

FINNISH MNC S ACTIVE IN BRAZIL: A STUDY ABOUT MANAGEMENT IN THE FINNISH BRAZILIAN MNC CONTEXT

International Business

Master's thesis

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2010



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**FINNISH MNCS ACTIVE IN BRAZIL: A STUDY ABOUT MANAGEMENT IN
THE FINNISH – BRAZILIAN MNC CONTEXT**

Master's Thesis
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Spring 2010
Faculty of International Business

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Acknowledgements

The thought of conducting a study on management and international business taking place in Finnish companies active in Brazil is something that had been in my mind since starting my masters' studies. Through talks with the academia, I was offered to work for Helsinki School of Economics' Centre of Emerging market Studies (Cemat) as a temporary research assistant between 2007 and 2008. The work included organizing a field trip to Brazil in December 2007 and interviewing local employees of Finnish MNCs at the local subsidiary offices.

I am thankful for all the people who helped me on the road of writing this thesis. I am grateful for Kristiina Korhonen, for having believed in my skills and for electing me for doing interviews in Brazil and for Cemat for having carried the financial cost of the study trip. I thank you the Brazilian employees on-site who took the time to receive me and participate in the interviews. Having the opportunity to execute the empirical part of this study in Brazil enabled a more thorough understanding of the local perspective to the Finnish – Brazilian MNC context, enriching hence the study experience. Moreover, I would like to thank Perttu Kähäri for being my supervisor, for the guidance and patience on the completion of this project, as well as thank my beloved ones for their support.

Mexico City April the 30th^h, 2010

Sónia Alexandra Korhonen – Pereira Coutinho

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Objectives of the Thesis

This study contributes to the knowledge of how Finnish multinational companies do business in Brazil, with a perspective of local subsidiary employees. Differences in local business and cultural context were the catalyst to look at the management practices of Finnish MNCs active in Brazil. The theoretic part concentrates on studying management from the part of control, business communication within the MNC, as well as cultural traits in Brazil and Finland. The framework aims to deliver a model, drawing on the connection of the above mentioned areas; hence underlining further the importance of communication between the Finnish headquarters (HQs) and Brazilian subsidiary as to increase understanding of the local context and improve management practices at the same time.

Research Methods

Eleven qualitative, individual face-to-face interviews, were done to local Brazilian employees in the state of São Paulo at the local subsidiary offices of the three Finnish MNCs: Savcor, Valtra and Tecnomen. The interview material together with a concise study on the Brazilian business environment build the empiric part of this study.

Results

The empirical results support that national cultural traits do affect communication and management styles, differences are observable between Brazil and Finland. Hence, communication from the subsidiary to the headquarters needs to be strengthened as to improve cooperation between the former and improve management, control standards, according to the local business context and local cultural environment.

SUOMALAISET MONIKANSALLISET YHTIÖT BRASILIASSA: TUTKIMUS JOHTAMISESTA SUOMALAISBRASILIALAISESSA KONTEKSTISSA

Tutkielman tavoitteet

Tutkielman tavoitteena on tutkia paikallisten työntekijöiden näkökulmasta miten suomalaiset monikansalliset yritykset toimivat Brasiliassa. Erot niin paikallisen liikeympäristön kuin yrityskulttuurin alueella lisäävät tutkimuksen kiinnostavuutta. Teoreettista viitekehystä varten tutkitaan liikeohjausta ja viestintää monikansallisyhtiöissä, sekä kansalliskulttuurin piirteitä Brasiliassa ja Suomessa. Malli pyrkii todentamaan näiden kolmen osa-alueen vaikutuksen toisiinsa vahvistaen samalla viestinnän roolin tärkeyden suomalaisen pääkonttorin ja brasilialaisen tytäryhtiön välillä paikallisen liikeympäristön ymmärryksen lisäämiseksi ja huomioimiseksi, johtamistyyliä- ja tapoja valittaessa.

Tutkimusmenetelmät

Yksitoista henkilökohtaista kvalitatiivista haastattelua tehtiin São Paulon osavaltiossa kolmen suomalaisen monikansallisen yhtiön, Savcorin, Valtran ja Tecnomenin tytäryhtiöiden toimistoissa. Tutkimusmateriaali koostuu haastatteluvastauksista ja Brasilian liikeympäristön kuvauksesta.

Tulokset

Tutkimustulokset viittaavat siihen, että kansalliskulttuurin piirteet vaikuttavat viestintään ja johtamistyyliin, eroavaisuudet ovat selviä Suomen ja Brasilia välillä. Viestintää tytäryhtiöltä pääkonttorille päin tulisi vahvistaa, jotta yhteistyö ja paikallisen liikeympäristönn ymmärrys paranee. Viestinnän rooli on huomattava pyrkiessä parantamaan tytäryhtiön liiketoimintaprosesseja sekä johtamisstandardeja paikalliseen ympäristön huomioonottaen.

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1 INTRODUCTION

1.1 Background

In general, with the ever growing international expansion of multinational corporations (MNCs), (Forsgren, 2008; Fredriksson et al., 2006; Charles and Marschan – Piekkari, 2002), managing control, internal communication and company culture become more crucial for the sound functioning of the MNC as an organization. Control is needed for the functioning of the multinational company as one unit, where as internal communication between the headquarters and a single subsidiary, between a manager and his, her subordinates, is essential for executing the MNC's daily operations. Company culture, on the other hand, orchestrates the company environment where operations and decisions take place, in a positive case it can enable business, acting even as a catalyst for sound strategic decisions.

Porter (1986) states that international competition is one of the most significant issues facing modern enterprises. Hence, as the number of MNCs' foreign subsidiaries has grown robustly in the last two decades (Forsgren, 2008; United Nations 2005), managing control, communication and culture within the MNC becomes of even greater importance for MNCs competing in the international business context.

The setting of this study is of Finnish MNCs with a subsidiaries of in Brazil and the study's aim is to find out how local employees feel about the management practices, internal communications and corporate culture at the local office and in the local Brazilian subsidiary - Finnish headquarters context. The objective is to find out whether the Finnish MNCs are equipped and well organized for business in the Brazilian context.

First previous literature in the international business, on control, communication and corporate, national culture will be reviewed. Second, a theoretical framework will be developed, and then tested with a qualitative study. The interviews were done as part of a Cemat – Tekes project in 2007-2008 (Cemat is the Centre of emerging Market Studies at the Helsinki School of Economics where as Tekes is the National Technology

Agency of Finland) aspiring to find out the local employees' opinions on Finnish MNCs management practices. Eleven interviews were done at three Finnish MNCs active in the state of São Paulo in December 2007. More over, the interviews were conducted in the local employees' mother tongue, Portuguese, and then translated into English.

Where as most of previous studies in international business have concentrated on studying the MNC from the point of view of the headquarters, here the interest is on the local context, on the other side of the cup. As Brazil is one of the most promising emerging countries in Latin America and has a fast growing consumer market, finding out local views of Finnish MNC's management practices should also be of major interest for Finnish MNCs active in the local market.

1.2 Research gap

The research gap of this study is associated with link between multinational companies' control systems, company culture and communications taking place within the headquarter – subsidiary context.

One of the main areas of interest in the administration of international business is the study of HQs – subsidiary relationship (Gupta & Govindarajan, 1991; Paterson & Brock, 2002). In this study in particular, the study concentrates on Finnish MNCs with subsidiaries in Brazil. Subsidiaries can take on different functions, being responsible for local implementation, local or global innovation (Gupta & Govindarajan, 1991), or act as active subsidiaries, receptive or autonomous subsidiaries (Jarillo & Martinez,1990).

Control systems play an important role in the implementation of strategies of an MNC in the HQs – subsidiary context. Due to the different roles that a subsidiary may have (Ibid.), the combination and fit of strategy at the local level and control mechanisms set at the headquarter level becomes strategic issue (S. R. Lovett et al., 2009).

One tool used for control is communication. Communication takes place between the HQs and subsidiary constantly. Louhiala-Salminen (2002) also remark that a big part of the communication of a corporation is internal, not only external. In general, one could

deduce that most of the language wise diverse communication happens actually internally, within the international boundaries of the MNC. Still, the role of language on international business and in the working field of multinational organizations hasn't been studied so extensively, (Marschan-Piekkari et al. (1997) due to the former position of English language and western MNCs in the 1980s- 1990s. According to Feely and Harzing (2008) this is due to that most of international business research comes from English speaking countries.

Yet, taking into account the present MNC environment, where emerging markets, such as Brazil gain growing importance as much as consumer markets for MNCs as well as economic powers, one might suspect the role of English language in the international business environment might weaken, or at least be challenged in the future. Accordingly, Barner-Rasmussen and Björkman (2007) determine newly, that a MNC is actually a multilingual organization.

While many studies have been made on parent-subsidiary relationships (e.g., (Gupta & Govindarajan, 1991; Martinez and Jarillo 1989), empirical studies on control over foreign subsidiaries are to some extent sparse. Similarly, the link between control systems, company culture and communications taking place within the headquarter – subsidiary context hasn't been looked at. Still, as growing percentage of MNC's operations take place outside the western countries and the roles of subsidiaries, even MNCs started in emerging countries grow, controlling, or at least understanding the interconnections of control mechanisms, internal communications and company culture becomes more important.

As Schein argues (1988, p. 12): argues “ all organizational problems are fundamentally problems involving human interactions and processes. No matter what technical, financial, or other matters may be involved, there will always be human involved in the design and implementation of such other processes”. As culture shapes attitudes, values and human behavior (Hofstede, 1980) and cultural distance between the MNC's headquarters and host country affects control type selection (Hamilton and Kashlak,

1999) studying the interconnection of control, culture and communication becomes interesting. After all, it seems that understanding the interconnections of the former three is essential to succeed on management of international MNC operations in the present business scenario.

1.3 Definitions

Multinational company: A multinational company is a business which produces goods or services in more than one country; through FDI (foreign direct investment) it acquires, controls and manages subsidiaries outside the MNC's home country.

The geographically dispersed units need to respond both to the local environment and local goals, while abiding to the rules and objectives set by the headquarter. Compared to a national firm, the multinational company needs to have a "wider horizon" (Yamin and Forsgren, 2006), as the MNC's strategy and activities need to act in response to the overall vision and objectives of the headquarter while being reactive to local national markets, which can differ to a great extent on what comes to economic, social and cultural milieus (Hofstede, 1980). The MNC thus needs integrate the various country units under one, international, organizational roof while being reactive to local market demands, a challenge that Doz and Prahalad (1991) named the integration-responsiveness dilemma.

Subsidiary: A subsidiary is an overseas unit of which the headquarter owns at least 50 per cent. The MNC controls the actions of its subsidiaries according to each subsidiary's strategic role and the vision the headquarter has of each local national market. Recently the concentration has been on digging into the potential that the subsidiaries hold within themselves (Rugman, 2008). Accordingly, Birkinshaw and Petersen (2008) define the subsidiary as a discrete value-adding activity outside the MNC's home country.

Network: By network it is meant the inside and outside actors, both within and outside the MNC to which it is embedded as an multinational organization (Birkinshaw and Pedersen, 2008): The MNC faces two, possibly very different environments, to which it is embedded: the corporate and the external environment (Andersson, 1993). The internal network, the corporate network, consists of the headquarters, and the subsidiaries overseas, whereas the external network refers to the local environment of the subsidiaries, defined by the local actors: local government, local community (political groups, trade associations, financial community, clients, customer advocate groups activist groups, inhabitants in the area next to the subsidiary) local suppliers other counterparts, competitors, local employees and unions (Freeman, 1984).

Control: By control it is referred in essence, to the regulation of activities within an organization so that they are in accord with the expectations established in policies, plans and targets (Child, 1973). MNCs use control to manage and monitor the company activities, among other inputs, production and employee behaviour (Ouchi 1977, 1979, Jaeger 1983, Eisenhardt 1985, Snell 1992).

Control mechanism: A control mechanism is an organizational instrument used by an MNC to achieve integration inside an organization's various units (Martinez and Jarillo, 1989) as well as control operations according to established operational standards and objectives (Child, 1973).

Communication: According to Kleim (2008, p.6) the communication process consists of a sender, a receiver, a message, feedback, and the intermediary way to send the message. According to Charles and Marschan-Piekkari (2002), communication is seen as a tool in the strategic management of international operations, and language skills as essential for performing daily activities within the MNC.

National culture: Hofstede (1984, p. 21) describes culture as "the collective programming of the mind which distinguishes the members of one human group from another". In essence, national culture consists of values, beliefs and behavioural patterns of a national group. National culture hence drives the thinking and behaviour, decision

making patterns of one. Hofstede's definition of national culture supports studying culture's effects on communication and control within the international context.

Emerging markets: Emerging markets are those which are in a transition from a developing country to a developed country. An emerging market has strong economic growth prospects on economic development. In comparison to developed markets, emerging markets are more volatile and hold more risk as they are economies in a transition phase. According to the Organization for Economic Co-operation and Development (OECD) (2009) the emerging markets weight on world trade had increased significantly on the last 20 years. The biggest emerging markets are also known as the BRIICS: Brazil, Russia, India, Indonesia, China and South Africa.

OECD states that the world trade network is more multilateral on its nature, due to the growth in the BRIICS and other emerging markets. The BRIICS have already started showing a quicker recuperation pace than the developed markets and it is awaited that these surging economic powers will be the engine of the global economy in the coming decades.

2 REVIEW OF LITERATURE

On the second chapter of this study the relevant literature is reviewed so that the research problem can be studied. To have a sound background for executing the study, first literature will be revised. There are three theoretical settings that are put together: subsidiary control types, communication and language in a MNC and national culture aspects. The control types used at an MNC are decided upon at the headquarters where as communication between the headquarter and the subsidiary can be hard to control. In other words, cultural aspects embedded in communication and language do have an impact on success of chosen control mechanisms on the overall MNC. In this study, the classic studies on control will be revised and looked at their adaptability to the modern MNC. Where as most of the studies on control have been conducted from the strategic point of view, from the top of the organization with a HQ point of view, here the idea is to reverse the cup and study the interconnection of control, communications and culture from the other side, the subsidiary's local employees point of view. Hence, the objective is to look at the topic from the point of view of the individual, who deals at work with the management practices at the MNC's subsidiary unit. I will try to grasp how the local employee feels about company culture and communications at the headquarter-subsubsidiary context, from the local point of view, as these are also affected by the control mechanisms implemented in the MNC organization.

The relationship between the headquarters and subsidiary can be related to the MNC being embedded to its internal, corporate, and external environment. Corporate embeddedness refers to a MNCs internal links between the headquarters and subsidiaries, as well as a subsidiary's association to other subunits. Corporate embeddedness would also include corporate culture and internal communications, control within the headquarters and subsidiaries. Never the less, through the local network, the subsidiary may get external assets and knowledge (goods, services, R&D innovations from local counterparts) which are not produced or originated within the MNC (Andersson et al, 2002). By external environment it is referred in this study to the global economic and business environment as well as the local country specific socio-economic environment, which has an effect on the opportunities and threats of each

subsidiary market. Due to the subsidiaries strong link to the local business environment, the MNC's external environment, and its effect on local business environment and opportunities besides local culture and language, surged the idea to study management of Finnish MNC's in the local context.

