedness is often related to MNE and its external network of suppliers, customers and other business partners, I would like to use the concept also for

the internal MNE structure as subsidiaries can gain important assets from each other and the headquarters.

Similarly to external partners, internal units of MNEs may be seen as small clusters, which usually are identified as a group of companies and associated institutions from a specific industry interlinked together by commonalities and complementarities that enhance the participating companies' competitiveness and performance (Porter, 1998).

Knowledge-sharing routines supposedly lead firms to transparency and facilitate knowledge absorption within the cluster whereas intra-cluster governance is needed to organize cluster spillovers (Rugman and Verbeke, 2003). Furthermore, isolating mechanisms refer to routines that are shared among the cluster members but are difficult to replicate by non-members. (Rugman and Verbeke, 2003) All these concepts also apply to the MNE internal network where knowledge sharing seems to lead to better subsidiary performance while intra-firm spillovers can be used for other units' benefit. Moreover, routines that cannot be replicated enhance the development of the MNE into a stronger and more competitive entity.

The relationship among headquarters and subsidiaries is now examined via autonomy and different role assignments.

2.4 Headquarter vs. Subsidiaries – Roles and Autonomy

Rugman and Verbeke form a framework of the "MNE as a differentiated network of dispersed operations with a configuration of competencies and capabilities that cannot be controlled fully through hierarchical decisions about foreign direct investment (FDI) taken by corporate headquarters" (2001 p. 238). Hence, different units of the MNE (ie. subsidiaries) are given roles and autonomy in order to increase the MNE's efficiency and for the whole network to function properly. In this section of the thesis, first

different kinds of MNEs are looked at, then a comparison on subsidiary autonomy and headquarter control is examined and the third section on subsidiary roles will conclude this section.

2.4.1 Strategy of the MNE

In order to better understand the different MNE types and strategies that they follow, the concept of strategy should be examined. In the words of Davison (2008), "strategy is an integrated set of plans for achieving long-term organizational goals" Chandler (1962) defines strategy as a plan to distribute resources according to expected demand. Choice and being different have also been associated with strategy (Duke Corporate Education, 2005). In addition, notion of the firm and economic rationality have been identified as meanings of strategy (Volberda, 2001).

If looking at the historical notion of the word, Ghemawat (2002) points out that strategy referred to a military commander in ancient Greece. Hence, the roots of the word imply protection and management, which also are identified with the modern day business term as it encompasses management technique and the firm's tactic in fighting competitors and surviving.

As survival is essential in the growing competitive world, the strategy of a MNE may need to be built according to the number and type of other MNEs in the country and the general business environment. Subsidiaries also have different roles according to the MNE strategy and host country atmosphere.

MNEs are usually constructed over one of the following strategies: global (Harzing, 2000), multi-domestic (Tolentino, 2000) or transnational (Harzing, 2000). The type of MNE defines the organization's strategy, subsidiary roles and relationships within the network.

Harzing (2000) defines a global company as one with a central hub from where information, resources and knowledge are transferred from the headquarters to the subsidiaries. Thus, the author implies that the headquarters exerts much power over subsidiaries and does not allow much autonomy to the subsidiaries. Porter (1986) reminds us that with global competitors and a global strategy, individual countries or subsidiaries do not count as much as the overall system and thus the MNE should be examined as a whole organization.

Multidomestic MNEs, on the other hand, give autonomy to the decentralized subsidiaries (Tolentino, 2000). Here subsidiaries have more choice over strategic decisions and they build the MNE's profitability according to their individual movements.

Transnational MNEs fall between the global and the multidomestic MNE having more of a network structure where employees, knowledge and resources constantly flow between the subsidiaries and to/from the headquarters (Bartlett & Ghoshal, 1988). In the transnational MNE, some subsidiaries may even act as centers of excellence focusing on their best skills (Moore, 2001).

The above strategies may further be grouped into density networks. Ghoshal & Bartlett (1990), in keeping with Aldrich and Whettern's (1981) thinking, identified density as the depth of relationship between actors within a set. *Within density* refers to intensity of relationships within an organization while *across density* refers to intensity of ties across the whole external network of the MNE (Ghoshal & Batlett, 1990). Here external network constitutes of all the members that the MNE is involved with like suppliers and customers. In order to understand the link between the MNE strategies and density network, the following table explains the connection.

Figure 4: Strategy of the MNE - Within and Across Density

Across Density	**Within Density**	
	High	Low
High	Transnational strategy	Global strategy
Low	Multidomestic strategy	International strategy

Adapted from Joanna Scott-Kennel's class in 2007; based on Ghoshal and Bartlett's (1990) Interorganizational Network

MNEs might not only fall under one type but may practice several types of strategies at the same time or modify their roles as the world economy changes. Even subsidiaries may be of global, multidomestic or transnational types within an MNE and hence conduct various activities and implement practices different from the global corporate strategy.

2.4.2 Subsidiary Autonomy vs. Headquarters' Control

Autonomy refers to one's freedom, power and control over decision making. MNEs apply different methods of control and give various levels of autonomy to subsidiaries depending on their role within the organization, importance and size.

According to Ambos et al (2006), attention defines a subsidiary's level of autonomy to some extent. The authors have divided attention into three pairs of different forms as follows: (1) top down or bottom up, (2) directive or supportive, and (3) instrumental or symbolic. In the first pair (1), top down refers to headquarter managers paying attention to the subsidiary as an annual or monthly procedure through, for examples, reviews or meetings. Bottom up, on the other hand, refers to attention seeking via a subsidiary's managers contacting the headquarter management.

The second pair (2) concentrates on directive and supportive attention. Directive attention refers to a subsidiary's need for direction from the headquarters due to

bureaucratic reasons or better compliance with the global initiatives. Supportive attention, alternatively, is a means of helping the subsidiary spread its know-how through out the global corporation, headquarters gaining knowledge of the local market or the headquarters providing career opportunities or cash for the subsidiary. (Ambos et al., 2006).

Instrumental or symbolic attention concludes the attention forms as the third pair (3). Communication between headquarter managers and subsidiary managers in the form of traveling, e-mail, calling and video conferences is termed instrumental attention whereas announcing a subsidiary's activities to its stakeholders via annual reports and letters to the shareholders define symbolic attention. (Ambos et al., 2006)

Ambos et al (2006) conclude that the optimal situation for attention seeking and autonomy placement would be for bottom-up, supportive and symbolic attention to be achieved while giving autonomy to subsidiary managers for formulating key strategic decisions. In such a situation, subsidiaries would have autonomy in their practices while the headquarters and other stakeholders would stay informed and be supportive of the subsidiary's activities. One would assume that the local subsidiary's management is more aware of the local environment and the current situation and thus would be able to make more profitable and realistic strategic decisions than the headquarters does. Hence, headquarters should see to that the subsidiary follows the global strategy and the company guidelines to some extent but it should also realize some autonomy to the subsidiary and not be too much on the subsidiary's way.

The extent of resources that a subsidiary owns also affects its autonomy. Headquarters can exert power over the subsidiary and form a dependence relationship via controlling transfer of resources (Prahalad and Doz, 1981). A subsidiary, on the other hand, may increase its importance within the MNE network by carrying out distinctive tasks that are vital for the entire organization (Forsgren et al. 2005).

The extent of attention that a subsidiary gains and the level of autonomy that it is given depend on the subsidiary's initiatives yet also its size. The power relationship of the headquarters and a subsidiary may change as a company grows and thus, according to Stewart and Bulent (2007) a subsidiary's autonomy is related to its size. As the subsidiary grows, it attains more tangible and intangible resources and thus is able to function more independently without being tied up to the headquarters but can also at the same time contribute more to the benefit of the whole MNE. This could also be interpreted as a role change between the headquarters and the subsidiary in the MNE as the subsidiary gains more power and autonomy on decisions relating to its activities and strategy.

The growth of a subsidiary's size and autonomy, however, stop correlating positively at a certain point. Stewart and Bulent (2007) propose the process having a U-shaped progression where at first autonomy increases with the subsidiary's size but at a certain point, autonomy starts to decrease while even at a further point, slight upward movement starts again. The first upward movement could be explained by subsidiaries' growth and maturity leading to a higher access of resources at the host country and thus becoming less dependent on the headquarters and its resources (Prahalad and Doz, 1981). Forsgren et al. (2005) point further toward knowledge on strategic resources of other units leading to power.

However, as subsidiaries grow further, they also face more complex processes and thus may not be able to control them by themselves, requiring help from the headquarters, leading to a downward curve in autonomy (Steward and Bulent, 2007). The slight upward movement at the end of the U-curve could be due to the subsidiaries' reacquiring of autonomy (Stewart and Bulent, 2007) possibly due to having learned from experience to control the processes and other factors.

With increasing size and higher knowledge of the local market, the subsidiary is able to form more links with domestic suppliers due to financial resources and better

knowledge of the market and the culture. Prahalad and Doz (1981), however, claim that in order for the HQ not to lose too much control to the subsidiary as it grows and becomes more independent, strong organizational formation needs to be built through linkages, thus keeping units of the MNE network interdependent of each other. Prahald and Doz (1981) continue that organizational structure, information systems, career planning and corporate culture need to be blended in and shared among the whole organization. This is likely to create a more unified structure and more interlinked community.

Chandler (1962), on the other hand, focused on the growing organizational complexity with increasing subsidiary size. He believes that the HQ gains control over the subsidiary as flow of goods and information increases and more managerial input is needed from the parent.

In addition, Tan (2003) claims that a company needs expertise and international experience in order to be successful. This knowledge is often embedded at the headquarters and thus increases a subsidiary's dependence for the headquarters (Stewart and Bulent, 2007) leading to lower subsidiary autonomy. Ghoshal and Bartlett (1990), however, claim that the power of the HQ depends on the extent of linkages among subsidiaries – the more interactions subsidiaries have between each other, the less power the headquarters is granted. Subsidiaries can therefore strengthen their position within the MNE network via transaction of resources among each other.

Forsgren et al (2005), argue that when a firm grows and subsidiaries are formed, each subsidiary creates a business network around it. Subsidiaries tend to concentrate on the problems and opportunities of their own network and thus demand either more autonomy from the headquarters or more influence over strategic decisions in the development of other parts of the company towards the benefit of their own network (Forsgren et al, 2005). Holm et al. (1995) coincide with the argument by explaining that due to the headquarters' lack of accurate network knowledge, development of foreign

subsidiaries is difficult to control and coordinate. Prahalad and Doz (1981) further argue that subsidiaries have the financial means to invest in internal management talent and even on R&D as subsidiaries mature and grow giving them more power. Since knowledge creates power, lack of knowledge leads to crumbling of the headquarters' power over subsidiaries.

The third hypothesis can thus be formed as:

H3: Focal firm size (number of employees) is positively related to focal firm autonomy.