Hence, through the qualitative research this study aims to understand how local Brazilian employees of Finnish MNC's view the MNC's operations, corporate culture and internal communications at the local level.

2.1 Defining control and control mechanisms

What is control? According to Child (1973) control refers to: *“regulating the activities within an organization so that they are in accord with the expectations established in policies, plans and targets”*. Still, an organization with control challenges can not be *“fixed”* as easily as a technical gadget, as control is not simply an exclusively technical matter (Child, 1984) within an MNC. Control can be sometimes tricky in a MNC, as it is in the end control of human actions, the employees' input.

Control and control mechanisms of an MNC have been classically divided into two groups: the formal and informal types of control within the entity of desired control, let it be for example objectives, internal work processes within the company, as well as human resource management. As Penttilä (2009) observes, usually various types of control take place simultaneously and are utilized jointly as one control system.

Generally, control is defined as a central method to the MNC for the management and monitoring of the company activities, which is strengthened and sustained by HR activities, such as employee selection and training. (Ouchi 1977,1979; Jaeger 1983; Eisenhardt 1985; Snell1992). In essence, Ouchi (1977, 1979) notes that control is as a set of conditions which define how control is to be done; The control system in itself concentrates on monitoring of each other, either behaviour or output features, managing the company to achieve its objective. Martinez and Jarillo (1989) further defined a co-

ordination mechanism to be any organizational instrument used by an MNC to achieve integration inside the organizations various units. The control system implementation is designed usually from top to bottom, as the control type selection for the subsidiary level is decided upon at the headquarters level. To make this decision, the assigned role of the subsidiary and the level of management needed between the headquarter and the subsidiary are studied as these have a correlation between each other (Baliga and Jaeger 1984; Martinez and Jarillo 1991).

2.1.1 Different control types

Next we will look at different control types that are used at the MNCs to control their international subsidiaries and the whole MNC network. The study of control types will be limited to the following as the literature part is still to cover communications and national cultural aspects as well.

Martinez and Jarillo (1991) comment that the different control styles traditionally used by MNCs have been often formal control mechanisms. According to the former these are the following four major forms control types: centralization, standardization, planning and output control. Centralization is characterised by the use of periodic reports, where as on standardization regularised operations and procedures are the objective, this is achieved through the use of manuals and standard operating manuals. On planning the use of schedules and long, short term objectives would be the norm where as on output control budgets are used to set the objectives.

Besides the formal control systems three informal control systems are mentioned: lateral relations, informal communications as well as organizational culture, of which none can be standardized to the extent of the four major control types. Hence, one could conclude that formal control mechanisms concentrate on operations and process coverage with reports, where as the informal mechanisms concentrate on organizational culture and intra-firm personal relationships, including unofficial communications between work colleagues and networks. All in all, different control

types are needed to control specific areas of the MNC, both formal and informal are needed if the MNC strives to control not only production and other important business areas but also the company culture.

2.1.2 Market, bureaucracy and clan control type

Ouchi (1979), describes a framework according to which control could be divided into three different types. These were referred to as the market, the bureaucracy and the clan control style. Within the markets control is effectively carried out through the market's ability to measure and remunerate independent actors according to their involvement. On the other hand, bureaucracies take care of control through a combination of close evaluation and socialization of shared norms of conduct and objectives. The third option, the clan control is exercised through complete socialization, assuring within the organization members goal congruence. Here the common set of values, norms and beliefs shared by all members besides the high level of individual commitment to the organization function as the corner stone of clan control.

2.1.3. Input, behaviour and output control

Snell (1992) broke up control into three different types based on Ouchi's (1979) previous division of control types. Snell named the types of control according to the stage at which business control takes place. They are input control, behaviour control and output control. Input control is centrally designed according to strategic HR needs, around cultural and a more implicit, informal control where as behaviour and output control focus more on formal and measurable elements within the organization.

In input control refers according to Snell (1992) to the company's action strategy specifically at the stage where employee selection takes place, before the company takes responsibility of the employee. Ouchi (1979) called the use of HR selection and training mechanisms "clan control", where as Govindarajan & Fisher(1990) referred to input control as socialization control. For example on the HR recruitment process, the evaluation kit of an candidate and the career development systems, together with the

assessed qualities of the prospect employees e.g.: knowledge, skills, motives, values and abilities of employees are observed make part of the input control system.

Through the selective employment procedures, the companies can assure that the prospect employees have the wanted qualities thus improving also the success of socialization. For the socialization to function it is also important to assure where possible that the employees share the same values and norms for the two to be compatible. Snell (1992) summarizes that the advantage of input control is that the use of staffing and training practices that are strategically planned according to a company can help avoid future performance problems as if compared to the use of output or behavior control. Yet, Snell (Ibid.) stresses that the downturn of input control is that although new employees can be informed and trained on the company culture there is, never the less, no security that on operation things will be done as taught at the training.

The second control option according to Snell (1992), behavior control, refers to the control of employees' actions on the job as well as the management of the work process in itself. Hence, behavior control takes place during the job execution, Eisenhardt (1985) referred to it as "task programmability" as the difference to input control, where future actions are to be prepared. The behavior control is realized in companies in the form of performance programs which are mostly designed top-down, at the headquarters and possibly also at the regional offices. Yet, for the performance programs to be functional, they call for a thorough understanding of the work process from the managers. Ouchi (1977) referred to the understanding of work processes as the "cause/effect relations" and "knowledge of the transformation process".

Snell's (1992) third option, output control, needs a management that is concrete on which results are to be reached in order to be a viable option on organizational control. Ouchi (1977) refers to output control as an option for behavior control. It is characterized by the weighting of financial results of the company, numeric pre-established objectives on over-all results of e.g. a subsidiary, a department within a company. On the personal level, a typical example of output control would be the use of salary incentives in line with performance results versus targets set by the managers. In

other words, instead of weighting the behavior of employees the results are weighted, giving more space for the employees' behavior to accommodate to the local environment. Snell summarizes that the use of output control increases in situations where the manager has no real control over product and, or market variation.

2.1.4 Bureaucratic and cultural control styles

Baliga and Jaeger (1984) identify as the main control types the bureaucratic, and the cultural control styles. The bureaucratic control type resembles Snell's (1992) behaviour and output control options. A few examples will be provided to prove the resemblance between the former. Just as in the behaviour control style, on a bureaucratic system the objective is to mould the way an employee executes his/her job. Ouchi (1977) referred to behaviour control as the understanding of "cause/effect" relations where the employee understands the link between the tasks and results expected from him. This goes hand in hand with Hamilton et al. (1996), they suggest that managers are evaluated and rewarded based on whether their behaviour matches the prescribed procedures. On the other hand, the bureaucratic control resembles also the output style of Snell' in that the objectives, the company rules and performance expectations are clear. The positive side of bureaucratic control is according to Baliga and Jaeger (1984) that space for accommodation to different subsidiary realities exists, as rules and objectives, at both local and global level, are favored over the implementation of a strong unified global company culture.

Baliga and Jaeger's (Ibid) second option, the cultural control differs mostly from the bureaucratic control style in that training and socialization are stressed over the use of manuals and explicit rules: " *Control in these organizations is more implicit and informal rather than explicit and formal*". The supervision happens through interpersonal interaction as all members are supposed to share the same values, resembling Snell's input control through the importance of socialization. Baliga and Jaeger (1984) comment as cultural control's positive sides the moral commitment of managers, the possibility of higher innovation level on task execution and problem solving as compared to bureaucratic control, where priority is given to rule following.

Never the less, in the international arena, one can also question how a MNC that concentrates on cultural behaviour, will be able to adapt to a local environment at the country level. Other concerns could be the ability to deal with a possible high turnover of employees as the cultural control type is expensive to withhold. Baliga and Jaeger also suggest, that the control type selection is also affected by the size of the company. In general, cultural control is easier to exercise in small as well as new companies, where as bureaucratic control would be most probably more convenient control type to execute when the size, as well as the age of the organization increases.

2.1.5 Topics affecting control type decision making in an MNC

Now that some of the major control types have been revised different themes affecting the control choice, and management in general in a MNC, will be studied.

The diverse realities that the MNC confronts daily in different national markets turns the management of global operations into a sophisticated and complex matter. In the 1990's 37'000 MNCs with 170'000 foreign affiliates operated where as in 2005 already 70'000 MNCs were active with 680'000 foreign affiliates (Mats Forsgren, 2008; United Nations World Investment Report 2005). MNCs have become big players in world politics and the global economy as their size, number and reach has grown. By now, the biggest MNCs can even surpass whole countries on their expenditure on, for example, R&D (Mats Forsgren, 2008). Hence, deciding upon control systems that are adaptable to the whole MNC and coherent with all local markets at which the organization is present is not easy..

Moreover, as a consequence of the worldwide financial crisis of the autumn 2008, from individuals worldwide, employees, to national governments, tighter control of the major actors of the global market economy has been demanded; not surprisingly, MNCs represent no small players. Especially in the emerging markets and in the case of major Latin American countries, the important role of MNCs is omnipresent: in the 1990's MNCs were the ones to demand fiscal and macroeconomic reforms in order for them to invest in these markets (Cepal, 2008). At the verge of the present global recession, many of these countries had healthy on the macroeconomic side and grown capital

reserves, never the less, they weren't able to avoid the consequences of the recession as the MNCs for example withdrew their financial reserves to the home country and or, made redundant employees at some local offices. The recession took grip of these countries, as much through the global economic and financial environment's blues as it did through the actions of the MNCs which affected the national economies and their health. All in all MNCs role and impact on local economies has grown due to their worldwide presence.

2.1.6 The controllable variables

“In the giant corporation of today, managers rule from the tops of skyscrapers; on a clear day, they can almost see the world.” Hymer (1970, p. 445)

Hymer's quote (Ibid.) is assertive even though four decades have passed since it was first published. After all, the MNC may try to control everything happening around it but the bare truth is that the internal variables are the only ones it can try to fully control; the external environment of an MNC is changing continuously. Moreover, according to Forsgren (2008) most of the MNCs have over 100 foreign affiliates, the unlikeness due to the geographic and, possibly, different operational structure at the affiliate level presents thus a challenge for the MNC's overall control. In addition, with the growth of weight of the consumer markets in the emerging countries (Chris Watling for FT, 2009) the control paradigm top-down might need to be rethought as the subsidiaries grow stronger and more vital for the survival of the MNCs.

Masaru Ishida (1999) speaks about three main different management and control styles, the management approaches of the United States, Europe and Japanese companies. This can be also applied to control, where communications and cultural knowledge play an important role for successful management; communications styles and methods ought to be adapted to the perceptions and sensitivities of people in each country. Ishida (Ibid.) remarks that big differences exist from country to country on communication and the spaces of possible misunderstanding are even greater between the East and the West. Hamilton et al. (1996) also stress the importance of an appropriate control system due to

the fact that business is done around the world with great cultural distance, sometimes massive economic volatility and variable government restrictions. Culture, language, the local socio-economic-political environment, together with the countries' demographic stance, are among factors that might differ drastically from one country setting to another. All of these factors differ remarkably between Finland and Brazil. Hence, it will be interesting to find out how control is seen and executed in subsidiaries of Finnish MNCs active in Brazil.

At the end, the controllables within the MNC are bound to its internal network and in-house operations. The age of the parent company, the size of the former as well as the age of the industry are factors affecting the control type selection besides the host country qualities. According to Martinez and Jarillo (1991), the channels through which interaction will take place are usually very well defined and quite limited on number. The MNC may set the definitions on what comes to the overall objectives of the MNC as well as be in command of operations in the whole subsidiary network through the HQ's arbitrary power. Communications channels are vital for controlling the global functions of an MNC due to which communication and language will be studied in the next chapter.

2.1.7 The uncontrollable variables:

The saying "No man is an island" goes also for the MNC control studies as in the real world an MNC can not act as if it would be independent, and capable, of controlling all internal and external variables that affect the business. Thinking so is equal to, theoretically, being alleged of doing a management hara-kiri.

As the global financial crisis of 2008 proved, on what comes to control in the MNC context, the organization can only be proactive, through planning and preparation of different business environment scenarios, or reactive to the occurrence of events in the global market, to the external environment. The financial crisis that shock the global economy caused layouts, closure of production plants and in the worst case bankruptcy of whole MNCs.

Uncontrollable variables are: the geographic, socio-political and economic environment in the host country, local culture and local consumption norms. The writer adds the latter as MNCs produce mostly goods or services for the local markets. Also, although the two last ones are listed as uncontrollable variables, a MNC may try to shape local culture and consumption patterns through the use of marketing efforts. Still, one can not always go against the wave, for example the Brazilians are not probably the best bet for a new consumer market for Finnish liquorish or sauna.

In essence, control is identified as commitment to a goal through power or an accepted notion of authority, in this case from the organisation (Etzioni, 1965). In the case of an MNC the cultural diversity within the organization may present a challenge for management as the HQs need to be able to communicate effectively and in an appealing manner to all subsidiaries. After all, control is all about acceptance and buy-in of the subordinates. Communication goes here together with control as it is essential to build a positive corporate image within and outside of the MNC. A positive corporate image serves, among other, to build a positive company image which by its turns helps the employees to feel positive about the company, when done well. This again, serves control as it may make it easier for the employees to adhere to the corporate culture and act according to the MNC policies (see Snell,1992).

2.1.8 The challenges of controlling an MNC

Who is in control? Czarniawska (2003) reflects on the management practices and business studies that are based on controlling the known. Control in management studies is based on the legitimate power of the MNC and HQ's. Yet, during the past recession some companies seemed to be out of control. For example, in July 2009, French employees at a local subsidiary of a Canadian MNC had been informed they would all be done redundant, resulting in a situation where they threatened to blow up the local factory (Le Parisien, 07.2009). This example demonstrates that control and power are relative. Control of an MNC is more or less abstract and complicated where as the force shown by the local employees at this French subsidiary was more short-lived yet palpable and upsetting for the managers who have the control and legitimate

power of the MNC (see Elias Canetti,1960). Also, the example illustrates the power the MNC has on the lives of the local employees who were about to lose their jobs.

Most of control studies presented in this study concentrate on managing issues of which, reasonably, knowledge already exists. Control has been described as top-down, “straight to the point” where as the above mentioned example of the latest recession shows that in fact, the MNC has only partial control of its environment. Along with others, Salancik and Meindl (1984), Streatfield (2001) are conscious that the MNC faces a multifaceted and challenging environment on times of external turmoil or organizational change. During the latest recession and in times of organizational restructuring (see Vaara, 2003) through i.e. mergers and joint-ventures, organizational control can be more demanding than what it has been perceived to be in earlier environment. Finkelstein (2002) also agrees on the challenges of controlling as he describes the business environment to have a diverse and ever changing character, as in the example just described.

All of these claims are true yet they concentrate on only affirming what is already known about control in MNCs. Besides the financial, economic environment at the subsidiary level, culture cannot either be controlled. The MNC’s headquarters can only adapt to it.

2.2 Language and Communications:

In the previous subchapter the role of control in a multinational company was discussed. Now the importance of language, the corporate language and communications within a multinational company will be examined.

Why bother studying language when the use of it is difficult to translate into direct financial results in a MNC context? In a previous subchapter Hymer’s quote from the 70’s described how managers ruling from the top floor of the headquarters’ skyscraper, can almost observe the whole world in a clear day. Yet, even if a manager can see what is happening in the global MNC context, to understand affinities and differentiators

between the subsidiaries and the headquarters, communication and language knowledge are needed.