2.4.3 Subsidiary Roles

Subsidiaries often practice dual roles where they are to follow the corporate strategy that the headquarters has developed and also walk in line with members of the business network around it (Forsgren et al., 2005). Balancing between the two sectors may prove to be difficult as conflicting requirements may occur.

Subsidiaries may also be assigned roles according to the MNE's needs. Birkinshaw and Hood (1998) recognized resource seeking, market seeking and efficiency seeking as examples of motives for establishing a subsidiary. A subsidiary's role and further evolution shape through headquarter decisions, subsidiary managers' choices and local environmental factors (Johanson and Vahlne, 1977 – see Appendix 1).

Hulbert and Brandt (1980) claim that subsidiaries find themselves often facing conflicting pressures when designing an organizational structure that adapts to the local market and reflects the parent company's structure. Quarrels may arise as the parent company's structure and conduction of business do not match the foreign country's market conditions. Hence, when developing roles and structures for subsidiaries, the

headquarters should allow subsidiary managers a voice in decision making. Prahalad and Doz (1981) also point out that especially in developing countries, politicians are concerned of the subsidiaries' low control over strategic decisions; subsidiaries cannot be responsive to the host country's development goals due to the headquarters extensive autonomy from overseas and thus subsidiaries should be given enough autonomy to be able to adjust according to the host country's needs and requirements.

Bartlett and Ghoshal (1986) identify four types of subsidiaries according to their roles in the MNE. The first type is a *strategic leader* where a subsidiary's location is crucial for the MNE's competitiveness. Roth and Morrison (1992) refer to this kind of a subsidiary as a world mandate, which controls a product line or the entire business regionally or worldwide and develops strategy together with the headquarters.

Contributors are the second type as they focus on developing internal knowledge (Bartlett and Ghoshal, 1986) due to their expertise on explicit functions (Birkinshaw and Morrison 1995). The third type are called *implementers* since after receiving knowledge and information from the headquarters, they analyze it and use it at the optimal way (Rugman and Verbeke 2003). Birkinshaw and Morrison (1995) add that local implementers usually operate in a single country and have less of value-added scope. *Black holes* as the last type refer to subsidiaries that cannot use the transferred knowledge into their advantage due to the environmental context and the market situation (Rugman and Verbeke 2003).

According to Moore (2001) small and medium sized countries tend to host subsidiaries that could be termed implementers and contributors. He, however, also points out that Porter's national diamond model and clusters may raise the countries' know-how and skills and thus give rise to strategic leaders (Moore, 2001).

As Finland is a small economy, one could assume that it would host implementers and contributors where the subsidiaries have some autonomy in decision making and

localization. On the other hand, some subsidiaries in certain sectors may reach the strategic leader level as Finland is known for its forest and ICT clusters as well as skilled employees. I would assume that companies headquartered in the Nordic countries would allow more autonomy to their subsidiaries in Finland due to the close location and similar culture. Subsidiaries' activities would be easier to follow from a closer location and thus subsidiaries could be given more autonomy as long as they reported on their progress and success at regular intervals to the headquarters. Representatives from the headquarters could also arrange visits to subsidiaries in close proximity more easily if they suspected of misbehavior than for subsidiaries located far away.

White and Poynter (1984) have differentiated yet more roles for subsidiaries dividing them among marketing satellites, miniature replicas, rationalized manufacturers, products specialists and strategic independent units. The authors explain that marketing satellites receive products from a centrally manufactured hub and have the role of marketing and selling products in the host country and offering some customer service. Miniature replicas, on the other hand, are mini replications of the parent company and manufacture single products or a range of products, promote the products in the host country and participate in various activities that are necessary to carry out the subsidiary functions. Subsidiaries that only focus on manufacturing products or parts of products for the global market are termed rationalized manufacturers. While product specialists develop and produce a specific product for the world market, strategic independent units are able to develop and produce new products and even establish new markets (White and Poynter, 1984).

Subsidiaries are given increasingly more important roles among the MNE network in line with their subsidiary specific advantages (SSA). Moore (1995) defines SSAs as advantages that are not shared within the MNE but rather set specifically at the subsidiary level. These factors allow the subsidiary to achieve a higher role and be given more important placement within the MNE network. Forsgren et al (2005)

continue that the network where a subsidiary is embedded in defined to a large extent by the subsidiary's autonomy and role.

When considering activities that subsidiaries conduct at host countries, their involvement has increased to various activities (Moore, 2001). Hulbert and Brandt (1980) list promotion, distribution and price as areas where subsidiaries seem to have more autonomy over strategic decisions than in other fields. This seems to imply that subsidiaries have more autonomy in marketing and sales.

Subsidiaries are extending their roles into worldwide centers for R&D, manufacturing, marketing and sales of a product and are thus given the role of a Global Subsidiary Mandate (GSM) (Roth and Morrison, 1992). A subsidiary may also be referred to as International Subsidiary Mandate (ISM) if its scope of central activities is lower. Strategic leaders may earn the title of GSM or ISM due to their important role in the web of the MNE (Moore, 2001). These special titles are likely to impact the subsidiary's autonomy and influence over decisions on the organizational level and the GSM and ISM subsidiaries more power within the organization. The headquarters may need to be careful in order not to lose their credibility and autonomy over the organization as a whole if subsidiaries gain a too high position within the MNE.

Centers of Excellence (CoE) have emerged as subsidiaries that have the means to act out the subsidiary specific advantages. CoE encompasses specific knowledge that is spread to parties within the MNE (Moore and Brikinshaw, 1998).

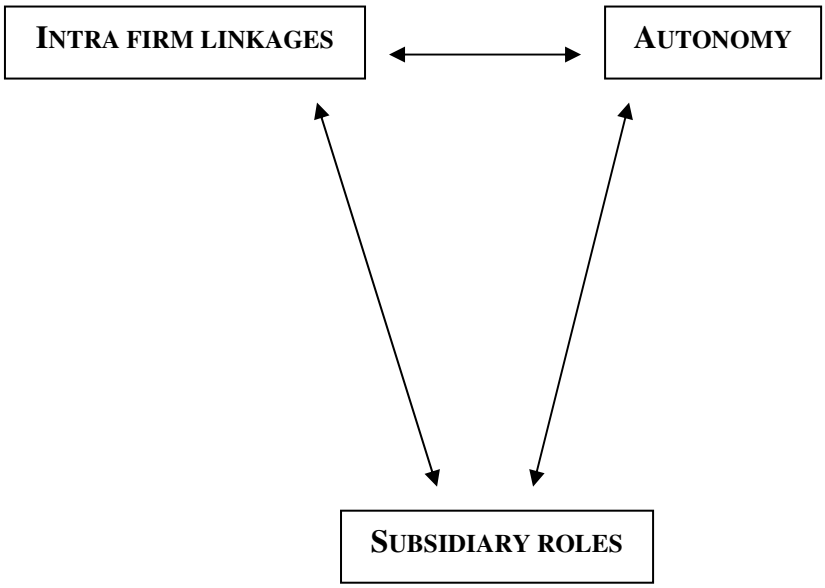
According to Moore's (2001) study of subsidiaries and multinationals in the UK, subsidiaries are able to build more strategic roles within a MNE if they develop into centers of excellence and thus are more able to generate specific competencies and extend their own subsidiary specific advantages. Prahalad and Doz (1981) point out that even if subsidiaries are highly autonomous and self sufficient due to their strategic

resources, headquarters can influence subsidiaries' strategy via different means such as a corporate value system.

Finland is likely to host subsidiaries that have not reached the center of excellence status but rather have a smaller role within the MNE network due to Finland's non-central geographical location and a small economy. Miniature replicas and marketing satellites are thus likely to be the most common subsidiary types as many international companies are present in Finland in the form of a subsidiary but do not have an extensive role in the worldwide network of the MNE. However, due to Finland's highly skilled labor and significant know-how in the ICT sector, upstream activities like R&D and IT are likely to be performed in some of the subsidiaries. The fourth hypothesis would therefore read:

H4: Finnish affiliates and Finnish headquarters are likely to engage in more activities than subsidiaries due to the subsidiaries' role as miniature replicas and marketing satellites.

2.5 Theoretical Framework



All the elements of intra-firm linkages, autonomy and subsidiary roles are linked together. Intra-firm linkages affect subsidiary roles in a sense that with more communication and resource transfer, a subsidiary may gain more knowledge and know-how, thus enabling it to gain a more significant role within the MNE. Autonomy, on the other hand, affects the MNE structure and subsidiary dependence on other units' resources, leading to the formation of a subsidiary role within the MNE. Subsidiary roles yet affect both intra-firm linkages and autonomy as through distinctive roles, subsidiaries can affect the amount of resource flow with other units and extent of its autonomy within the MNE.

Intra-firm linkages and autonomy, on the other hand, affect one another in a sense that linkages with subsidiaries leads to lowering of headquarters' control and thus higher subsidiary autonomy. Higher autonomy, on the contrary, enables subsidiaries more choices of resource and knowledge transfer and thus relates to intra-firm linkages.

3. METHODOLOGY

3.1 Introduction

This section illustrates the quantitative methodology used for collecting and analyzing data to answer to the hypotheses set in the previous chapter. First, the choice of methodology, hence a questionnaire, is validated in terms of the research problems that were introduced in chapter 1.2. Then, the questionnaire is elucidated in order to demonstrate its thorough coverage of the matter being examined in section 3.3. Section 3.4 enlightens the procedures used to collect responses for the questionnaire, their response rates and overcoming the data collection problems. Finally, the limitations of the study are discussed in section 3.5 and justification for using SAS to analyze the results are discussed in section 3.6. Methods for Analyzing the Data.

3.2. Choice of Empirical Study

Direct resource contribution from MNEs to locally based companies in Finland is the focus of this research and therefore industry-level cross-sectional studies are not sufficient to provide correct data. The data required needs to be obtained on a company-level and target linkages and well as the external transactions that companies are purposefully engaging in. As a result, a questionnaire targeted directly to the resource transferors, thus MNEs, is the most suitable.

Data for this research was collected via an empirical study of the top 500 firms in Finland. The top 500 firms were chosen based on their annual revenues, which were more than 105,539,000 EUR in 2006, and included both local and international firms. Among companies were headquarters, subsidiaries, affiliates and branches, and thus comparison on locals versus foreigners; HQ versus subsidiaries; could be made.

The research questions of this thesis address issues regarding the focal companies' linkages, autonomy and roles. The research questions are quantitative and thus quantitative questionnaire is used to solve the problems. It is important that a heterogeneous sample is obtained in order to distinguish the objectives set by the research questions. The following section introduces the questionnaire and highlights the parts that are used for this research.

3.3. Questionnaire

Data for this research was collected by using a GlobeConnect questionnaire that was created by Dr. Joanna Scott-Kennel (Victoria University of Wellington), Dr. Axele Giroud (Manchester Business School) and Dr. Fabienne Fortanier (Amsterdam Business School) who are conducting a larger international study on "Large Companies in Small Economies". The study is conducted in Finland, New Zealand, Ireland, Singapore and the Netherlands. This thesis will only take into account responses from Finland. See appendix X for the complete questionnaire.