Schein (1988, p. 12) argues “all organizational problems are fundamentally problems involving human interactions and processes. No matter what technical, financial, or other matters may be involved, there will always be human involved in the design and implementation of such other processes. A thorough understanding of human processes and the ability to improve such processes are therefore fundamental to any organizational improvement.”

The effects of corporate language can be studied for example from the point of view of the MNC as a whole, of the point of subsidiaries, international work teams, work teams or a from the point of view of a single employee. Moreover, language skills are also of central interest on international human resource and the of expatriate assignments. Nonetheless, these will not be further discussed on this study as they do not lie at the center of interest of the present study. In this chapter communication taking place in the MNC context will be discussed at a general level, after which communication’s embeddedness to control will be reviewed. Finally, the use of lingua franca in the MNC context will be talked about.

2.3 Communication in the multinational company context

In this study the idea is to find out how local employees feel about the company culture and communications within the headquarters-subsiidiary context.

"In the universal process of cultural homogenisation, the role of language will remain intact as a key cultural differentiator, while other sources of cultural differentiation will progressively disappear" (Usunier, 1998, p.167).

In other words, language and communications gain more importance due to the diversification of the origins of the multinational companies and the new consumer markets. Whether the MNCs treat language and communications as a strategic topic

depends on the higher echelons of managers. Also, even if language is treated as a strategic theme, the success of its implementation depends largely on vision and knowledge of language, use of language or languages within the MNC organization, stance of management to language matters. Yet language does have an effect on a variety of topics, such as organizational functioning, intra-firm communication, the understanding of emerging markets' local consumer needs and tastes.

In effect, most of international management activities is embedded to communications: cross-cultural communication, international negotiations, knowledge transfer and management, headquarters–subsidiary and subsidiary–subsidiary relations, and control, coordination, and integration within multinational enterprises, all entail communication .

A lot of the communication challenges are embedded to the day-to-day business. At the corporate level language can easily be treated as a mere technical “translation issue” (Piekkari et al. 1995) yet on practice it may be different. Kogut and Zander (1992) also believe that language is a key for delivering implicit information across country units in a MNC. Although the communication in a “lingua franca” can seem as a straight forward thing to do at the higher echelons of an MNC, in this study the researcher wants to investigate the communications impact on business, company culture at the operative level.

A great deal of interaction within the company takes place in an informal atmosphere (Macdonald 1996; Nohria and Eccles 1992). In the context of this study especially, language knowledge is crucial for Finnish companies willing to do business in Brazil. Finnish, contrary to English, is not widely spoken outside Finland. Hence Finns mostly use English when doing international business. On the other hand in Brazil, partially due to the size of the country and local economy, business is done in Portuguese and apart from the higher classes in society English isn't widely spoken. There for, in the Finnish-Brazilian context English can be expected to be used in business negotiations, unless the Finnish business men and women know Portuguese.

"Cultures do not communicate with each other, individuals do" (Varner, 2000). When communicating in a foreign language, the different levels of fluency will have an effect on the smoothness of the conversation and the level of understanding achieved. Varner (Ibid.) explains that two business people from different cultures, bring their backgrounds, besides the cultural and business environments to the communication moment. As a result, the communication moment is actually a result of the mix of the effects and background formed by business, communication and cultural norms. Hence, doing the "walk the talk" isn't as easy in an international MNC, or Finnish – Brazilian business setting as it would be in a purely national context. *"Language is almost the essence of international business"* (Piekkari et al., 2005).“

At the subsidiary level, language acts as an accelerator of isolation and, or power (Piekkari et al. 2005). In a situation where the headquarters and subsidiary have a language barrier, the lack of a shared language to communicate might cause a lack of "material" upon which mutual understanding could be built. As Fredrikson et al. (2006) describe, the language preference, together with the language knowledge that lies within the MNC, can affect for example business opportunities assessments in local markets of major importance for the MNC. On the other hand, the local subsidiary's embeddedness to the local market network and the knowledge that lies within it, contributes to the subsidiary autonomy (Piekkari et al., 2005). Hence, in the specific case of Finnish MNCs active in Brazil it is important to have Finnish staff who can communicate in the local language in order to make out the most of the local operations.

2.4 Communications embedded to control

According to Charles and Marschan-Piekkari (2002), communication is seen as a tool in the strategic management of international operations, and language skills as essential for performing daily activities within the MNC. Fredrikson et al. (2006) affirm that language preference in an MNC affects, among other, business project development assessment, power and control of negotiations on the relations between headquarter and subsidiaries as well as the single employee's self-expression and communication capabilities. Piekkari et al. (2005) also proclaim that language is a tool of control as it

can both help or hinder the communication flow and the transfer of information within the MNC. Communications also represent a tool of control as knowledge represents power.

As multinational companies' subsidiaries located in emerging markets gain importance the linguistic and geographical panorama of multinational companies becomes more diverse. Understanding is needed between the subsidiaries and the headquarters, no matter what nationality and language clusters the MNC's employees represent. The diversified landscape of MNCs requires more perceptive language skills at the individual employee level, which is achieved, in essence, by linguistic competence. Without successful communication at the individual level, contact, meetings and understanding can not be achieved at the subsidiary – HQs or inter-subsiary level.

Yet, due to the common use of a corporate language in the MNCs, one could argue that gigantic multicultural organizations are solemnly benefiting of globalisation; as the markets and nations are shaped into an intensely connected net, one could claim that the understanding between persons and employee of global MNCs, would increase by itself as a consequence of globalisation and the use of a common corporate language, such as English. According to the former allegation then, communication misunderstandings in international work teams of MNCs would decrease by themselves.

Yet Nickerson (2005) describes communication as more complex than the label of English as lingua franca would suggest. On a meeting of a international workgroup of a MNC, besides the diversity of nationalities that are present, the various mother tongues and cultures that drive the thinking of the participants, as well as the different levels of fluency in English of the employees mix the cards (Barner-Rasmussen, 2003; Marschan-Piekkari et al., 1999b;Poncini 2003; Sørensen, 2005). Hence Fredriksson et al. (2006) suggest that in order to improve the understanding of the use of a common language in an MNC, it is crucial to enhance the understanding of the interplay between the languages. Barner-Rasmussen and Bjorkman (2007) determine

newly, according to the new reality, that a MNC is actually a multilingual organization. Louhiala – Salminen (2002) also remark that a big part of the communication of a corporation is internal, not only external. In general, one could deduce that most of the language wise diverse communication happens actually internally, within the international boundaries of the MNC. Hence, although it can be easy for the headquarters' and an CEO to decide that for example, English, is the corporate language of the company, underneath the clinic company image there might be a motorway of languages negotiating, colliding, being translated and exercised.

2.5 The role of lingua franca

During the past half century the lingua franca of international trade and multinational companies has been English. House (2002) explains the rise of English to the lingua franca, by globalisation: the political and economic growth of the influence of the United States as well as the modernization of communications technologies together with the increased number of mergers and acquisitions of multinational companies have brought the surge of English language as the lingua franca.

Never the less, with the rise of a new millennium and a global world economy, not all the headquarters of multinational companies are any longer located in English speaking countries. More over, with the grip of the global recession, the stagnant population growth in developed countries, the strength of the global economy is shifting to the emerging markets in the following years (Chris Watling, 2009; Cepal 2008). On what comes to the language factor, most of the emerging markets are characterized by having a scarce supply of labour who would master the common business language English (John et al., 1997). What is more, consumers in these markets represent language clusters such as Chinese, Hindi, Arabic, Spanish, Portuguese. Hence, especially for the MNCs based on Anglo-Saxon countries or smaller countries, such as Finland, language does matter, especially for control, but also for a sounder understanding of local consumers tastes in the emerging markets where the growth opportunities reside.

The role of language on international business and in the working field of multinational organizations hasn't been studied so extensively (Marschan – Piekkari et al. (1997), exactly due to the former position of English language and western MNCs in the 1980s- 1990s. Feely and Harzing (2008) estimate that this is due to that most of international business research comes from English speaking countries. The same way as most of the international business studies have classically come from western and English speaking countries, their point of view is also western. Consequently, whether the corporate language, in most cases English, eases international business depends on the stance one takes. Making use of it in a large local market might be challenging among many factors due to the local environment and cultural context as well as the quality and efforts put on teaching English language.

Davis explains (2003): “While English is a major language, it only accounts for around 30% of the world Gross Domestic Product (GDP), and is likely to account for less in the future. Neglecting other languages means ignoring quite significant potential markets.”

For example, in Finland a lot of effort is put on teaching English to the pupils. Teaching foreign languages in a country as Finland is natural because Finnish is not spoken outside the national borders. In the contrary in Brazil, outside the private schools and universities, the teaching of English language can be seen as a less strategic subject, the country is vast and so is its population. Besides Portuguese being one of the ten most spoken languages in the world, from the business side, one can do business in the whole South American continent speaking either Portuguese or Spanish.

2.6 Latin American cultural aspect

Besides control and language, cultural awareness is central for succeeding in local different local markets. Just as language may vary from country to country, culture can also differ between these, behavioral standards might be different between the headquarter and the subsidiary. In the case of Brazil it needs to be taken into account that the country is geographically bigger than Europe so regional differences on culture are to be expected. Hence, on this study it is important to stress that the study will concentrate on studying cultural traits with a special interest in the area of São Paulo, the financial and economic heart of Brazil.

Baliga and Jaeger (1984) define cultural control comprising of personal type of control and control by socialization. Personal control refers to a type of direct control, where in an MNC's case, expatriates, typically from the headquarters, are placed in subsidiaries to supervise their operations. Dowling and Welch (2004, p. 48) are more elaborate in providing a definition to cultural control: *“developing voluntary adherence to corporate behavioral norms and expectations through a process of internalization of corporate values and beliefs”*. In principle, the concepts ‘socialization’ and ‘cultural control’ are often utilized interchangeably (i.e. socialization is reached through cultural control).

Within the MNC context, the national culture can be seen as a topic that affects both the company's internal communication and control type selection. As discussed before, home country and host country cultural differences or similarity affects the control type selection in an MNC. Hamilton and Kashlak (1999) suggest that cultural distance between the MNC's headquarter and host country will affect control type selection. Social control type rises above outcome or behavior control due to its appeal on a situation of environmental uncertainty and cultural differences. Also, national culture affects communications and language; In order to successfully execute internal communications within a multinational company, it is important to take into account the cultural background. This is important since if differences in negotiations style are not taken into account, this could lead to unnecessary misunderstandings, lack of trust between business members and even disagreements that could be avoided.

In a world of international business and negotiation, cultural confrontations are a daily reality. Conflicts are not always based on cultural differences but many of those that are linked to misinterpretations based on cultural distance of the participants, could be avoided. National culture and the main differences that cause divergence in international business, namely the following topics: values, language, behaviour norms and patterns will be revised. The dimensions that might cause differences or convergence, have been studied by scholars such as Hofstede (1984), Morden (1999), Hampden-Turner and Trompenaars (1994) where as the studies made in the area have been extensively revised by Leung et al. (2005) and Aycan et al. (2006). Though many studies have been done since Geert Hofstede (1980) opened the arena for the national culture studies, his books continue to be the leading reference for studies in national culture differences. Hence, Hofstede's studies have been applied and further tested by many researchers, for example Koivisto (1998) and Soares et al. (2007).

Hofstede (1980, 25) states that culture is " *the collective programming of the mind which distinguishes the members of one human group from another*". Furthermore, it shapes the attitudes, values, competences, behaviours and perceptions of priority of that nationality. In his book "Culture's Consequences: International Differences in Work-Related Values" (1980) Hofstede revises cultural differences among over 60 countries. Besides Brazil, the other Latin American countries incorporated to the study are Mexico, Venezuela, Colombia, Peru, Chile and Argentina.

Hofstede (Ibid.) also argues that studying differences in national cultures is important for political, sociological and psychological reasons. First, countries are seen as political entities that have their own government modes, law and educational system, which are based on history. Second, growing up within a nation teaches certain in-bound symbolical values to individuals. Third, the way of thinking and feeling is conditioned by the values and national or regional culture in which one grows up.

2.7 Cultural differences between Brazil and Finland

Next the differences within Brazil and Finland according to Hofstede's four central dimensions of national attributes of cultural characteristics will be compared: power distance, individualism, uncertainty avoidance and masculinity.

Compared to Hofstede's results, according to Tanure de Barros' study, uncertainty avoidance had fallen 40 points in Brazil, from 76 to 36. Finland scores in Hofstede's study 50 on uncertainty avoidance, showing that Finns are rather trustful and reliable, appreciating punctuality and clear schedules.

Between the 70's and 90's Brazil went through a dictatorship as well as strong macroeconomic instability in the 80's, where inflationary increases peaked up to 80% a month. Hence, Brazilians seem to have learned to live with uncertainty, which is proven by Tanure de Barros' results. In classic high uncertainty avoidance societies, the use of strict rules, laws and norms are put in place to keep away from unfamiliar situations. In business it is reflected by the fact that establishing a good personal relationship is important before proceeding to business (Morden 1999). The book also aims to study regional differences within Brazil. On the uncertainty avoidance, São Paulo state presents the lowest uncertainty avoidance indices (25), followed by Rio de Janeiro state with 26. The southern state of Rio Grande do Sul (49) and Bahia (57) in the north show prominently higher scores. She (Ibid.) on Hofstede's (1980) study Brazil scored (69), Finland (33). On high power distance hierarchy, status consciousness and centralization are common. Hofstede emphasizes on his study that countries with a high level of power distance are generally speaking, those where a roman language is spoken, e.g. Portuguese, Spanish, Italian or French, whereas those with low power distance are those with a Germanic language heritage, e.g. German, English, Dutch, Danish, Norwegian and Swedish. Comparing Hofstede's results with Tanure de Barros' study (Ibid.), the power distance doesn't seem to have decreased significantly. São Paulo state has again the lowest power distance (64), followed by Rio de Janeiro (67); the lowest values are on the higher half of power distance. The highest values appear in the north-eastern coast in Pernambuco (84) which presents a strong "coronel" heritage. According

to Hofstede the wealthier countries or regions with higher educational levels tend to have lower power distance. This is proved also within Brazil on Tanure and Barros' study: On Tanure de Barros' study Brazil scores now higher on masculinity (55) indices than in the 70's (49) according to Hofstede's results. The difference is considerable comparing with Finland, which already in 70's scored 26. Hence, it seems like in Brazil, though the growth on masculinity isn't substantive, masculine values such as competition, materialist values have become more popular in comparison with feminine values such as generosity, cooperation and caring for others.

Hofstede associates individualism with the level of prosperity in a country. Hence, the higher level of prosperity in a country, the more individualistic people tend to be. Equally, poorer countries tend to score lower on individualism and higher on power distance and collectivism. Trompenaar and Hampden –Turner (1993) executed in 1993 a study in which they asked respondents whether they would opt for individual or collective liberty to improve living quality within the society. 67% of Danish respondents, 64% of Finns, 63% of Australians and Spaniards opted for individual liberty whereas of Brazilians only 40% opted for the same, followed by e.g. India (37%) and Mexico (32%). The results go in line with Hofstede's statement. Yet, Tanure de Barros' study (2003) results show a raise on Brazil scores 41 on individualism, slightly higher compared to 38 obtained by Hofstede (1980).