In order to enable company representatives in Finland to answer the questionnaire in their mother tongue and to avoid misunderstandings due to a language barrier, the questionnaire was translated into Finnish by two Master's students and myself. To ensure the correctness of the translation, the Finnish survey was translated back to English by several other people. Moreover, the survey was pre-tested with several staff members of the Helsinki School of Economics in order to clarify and optimally modify the survey.

The companies were approached with a questionnaire that comprised of 7 sections and a total of 31 questions where they could choose to answer either in English or in Finnish. All the questions were either "fill in the blank" or "tick the best choice" format. The first section of the survey asked basic information about the company. In order to form

a general picture on the company's size and structure, questions focused on issues that related to location, employees, ownership and autonomy.

The next section concentrated on the firm's purchases and sales across regions. Input purchases and output sales were asked in order to better understand the linkages within the organization and scope of geographical distribution. The third section investigated the company's activities in Finland and outsourcing plans. The types of activities outsourced in Finland or abroad and those performed by the firm itself give an indication on the company's overall strategy and the path that it wishes to take in the future. As activities compose the first research question of the thesis, the third section on the survey provides important information for this part of the analysis.

Business relationships are defined in the fourth section in order to examine the extent and importance of the linkages and resource contribution. First, the surveyed firms are asked to evaluate the benefits that business relationships have for their company. Second, firms are being asked to evaluate how they contribute resources to the development of their business partners through regular interaction in the business relationships. In both cases the relationships have been further separated into suppliers, buyers and other business partners located in Finland, and business partners and company's own units located worldwide. Hence this section focuses on linkages and some of the questions can be used in the data analysis section in terms of internal resource transfer within a firm.

The fifth section observes the business environment in Finland in order to examine the attractiveness of Finland to receive FDI and companies to enter the market. The sixth section focused on the firm's performance and competitive advantages. The seventh, and final section, examined strategy at the corporate level in order to see the bigger picture for the global enterprise.

3.4. Data Collection Procedures

Data for the questionnaire was collected through an on-line survey instrument. Due to detailed questions regarding the company's activities and future plans, a respondent in each company needed to be a chief executive officer (CEO) or another person in top management position. Respondents were contacted to invite them to participate in the survey via e-mails, calls and mail.

An initial e-mail was sent mainly to CEOs of the top 500 firms in Finland on September 16th, 2008. The e-mail was written in English and also included a Finnish translation and a link to the questionnaire which was hosted by 2ask internet service for on-line surveys. Companies could choose to answer the questionnaire in English or in Finnish. Following a reminder e-mail sent to all the companies, 47 companies had answered by November, which makes a response rate of 9.4 percent.

Overcoming Data Collection Problems

After the initial data collection round, 200 companies were phoned in October and November 2008 and new links were sent via e-mail or paper questionnaires to those who promised to answer the survey. CEOs were extremely difficult to reach due to traveling and their busy schedules. Many of those who were reached claimed that they were too busy to answer, received too many questionnaires already and were not cooperative enough to point the survey to anyone else in the company. Some managers claimed that the questionnaire was too complex and required various people to answer the different parts while others argued that they were not appropriate for the survey.

For some companies, the e-mail address had been incorrect or the CEO had changed and thus the questionnaire had not reached anyone at the company. Correcting the email address and contact details and re-emailing the companies brought a few more completed surveys.

The next step was to directly contact the top executives' assistants in order to make them responsible for getting the survey filled out. If needed, they could also give the questionnaire to the right person or give contact details of another manager who would be more suitable to answer. This approach was slightly more successful than the previous one but the number of received surveys was under 10.

Finally, the questionnaire was sent in paper version to 220 companies in December, 2008 in order to raise the response rate. The questionnaire could not be sent to all non-respondents of the initial 500 companies due to earlier declines. Some 15 copies were received from this last method and therefore the final response rate settled to 80 respondents, which makes the overall response rate 16 percent. Overall the response rate is quite good considering the response rates of similar studies, which also have generally received a response rate of less than 20% (Moore, 2001; Shultz, 2003).

3.5. Limitations

As mentioned in the previous section, low response rate diminishes the validity of the study. According to Malhotra and Birks (2003, p.237), a response rates less than 15 percent might lead to serious bias. As 16 percent was reached, major conclusions cannot be drawn from the sample size but a general idea on the current situation of the linkages, autonomy and activities can be reasoned.

Furthermore, the data for the thesis was only gathered in Finland and hence the geographic scope is limited. Although the questionnaire was sent to more than 500 companies via e-mail, only 80 companies completed the survey. Hence, the sample from which the analysis was conducted and conclusions drawn from is quite limited. Moreover, the top 500 firms were based on turnover and thus some of them were very small in terms of number of employees and some of them were not able to answer the questionnaire due to non-applicability for their particular industry. In addition, 78% of

the companies that answered the questionnaire were Finnish and hence a reliable study on Finnish versus foreign MNEs was not possible. A comparative examination that gave an indication of the differences between Finnish and foreign companies was, however, conducted in order to gain an indication of the differences between the two groups. Although the results cannot be used as absolute truths, the comparison of Finnish and foreign companies can show a direction for the types of differences that could exist between the groups.

Reliability and validity of the study

Since the questionnaire was answered by top management in each company, the answers are assumed to be quite reliable and valid. The survey was translated into Finnish in order to reduce confusion and misunderstandings that respondents may face due to language barrier. In addition, the Finnish survey was tested on professors in Finland who had been working in managerial positions and clarifications were made according to their suggestions.

3.6 Methods for Analyzing the Data

The data was analyzed with the SAS Enterprise Guide. Graphs were produced with MS Excel while all the calculations were computed with the SAS program. Analysis included regression analysis and ANOVA as means for understanding the data.

Graphs and charts such as the bar charts on inward and outward FDI as well as the chart on subsidiary autonomy were drawn with Excel in order to obtain clear and focused images. Other figures were calculated with the SAS program due to its clear output.

Regression analysis and ANOVA are now explained in order to understand what kind of tests were done to study the focal companies.

Regression analysis was used as the first type of analysis. It measures the relationship of a metric-dependant variable to one or more independent variables (Malhotra and Birks, 2003). The analysis can be used in several ways in research: (1) to find out if significant variation in the dependent variable is explained by the independent variables; (2) to discover the extent of variation in the dependent variable that is explained by the independent variables; (3) to outline the structure in a mathematical formula relating the dependent and independent variables; (4) to predict the dependent variables' values; (5) to control for other independent variables when contributions of a specific variable or a set of variables are assessed (Malhotra and Birks, 2003).

Bivariate regression forms an equation of the relationships between a metric-independent variable or predictor variable and a metric-dependent variable or criterion variable. The basic formula for bivariate regression model is as follows: (Malhotra and Birks, 2003).

$$Y_i = \beta_0 + \beta_1 X_i + e_i$$

On the equation above: Y_i is the dependent or criterion variable, X is the independent or criterion variable, β_0 is the intercept of the line, β_1 is the slope of the line, e_i is the error term related to the ith observation. (Malhotra and Birks, 2003).

In order to know how much of the variation in X accounts for the variation in Y, the coefficient of determination, r^2 is reported. (Malhotra and Birks, 2003).

Multiple regression measures the relationship between a dependent variable and two or more independent variables. The equation is as follows: (Malhotra and Birks, 2003).

$$Y_i = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \ldots \beta_k X_k + e$$

In order to reduce multicollinearity and intercorrelation of independent variables, tolerance for each independent variable was checked. Independent variables with low tolerance values were dismissed one at a time, until a cleaner model of a set of independent variables was formed.

ANOVA

In the third hypothesis, both t-test and analysis of variance (ANOVA) were experimented with but ANOVA was eventually used in stead of a t-test in order to better see the difference in the different kinds of companies. Differences did not only exist between local and foreign firms but the company type also had an effect. ANOVA was also used for the fourth hypothesis to test differences in types of companies.

With the variance analysis, one can study whether groups differ under a certain variable by comparing their means (Kajalo, 2009). The analysis consists of one dependant variable that is metric and one or more independent variables that are categorical (Malhotra and Birks, 2003). Depending on the number of independent variables, the analysis is termed: one-way ANOVA if only one independent variable; two-way ANOVA if two independent variables; ANCOVA (Analysis of covariance) if the study consists of both categorical and metric independent variables (Malhotra and Birks, 2003).

Variables

The variables that we used in the study are now introduced and their role in the study. The following tables outline the variables that were used in the thesis.

Linkages

For the first two hypotheses a regression analysis was used to study the relationship of resource transfer reciprocity and the effect of number of activities performed by the focal firms to intra-firm linkages. While resource transfer to and from other units was

used a dependent variable and independent variable depending on the analysis, number of activities was used as an independent variable. Size in terms of the number of employees in the company in Finland was used as a control variable.

H1: Intra-firm transfer of resources from focal firms to other corporate units worldwide will be positively related to intra-firm transfer to focal firms from other corporate units. In other words, intra-firm resource transfer will be reciprocal.

H2: The number of different activities performed by focal firms in the host country is positively related to resource transfer via intra-firm linkages.

Table 3: Variables Used for Testing Hypothesis 1 and 2 – Intra-firm Linkages

Code	Variable	Measure	Question number
R&Dfrom	Resource transfer of R&D from and to other units	Likert scale where 1 = not at all and 7 = very much	20
R&Dto	Resource transfer of R&D to and from other units	Likert scale where 1 = not at all and 7 = very much	25
MGMTfrom	Resource transfer of organization and management know-how from and to other units	Likert scale where 1 = not at all and 7 = very much	20
MGMTto	Resource transfer of organization and management know-how to and from other units	Likert scale where 1 = not at all and 7 = very much	25
MRKTfrom	Resource transfer of marketing know-how from and to other units	Likert scale where 1 = not at all and 7 = very much	20
MRTKto	Resource transfer of marketing know-how to and from other unit	Likert scale where 1 = not at all and 7 = very much	25
HRfrom	Resource transfer of training and development of HR from and to other units	Likert scale where 1 = not at all and 7 = very much	20
HRto	Resource transfer of training and development of HR to and from other units	Likert scale where 1 = not at all and 7 = very much	25
ACT	Number of different activities	Scale where 1 = 1 activity and 10 = 10 activities	Dummy variable
SIZE	Number of employees	The exact number of employees	2

Autonomy

For the third hypothesis a regression analysis was performed. A separate regression analysis was conducted for each activity where autonomy of R&D, production,

procurement and marketing were used separately as dependent variables for each anaysis. Company size and age were used as independent variables for each regression analysis while nationality of the MNE was used was a control variable.

H3: Focal firm size (number of employees) is positively related to focal firm autonomy.