Still, the differences within the country and the region are substantial. São Paulo state is the most individualist (50), where as the most southern states of Rio Grande do Sul (26) and Santa Catarina state (34), together with northern Bahia (12) and Pernambuco (16) reported low individualism and an accentuated collectivism. Tanure de Barros' also indicates a growth on individualism in other Latin American societies: Mexico scores 49 on individualism, compared with 30 in Hofstede's study, Chile 43 compared with 23, Colombia 51 with previous 13. According to her (Ibid.) these substantial changes would be a result of the opening of the former economies, for example Mexico signed in to NAFTA with the U.S. and Canada, hence opening its borders to north American goods, products, technology as well as cultural influence.

2.8 The most remarkable differences between the two countries

According to Hofstede Brazil shares the characteristics of a latin country: large power distance, simpathy, elevated level of showing emotions (emotionalism) and feelings, importance of personal relationships and difficulty to lead with conflicts. Yet, Tanure de Barros, a Brazilian researcher, compared Hofstede's results in her book: "Gestão á Brasileira" (2003), to the contemporary Brazilian society. She states that at a general level, Brazilian organizational structures are still influenced by power distance and personalism. Furthermore, she affirms that there's a particular Brazilian management style. According to her the style has its seeds on a strong sense of hierarchy, a great capability to lead with uncertainty, reflected in "*jeitinho*", a Brazilian word that characterizes management style but also what is needed in day-to-day life, summed up in flexibility, adaptability and creativity.

Finland, on the other hand, would be represented at the other end of Hofstede's spectrum: power distance is low and hierarchy doesn't make part of the Finnish culture, hence also uncertainty avoidance is low and individualism is high. The society is characterized by equality between people and in the educational system, the organizations active in the society. Individuals are empowered to take responsibility and innovate (Koivisto, 1998). The differences between the two countries are also exhibited on the results of the World Value Survey by Inglehart and Baker (2000). According to the former, economic development is associated with shifts away from traditional rules towards more rational, open-minded and participatory values. The figure shows different countries on the scale, where Finland is grouped in Protestant Europe and Brazil naturally under Latin America. The biggest difference between the two countries is on traditional vs. secular – rational values where Finland attains approximately (+) 1.0 on secular values and Brazil approximately (-) 1.5 points on traditional values showing hence a large difference on the traditional – modern values scale.

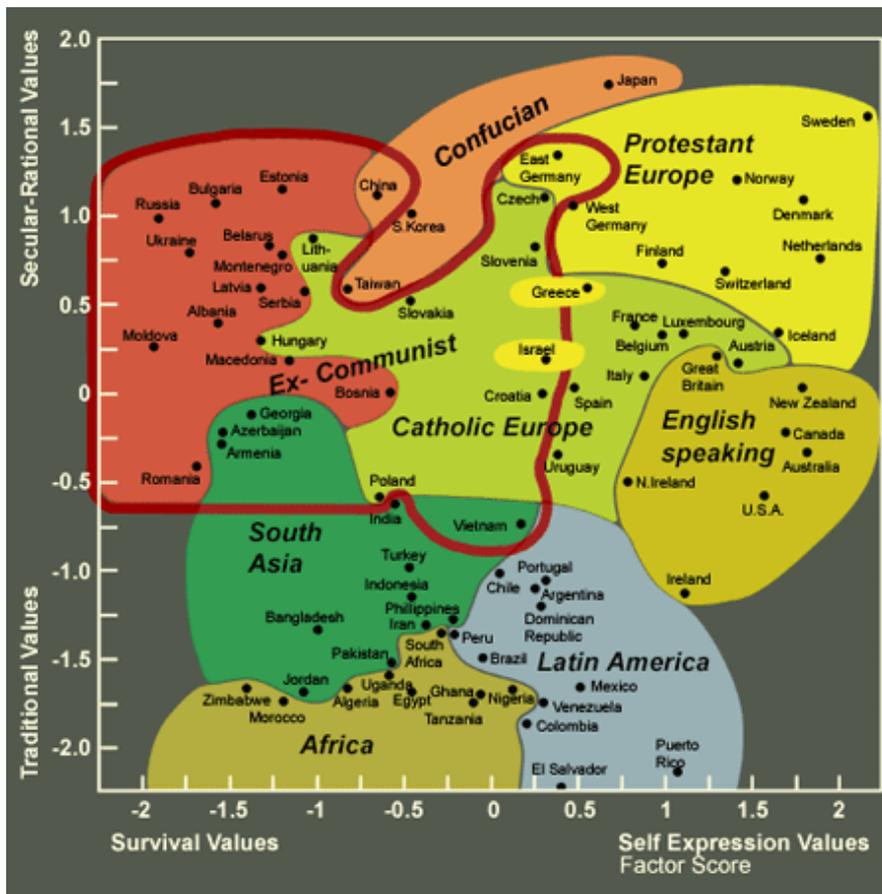


Figure 1: World Value Survey by Inglehart and Welzel (2005)

Also, according to Aycan et al. (2006) study Finns are on business relationship oriented and have a win-win attitude rather than a win-lose one. Furthermore, an informal personal style on business is rather popular whereas on communications Finns are rather direct and agreements tend to be general. Risk taking is also low in Finland.

Hence, Aycan et al. (2006) suggest the use of the following five dimensions to identify areas in which tensions could arise in international business and negotiations: goal, attitude, personal styles, time sensitivity, and agreement building. By taking into account the former on preparation for international business and negotiations, possible misunderstandings and problems in cross-national business activities could be avoided.

3. Theoretical framework

In the literature review chapter the different control types used in MNCs to manage the subsidiaries, the role of language and communications, as well national culture and its implications to international business were reviewed. Yet, within the MNC context, these have usually been studied as independent topics and research results on the possible causal effects of one on another do not exist. Hence, the aim of this theoretical framework is study the interrelation of the three and glance at the possible effects of each area on one another.

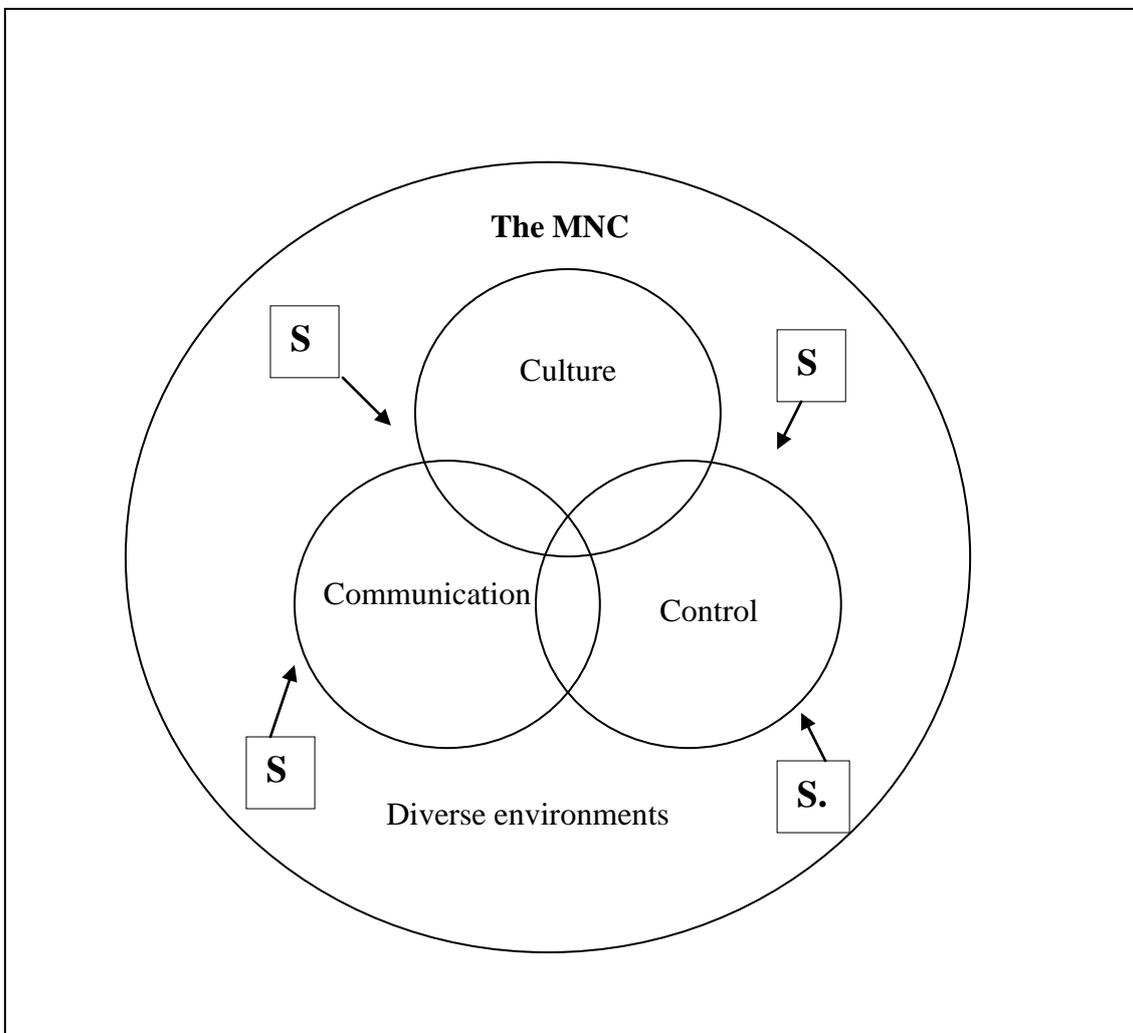


Figure 2: Framework for the interrelation of the key concepts of the study

The three circles in the figure present the topics reviewed in the literature review. At the beginning of the literature review it was discussed how particularly control has been classically described to be more or less an easy, straight forward process from the strategic management center, HQ, towards the subsidiaries. Control can be seen as regulating the activities within an organization in compliance with the expectations established in policies, plans and targets (Child, 1973). Yet Snell (1992) estimates output control as a option when headquarters have no power over the local business environment. Baliga and Jaeger's (1984) bureaucratic control system would set standards for operations where as cultural control type (Ibid.) concentrates on socialization and value sharing among employees. According to the literature, deciding upon a control type in the MNC context would seem to be quite a simple managerial decision to take.

The literature review also described language in the MNC context. Language has usually been studied in linguistics and sociology, anthropology and branches of psychology, yet on management studies the meaning of language and its effects in international business, as a "cultural resource" have only lately started to gather interest. Yet, Piekkari (2005) states language to be almost the essence of international business. While subsidiaries have won strategic importance within the MNC functioning, the classic top-down structure of control has been challenged (Goshal et al., 1994) and the role of communication has become more prominent in the management of the whole MNC.

National cultural traits were also included in the literature review as they affect control, communication and management styles. These were studied as to define general cultural traits of Finnish and Brazilian cultures as these affect business culture and general behaviour norms in each market. According to the literature review, some of the most noticeable differences between Finnish and Brazilian culture were power distance, individualism, masculinity and uncertainty avoidance (Hofstede, 1980, Tanure e Barros, 2003, Inglehart a& Baker, 2000). Assuming that the above mentioned cultural traits are

real, and differ between the two countries, one could deduce that deciding upon a control type for a Finnish MNC's Brazilian subsidiary wouldn't be as easy as control type selection has been described to be by most of the academia.

In the figure above the three areas studied are showed as interlinked circles. The subtle yet significant role that communications, language and culture play on shaping management styles and acceptable behaviour and control norms should not be underrated ; especially in the MNC environment where these may vary from country to country.

The headquarter may be able to define the global strategy and control methods, major communication tools and ways. Never the less, in order to succeed as an organization in the local subsidiary markets, communication and cultural knowledge is necessary. The arrows in the figure represent communication and local cultural knowledge that is being passed from the local subsidiary level to the headquarters. Hence, it is important for the MNC headquarters to realize that although control and management tools can be decided upon centrally, subsidiaries need to be able to retro aliment, give feedback to the head office.

As discussed earlier, the interconnection of control, language and national culture lacks a commonly accepted model. The framework presented here aims to shed light on the linkages and possible effects of each part on one another, while looking at the whole system from the local subsidiary, and local employee level. While Birkinshaw and Petersen (2008) identify the subsidiary to be a discrete value-adding activity outside the home country, in this study the subsidiary is seen as the *raison d'être* of the MNC. Thus, the S – letters in the framework are to indicate how subsidiaries should be able to communicate in an increasing manner to the headquarters.

These themes will be looked at from the point of view of local Brazilian employees who work for a Finnish MNC at the Brazilian subsidiary. In the framework above, more importance is given for information flowing from the subsidiary towards the

headquarters than vice-versa. Communication should happen with, instead of to (Mäkelä, 2009).

Understandably the headquarter needs to set the rules and objectives, often through the use of control standards, yet by giving more attention to communication between the subsidiary and headquarters, as well as the information included in it, the need to control could even decrease and be replaced by more cooperation towards common strategic objectives. More over, flowing communication from the grass root level towards the headquarters could not only decrease slightly the need of control measures but also improve corporate culture hence decreasing the mismatches that national cultural differences might cause.

Next the empirical part of the study will follow. The chapter will seek to look at the alleged interconnections of control, communications and culture in the headquarters – subsidiary context of Finnish MNCs with subsidiaries in Brazil.

METHOD OF RESEARCH

In this chapter the methodology of the study will be presented. The choice of data sources, the selection of the research method and questionnaire design will be described, after which follows the data analysis together with a discussion of the reliability and validity of the study.

3.1 Selection of research method

The aim of the research method in the study is to support the literature reviewed and the theoretical framework on how company culture and communications take place, and are managed at the subsidiaries of Finnish MNCs active in Brazil. The method of research selected is qualitative research as it aims to study the object in a cultural, context-based way. The intention of qualitative research is to develop new knowledge about the phenomena being studied. Borrowing the words of Denzin and Lincoln (2000):” Qualitative researchers study things in their natural settings, attempting to make sense of, or interpret, phenomena in terms of the meanings people bring to them.”.

While the literature was reviewed from a generalistic international business stance, the aim of the qualitative study is to concentrate on the individual employee’s opinions and perceptions within the Brazilian subsidiary – Finnish headquarter context. Even at an individual level, including language and communication to the centre of the study is supportive as language is a “cultural resource” which enforces the social environment in which one operates (Duranti, 1997).

3.2 The methodological setting

Methodology refers to the choices one does concerning the topic studied, the selected data collection style and its analysis (Silverman, 2006). The method used in this study is qualitative research, and 11 personal face-to-face interviews were done in the state of Sao Paulo in Brazil, to local employees of Finnish MNCs active there. The interview method used supports the study context: headquarters in Finland, the subsidiaries in the

local country environment, Brazil. Moreover, interviewing local staff enables the study to get unique insights on how local employees feel about their work environment, Finnish management, among other.

3.3 The questionnaire design and data collection method

According to Webb 2002, there are four main kinds of questionnaires: the telephone interview, the mail questionnaire, the e-mail questionnaire and the face-to-face interview. In this study the questionnaire type used was face-to-face interviews. Face-to-face interviews are seen as the best option for conducting this study, as the aim to find clues about how control, culture and language are interrelated. By interviewing on-site and tête-à-tête, answers on *what* control, language and culture are at the local site as well as, *how* these might be interrelated, can be sought.