Table 4: Variables Used for Testing Hypothesis 3 – Autonomy

Code	Variable	Measure	Question number
R&Daut	Autonomy in R&D, product (service) design	Likert scale where 1 = not at all and 7 = very much	6
PRODaut	Autonomy in production and processes	Likert scale where 1 = not at all and 7 = very much	6
PROCaut	Autonomy in procurement, choice of suppliers	Likert scale where 1 = not at all and 7 = very much	6
MRKTaut	Autonomy in Marketing, distribution and sales	Likert scale where 1 = not at all and 7 = very much	6
SIZE	Number of employees	The exact number of employees	2
AGE	Number of years in Finland	The year of establishment in Finland	3
NAT	Foreign versus local	Scale where 1 = Finnish and 2 = foreign	Dummy variable

Focal Firms' Roles

The fourth hypothesis examines the roles of focal firms in the study, especially specifying roles for subsidiaries. The hypothesis was analyzed with ANOVA where the type of firm was used as an independent variable while activities currently performed were used as dependent variables. The number of different activities currently performed formed to be a dummy variable and used as a dependent variable. Fisher's least squares method was used in order to see the differences between each group.

H4: Finnish affiliates and Finnish headquarters are likely to engage in more activities than subsidiaries due to the subsidiaries' role as miniature replicas and marketing satellites.

Table 5: Variables Used for Testing Hypothesis 4 - Roles

Code	Variable	Measure	Question number
R&Dact	R&D, product (service) design	Scale of 0-1 where 0 = no current involvement and 1 = current involvement	11
DESGact	Product design and adaptation	Scale of 0-1 where 0 = no current involvement and 1 = current involvement	11
PROCact	Procurement	Scale of 0-1 where 0 = no current involvement and 1 = current involvement	11
MANFact	Manufacturing or service delivery	Scale of 0-1 where 0 = no current involvement and 1 = current involvement	11
HRact	Human resource management	Scale of 0-1 where 0 = no current involvement and 1 = current involvement	11
ACCNTact	Accounting & finance	Scale of 0-1 where 0 = no current involvement and 1 = current involvement	11
ITact	Information systems & IT	Scale of 0-1 where 0 = no current involvement and 1 = current involvement	11
MRKTact	Marketing, sales, after-sales (incl. helpdesk and call centres)	Scale of 0-1 where 0 = no current involvement and 1 = current involvement	11
ACT	Number of different activities	Scale of 1-8 where 1 = involved in 1 activity and 8 = involved in 8 different activities	Dummy variable

4. FINDINGS AND DATA ANALYSIS

This chapter outlines and analyzes findings from the empirical study. The questionnaire was extensive and thus required various methods for analysis. In order to ease reading and following the analysis, the chapter is divided into three sub-chapters – (1) Linkages within Companies, (2) Autonomy and (3) Subsidiary roles.

In order to better understand the study and the sample of companies, the table on the next page summarizes some key facts about the companies that were included in the study. A brief explanation of the table is given below.

If examining the ratios, Finnish firms outnumbered the foreign companies extensively. This disabled an accurate comparative study of foreign vs. local firms but it was still used to give a small indication of the differences. The focal firms were also divided among Finnish headquarters, subsidiaries of foreign MNEs and Finnish affiliates. While headquarters represented the highest number of firms, subsidiaries and affiliates were also represented sufficiently for comparison.

Since the sample of firms was taken from Finland's top 500 companies, they were for the most part large companies globally as well as in Finland. Companies were divided among small, medium and large firms according to the number of employees. Industries were also identified in order to form a better scope of the diversity of the study.

Table 6: Summary of the Focal Firms

		Number of companies	Percentage of the total
Nationality	Finnish	62	77.5%
	Foreign	18	22.5%
Type of company	Headquarters	38	47.5%
	Subsidiary	18	22.5%
	Affiliate	24	30%
Size of the global corporation	Small (< 51 employees)	4	5%
	Medium (< 250 employees)	6	7.5%
	Large (≥250 employees)	70	87.5%
Size of the firm in Finland	Small (< 51 employees)	6	7.5%
	Medium (< 250 employees)	10	12.5%
	Large (≥250 employees)	64	80%
Industries	Wood and paper industry	10	12.5%
	Machinery and equipment	10	12.5%
	Construction	6	7.5%
	Retail	6	7.5%
	Electricity	5	6.25%
	Transportation	5	6.25%
	Metal and synthetics	5	6.25%
	Wholesale	5	6.25%
	IT	5	6.25%
	Heat and ventilation	4	5%
	Beverage and food industry	4	5%
	Media and advertisement	3	3.75%
	Travel	2	2.5%
	Financial services	2	2.5%
	Telecommunications	2	2.5%
	Fuel	2	2.5%
	Chemical	1	1.25%
	Consumer electronics	1	1.25%
	Vehicle	1	1.25%
	Business services	1	1.25%

4.1 Linkages within Companies

The first research question concentrates on linkages within the MNE. Resource transfer is used as an indication for linkages. As discussed earlier, resource transfer was measured on a likert scale of 1-7 where 1 indicates very low transfer while 7 very high transfer of resources.

In order to test the first two hypotheses that related to reciprocity of resource transfer and the effect of number of different activities to resource transfer, a regression analysis was conducted. Tables 7 and 8 display the results of the analysis.

From table 7 it can be seen that transfer of resources to other units is significant at a level of at least 0.001 in each of the resource transfer categories (i.e. know-how transfer of R&D, management, marketing and HR). The transfer of resources from other units is therefore positively affected by resource transfer to other units.

Similar figures are shown on the second table where resource transfer from other units in each activity category is significant at a level of at least 0.001. Here a positive relationship between the variables of resource transfer to and resource transfer from is again formed.

As reciprocity of resource transfer occurred both ways in each category, the first hypothesis can be accepted. Intra-firm linkages, therefore, increase resource transfer within units. One could also assume from this that the more a company transfers resources to other units, the more resources it gains from other units as earlier suggested by Shultz (2003) and Monteiro et al. (2008) in terms of knowledge flows. While Shultz (2003) and Monteiro et al. (2008) concentrated on knowledge flows, the Globe Connect study seized a wider perspective as all resource transfer was taken into account including know-how, information and training flows. A wider set of activities was also

chosen in the Globe Connect study and thus a broader outlook is formed of resource transfer.

Intra-firm linkages seem to create more communication and potentially also trust among units as more resources are traded with reciprocity. Companies are likely to be more aware of each other's know-how and best practices and thus will be able to offer or ask for needed resources. With more contact, units are likely to be in friendly terms easing communication and they may even have developed quickening processes for transferring urgent resources. Therefore, the reciprocity factor may have further developed as companies have become more familiar with other intra-firm units enabling all parties involved to benefit from the intra-firm linkages.

The second hypothesis concentrated on the number of different activities affecting intra-firm linkages. As can be seen from both tables 5 and 6, number of different activities did not have a significant effect on intra-firm linkages. Since not much literature was found on this aspect and previous studies on capabilities (Monteiro et al. 2008) were diverted into activities, it was not a great surprise that the hypothesis did not hold true.

The reason for number of different activities not having influence on the extent of intra-firm linkages may be that subsidiaries are not seen as possessing higher know-how and skills by other units and thus their capabilities are not see as higher either due to activities. By conducting many activities, a subsidiary may be seen as being able to operate many activities at the same time but not having specialized skills and know-how in any particular field. If a subsidiary would be conducting only one or two activities, that could give an impression on being specialized on those fields and possessing unique knowledge, which could then be transferred to other units. Centers of excellence, for instance, are likely to have high transfer of resources to other units as they are experts in their field.

Table 7: Intra-firm linkages in terms of resource transfer from focal firms to other units of the MNE

Variable	Coefficient	Standard error	*t* Statistic	*R*–squared	Adjusted *R*–squared	*F*-statistic	Prob (*F*–statics)
N = 69							
Technical know-how, R&D and innovation				0.4632	0.4384	18.69	<.0001
Intercept	0.93483	0.53169	1.76				
R&D transfer to other units	0.63760***	0.08804	7.24				
Number of different activities	0.01993	0.04770	0.42				
Number of employees	0.00006	0.00007	0.88				
Organization & management know-how				0.1705	0.1322	4.45	0.0066
Intercept	2.02150	0.48566	4.16				
Management know-how transfer to other units	0.31163***	0.09113	3.42				
Number of different activities	0.01665	0.04877	0.34				
Number of employees	0.00002	0.00007	0.26				
Marketing know-how, market information				0.4835	0.4596	20.28	<.0001
Intercept	1.37323	0.46546	2.95				
Marketing know-how transfer to other units	0.60966***	0.08188	7.45				
Number of different activities	0.02917	0.04547	0.64				
Number of employees	0.00008	0.00007	1.19				
Training, development of human resources				0.2226	0.1868	6.21	0.0009
Intercept	1.99758	0.44845	4.45				
HR development transfer to other units	0.35435***	0.08498	4.17				
Number of different activities	-0.02041	0.04565	-0.45				
Number of employees	0.00003	0.00007	0.52				

* = $p < 0.05$ ** = $p < 0.01$ *** = $p < 0.001$ ^ = $p < 0.1$

Table 8: Intra-firm linkages in terms of resource transfer to focal firms from other units of the MNE

Variable	Coefficient	Standard error	*t* Statistic	*R* –squared	Adjusted *R* –squared	*F* -statistic	Prob (*F* –statics)
N = 69							
Technical know-how, R&D and innovation				0.4554	0.4303	18.12	<.0001
Intercept	1.77820	0.52600	3.38				
R&D transfer from other units	0.70042***	0.09671	7.24				
Number of different activities	0.00178	0.05006	0.04				
Number of employees	0.00001	0.00007	0.10				
Organization & management know-how				0.2060	0.1694	5.62	0.0017
Intercept	1.92480	0.64192	3.00				
Management know-how transfer from other units	0.48932***	0.14308	3.42				
Number of different activities	0.04086	0.06095	0.67				
Number of employees	0.00014	0.00009	1.63				
Marketing know-how, market information				0.2060	0.1694	5.62	0.0017
Intercept	1.92480	0.64192	3.00				
Marketing know-how transfer from other units	0.48932***	0.14308	3.42				
Number of different activities	0.04086	0.06095	0.67				
Number of employees	0.00014	0.00009	1.63				
Training, development of human resources				0.2374	0.2022	6.74	0.0005
Intercept	1.44928	0.63942	2.27				
HR development transfer from other units	0.59554***	0.14283	4.17				
Number of different activities	0.06290	0.05875	1.07				
Number of employees	0.00006	0.00009	0.76				

** = p < 0.05 ** = p < 0.01 *** = p < 0.001 ^ = p < 0.1*

4.2 Autonomy

The second research question focuses on autonomy and subsidiary roles. In order to test hypothesis 3, the relationship between autonomy of focal firms and size was studied with a regression analysis. Control variables of age and nationality were also tested on the regression analysis. Table 9 on autonomy of focal firms shows the results of the analysis.