As mentioned before, the interviews used in this study was initially done in December 2007, in the city and state of São Paulo, Brazil, as part of a Helsinki School of Economics' Centre of Emerging Market Studies (CEMAT) and Tekes (the Finnish Funding Agency for Technology and Innovation). The project for which the interviews were done initially is called "Managing business in turbulent markets" and the same interviews were conducted for the study in the Baltic countries, Russia, India, China and Brazil. The interviews are included in this study, as control, communications and cultural knowledge are necessary for managing business, as much in stable, as in turbulent business environments. Over all, the areas researched for the project are:

1. The background information of the headquarter and subsidiary
2. The effect of late changes (adherence to WTO etc.)
3. The relation of the company to the public sector
4. The relation of the company to the local partner company
5. The relation of the company to local fellow companies
6. The relation of the company to local employees
7. The predictions of the future according to the local country's, local companies'/subsidiaries' and Finnish business' point of view

Where as the Cemat– Tekes project aims to study Brazil as a whole entity for Finnish companies interested in investing in the local market, in this study the concentration is on studying the relation of the already active Finnish MNCs from the point of view of local employees at the subsidiary level (sixth area of research in the above list). The seventh area of research, predictions of the future according to local country's, local subsidiary's, is also studied partially as it is connected to how locals perceive the management of company culture at the subsidiary vis-à-vis the local environment in 2007.

Personal, face-to-face interviews were done to local employees at three Finnish companies subsidiaries in Brazil, in the city and state of São Paul in December 2007. Instead of interviewing both local and expatriate employees at the local setting the project pre-elected national employees to be interviewed at the subsidiary level, as these employees are likely to be the optimal interpreters of the local context and market in which the Finnish MNCs are operating.

All in all, 11 interviews were done in three Finnish MNC's local offices. Yet as to describe the interviewees the positions of the employees interviewed a general description of these follows: Both female and male employees were interviewed, the age range was 20 – 50 years, and the positions the interviewees presented at the three subsidiaries were: administrator, assistant of director, software program developer, HR analyst, import-export director, operations manager, system specialist, commercial coordinator, financial manager, regional director, R&D manager. The interviews were individual; they lasted from half an hour to an hour and were conducted in Portuguese language and then translated for the project to English.

The questions which are highlighted and central for this study are the following:

- How do you see the corporate culture here in the company in the Brazilian subsidiary?

- Did X have a deep knowledge of the Brazilian culture when they came to Brazil. Did they know what they would find here? Were there conflicts?
- What motivates local professionals to work for a Finnish company?
- How is communication within the local subsidiary office and between it and the Finnish headquarters?

A complete list of the questions asked in the interviews shall be provided at the end of this thesis.

3.4 Data analysis

When doing qualitative research in an intercultural context, there is still usually a transparent wall between the interviewer and respondent. First of all, the success of an interview depends on what objectives are put to the overall interview as well as to the researcher him/herself. Second, the answers and depth on these achieved greatly depends on the skills and experience the researcher has on the research method (Webb, 2002), the personality of the researcher. With the personality of the researcher it is referred to whether the interviewer is social and able to easily establish rapport with people. Third, where as earlier it was referred to the cultural context and codes that may shape and dictate the direction of a conversation between two persons, in the interview along the cultural norms, language skills are on high demand. Language skills are crucial for obtaining interview material and for its interpretation.

As remarked on the previous chapter, an interview or meeting is always unique, even more so in a situation where both participants need to step out of their comfort zone (mother tongue and national culture). In this case the interviewer used her father tongue, Portuguese, and conducted interviews for the first time in a Brazilian context. The interviewees were in their “natural habitat”. Hence, the interview situation was still easier than when both speak in a foreign language to enable the conversation. Yet, what makes this interview case particularly interesting and challenging, is that following the completion of the interviews, these were translated from Portuguese to English language, turning the case inimitable and demanding for the writer.

Once the interviews were done the tapes were analysed and translated from Portuguese to English language using the Nvivo, a software program for computer-aided qualitative analysis. Where as accuracy and authenticity are usually concerns were interviews are done in the corporate language, usually English, were both the interviewee and interviewer have distinct mother tongues, in this particular study the writer was concerned with the translation of the interviews to English. According to Piekkari and Welch (2006) language is key into “localness”, the gate to the local subsidiary unit and local environment embeddedness, where as in the case of the translations of the interviews from Portuguese to English, one can worry whether some “taste” and, or country or culture context, word choice related meaning of the interview situation might have been lost (Harzing et al, 2005).

3.5 Challenges of qualitative research

The qualitative interviews used in this study took place before the theory of this study was ready. Consequently, one can question whether adequate information and knowledge existed about the context of the project for the preparation of the interviews.

A good investigator should be able to ask “good questions”, he/she should be a “good listener”, “be adaptive and flexible”, have a “firm grasp” of the issues being studied (Yin, 2003). Especially the latter one helps on managing both the interview situation as well as the post-interview data resources. Also, the ability to do generalisations on the basis of the retrieved information can be questioned since the interviewees had different levels of knowledge, personal experience on interview topics due to the general selection process of interviewee selection. Local employees in the subsidiary-headquarters context fully serve this study yet the diversity which lies beneath this “interviewee type” might be problematic for research in general and especially for standardization of results.

Yet, on the implementation of the study challenges were rather embedded to culture, language and translation issues.

As Cisneros-Puebla et al. (2009) state, culture shapes our way of thinking, observing and understanding. Hence, it is important to note that the interview was designed in Finland, according to a general “Finnish” organizational mind frame, as a universal interview guide for studying emerging markets without country tailoring. From the respondents point of view, valid questions and important points on the HQ-subsiidiary context about internal communication and company culture could have been dismissed in the survey.

Thomas (1983) states that people in different cultures communicate differently. Hence, when interviewing in an intercultural context, the understanding of the local context and the MNC’s embeddedness in the local business environment may enable an interviewer to access more in depth information than someone who isn’t familiar with the local context. Cultural and language skills are key for being able to communicate and interact in a foreign country and culture. Hence, understanding clues such as body language, the use of the tone of voice, meanings of local sayings, even humour, can act as great leads into a culture and language. If knowledge of these differences isn’t enhanced before the intercultural interview, misunderstandings can occur.

In this specific study, even more so of a challenge in particular, is to translate the interviews from Portuguese to English, without affecting either the answers or the style of the answers retained in the interviews in Brazil. The translation process was interesting and challenging at once while aiming to preserve the accuracy, style as well as a message’s consistency and structure in the translation process.

3.6 Reliability and validity

Qualitative studies concentrate on studying the interactions and significance of every day life in a natural setting. According to Rossman and Rallis (2003) qualitative research is characterized by being naturalistic, it may include various research methods, has a situation perspective and is in essence interpretive. On the other hand technical, cultural or philosophical reasons may be used to support the use of qualitative research (

Brinkmann and Kvale, 2009). In this study the use of qualitative study as a research method and conducting personal interviews was chosen simply as it was seen as the most viable option as to find out the opinions remaining among the local staff of Finnish MNCs active in Brazil.. More so, as conversation is a basic mode of human interaction and generally speaking Latin Americans are good on the art of conversation, undertaking personal interviews was seen as the best option for doing the interviews of the local employees at the Brazilian subsidiaries.

On qualitative studies, the use of a cocktail of different types of interviews is recommended to increase reliability and validity. For example, besides the face-to-face interviews used in this study a focus group interview and, or a web-based questionnaire could have been undertaken to enable triangulation. By triangulation it is meant that the multiple data collection methods enable the researcher to look at the subject from different points of view and have more material to analyze, thus making it an easier task to get conclusions upon the research material. As this study concentrates on finding out how local employees view the subsidiary environment and face-to-face interviews were conducted on-site, no further , or secondary types of interviews were conducted. In this study the objective is, in Hammersley's (1992) words to: "Document the world from the point of view of the people studied."

On what comes to the reliability and validity of the study, such things such as interview method, in-depth of the answers and the interviewing skills of the interviewer have a major effect on the results obtained. Also, even good research material doesn't always provide good study results, the researcher needs to compare the theory with the obtained results and structure the data for the analysis, then interpret it.

The aim of this study in particular, is to reveal how the local employees of the participant MNCs feel about the Finnish MNC's corporate culture and internal communications. It is important to take into account that the opinions presented in the empirical results here belong to the interview context and time at which the interviews were executed. Hence, the presented attitudes and opinions could have developed to a

different direction of those presented in this study, after the interviews were concluded in 2008.

Limitations for realizing this study were similar to those that can limit the contact between a subsidiary and the headquarter, to be precise, language, time, money and geographic dislocation. Time and a financial cost were part of limitations as doing the survey required travelling from Finland to Brazil. Due to the need and cost of travelling, this could be seen as a limitation: in case one would like to do more interviews face-to-face the travel could not be repeated. Within the Helsinki School of Economics two weeks were requested to be spent doing fieldwork and interviews, yet due to time limitations only one week could be dedicated for being on-site in December 2007. The financial cost of travelling was beard by the research unit Cemat. Luckily, language knowledge didn't act as a limitation since the writer speaks Portuguese fluently.

On the immediate thoughts of the reliability of the study it may be concluded that the interviews conducted in Portuguese language enable the study to offer an “insiders view” to the thoughts of local staff active in the Brazilian subsidiaries of Finnish MNCs. Hence, the face-to-face interviews present the study a viable platform to collect information and conduct the study. In the next chapter the data collected on the interviews will be analysed and presented.

4. EMPIRICAL FINDINGS

In this chapter the empirical results of the study will be discussed and presented.

First, country context, including the political – economic and business environment, followed by a brief presentation of the three Finnish MNCs Brazilian presence will be done. The second part of this chapter discusses the results of the qualitative interviews in the MNCs. The results given are solely based on the interviews.

4.1 Outline of Brazil

Brazil is Latin America's biggest country, with a population of 199 million, geographically it is the world's fifth biggest country and the 10th largest economy in the

world (Finpro, 2009). As the country is also Finland's biggest business partner in Latin America, learning about control, corporate language and internal communications links, and local employees opinions' on Finnish management in the HQ- subsidiary is attractive for Finnish MNCs interested in, or already active in Brazil.

Brazil is huge with its 8,56 MIO km², surpassing hence Western Europe in size. The interviews were done in the state and city of São Paulo. The map is included in the description, as to illustrate that although the country might be easy to perceive as a single and big, Portuguese speaking country in Latin America, it is vast and located at a distance of 12 flight hours from Finland. Worth noticing is that a flight from Recife (see map) to São Paulo is over three hours long. Consequently, in order to manage and do business between the Finnish headquarters and Brazilian subsidiary, sound language and cultural knowledge, as well as a good understanding of the local business environment is needed.



Figure 3: The Map of Brazil

Brazil gained independence from Portugal in 1822. Between the 1950's and 1970's it enjoyed of a booming economic growth, where as political unrest and hyperinflation reduced the attractiveness of most of Latin America's markets in the 1980's. Since 2000

Brazil has again gained attractiveness and it is positioned among the most promising group of emerging markets, the BRIICS (Brazil, Russia, India, Indonesia, China and South Africa) (OECD, 2009).

Brazil is as rich on natural resources as it is big and diverse geographically. Especially the new oil reserved that have been found in the Atlantic coast of Brazil could benefit the Brazilian state and the welfare of the citizens, yet the development of these depends on how the “black gold” will be administered (The Economist, 2009).

4.1.1 Business Environment

Brazil has been a member of the WTO’s since its foundation (1995) forming the same year, together with Uruguay and Paraguay, a common market area called Mercosur, which was completed with a free customs area in 1999.

Luís Inácio Lula da Silva, or Lula as he is popularly called, was first elected as president in 2003, his second term ends in 2011. Under the recent recession, Brazil has been one of the first countries to recover from the global downturn. As a sum of the sound macroeconomic reforms that were put on place in the 1990’s, the size of the Brazilian consumer market and knowledge on how to manoeuvre on a time of crisis, Brazil has demonstrated its financial strength.

According to the World Bank (2009), since 2004 the Brazilian government has put on practice stable macroeconomic management together with well directed social policies. These have benefited the country by stabilizing and improving economic growth while diminishing inflation rates as well as improving social well-being by increasing the population which constitutes middle-class while.

The poverty rate fell from 39.3 to 30.3 percent between 2003 and 2007. The government’s cash transfer program “ Bolsa Familia” has helped 24 million Brazilians jolt above the poverty line, eight million jobs have been created since 2003 and the minimum wage has increased 45% while the middle class is near to 100 of the 180

million inhabitants (World Bank 2009, Business week, 2009, Fundacao Getulio Vargas 2008). While the exports represent only 12% of the economy, the domestic market presents a huge opportunity for foreign companies and the management of the former will also be key for the economic and social development of the country in the future.

Whilst the growing middle class offers multinational companies an interesting consumer market and a promise of business opportunities, Brazil has been elected to host the 2014 football world championship and Rio de Janeiro was chosen in October 2009 as the venue of the 2016 Olympic Games. Whether these games will spurge the national and local economy will be left to be seen, yet choosing the country to host both of these massive events, could be seen as a recognition of positive development in the socio-economic side of the country.

4.1.2 Presentation of the three MNCs and their business environment

Now that a general and quick presentation of Brazil's socio-economic and business environment has been done, next the three Finnish multinational companies at which interviews were carried out will be presented. The criteria for choosing the MNCs for this study followed the lines of the university –Tekes project for which the interviews were done. The MNCs eligible for this study had to be Finnish or of Finnish origin, and have operations and a subsidiary in Brazil. Next, a short introduction to each of the three MNCs will be presented.

Savcor

Savcor was founded in Mikkeli in 1981. It first specialised solely on corrosion inhibitors for the ship-, paper-, process- and building industry, but quickly expanded both to new business and geographic areas. Now Savcor's businesses are divided into the next business lines: Savcor ART, Savcor FACE, Savcor Forest, Savcor Alfa and Savcor ONELINE.

Savcor's Brazilian subsidiary in the São Paulo state, which was visited for this study, is active in the forest sector (Savcor FOREST) and 34 of the company's 1800 global workers. This branch of business aims to optimise operations in the forest industry, wood, paper and pulp products industry as well as bio refineries. In essence, the forest group focuses on optimising the whole work and production, material use from land allocation planning to forestry and final fibre products to cut wood, pulp, paper and bio energy. The branch has developed its software application to manage and maximize the utility of assets and operations, capital costs in the forestry business. The headquarter of Savcor Forest is in Mikkeli and besides the Brazilian office in the city of São José dos Campos in the state of São Paulo there is one in the U.K. and another in Germany.

Valtra

Valtra is mostly known for its tractors in Brazil. The company is a leading tractor manufacturer in the Nordic countries and the second most popular in South America. The company employs 2500 employees globally, of which 1540 are employed in Finland, 710 in Brazil. The company first started building tractors in Tourula where as now the main production operations in Finland , since 1969 is in Suolahti near to the city of Jyväskylä, where around 10'000 tractors are produced a year. The company started its operations in Brazil in 1960 with an office in the city of São Paulo, having now a days a big and modern facility of over 630'000sq.ft. in the city of Mogi das Cruzes in the state of São Paulo, which produces over 9000 tractors a year in Brazil and exports to over 60 countries. This strengthens the fact that the Brazilian subsidiary has an important role of Valtra's global operations.