A question on the company's autonomy over strategic decisions in various activities is now examined. The answers were set on a scale of 1 – 7 where 1 indicated no autonomy and 7 indicated full autonomy.

Hypothesis 3 states that focal firm size (number of employees) is positively related to focal firm autonomy. As can be seen from the results, this is not true for the Globe Connect study. None of the categories of R&D, production, procurement or marketing corresponded to the relationship of autonomy and size, although the number of employees in Finland ranged from 3 employees to 11000 employees.

One would have expected a relationship between size of the firm and autonomy since a smaller firm is likely to have less experience and know-how than a large firm and thus may not have the ability to function properly with high autonomy. Large firms, on the other hand, are likely to have formed certain procedures and processes in order to function optimally and know best how to run their operations thus requiring more autonomy than small firms. A larger firm is also more difficult to control by another unit like the headquarters due to its complexity and local networks, which leads to the necessity of more autonomy as the firm grows.

Table 9: Autonomy of focal firms

Variable	Coefficient	Standard error	*t* Statistic	*R*–squared	Adjusted *R*–squared	*F*-statistic	Prob (*F*–statics)
N = 80							
R&D, product (service) design				0.2299	0.1999	7.66	0.0002
Intercept	6.32743	6.32235	1.00				
Number of employees in Finland	0.00004	0.00007	0.56				
Age – Years in Finland	0.00094	0.00324	0.29				
Local vs. foreign	-1.79528***	0.38651	-4.64				
Production and processes				0.2647	0.2361	9.24	<.0001
Intercept	8.57998	5.32468	1.61				
Number of employees in Finland	0.00004	0.00006	0.66				
Age – Years in Finland	-0.00026	0.00273	-0.10				
Local vs. foreign	-1.63626***	0.32551	-5.03				
Procurement, choice of suppliers				0.1890	0.1574	5.98	0.0010
Intercept	-0.82492	5.97163	-0.14				
Number of employees in Finland	0.00009	0.00007	1.30				
Age – Years in Finland	0.00426	0.00306	1.39				
Local vs. foreign	-1.39444***	0.36506	-3.82				
Marketing, distribution and sales				0.0492	0.0117	1.31	0.2766
Intercept	10.21336	6.06914	1.68				
Number of employees in Finland	0.00003	0.00007	0.43				
Age – Years in Finland	-0.00170	0.00311	-0.55				
Local vs. foreign	-0.59782^	0.37152	-1.61				

* = $p < 0.05$ ** = $p < 0.01$ *** = $p < 0.001$ ^ = $p < 0.1$

However, as was noticed from the study, size does not seem to have an effect on company autonomy and several reasons for this are now discussed. The fact that previous literature has given various perspectives for the relationship of company size and autonomy already indicated that these two variables may not always coincide with each other. The relationship has not been under extensive study and authors have found several results for the relationship. Moreover, previous literature concentrated on subsidiary autonomy while in this study the relationship was adapted to focal firms of the study, which included headquarters to a large extent as well as some subsidiaries of foreign MNEs and local affiliates. Hence, the test did not completely correspond to the studies of Prahalad and Doz (1981), Forsgren et al. (2005) and Stewart and Bulent (2007).

As a control variable, age (years of operation in the host country) of a focal firm was to test the relationship to autonomy. Following from the proposition of Forsgren et al. (2005) that subsidiaries create business networks around them, I would suggest that age of the subsidiary also has an impact on its autonomy. With age, the subsidiary is able to gain more knowledge, become more acquainted with the host country and learn from experience. This should enable the subsidiary to demand more autonomy from the headquarters as the subsidiary has more expertise in the host country's legal issues, practices and habits than the headquarters. The subsidiary is likely to better control activities in the host country and form efficient processes that function well at the specific location than the headquarters due to its expanded knowledge of the local market throughout the years.

The results of the study, however, reveal that no relationship was found between company age and autonomy at a significant level. As age of the company was to be associated with experience and higher knowledge of the local market, this is apparently not seen as a reason to give more autonomy to the company at the host market.

The second control variable, nationality of the MNE, however, showed a significant relationship for autonomy. While probability for autonomy decreases with foreign firms, the probability of autonomy is higher for local firms. Hence, foreign firms are less likely to have autonomy than local firms and their autonomy is more likely to be lower than autonomy of local firms.

The result was quite expected as many of the Finnish companies were headquarters and thus it was logical that the headquarters have high autonomy in all the activities while subsidiaries of foreign MNEs may not have as high autonomy in all the different sectors. Country of origin may also have an effect in such a sense that Finnish firms are given more autonomy on their native soil where their activities and performance are easier to monitor than they are for foreign firms. More communication and resource transfer is also likely to take place between units in the home country and thus Finnish companies can be trusted with more autonomy at the home premises.

An analysis of variance was conducted in order to further study the autonomy factors since the significance level differed between marketing and the other three activities. Type of company (i.e. headquarters, subsidiary of a foreign MNE and affiliate of a Finnish firm) was used as a dependent variable while the different forms of autonomy were independent variables.

Autonomy for both R&D and production was significantly different between subsidiaries of foreign MNEs and Finnish headquarters as well as between subsidiaries of foreign MNEs and affiliates of Finnish companies. No significant difference was observed between Finnish headquarters and affiliates. Thus, there was a significant difference between foreign and local firms.

Autonomy for procurement, on the other hand, differed significantly between all the groups. Therefore, local vs. foreign is not the only attribute that affects autonomy in procurement but the fact whether the company is a subsidiary, affiliate or headquarters

also has an impact on the extent of autonomy that a company has. The biggest difference in autonomy was between the headquarters and subsidiaries of foreign MNEs, which was not surprising. Local firms are more likely to have established a tighter network among suppliers than subsidiaries have and thus are given more autonomy than subsidiaries over procurement decisions. As a significant difference occurred even among Finnish affiliates and Finnish headquarters, procurement could be seen as such an extensive element that headquarters are more capable of controlling it. It may also be so that some of the suppliers operate worldwide and thus the headquarters can more easily and effectively operate procurement activities that extend beyond borders and affect many of its subsidiaries around the world.

On the contrary to autonomy for procurement, autonomy for marketing activities was found to be different at a significant level only between Finnish headquarters and subsidiaries of foreign MNEs. None of the other groups differed significantly between each other.

In the regression analysis, nationality affected autonomy in marketing to a lesser extent than it affected the other autonomy activities. This aspect can now be explained by the fact that Finnish affiliates did not contribute towards a difference between local and foreign firms but rather influenced the difference in the opposite way. Hence, nationality affected marketing autonomy to a lesser extent.

The reason for a lower significance in marketing decisions could be due to marketing being one of the core elements that almost any firm at the host country needs to engage in. Even if marketing is centralized at the headquarters, it is an element that always should be adapted at least to some extent according to the host country's culture. Therefore, even subsidiaries of foreign MNEs need to have some autonomy in marketing decisions in order to produce sufficient material and construct appropriate PR solutions.

If looking at the mean values of the different types of companies, autonomy in marketing is quite even for all three types of companies. The values are also sufficiently high indicating the importance of adjusting marketing to the local market and enabling each company to adapt marketing procedures as they see optimal.

4.3 Subsidiary Roles

The fourth hypothesis looks at subsidiary roles claiming that Finnish affiliates and Finnish headquarters are likely to engage in more activities than subsidiaries due to the subsidiaries' role as miniature replicas and marketing satellites. One of the questions on the questionnaire concentrates on the current activities of focal firms in Finland. A scale of 0 to 1 was used in order to specify whether a company was currently involved in the activity (1) or not (0).

Analysis of variance was used for studying the different firms. Results of the analysis are found on Table 10 - Differences on types of firms.

able 10: Activities of different types of firms

Type of Firm	R&D	Product design	Procurement	Manufacturing	HRM	Accounting & finance	IT	Distribution	Marketing	Number of activities
HQ	0.82 (0.39)	0.87 (0.34)	0.92 (0.27)	0.87 (0.34)	0.92 (0.27)	0.87 (0.34)	0.89 (0.31)	0.84 (0.37)	0.82 (0.39)	7.84 (2.51)
Subsidiary	0.39 (0.50)	0.61 (0.50)	0.67 (0.49)	0.67 (0.49)	0.67 (0.49)	0.44 (0.51)	0.53 (0.51)	0.61 (0.50)	0.61 (0.50)	5.17 (3.85)
Affiliate	0.63 (0.49)	0.63 (0.49)	0.63 (0.49)	0.67 (0.48)	0.58 (0.50)	0.58 (0.50)	0.58 (0.50)	0.58 (0.50)	0.58 (0.50)	5.46 (4.27)
Total	0.66 (0.48)	0.74 (0.44)	0.78 (0.42)	0.76 (0.43)	0.76 (0.43)	0.69 (0.47)	0.72 (0.45)	0.71 (0.46)	0.70 (0.46)	6.53 (3.61)
N	79	79	79	79	79	79	78	79	79	79
F-value	5.61**	3.36*	4.85**	2.29^	5.78***	6.76**	6.20**	3.11*	2.38^	5.38**

* = $p < 0.05$ ** = $p < 0.01$ *** = $p < 0.001$ ^ = $p < 0.1$ ( ) = Standard deviation

If first looking at the number of different activities for the different types of firms, headquarters differed significantly from both subsidiaries and affiliates. While the average for the number of activities conducted by the headquarters was 7.84, for subsidiaries it was 5.17 and for affiliates of Finnish firms it was 5.46. The result was expected since headquarters manages the whole organization's activities and thus needs to perform several different activities. Subsidiaries and affiliates, on the other hand, may be specialized in a certain field or activity. Rather than performing all the activities at the host country, subsidiaries and affiliates may have been assigned certain tasks of which they are responsible while the other tasks are performed by either the headquarters or other subsidiaries or affiliates. Performing all the value chain activities in a small country like Finland may not be efficient for the global MNE and thus fewer activities have been allocated to Finland. Depending on the MNE strategy, subsidiary roles may differ by location and purpose as was pointed out in the literature review by Birkinshaw and Hood (1998) and Bartlett and Ghoshal (1986).

A significant difference, however, was not observed between subsidiaries of foreign firms and affiliates of Finnish companies. This result was unexpected as local companies were anticipated to be engaged in a higher number of activities than subsidiaries of foreign firms due to having established stronger roots at the host country and being familiar enough with the culture to perform activities in many different fields.

The reason for no significant difference could be explained by the fact that both affiliates and subsidiaries are often smaller entities that may not have the expertise for performing many different kinds of activities nor the financial means. Each type of company is likely to have been assigned a role in the organizational network and thus they concentrate on specific activities that they are seen to perform most efficiently.

If now taking a closer peak into each activity, the difference between the types of companies can further be analyzed and a clearer vision of the subsidiary roles established.

A significant difference was observed between headquarters and subsidiaries as well as between headquarters and affiliates in product design, procurement, HRM, accounting & finance and IT. Headquarters were more involved in these activities than subsidiaries and affiliates indicating that they are not special activities that should be diversified to smaller units. Subsidiaries and affiliates are apparently able to function even without these activities and rather should concentrate on other activities through which they can bring more value to the MNE as a whole. While some of the activities may have been pointed to other specialized subsidiaries, other activities are likely to be handled by the parent company while yet others even outsourced. As an example product design may be a field that is pointed to another specialized subsidiary of the MNE while procurement, HRM and accounting & finance are basic activities that are performed by the parent company. IT activities, on the other hand, may have been outsourced.

A significant difference between the headquarters and subsidiaries existed in R&D while a significant difference between headquarters and affiliates existed in logistics. For R&D, the performance of the activity in Finland was significantly lower for subsidiaries of foreign firms as opposed to headquarters. Whereas almost 82% of the headquarters were involved in R&D, only 39% of subsidiaries were involved in it. This shows that R&D is a field that is carefully pondered upon where to conduct it. Since R&D inquires high expenses and requires high skills and know-how, it cannot be performed in every unit of the organization. As was expected, some subsidiaries conduct R&D activities in Finland probably due to Finland's high-tech and innovation image whereas most subsidiaries are not granted this option due to possibly other locations for the MNEs R&D activities.

A very low difference was found between companies in manufacturing and marketing at a significance level of 0.1. This indicates that subsidiaries of foreign firms perform manufacturing and marketing activities in Finland at similar rates as the local headquarters and affiliates. As can be seen from the mean values, marketing and

manufacturing were performed by subsidiaries to a high extent even outperforming affiliates in marketing. Marketing is an activity that often requires adaptation to the local market and thus it is not surprising that it seems to be a core activity that almost any firm needs to perform in order to compete at the host market.

Manufacturing, on the other hand, is not necessarily a common activity performed by most firms globally and thus its high level was quite surprising. Perhaps foreign MNEs felt that Finland provided sufficient resources for manufacturing activities and thus many companies performed production in Finland. Industries where each subsidiary participated in included IT for the most part, which could indicate that subsidiaries of foreign MNEs were interested in the ICT clusters in Finland and thus decided to conduct also manufacturing at the host country.

If now concentrating on subsidiary roles, subsidiaries were found to perform activities in a number of fields rather than concentrating on a few activities. While 33% of the subsidiaries did not conduct any activities currently in Finland, 67% conduct six or more different activities in Finland.

Since subsidiaries of foreign MNEs that currently conduct activities in Finland perform at least 6 different activities, they seem much like miniature replicas. By performing most of the activities at the host country indicates that subsidiaries' roles in Finland are quite extensive and significant.

Due to the results, none of the subsidiaries would be termed marketing satellites whereas they could be called miniature replicas. Subsidiaries either performed an extensive range of different activities or no activities at all. None were found to have concentrated only on marketing and sales activities, which would have indicated that they could be called marketing satellites. Many of them, on the other hand, performed a number of different activities in Finland referring to miniature replicas. Hence, the fourth hypothesis cannot be fully accepted.

5. CONCLUSION

Linkages in terms of resources transferred between units within a company were found to be high in all fields. This would point towards the network type of MNE which was identified at the Transnational Era where decision making, resources and capabilities are shared and strategy is integrated worldwide (Malnight, 1996).

Whereas number of activities did not have an impact on intra-firm linkages, reciprocity in resource transfer was observed. As no clear evidence from previous literature was found for a link to exist between intra-firm linkages and number of different activities, the hypothesis was not formed on strong basis. The reason for no relationship between the two variables could be that even if a company has many activities, it does not mean that it has extensive know-how and a need to build linkages with other MNE units. It may be more prone to form inter-firm linkages with suppliers, customers and other parties in the value chain as they are likely to be most useful at the host market. This could be an interesting research approach and could be studied further.

The existence of reciprocity was, however, observed in resource transfer. Intra-firm linkages are useful in gaining more knowledge and resources from other subsidiaries and affiliates. Units in much contact with each other are likely to perform better than isolated subsidiaries as suggested by Monteiro et al. (2008) because they have more knowledge and resources available and can benefit from know-how of other units. Regular contact also helps in building a more coherent MNE as other units are looked after and helped.

Information on R&D and know-how rose as the most traded resource to other units and from other units. The fact that Finland expends much on R&D and is known for innovation may have attracted companies to focus R&D expenses to Finland and thus information and know-how is transferred to and from the country.

Marketing know-how and information was transferred at a quite high rate between units. This could be the result of information on marketing campaign and market research in other countries being traded between units in order to give ideas on what was successful and what should be avoided. Although cultures are different and marketing thus may need to be modified, information from other countries may create further ideas in other locations that will work.

While management and organization know-how was transferred to quite a large extent, it was received to a lesser extent. A reason for this could be the fact that many of the surveyed companies were headquarters and thus they are more likely to send know-how to subsidiaries than for subsidiaries to send information to headquarters.

The sector with least resource transfer was HR and training practices probably due to differing cultures and legal rights in different countries. It may be more difficult to transfer information on HR than other fields due to its qualitative nature and divergent practices in different locations.

The second section of the thesis concentrated on autonomy. No significant relationship could be observed between autonomy and size nor between autonomy and age. Nationality of the firm, on the other hand had an impact on autonomy. Here Finnish firms had more autonomy than foreign firms.

With ANOVA, it was found that subsidiaries were given most autonomy in production and marketing choices. While Finnish subsidiaries rated to have highest autonomy in production decisions, foreign subsidiaries concluded marketing to be the field where they had the most autonomy. Although this supports previous studies to some extent where marketing has been found to be an area where subsidiaries tend to be given most autonomy and termed marketing satellites (White and Poynter, 1984), it does not totally support the previous study as subsidiaries have autonomy in other areas as well. Hence, they are not only involved in marketing activities but also conduct other activities in

Finland. They seem to be quite independent as they are allowed to make decisions on all business areas at least to some extent.

On the third section of the thesis, roles were examined and here activities were used as indicators of types of roles. Procurement, HRM and manufacturing rose as the activities that are mostly performed by companies in Finland. A significant difference was observed between headquarters and subsidiaries as well as between headquarters and affiliates in product design, procurement, HRM, accounting & finance and IT.

A significant difference between the headquarters and subsidiaries existed in R&D while a significant difference between headquarters and affiliates existed in logistics. A very low significant difference, on the other hand, was observed among firms in manufacturing and marketing activities.

This indicates that most of the subsidiaries perform a high number of activities in Finland and thus cannot be termed marketing satellites but are more like miniature replicas. Potentially through a good network of contacts and partners, the subsidiaries have been able to engage in many activities. Foreign MNEs may also have seen Finland and its neighboring countries as good market areas where to conduct different activities and thus decided to implement various activities at the host country.

In order to link the different parts of the thesis together, subsidiary roles bring autonomy and intra-firm linkages together, As units of the MNE and especially subsidiaries are in high contact with each other, their dependence on the headquarters decreases and thus their role within the MNE can increase. Intra-firm linkages and autonomy can also shape a subsidiary's role in a sense that it can perform more activities and even operate across borders or it can concentrate on one of its core capabilities to develop into a center of excellence.

Managerial Implications

Since R&D is emphasized in Finland and even companies are increasing their expenditure on research and development, management of both foreign and Finnish firms could consider increasing their R&D in Finland or at least keep their R&D activities in Finland. The Finnish government could try to attract foreign companies to Finland by emphasizing the country's innovation capability and R&D know-how.

The Aalto University, which will condense an art school, a business school and a technology school into one university, is a good example of integrating best practices from design, business and technology into one coherent concept. The Aalto University has already established a meeting point for the students and researchers of different areas in the form of a Design Factory where start-ups can operate and innovations and ideas can be expanded and tested. This could also be one marketing tool to draw in foreign firms in addition to efficient higher education and high R&D know-how. Companies can assign projects to students at the new University and gain valuable ideas and information while the students learn from real cases and thus gain significant work experience.

As for intra-firm linkages, managers should encourage communication between units and transfer of resources in order for each unit to benefit individually while also profiting the MNE as a whole. If a subsidiary is willing to share its knowledge with other units, it is likely to gain resources from other units as well in return for the favor. Relationships can be strengthened and contact with each other can raise profits for all parties involved.

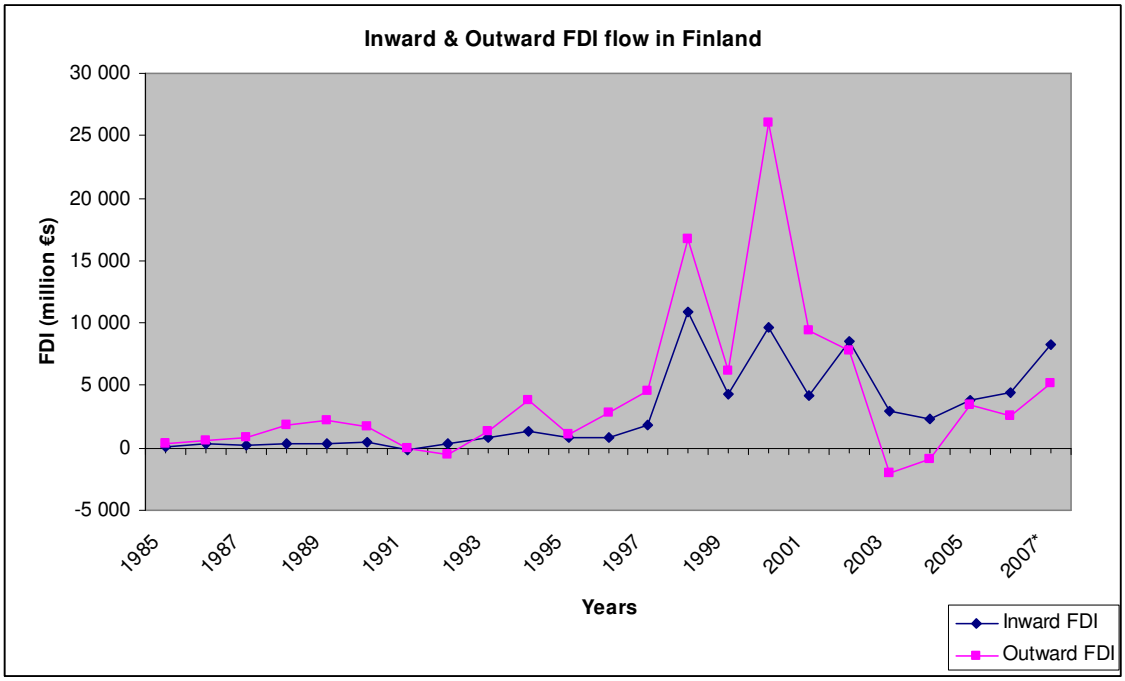
Suggestions for Further Study

Further studies on foreign versus domestic firms should be conducted in order to see if extensive differences exist in autonomy, activities in Finland and linkages. Since the percentage of foreign versus Finnish firms in the sample was very uneven, a new study could be carried out where a more even contribution would be gained from the different companies.