Valtra as the interviewees would call the company, or Valmet as some websites and articles would name the company, made it clear the company had gone through many owners. After a quick research it was concluded that Partek Corporation bought in 1997 the Valmet tractor producer and the new company was denominated Valtra OYAB and the tractors were named hereafter Valtra Valmet. As one interviewee summarized the change on ownership:” *Valmet was first sold to Sisu in 94-95, then to Partek and then to Kone from which the company was sold to Agco.*”

The fusion of companies didn't end here as already in 1995 a merger between Valtra and Sisu were merged to one, the latter, Sisu Diesel Inc. being a fabricant of diesel motors. In 2003 again Valtra, including the Brazilian subsidiary, together with Sisu Diesel were acquired by the American AGCO Corporation. As a summary, the company has passed on the hands of Valmet, Sisu, Partek and Kone. Hence, this means that Valtra at the present makes part of an American conglomerate. Never the less, as control of tractor production is still located in Finland, control and communication within the headquarter – subsidiary context mustn't have changed from the times when Valtra was owned by a Finnish company.

Yet, next a quick review of AGCO's profile will be written to shed light on the new owner of Valtra. The information will not go in-depth as the objective is only to inform about the new owner of Valtra.. AGCO has American roots and its headquarters are in Georgia, the U.S., yet it has grown international through being active and even aggressive, acquiring lots of businesses in the agro-machinery business worldwide, starting from the 1990's. By now, the new owner of the Valtra group has over 8500 independent dealers and distributors around the world offering a variety of tractors, combines, hay tools, sprayers and forage equipment (AGCO website).

Tecnomen

Tecnomen is a Finnish multinational that had its start in 1978, its headquarters are located in Espoo, Finland. Tecnomen's Latin American headquarters are located in São Paulo, established in 1997, from where the company's presence and business in the continent are controlled. It is a leading supplier of business and operations support systems for telecom operators with a global presence (www.tecnotree.com). In 2007 the company had a total of 359 employees of whom 90 worked in Finland and according to the interviews there were 67 registered employees in Brazil and a total of 72 employees in the Americas. The Latin American market is very important for Tecnomen, as at the time the interviews were done, 60% of the value of Tecnomen's operations came from the Latin American block.

As examples of the services the company provides, in 2003 the company delivered a voice mail system to the Swiss national railway as a part of a deal with the Swiss Siemens mobile group, where the company has also been contracted to supply prepaid systems in Guatemala and Nicaragua. Actually, Tecnomen was the first telecommunications retailer to start commercial sales of prepaid services in the Latin American market. Prepaid services for mobile phones are very popular in Latin America and Brazil, as most of the mobile phone users prefer a prepaid mobile phone contract, this goes in hand with the consumer market, of which the bigger part belongs to the lower or middle echelons of society vis á vis the purchasing power of these. Accordingly in Brazil, in 2006 Tecnomen was asked to provide a prepaid system by Teleming Celular and the next year Brazil Telecom asked for a an expansion, continuation of the pay- and communication system it has with Tecnomen.

Similar to Valtra, Tecnomen has also had changes in its ownership in the last decade. Between the interviews of December 2007 and the present writing of the thesis, the company merged with Lifetree Convergence Ltd., an Indian rival in the same industry. Tecnomen bought over 96% of the Indian rival and the transaction was completed in the first half of 2009. By buying out the Indian company, Tecnomen gets access more visibility in growing markets of Africa and Asia (www.financialexpress.com, Kauppalehti 2008). Along with the acquisition, besides the change of the name to Tecnotree, the company now has over 800 employees working in over 20 locations worldwide. After the merger into Tecnotree, in Latin America the company has already received orders in “convergent charging and next generation messaging solutions” for a value of USD 7.3 million (Kauppalehti, 2009).

Albeit the name change in the company, further in this chapter it will be continued to refer to the company as Tecnomen and not Tecnotree. The main reason for this is that at the moment of doing the interviews the company hadn't merged yet with Lifetree Convergence Ltd.

4.2 Findings on Finnish MNCs active in Brazil

In this chapter, the results of the interviews done in Brazil will be analyzed. The chapter will be divided according to the questions, first corporate culture, then Finnish MNC's knowledge of local culture, followed by what motivates locals to work for Finnish MNC's, and communication within the local subsidiary office and between it and the Finnish headquarters. These will be followed with a discussion about the themes that local employees raised themselves during the interviews. To end the chapter, the findings will be mirrored against the theoretical framework.

4.2.1 Findings on corporate culture at the Brazilian subsidiaries of the Finnish MNC's will be discussed.

In this chapter the findings on corporate culture registered during the interviews at the subsidiaries of the Finnish MNC's active in Brazil, more exactly in the state of São Paulo, will be discussed. To make it easier to cite the dialogue and discussion that took place in December 2007 between the writer and the interviewees, when using a citation, this will be followed by a number that represents the interviewee. A further focus on the interviewee's position within the company will not be given, as the aim of this study is to find out how the following topics are seen and experienced, generally, by the local employees at their work places.

At Savcor interviewees saw that the corporate culture as a mix of both Finnish and Brazilian cultures. Combining the finest attributes of each culture wasn't seen as an easy task to do, yet striving for this, according to the interviewees' answers seems to increase satisfaction within the local organization and towards the Finnish headquarters and, or country manager.

"I consider myself today to be a Brazilian who works with the Finnish culture in the head. I've always worked for a Finnish company since I finished my studies. We have here a bit of the Finnish culture with which I mean that there is not a constant control on what the employee is doing and we do not have a huge pressure, there is freedom. At

the same time we have the Brazilian way of interacting with the customers and managing projects”. (1.)

A detail one could perceive to be Finnish, is being acknowledged for completing one's work with a thank you, even when it is just a simple task. Another interviewee also highlighted the gratitude usually expressed to one when finishing a task at work:

” This shows much more in the Finnish company culture than in a Brazilian For example if I finish a task and return the work I've done to my boss he always thanks me which is very nice. In Brazilian companies it is not like this.” (4.)

Hence, the corporate culture at Savcor is seen to be a mix of Brazilian and Finnish cultural aspects, set to fit the Brazilian business environment. Since the office is located in the state of São Paulo, it is evident that fitting the corporate culture to the local employee's culture, as well as the processes to the local employees, customer's, and environments necessities and expectations is important, if not crucial when aiming for success. One could even ask whether by striving to combine the best of both cultures, a company could exceed the general expectations on a local subsidiary's corporate culture? One interviewee felt the following about combining the best of two:

“ It's a big mixture with the positive sides of both cultures. It's an excellent company to work for.” (2.)

At Tecnomen corporate culture was likewise described as a sound combination of Brazilian and Finnish culture, even when differences are prominent. What these main differences exactly were, wasn't unfortunately described with further detail. The employees responded the corporate culture is a result of the mix of the business procedures and cultural background that Finnish expatriates and headquarters have left at the local office, with a hint of Spanish flavor and lots of Brazilian feeling as this is the market at which the company operates:

” I see that the business culture here is distinctly different from other companies in which I have worked before. Today our manager is Spanish and our technical manager is a Finn.” (5).

Hence, the input of some hints of Spanish business culture in this company is fully owned to the fact that the general manager of Latin American operations is Spanish. Therefore, the case can not be generalized to other Finnish MNCs with offices in Brazil.

On the other hand, the interviewees also remarked that the company culture had developed and changed, since the company established an office in the city of São Paulo. At the beginning most of the company’s staff was international and many Finns were starting the operations on site. Never the less, once the technological transfer had been done successfully most of the international staff was repatriated. Hence, once the expatriates are sent back home to Finland, the local subsidiary’s corporate culture is quickly “tropicalized” as the weight of local employees grows versus the headquarter representatives.

Another interesting comparison that was mentioned by the interviewees at Tecnomen and Valtra was the management style and differences on it between Finnish and American business people and firms.

” This is because the cultural difference between the Brazilian and the Finnish go well together. The differences go well hand in hand, much better than for example in the American business culture in which there is a sick competition. Here we talk and discuss, we go to the meetings and do things professionally striving for the objectives that we have put but at the end of the day we are colleagues and friends, not competitors.” (5.)

At Valtra the general corporate culture was seen to have been going through a limbo during the last decade due to the several changes on the ownership of the MNC. The company was told to be going through an immense cultural change, as 40 years of Finnish administration were being replaced by an American management style and

headquarters. Two interviewees highlighted that this change meant mainly that the corporate culture would become more aggressive on what comes to sales and revenue objectives, and the processes on how to achieve these would be more finely defined:

“I feel that the Finns were more of conformists as compared to Americans who are more progressive and aggressive on what comes to continuous growth. For me generally the change was good.” (9.)

The following comment refers to Valtra’s company culture on what comes to sales, already in the decade of the 80’s:

” We also could have been number one but the company didn’t want to fight for the market share. This is something very pronounced of Finnish business culture.”(8.)

The two former comments translate to that the Brazilian employees feel that Valtra could have ranked higher, even as number one on the national market through a more dynamic company vision, followed by a more assertive operations strategy which all influence the corporate culture, yet the MNC’s corporate culture, and objectives, set by the headquarters in Finland, or the subsidiary manager, didn’t seem to sustain this kind of sales approach.

Of the three Finnish MNCs , where interviews were done for this thesis, Valtra had been longest in the country. The 8th interviewee, who started working for the company in the 80’s stated that the employees felt in the 80’s very much taken care of by the Finnish MNC. At the time, Valtra was once elected as the best company to work for in Brazil and the MNC’s then local manager, the Finnish ambassador, was culturally well informed about the country when taking the job over. Never the less, since the 80’s many things have changed, both the documents studied and the interviews support the change in corporate culture, control, among other within the subsidiary-headquarter context:

“Adventurers arrived here looking for a quick profit. That’s when the company culture suffered as some would buy and resell our company in the style of “Portuguese Colonizers”. (8.)

In the 90’s Valtra has gone through many mergers and acquisitions. Hence, the corporate culture has become a mixture of the past, the present, and the future, as the direction to which the subsidiary organization is “shaped” , according to the loop and vision of the new owners:

” Now we are in a process of acquiring the American business culture after having a mix of Brazilian and Finnish culture. Let me explain you well so that you can understand. The company is American but they now have an German C.E.O. So there’s now a more German than American culture in the company.”(8.)

Both Valtra and Tecnomen had a non-Finnish country manager at the time of the interviews. Still, as Valtra had over 30 years of Finnish leadership and control on its history before having been sold to AGCO, it is included in the study. In a way a company and its company culture are like a child growing - learned culture and communication style, management processes, can not be changed overnight.

Tecnomen, on the other hand, has a Spanish country manager at the Brazilian, and Latin American, headquarters, where as the latter one, Finnish-born Valtra, has now American ownership with a German C.E.O. (situation in both MNC’s local offices in 2007). Besides the fact that the former phrase is complex it also demonstrates how international business management can be in the present global context of MNC operations – multifaceted and sometimes, challenging.

With a change on ownership, everything that seems in the day-to-day management to some extent predictable, such as control processes, the communication patterns between managers and subordinates, the headquarters and the local subsidiary, the whole corporate culture, can be put under a process of change. One’s job might be under

jeopardy and this if anything, can affect the work environment and present company culture.

” With so many owners our culture is now a big mixture. They are implanting American systems of follow-up. So we’re waiting to see what happens where as in the sales area they are already working with an American follow-up system. They are very rigid and follow you a lot, it’s very different from the Finnish managing style...With the Finns it was very different. If you sold under the Finns only 90 but you won the value of 100 tractors’ sales you’re fine. So this reflects in the work environment where employees are worried about the future and there’s a lot of follow-up but little company spirit.”
(8.)

The former interviewee adds that the shift to new owners has meant that employees do not get to know anymore so well their upper level managers abroad nor sometimes the customer, the “people behind an order”. He has attended a seminar at the university Fundação Getulio Vargas, and shared experiences of the same phenomena with people from other industries as well. Business, in general, has become less personal, and faster, with a decrease on human touch, on what comes to international transactions within the MNC context.

Thus, controlling corporate culture within the MNC is challenging when the MNC has managers and country managers that can be besides locals or Finns, representatives of third countries. Managing corporate culture is even more demanding in a situation where a MNC embarks on a merger and acquisition (M&A). Never the less, the effect of third country representatives, such as a Spanish country manager at Tecnomen’s Brazilian subsidiary, or the consequences of M&A’s (Valtra) in the company culture or employees, in the MNC context, will not be discussed more in-depth as it is not the focus of this study and belongs rather to the area of human resource studies.

4.2.2 Findings on Finnish MNC's knowledge on Brazilian culture and possible conflicts

Two answers were got at Savcor on the Finnish MNC's knowledge on Brazilian and local culture. The first interviewee stated that the directors did a good study on the culture before establishing the local Brazilian office, enabling the company to strive to establish a positive work environment for the local employees. The general country manager who started the local operations is Finnish and had been in Brazil for around eight years at the time of the interviews. Besides the preparation that was done before, and upon arrival, also key local employees have been sent to the Finnish headquarters to get to know the company and the head office, learn about the technology and bound with the local staff; hence to make cooperation and working effortless, not only within the immediate colleagues one works with in the local office context, but also in the subsidiary- headquarters context.

Never the less, however prepared a company, or the general manager of a subsidiary, might feel on cultural and local market knowledge, small cultural adjustments usually occur. At Savcor employees considered that the company excels to do these on both sides, not just asking the Brazilians to adopt some of the Finnish management and working style, but also vice-versa.

“ This is very good when you understand why people do things in a certain way. Before judging one and saying that one is doing something in a wrong way it is important to understand why one is behaving in a certain way. And understand that one is doing his best. It is important to learn to filter the culture and shape the way in which work is done.”(1.)

On the other hand, the second interviewee saw the culture more fine-tuned to Finnish customs. Never the less, as the answer only goes for the culture on decision making, this statement should not be generalized include general corporate culture and the company's preparation for the local culture. ”Brazilians are more immediate, we like to

do the decisions quickly where as the Finns plan carefully the whole process, a roadmap before making a move.”(3.)

Some employees saw that Finns might have been some times too slow to respond with a solution to a business dilemma or to a customer request. A few Brazilian employees sharply noticed that this can be a product of the business environment, due to the fast pace of changes in the economic and business environment in the 80’s and 90’s, for example the catastrophic effects of hyper inflation, Brazilians learned the importance of being able to act quickly even on strategic matters.

“Brazilians are more immediate” (3.)

“What I feel that is happening during the last year is process of a mix of the two cultures but the Finnish company culture is stronger. Even because the CEO is Finnish. Some decision brought the right solutions and those that didn’t, well, we are fixing them.”

The local interviewees could not tell how much preparation Savcor’s Finnish staff had had on the Brazilian culture before entering the local market, yet many interesting suggestions were received.

The first relevant issue that was commented on, is who gives the preparation to the executives: *” The Finnish company should always have joined to the executives someone who knows very well the local culture when planning entering the Brazilian market.”(1.)* The interviewee explained further that this could be a Finnish business person from the same company or another one who would have, preferably, spent some years living and working in Brazil. This kind of person would be optimal to prepare new executives for a job assignment in Brazil as well help a Finnish MNC on preparing their general strategy to enter the local market.