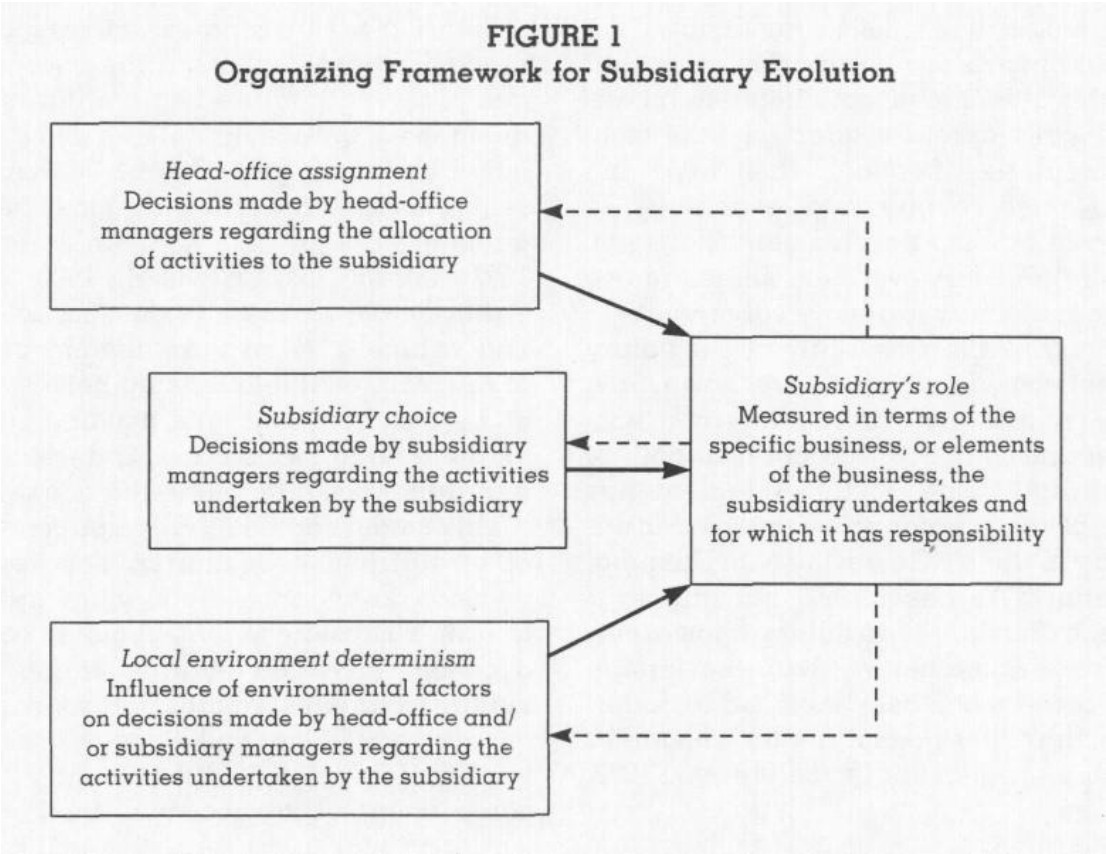
If different strategies could be outlined for Finnish and foreign companies, the similarities and distinctions could be portrayed and possibly their effectiveness compared with each other. Effectiveness of the company size and age are other areas that could be taken into examination. Strategy is likely to be different between small and large companies as well as between young and older companies and thus factors affecting the differences would be interesting to see.

An interesting study could also include a wider range of companies where some would have headquarters in the US, others in Nordic countries, some in developed EU countries and some having headquarters in Japan. Another research could examine developed and developing countries in a specific location like the EU or in a more spread area including Asia, EU, Latin America and Africa. This, however, could be difficult to conduct in practice due to the wide extent of the study but it could work on a smaller scale.

Appendix A


Inward & Outward FDI flow in Finland
30 000
25 000
20 000
15 000
10 000
5 000
0
-5 000
FDI (million €s)
1985
1987
1989
1991
1993
1995
1997
1999
2001
2003
2005
2007*
Years
Inward FDI
Outward FDI

Appendix B



While the picture is from Birkinshaw and Hood (1998), the original theory is from Johanson and Vahlne (1977).

Appendix C

Large Firms & Linkages in Small Economies

Contact: Joanna.Scott-Kennel@vuw.ac.nz

Welcome!

Thank you for choosing to answer the **GlobeConnect** questionnaire. It will ask you to provide details on your activities in Finland, relationships with local business partners, international connections and local business environment.

Answers will remain absolutely confidential and only used for research purposes. No individual firm information will be presented in results or disseminated to other firms.

In conjunction with Professor Reijo Luostarinen at the Helsinki School of Economics this project is undertaken by:

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This research is kindly endorsed by the following people and institutions:

Ministry of Economic Development, New Zealand

Investment New Zealand

Helsinki School of Economics, Finland

Ministry of Economic Affairs, Netherlands

Professor Frances Ruane
Economic and Social Research Institute, Dublin, Ireland

Mr. Philip Overmyer
Singapore International Chamber of Commerce

Dr. Hafiz Mirza
Head of Research of Development Issues, UNCTAD

Dr. Henry Yeung
National University of Singapore

Instructions

Unless otherwise indicated the questions in this survey relate to your firm's operations in Finland. It should be completed by a senior manager. It will take approximately 20 minutes.

Please just give the best answers you can – you are not expected to search for precise details or

I – YOUR FIRM

1. Where is your firm's global headquarters (HQ) located?
(This question and the next relate to your ENTIRE COMPANY worldwide, not just Finland if you are a foreign-owned subsidiary or a Finnish firm with HQ outside of Finland.

☐ In Finland

☐ In Europe

☐ Elsewhere, please specify:

2. How many employees does your global company have?
(please indicate total number of employees in each place)

In Finland

In Europe

Elsewhere

3. When was your company first established in Finland?

Year

☞ ***If your firm has foreign (non-Finnish) ownership, please answer question 4, otherwise go to question 5.***

4. Foreign ownership

4a. What is the share of foreign direct ownership of your firm in Finland? (eg. by foreign parent company(s))

Percentage of foreign direct (controlling) ownership:

4b. How many years has your firm been owned by your current foreign parent company?

Number of years:

4c - Does your firm have regional headquarter responsibilities?
(e.g. coordination of regional activities in manufacturing, service delivery, marketing or distribution)

Yes ☐ **No** ☐

5. What share of your firm is foreign portfolio investment? (eg. from foreign institutional, non-controlling shareholders)

6. How much <u>autonomy</u> does your firm have over strategic decisions in the following areas?

(please tick as appropriate)	No autonomy		Some autonomy			Full autonomy		Not applicable
	1	**2**	**3**	**4**	**5**	**6**	**7**	**NA**
R&D, product (service) design	☐	☐	☐	☐	☐	☐	☐	☐
Production and processes	☐	☐	☐	☐	☐	☐	☐	☐
Procurement, choice of suppliers	☐	☐	☐	☐	☐	☐	☐	☐
Marketing, distribution and sales	☐	☐	☐	☐	☐	☐	☐	☐

II – GEOGRAPHICAL DISTRIBUTION OF PURCHASES AND SALES

In this section, we are interested in the flow of goods and services between and within your firm, and with other business partners.

7. What percentage of your firm's total INPUTS is purchased by your firm from:
(Inputs include raw materials, intermediate & final goods (including technology) and services)

Finland	Europe	Country of corporate HQ (if not Finland)	Rest of the world	Total Inputs
%	%	%	%	100%

8. What percentage of your firm's total OUTPUT is sold by your firm to:
(Output includes value-added or sales of raw materials, intermediate & final goods (including technology) and services)

Finland	Europe	Country of corporate HQ (if not Finland)	Rest of the world	Total Output
%	%	%	%	100%

9. What share of your firm's total output is sold to other units of your firm internationally? *(please give best estimate)*

% of total outputs sold to other units of your firm ____ %

10. What share of your firm's total inputs is purchased from other units of your firm internationally? *(please give best estimate)*

% of total input purchased from other units of your firm ____ %

III – YOUR FIRM'S ACTIVITES

11. Which of the following activities are performed by your firm in Finland?
(please tick if your firm is currently involved in any of these activities and how you expect your involvement to change in the next 5 years)

	Currently involved in	In the next 5 years		
		Decrease	Same	Increase
R&D, product (service) design	☐	☐	☐	☐
Product design and adaptation	☐	☐	☐	☐
Procurement	☐	☐	☐	☐
Manufacturing or service delivery	☐	☐	☐	☐
Human resource management	☐	☐	☐	☐
Accounting & finance	☐	☐	☐	☐
Information systems & IT	☐	☐	☐	☐
Marketing, sales, after-sales (incl. helpdesk and call centres)	☐	☐	☐	☐
Other, please specify:	☐	☐	☐	☐

12. In the <u>past 5 years</u>, has your firm (partially) outsourced any of these activities?

R&D	☐	Product design and adaptation	☐
Procurement	☐	Manufacturing or service delivery	☐
HRM	☐	Accounting and finance	☐
Information systems, IT	☐	Distribution & logistics	☐
Marketing, sales & after sales	☐	NO OUTSOURCING AT ALL	☐
Other, please specify:	☐		

13. For the 3 most important activities (above) what share has been outsourced?

(please indicate the activity and approx. % outsourced in the past 5 years)			Primarily outsourced from: Finland	EU	China and India	Elsewhere
1	Actitvity =	%	☐	☐	☐	☐
2	Actitvity =	%	☐	☐	☐	☐
3	Actitvity =	%	☐	☐	☐	☐

14. In the <u>next 3-5 years</u>, has your firm (partially) outsourced any of these activities?

R&D	☐	Product design and adaptation	☐
Procurement	☐	Manufacturing or service delivery	☐
HRM	☐	Accounting and finance	☐
Information systems, IT	☐	Distribution & logistics	☐
Marketing, sales & after sales	☐	NO OUTSOURCING AT ALL	☐
Other, please specify:	☐		

15. For the 3 most important activities (above) what share does your firm plan to outsource?

(please indicate the activity and approx % to be outsourced in the next 3 to 5 years)			Primarily outsourced from: Finland	EU	China and India	Elsewhere
1	Actitvity =	%	☐	☐	☐	☐
2	Actitvity =	%	☐	☐	☐	☐
3	Actitvity =	%	☐	☐	☐	☐

IV –BUSINESS RELATIONSHIPS

First, please indicate how your firm *benefits* from business relationships.