“ I believe the human side is very important and that Finnish companies in average still have a very long learning curve process which could be shortened by a in depth knowledge of the local environment. By this I do not mean only the technical side but

also the understanding of the local business negotiations culture and human behavior.”(1.)

On the other hand, in the subsidiary office of Tecnomen, the employees interviewed assured that more important than the Finnish MNC’s general knowledge on local culture, is to contract local professionals to work for the local office. This was explained by the fact that local employees, naturally, have a better understanding of the local business environment.

” It is important to invest and believe in the local professionals.” (7.)

Hence, it seems that cultural knowledge, even when being profound, might not be sufficient to assure a smooth start for a Finnish MNC’s local operations, let it be at a general level or at the personal level of a Finnish manager working within the Brazilian context. To support the former statement, next one interviewee’s universal example of a medium-size Portuguese, not Finnish nor an MNC company, will be reviewed.

” I have a similar example with a Portuguese company. They had a similar problem as any other European S-M company that does not yet have an understanding of the market which they enter. They come here with an idea on how the airport and airplane are when they come here. Once they are traveling here they will notice that the airplane and airport are different from those in Europe. This is where the active learning will happen and they will see that doing business here is different from how it is at home. “Oh, opening a business here takes more time etc.””(7.)

The former quotation is included in the study as to demonstrate that even when the language unites two countries, hence facilitating the basics of communication and doing business, differences go beyond the language, culture and information with which one can prepare himself for working in a foreign context. One can hence deduct that if cultural differences, attached to language, behavior and business norms, exists between Portugal and Brazil, these disparities must be even larger in the Finnish Brazilian MNC context.

"The Latin culture is very different. In a Latin meeting you first need at least 15 minutes to ask how each one's family is doing and only then do you start doing business. This is difficult for Finnish and American companies."(6.)

"For me, even as a Spaniard, it was not easy to arrive to Latin America to do business. Because the culture is already different, the accounting and many other things are different. Like it or not you already have a mental framework that is going to disable you from doing business as well as locals and cause you many conflicts as well as frustration when things and procedures are different from those at home." (5.)

Another interviewee commented that the local subsidiaries need to be shaped "a little to the Brazilian way of being" instead of just striving to understand and be prepared for the local culture and norms:

"... because this Finns' systematic way will not function. In a certain way the Brazilian's word doesn't have the same value of what a Finn's promise."(10.)

Besides the importance to employ local professionals to minimize possible frustration that can take a hold of an expatriate, even when technically he or she has been prepared and informed before hand of the differences that the Brazilian business environment, the interviewees also mention hierarchy and the legal system as differentiators of the Brazilian business environment from the Finnish one.

Hierarchy is said to be omni-present in the Brazilian context, as much in the work, as in the societal context. This is a huge difference between Brazil and Finland. The first one is a country divided by and large still into the wealthy, a small elite, and the growing middle class, and the vast group of the poor. In contrast in Finland the societal classes, one could argue, do not exist.

“There are very few with a good study level. Most of Brazilians do not have even the high school completed and the competition for the well educated few is extreme from the companies side. “(5).

In Brazil (though private schools also exist in other developing countries as well as in Western countries) private schools and the accessibility of higher education still feeds the existence of hierarchy in the society and at the work place. Even when hierarchy can be ambiguous and wrong from the Finnish perspective, it is important to acknowledge its existence and know how to go about it in the Brazilian business culture context.

”The Brazilian generally respects and likes a lot the hierarchy in a company as where the Finns do not compliment company hierarchy So here in Brazil hierarchy is important as to demonstrate the limits and rights of what one can do in life and work, I would even say that it is a necessity.”(10.)

Besides hierarchy, at Tecnomen it was also commented that Finnish MNCs need to be better prepared for the challenging Brazilian fiscal system:

” I particularly had a hard time explaining the people that the legislation here is not clear and easy to interpret.”(5.)

The same interviewee clarifies that it is a better idea to contract local people to take care of accounting and the fiscal part of business management. She further tells that most MNCs use external and international auditing companies though these do not help the foreign MNCs to be aware of the misinterpretation of Brazilian law, which could be easily achieved by using locals to complete the job.

” I can see that the companies arrive here with the mentality of exterior countries’ fiscal systems, which are very simple. Obviously the companies when they arrive to a new country they want to do business right away. I was contracted exactly to take care of the fiscal part of administration of the company as the fiscal part is very different and complicated in Brazil.”(6.)

4.2.3 Findings on what motivates local professionals to work for a Finnish company

What has motivated local professionals to join a Finnish MNC is a summary of varied answers, some of which are not the conventional reasons described in academic books. One interviewee at Savcor told how Finnish companies would, at least some time ago still, have much interaction with each other. According to him, people would participate in barbeque parties and go have some beers together (1.). Hence, this person got to know the Finnish company future boss and colleagues in a Finnish dinner-sauna party. Also, there is the case of a Finnish – Brazilian local employee at Valtra, whose life basically rotated around the company. This person's mum was one of the first Finnish employees to start the company's local operations and as the person grew up in Brazil and studied engineering. Hence, it was natural to apply for a trainee position at Valtra.(10.)

Other answers were that Finland reflects on one the idea of Nokia, high technology and engineering (6.), another interviewee, who had been working for Valtra for over 20 years, said that he had entered the company at the time when the Finnish MNC had been elected as the company of the year in Brazil (8.). The well administered and profitable business and its broad coverage in the media convinced the interviewee to enter the company. Yet, at Tecnomen and Savcor some persons had been headhunted and didn't have a specific idea of how it would be to work for a Finnish company beforehand.

“ Not really, I didn't know much about Finland as it is such a small country. Still my expectation and wish for the future would be to go to Finland and do a master's degree or doctorate at the Helsinki University.”(1.)

” The company, even if it doesn't belong anymore to a Finnish group, it has a very strong and positive image here in our city.”(11.).

Another reason that was given for motivating locals to work for Valtra is that the company has a positive and substantial growth market for its products. As in

comparison to when the local subsidiary was still of Finnish ownership, the new owners have shown a more dynamic attitude to growth of sales and the product portfolio:

” Now we are also developing many products besides the tractor for the agricultural market where as during the Finns concentrated only on preserving the tractor.” (9.)

Within the cellulose industry, the Finnish companies were said to have strong reputation as well as being known for forming “*professionals of high caliber*”(1.) Also, something that was called “*love of life*”, a value at Savcor, was praised and described as something particularly Finnish. One employee told how he used to work 14 hour days at his previous company where as since he started working for Savcor he has had more time to spend with his family and friends, even though the remuneration is similar (3.) The interviewee also perceived Savcor to be a small company, which is something positive as an employee is quickly acknowledged when the results of the work are good.

“*Love of life*”, though not described in itself as a value at Valtra, could also be discovered an example of how the company makes part of the employees lives also outside the working hours: this local office has a “*academia*”, the Portuguese word used for a sports club where employees can practice different sports, such as tennis and football. The unity spoken about in the following answer can seem to some point bizarre from a Finnish point of view, yet in the Latin American countries, spending time together with one’s colleagues after the work day is over, is quite common.

“We even have our own football team and everybody, from the players until the team masseuse, has been trained for this extra curricular activity at the company. You should really assist a football game at the region when we are playing. Everybody assists to it and everybody , even the employees families, wear company T-shirts! And if we are at the end of a game in a league and lose when we were just about to win, all the kids and even the wives of the men playing will be crying.”(11.)

4.2.4 Findings on what was said about communication within the subsidiary and between the subsidiary and the headquarters

The Tekes – Helsinki School of Economics project didn't include a direct question on communications between the subsidiary and the headquarters located in Finland. Nevertheless, the interview material referred many times to it on the the Finnish – Brazilian management context, hence serving this study. This confirms that management, communication and culture are related one to another. Hence, in this subchapter the concentration is given to study the answers and nuances collected concerning communications.

At Savcor's local office, it was commented that the communication flew flawlessly within the local organization. This must be partially also a result of the small local office, a positive corporate culture as well as the sum of the personalities that work together. A small number of employees in general helps employees to get to know each other more easily, as well as that a physically smaller office, say of 30 local employees compared to a 1000 employees, naturally enhances opportunities to communicate between colleagues and the country manager. One employee at the company commented:

” One of Savcor's values is openness. Although he is not my direct boss I can go and talk to him openly surpassing my own direct boss. In Savcor they see the importance of feedback and understand we down here are the ones “suffering” with the customers.”(3.)

Communication at Savcor is seen as a strategic issue in the sense that final business decisions, for the business branch of which the Brazilian subsidiary is specialist, were made at the headquarters in Finland after listening to the suggestions and opinions of the local staff. After all, in this case the market- and tacit knowledge of the business branch is local. This represents a case where for the headquarters taking care of good communications with the subsidiary, and enabling the locals to communicate

effortlessly, is crucial for the sound development of business knowledge. Yet, this might not be always the case between a subsidiary and the headquarters. Another comment on decision making and communication was also given at Valtra:

” My feeling is that the process of Finnish decision making is a bit slow on some areas and this might put the company on a worse position for example, the start of i.e. a negotiation with a client...In case we had proceeded internally a little bit quicker we would have got the deal. Still, we have improved a lot. “

Although the comment does not describe how often communication happens, how long the intervals between an information request and an answer are, nor what tools are mostly used to communicate between the headquarters and the subsidiary, it does let us comprehend that it is especially important for the subsidiaries to be able to communicate and have quick responses from the headquarters. Headquarters should hence pay more attention to the communication needs that different subsidiaries might have and revise how often it takes place and in what forms. It could be beneficial to ask the subsidiaries whether they are content with the communication that takes place between the two and whether it covers the needs of the former. As the previous quotation proves, communication between the headquarter and a subsidiary might be the corner stone for bring able to sign a successful business deal.

At Valtra on the other hand, where the management was previously dominated by Finnish business culture, what strikes out of a Brazilian interviewee’s comment is that he says that the company could have been number one in the Brazilian market but as much the headquarters as the local country manager, back then a Finn, seemed to be content with the second place, long term. According to the interview material Brazilians value at work, besides having a secure job and salary, having good development opportunities, both at the personal and the company level.

In this way, the fact that the Finnish MNC were satisfied being number two, and according to the former interviewee, didn’t actively fight to gain market share, could be something unsatisfactory for a Brazilian employee. The fact sends out a non-verbal

message to its employees of some lack of ambitiousness, which could be estimated to, in the worst case, cause that the best employees start looking for other, more progressive companies to work for. Oppositely, communicating that sales do not need to grow as well as that one is here to “preserve the product instead of developing it” could also cause employees to get to a comfort zone on their work and make sales persons less competitive on their personal sales results – after all the employees are leveraging the minimum sales the headquarters are asking for.

4.2.5 Themes local employees raised during the interviews

This chapter was not contemplated to make part of the study. Yet, as many themes rose as interesting during the conversations with the local employees, these will be included in this short chapter. The topics that rose include Brazil’s general business climate, the emerging markets role in international business, Finnish sales culture and things Finnish companies could improve. Interviewees also commented on hierarchy, motivation and the role of the employer company within the Brazilian context as well as the country’s fiscal legislation.

On general business climate the interviewees stressed out that the general business climate had improved significantly in the country. As compared to the 80’s when the national economy suffered due to hyperinflation and political instability, in the new millennium the main factors affecting the Brazilian economy are external. A consolidated democracy and improved investing environment were mentioned as the most significant factors. In between the interviews and the writing of the thesis this was proven to be true, as the Brazilian economy has been one of the strongest to withhold the effects of the global recession that took the grip of international business in 2008.

“I think that Latin America and investing here in Brazil is much more secure than 20 years ago. Of course there is still Cuba and Venezuela that have problems and are fake democracies. Still, I think that Brazil is now a much more mature democracy and that the market is much more stable. International agencies are regulating the business and investment here.”

Besides Brazil, interviewees also commented on the growing role of emerging markets in international business and for the sales and output of Finnish MNCs. It is a topic that concerns all western MNCs as growth is, if not already has, shifted to the new economies:

” The subsidiaries are taking more and more decisions. At the beginning, especially in the 80’s and 90’s all decisions were taken in Finland. Now a days the Latin American office is the most important as over 50% of the turnover and sales happens here. Of course the Finnish and the European market will continue being important but the emerging markets such as the famous BRIC will start taking over. This is because these (BRIC) countries continue growing where as the European market is already saturated.”(7.)

When asking about Finnish MNC’s knowledge on local Brazilian culture other related themes to the Finnish companies presence and preparation to do business in Brazil where expressed. As already discussed in the chapter of Finnish MNC’s knowledge on Brazilian culture, Finnish companies need to improve their understanding of the local business negotiation culture and human behavior – technological excellence is not enough. Besides the human side, one interviewee spoke about the importance to not just study the Brazilian business environment but also look at the Finnish business culture critically:

” Also the Finnish executive people who come here should understand and recognize that also in Finland there are both positive and negative aspects that need to be acknowledged. The negative things should then be corrected to shorten the learning curve.”(1.)

One of the things that strikes out as different between the Finnish and the Brazilian negotiation culture is the simple fact that in Latin cultures people use to negotiate and go around a price more enthusiastically than in the Finnish culture, where the price is the marked one. This is the difference, one could argue, for which Finns are seen in

Brazil as being even hermetic, as one interviewee put it, in their sales attempts. Hence, the challenge at the personal level for Finns lies on acknowledging this big difference on the sales and negotiation culture that exists between the two cultures, stepping outside of it and adapting oneself to the local circumstances.

” Also the Finnish company should me more energetic on sales on demanding the payment more actively. Important would be also to be a bit more enthusiastic on sales forecasts and instead of trying to sell e.g. a realistic 10 units try to sell 11 units. Because it really is possible!” (10.)

” At the moment we’re still market leaders in the whole of Latin America but I see that we need more of product development to divest better of our sales in the future and not fall back. “

Other themes that were also discussed from the initiative of the interviewees were hierarchy, motivation and the role of the employer, company, for which one works for in Brazil. We’ve already understood that hierarchy is something that differentiates to a great extent the business environment between Finland and Brazil. *”The salary in itself isn’t enough. Here it is self explanatory that a senior manager has to have better conditions than a junior manager. This is very different from Finland.” (7.)*

Yet, what was even a surprise to the writer is to what extent the company for which one works for, and the position one has within the organization, might influence the life style of an employee in Brazil. On the other hand, the fact that employers need to give more abundant salary packages to the mid- and top-management than in Finland must also be correlated to the services that the state gives. For example, in Finland one could consider that the taxes that one pays already cover the expensive higher education that in Brazil many employers might subsidize to the their local employees.

” I see it a bit different as I have worked for many years in Europe for European companies. In Brazil the companies act a bit like a mother and a father for the employee...Normally for example the firm pays besides the salary a meal and a

transportation subsidiary. Normally for the managers you subsidize a car, you help on the studies, such as an MBA, other studies and sports facilities.”(5.)

5. DISCUSSION

This is the concluding chapter of the study wherefore the attention is drawn back to the theoretical setting of this study. Now the aim is to analyse the results of the study based on the theoretical frame work that was developed on chapter two. Also, managerial implications of the study for Finnish MNCs active in Brazil will be discussed. The limitations of the study will be addressed and to end, some suggestions for future research will be given.