16. To what extent does your firm benefit from resources received from suppliers in Finland?

please tick appropriate	Not at all		To some extent			Very much		NA
Technical know-how, R&D and innovation	☐	☐	☐	☐	☐	☐	☐	☐
Organisation & management know-how	☐	☐	☐	☐	☐	☐	☐	☐
Marketing know-how, market information	☐	☐	☐	☐	☐	☐	☐	☐
Training, development of human resources	☐	☐	☐	☐	☐	☐	☐	☐

17. To what extent does your firm benefit from resources received from buyers (incl. customers & agents) in Finland?

	Not at all		To some extent			Very much		NA
Technical know-how, R&D and innovation	☐	☐	☐	☐	☐	☐	☐	☐
Organisation & management know-how	☐	☐	☐	☐	☐	☐	☐	☐
Marketing know-how, market information	☐	☐	☐	☐	☐	☐	☐	☐
Training, development of human resources	☐	☐	☐	☐	☐	☐	☐	☐

18. To what extent does your firm benefit from resources received from other business partners (incl. alliances and joint-ventures) in Finland?

	Not at all		To some extent			Very much		NA
Technical know-how, R&D and innovation	☐	☐	☐	☐	☐	☐	☐	☐
Organisation & management know-how	☐	☐	☐	☐	☐	☐	☐	☐
Marketing know-how, market information	☐	☐	☐	☐	☐	☐	☐	☐
Training, development of human resources	☐	☐	☐	☐	☐	☐	☐	☐

19. To what extent does your firm benefit from resources received from other business partners (incl. alliances and joint-ventures) worldwide?

	Not at all		To some extent			Very much		NA
Technical know-how, R&D and innovation	☐	☐	☐	☐	☐	☐	☐	☐
Organisation & management know-how	☐	☐	☐	☐	☐	☐	☐	☐
Marketing know-how, market information	☐	☐	☐	☐	☐	☐	☐	☐
Training, development of human resources	☐	☐	☐	☐	☐	☐	☐	☐

20. To what extent does your firm benefit from resources received from <u>other units</u> of your firm located <u>worldwide</u>?

	Not at all		To some extent			Very much		NA
Technical know-how, R&D and innovation	☐	☐	☐	☐	☐	☐	☐	☐
Organisation & management know-how	☐	☐	☐	☐	☐	☐	☐	☐
Marketing know-how, market information	☐	☐	☐	☐	☐	☐	☐	☐
Training, development of human resources	☐	☐	☐	☐	☐	☐	☐	☐

Second, please indicate how your firm *<u>contributes</u>* to the development of its business partners, through regular interaction in the business relationships.

21. To what extent does your firm contribute resources to <u>suppliers</u> in Finland?
(please tick as appropriate)

	Not at all		To some extent			Very much		NA
Technical know-how, R&D and innovation	☐	☐	☐	☐	☐	☐	☐	☐
Organisation & management know-how	☐	☐	☐	☐	☐	☐	☐	☐
Marketing know-how, market information	☐	☐	☐	☐	☐	☐	☐	☐
Training, development of human resources	☐	☐	☐	☐	☐	☐	☐	☐

22. To what extent does your firm contribute resources to <u>buyers</u> (incl. customers & agents) in Finland?

	Not at all		To some extent			Very much		NA
Technical know-how, R&D and innovation	☐	☐	☐	☐	☐	☐	☐	☐
Organisation & management know-how	☐	☐	☐	☐	☐	☐	☐	☐
Marketing know-how, market information	☐	☐	☐	☐	☐	☐	☐	☐
Training, development of human resources	☐	☐	☐	☐	☐	☐	☐	☐

23. To what extent does your firm contribute resources to <u>other business partners</u> (incl. alliances and joint-ventures) in Finland?

	Not at all		To some extent			Very much		NA
Technical know-how, R&D and innovation	☐	☐	☐	☐	☐	☐	☐	☐
Organisation & management know-how	☐	☐	☐	☐	☐	☐	☐	☐
Marketing know-how, market information	☐	☐	☐	☐	☐	☐	☐	☐
Training, development of human resources	☐	☐	☐	☐	☐	☐	☐	☐

24. To what extent does your firm contribute resources to <u>other business partners</u> (incl. alliances and joint-ventures) worldwide?

	Not at all		To some extent			Very much		NA
Technical know-how, R&D and innovation	☐	☐	☐	☐	☐	☐	☐	☐
Organisation & management know-how	☐	☐	☐	☐	☐	☐	☐	☐
Marketing know-how, market information	☐	☐	☐	☐	☐	☐	☐	☐
Training, development of human resources	☐	☐	☐	☐	☐	☐	☐	☐

25. To what extent does your firm contribute to resources to <u>other units</u> of your firm located <u>worldwide</u>?

	Not at all		To some extent			Very much		NA
Technical know-how, R&D and innovation	☐	☐	☐	☐	☐	☐	☐	☐
Organisation & management know-how	☐	☐	☐	☐	☐	☐	☐	☐
Marketing know-how, market information	☐	☐	☐	☐	☐	☐	☐	☐
Training, development of human resources	☐	☐	☐	☐	☐	☐	☐	☐

V – BUSINESS ENVIRONMENT IN FINLAND

26. How favourable are the following aspects of Finland for your firm?

(please tick as appropriate)	Not at all favourable			Somewhat favourable			Very favourable	NA
Access to markets and resources	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**NA**
Finnish market	☐	☐	☐	☐	☐	☐	☐	☐
Proximity to European Union market	☐	☐	☐	☐	☐	☐	☐	☐
Availability of natural resources, raw materials	☐	☐	☐	☐	☐	☐	☐	☐
Access to capital	☐	☐	☐	☐	☐	☐	☐	☐
Availability of skilled labour	☐	☐	☐	☐	☐	☐	☐	☐
Local conditions	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**NA**
Knowledge infrastructure (e.g. universities)	☐	☐	☐	☐	☐	☐	☐	☐
Physical infrastructure (e.g. ports, roads, telecom…)	☐	☐	☐	☐	☐	☐	☐	☐
Lifestyle (quality of life)	☐	☐	☐	☐	☐	☐	☐	☐
Business relationships	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**NA**
Finnish suppliers (including professional services)	☐	☐	☐	☐	☐	☐	☐	☐
Proximity to European Union suppliers (including professional services)	☐	☐	☐	☐	☐	☐	☐	☐
Presence of key competitors	☐	☐	☐	☐	☐	☐	☐	☐
Local rules and regulations	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**NA**
Regulatory compliance costs	☐	☐	☐	☐	☐	☐	☐	☐
Government assistance/incentives/subsidies	☐	☐	☐	☐	☐	☐	☐	☐
Other, please specify:	☐	☐	☐	☐	☐	☐	☐	☐

27. How will these aspects in Finland change for your firm in the <u>next</u> 3 to 5 years?
(please tick as appropriate)

	Decline	Same	Increase
Finnish market	☐	☐	☐
Proximity to European Union market	☐	☐	☐
Availability of natural resources, raw materials	☐	☐	☐
Access to capital	☐	☐	☐
Availability of skilled labour	☐	☐	☐
Knowledge infrastructure (e.g. universities)	☐	☐	☐
Physical infrastructure (e.g. ports, roads, telecom…)	☐	☐	☐
Lifestyle (quality of life)	☐	☐	☐
Finnish suppliers (including professional services)	☐	☐	☐
Proximity to European Union suppliers (including professional services)	☐	☐	☐
Presence of key competitors	☐	☐	☐
Regulatory compliance costs	☐	☐	☐
Government assistance/incentives/subsidies	☐	☐	☐
Other, please specify:	☐	☐	☐

VI – YOUR FIRM'S PERFORMANCE

In this section, we wish to understand the basis for your competitive advantages and your assessment of local competitors in Finland.

28. What percentage of sales does your firm spend on:

1- R&D? **%**

2- Marketing and sales activities ? **%**

29. Relative to your key competitors in Finland how would you assess your firm's performance in the following?

(please tick as appropriate)	Much worse **1**	**2**	**3**	Similar **4**	**5**	**6**	Much better **7**
Productivity and efficiency	☐	☐	☐	☐	☐	☐	☐
Profitability	☐	☐	☐	☐	☐	☐	☐
Sales growth	☐	☐	☐	☐	☐	☐	☐

30. To what extent are your firm's <u>competitive advantages</u> derived from the following factors?

(please tick as appropriate)	Not at all **1**	**2**	**3**	To some extent **4**	**5**	**6**	Very much **7**	NA
Price of product or services	☐	☐	☐	☐	☐	☐	☐	☐
Quality of product and service	☐	☐	☐	☐	☐	☐	☐	☐
Innovation and creativity	☐	☐	☐	☐	☐	☐	☐	☐
Marketing, sales, reputation and branding	☐	☐	☐	☐	☐	☐	☐	☐
Productivity and efficiency	☐	☐	☐	☐	☐	☐	☐	☐
Managerial or organisational routines	☐	☐	☐	☐	☐	☐	☐	☐
Procurement and supply	☐	☐	☐	☐	☐	☐	☐	☐
Location near to infrastructure / critical resources	☐	☐	☐	☐	☐	☐	☐	☐
Ability to predict and respond to market demand	☐	☐	☐	☐	☐	☐	☐	☐
Other, please specify:	☐	☐	☐	☐	☐	☐	☐	☐

VII– Strategy at corporate level
These questions relate to the global strategy and worldwide activities of your ENTIRE COMPANY (and not only the Finnish activities, if appropriate).

31. To what extent do the following statements describe the strategy of your firm at the <u>corporate</u> level? (please tick as appropriate for global operations or foreign HQ if foreign-owned)

Our company ..	Not at all 1	2	3	To some extent 4	5	6	Very much 7	NA
...achieves economies of scale by concentrating its activities at a limited number of locations	☐	☐	☐	☐	☐	☐	☐	☐
...defines its competitive position on a global basis	☐	☐	☐	☐	☐	☐	☐	☐
...has operations in different locations that are closely linked and interconnected	☐	☐	☐	☐	☐	☐	☐	☐
...treats markets in each location separately	☐	☐	☐	☐	☐	☐	☐	☐
...operates in different locations by competing on a local basis	☐	☐	☐	☐	☐	☐	☐	☐
...tries to adapt products and practices to tastes and values in different locations worldwide	☐	☐	☐	☐	☐	☐	☐	☐

Thank you for completing the questionnaire!

Please indicate if you would like to receive a copy of the results including your personalized report, and/or be notified when the research is published.

Then fill out your relevant contact details, below.

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First name, surname	
Company name, position	
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If you would like to add any further comments, please do so in the box below

PLEASE RETURN THE COMPLETED QUESTIONNAIRE TO:

joanna.scott-kennel@vuw.ac.nz

**Dr Joanna Scott-Kennel, Helsinki School of Economics,
Department of Marketing and Management, PO Box 1210 (Lapuankatu 6) 00101 Helsinki, Finland**

Results will only be used for research purposes and will only be reported in aggregate form, with no individual firms identified (except your firm's details contained in your own benchmarking report). Data will be stored securely (password protected).

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