5.1 Summary of the main findings

The interview material collected supports that control, communications and corporate culture are connected to each other. Although the connection may not be evident at first sight, national culture influences communication patters. In the same style, corporate culture influences business communication within a MNC. In the interviews it was mentioned that Finns are more cautious on the messages they send out through conversations and while doing business. Equally, Finnish sales efforts and the sales objectives dictated from the headquarters, at least at Valtra, weren't seen as very aggressive. In other words, corporate culture, influenced by national cultural traits, and communication, affect control. Even though control and management may look sound from the point of view of the headquarters as the previous example demonstrated, the opinion might be some what different when asking the local subsidiary office employees.

Also, although the connection of control and culture can be questioned, the following quotation is one example demonstrating the link between these two:

“I consider myself today to be a Brazilian who works with the Finnish culture in the head. I've always worked for a Finnish company since I finished my studies. We have here a bit of the Finnish culture with which I mean that there is no constant control on what the employee is doing and we do not have a huge pressure, there is freedom. At the

same time we have the Brazilian way of interacting with the customers and managing projects”. (1.)

Moreover, the connection of national culture and corporate culture is perceptible. The national culture and identity shapes the corporate culture that is cherished at the HQ's of an MNC, naturally having hence an effect on the corporate culture that is aimed to achieve at the subsidiary office level. In the case of Finnish national culture's traits present at local subsidiaries in Brazil, interviewees mentioned the easy of communications, with no hierarchy levels disabling contact between employees, as well as the balance of work and personal life, described as “love of life” at Savcor, as specific examples of Finnish cultural traits at the local Brazilian office level. At Savcor and Tecnomen, the corporate culture was seen as a mix of both Finnish and Brazilian culture. Optimally it was mentioned that corporate culture strived to put together the best of both Finnish and Brazilian culture. This goes in line with Ayca et al's (2006) description of Finnish business style characteristics on page 35. Yet, at Valtra, corporate culture was difficult to describe as stable at the moment of the interviews, as the subsidiary was going through big changes, as the company had been acquired by an American firm and many changes were taking place.

Managing corporate culture is even more demanding in a situation where a MNC goes through mergers and acquisitions (M&A) yet it must be noted, that defining “pure” national characteristics of culture in the subsidiary – HQ's context becomes challenging, as third country nationals, e.g. a Spanish country manager directing the operations of the Finnish MNC in Brazil, also shape the culture at the local subsidiary level.

On what comes to communications between the subsidiary and the headquarters, it is taken care of especially well, when the subsidiary is particularly important for the HQ's. By this it is meant that the subsidiary has and develops knowledge which is crucial for the business or, and the subsidiary represents an important market share of the total sales and, or considerable percentage of production at the global MNC operation level. On what comes to communication taking place between the subsidiary and the headquarters, and especially at the local subsidiary level, Finnish and Brazilian

communication patterns were said to vary a lot. Interviewees stressed that in Latin America in general and also in Brazil, in meetings it is usual to spend the first 15 minutes speaking about how each one's family's are doing. One doesn't go into details, yet it is polite to ask, as to show respect and interest on one another's well being. This goes of course for small meetings where employees are acquainted with each other, not being the pattern at big meetings or conferences. Still, it is important to stress the role of small talk and being able to establish good, amicable, business relationships, as these are important when doing business in Brazil and Latin America.

On communication related to decision making, Brazilians sensed that the Finnish decision making and communications was somewhat slow sometimes. At Valtra it was mentioned that one business deal was lost due to slow communication and feedback from the Finnish headquarters. The final reason for losing this business opportunity is not clear to the writer, yet a clear difference on the ease of small talk, at a general level, and on communication patterns between a Finn and a Brazilian is evident. A Finn usually contemplates long what he or she is going to say, the messages truth and meaning, whereas Brazilians and Latin Americans are more immediate on giving an answer, more concentrated on keeping the small talk or conversation going on. Silence can, in the worst case, be interpreted as shyness, lack of interest, or lack of social skills.

Looking at the three Finnish MNCs, Valtra reported to be well prepared for the local Brazilian culture and business context. The local subsidiary manager is a Finn who, according to locals, was well informed on local business context and started the local office as a "one man office with a phone in one hand and one computer" (0.). Maybe, the adjustment to the local culture was easier to do exactly due to the fact that operations at start were minimal, at least on staff number, enabling quick adjustments to local environment and culture when needed, as compared to an office of various expatriates. Besides fine knowledge of the local culture, local employees have also been sent to Finland for training, hence giving locals an opportunity to get acquainted with Finnish culture and the origins of the multinational, improving simultaneously the chance of increasing cultural understanding between the MNC's Brazilian and Finnish employees.

On the other hand, at Valtra employees stressed that it is more important that Finnish MNCs prepare for local operations by investing in local professionals, as they have a better understanding of the local business environment and cultural context (7.) . It was explained that even when a Finn can be prepared both language, culture and information wise for working in Brazil, this does not convert the expatriate in a Brazilian worker. As the Spanish country manager of one of the local subsidiaries explained:

“For me, even as a Spaniard, it was not easy to arrive to Latin America to do business. Because the culture is already different, the accounting and many other things are different. Like it or not you already have a mental framework that is going to disable you from doing business as well as locals and cause you many conflicts as well as frustration when things and procedures are different from those at home.” (5.)

At Tecnomen it was stressed that local subsidiaries need to be shaped “ *a little to the Brazilian way of being*” instead of just striving to understand and be prepared for the local culture and norms:

“... because this Finns’ systematic way will not function. In a certain way the Brazilian’s word doesn’t have the same value of what a Finn’s promise.”(10.)

This last quotation is associated to what the Spanish local employee said about local context and the difference between, theoretically understanding and accepting the local context, vis-à-vis being able to operate within the local environment. Besides differences on culture, business norms and language, also fiscal laws and hierarchy were listed as big differentiators of the Finnish and Brazilian business environment.

On motivation to work for Finnish MNCs, diverse reasons were listed. Starting from the good networking between Finnish MNCs active in Brazil (here São Paulo state), to Valtra having been listed as the best company to work for (in the 80’s) or having a strong and positive employer image in the city, to being headhunted to the company and having substantial growth market for its products. Still, it was also said that the new

owners at Valtra companies were seen positively, as the non-Finnish owners had a more “dynamic attitude to growth of both sales and development of the product portfolio”.

5.2 Theoretical Implications

Different control mechanisms, concentrating on results, cultural and action controls, might be necessary to manage different subsidiaries. Lovett et al. (2009) suggest that an appropriate match of mechanisms of control and subsidiary purpose results in higher performance.

The theoretical framework of this study has as its objective to show that control, culture and communications are linked to each other and that taking this into account on the management of the headquarter – subsidiary relationship is equally important as the match of control mechanisms implied by Lovett et al (Ibid.). The research gap of this study is associated with MNCs company culture and communications and how these may be influenced by control mechanisms set at the headquarters. These topics are usually studied in international business as separate themes yet here the aim has been to show the direct causes and consequences each area has on one another in the MNC, and specially, the headquarter – subsidiary context. Out of personal interest, the relation of the former was studied at three Finnish MNCs’ Brazilian subsidiaries.

Control, communications and national culture traits were reviewed in order to answer the research problem and a model of the interconnection of control, communications and corporate culture (encompassing national culture) was designed.

As reviewed in the literature review, Czarniawska (2003) reflects that management practices and business studies to are based on controlling the known, and formal control mechanisms are most common in management of MNCs (Martinez and Jarillo, 1991). At the same time with the growth of significance and potential lying in the subsidiaries located in emerging markets (Forsgren, 2008; Rugman, 2008; United Nations 2005), one could deduce that more information is needed on the subsidiaries.

Piekkari and Welch (2006) mention that language is the key to “localness” which is backed up by Mäkelä (2009) who advocates that communication should happen with, instead of to. Charles and Marchan – Piekkari (2002) support both former as they communication as a tool of strategic management. These reflections sum up with this study’s aim to look at the links that exist between control, communication and culture.

To study whether the model is viable, qualitative interviews were done to eleven local employees in Brazil. The theoretical framework started with considering a diversity of market environments as making part of the MNC environment, together with control, communications and national culture traits, which ultimately influence corporate culture, within the MNC sphere. Yet, through the study and interviews it became clear that the MNC and the headquarters can have only partial control of communications, culture and management in the former context. At the subsidiary level, the local office makes part of a network of inside and outside actors (Birkinshaw and Pedersen, 2008) of which the headquarters has only partial knowledge, hence not being in total control of the local subsidiary’s business environment.

The three topics are interrelated as designed in the theoretical framework at the beginning, yet the HQs, as an outcome of the interviews and the present business environment, can not be seen to be in total control of the local subsidiary context. The corporate culture is driven by the MNCs values and culture encouraged by the headquarters, yet the local national culture and local business context will also affect it. Hofstede (1980) mentions low uncertainty avoidance as part of Brazilian business traits where as interviewees described Finns being sometimes slow on decision making, and lack of ambition when setting sales objectives. Tanure de Barros (2003) also spoke about the Brazilian management style, “jeitinho” referring to flexibility. This sustains that management standards for local subsidiaries, should be decided upon more at the local level, or at least designed with consulting the opinion and knowledge of local managers and employees, as to come up with the best management practices for the local business context.

Theoretically, when deciding on control, communication and culture matters at the headquarter level the theoretic framework does not need to be changed at all. Yet, when studying the interview answers and acknowledging the changing and significant role of subsidiaries for the business of, especially western based MNCs, the picture can be interpreted in another way. A MNC doesn't exist in a vacuum; it coexists with its environment. As the saying goes, a butterfly's wings flap in China can cause a tsunami in India. To illustrate this, the MNC circle that initially surrounded the subsidiaries in the theoretic framework is removed.

Consequently, it is suggested as a change from the initial theoretical framework, that the three circles of culture, communications and control methods to be illustrated as only partially designed within the sphere of control of the Finnish MNCs and headquarters, vis-à-vis the subsidiary context. Hence, in order to achieve synergy and growth at the local subsidiary market (for example, over 60 percent of business operations of Tecnomen are in Latin America (2007)), control and communications ought to be designed and tuned to respond to the local market and local employees needs. To achieve this, Finnish MNCs ought to verify how the local employees of local Brazilian subsidiaries feel about communication and control processes taking place between the subsidiary and the headquarters. This would also support the reality where the Finnish MNCs, and all MNCs in general, need to be more perceptive towards the subsidiaries' local business- and cultural context. Analysing how control, culture and communications take place at the headquarters – subsidiary level is a good way to start learning about an MNC's readiness to confront the changing environment surrounding it. Listening to local employees opinions is beneficial for the future's sake,

Hence, to illustrate the need of open communication from the subsidiaries towards the headquarters, for increasing knowledge of the local context and hence strive for better strategy and management practices from the headquarters towards the subsidiary, the arrows in the following figure go from the subsidiary (S) towards the headquarters. The outer circle of the diverse environments which could be observed when the theoretical framework was first presented has been left out, as the MNC can not draw lines as to the effect of foreign countries and cultures, business environments, effects on the

MNC's functioning. In the global business environment every MNC and organization is connected . Hence, other culture's influences or global business or financial scenario's changes impact is not to be underestimated at a MNC's headquarters when deciding upon management direction.

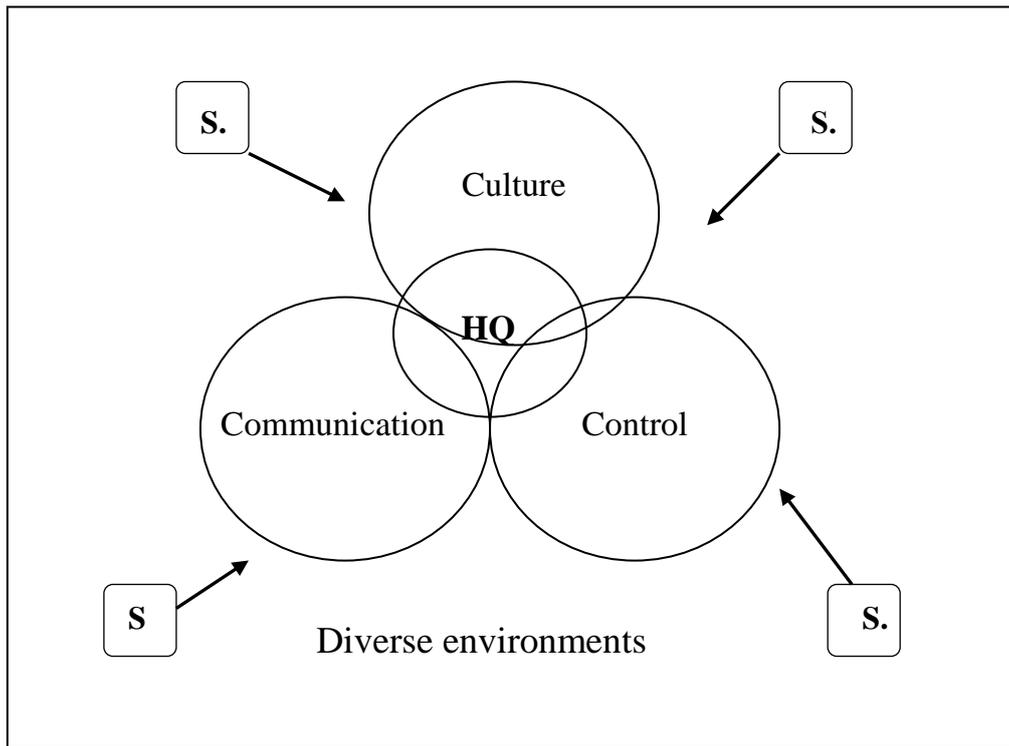


Figure 4: Theoretic framework after interviews

5.3 Managerial Implications

Global business and the growing weight of operations and the importance of these in emerging markets, such as Brazil, calls for a redefinition, or at least a check, on how the headquarters of Finnish MNCs design and decide upon their control and communication standards. It is important to revise whether these serve for achieving the best synergy between the headquarters and local Brazilian subsidiary, while supporting the development of local operations, according to the local business scenario.

Due to shift on growth of consumer markets outside the traditional western countries, wherefrom many of the MNCs originate, it is necessary to revise whether the previous

control and communication standards serve in the present MNC and global business context. In the 70's Child (1973) defined control as *“Regulating activities within an organization so that they are in accord with the expectations established in policies, plans and targets.”*. Nonetheless, the shift of the most promising consumer markets to emerging countries, such as is the case of Brazil for Finnish MNCs, calls for a possible re-definition of control and communication within the headquarters – subsidiary context. To establish the policies and targets, e.g. sales targets as mentioned previously, it would be beneficial to have more open communication from the subsidiaries towards the headquarters.

The MNC needs to recheck whether its plans and targets are in sync with the local market knowledge and expectations that reside at the local subsidiary level and within the local market reality and context. In essence, it is crucial to revise whether the control and communication standards and tools serve the MNC in the new situation, enabling local knowledge and information to flow from important and critical subsidiaries to the headquarters. Local employees of the subsidiaries have the best knowledge of the local business context and local office, which could facilitate making the right managerial decisions on control and strategic course of the business at the headquarters. At the end, the question every manager should ask him-, herself are:

“ How does the photo of my client look like?”, “How does the local environment and culture affect my client’s consumption patterns?”. To find out the answers to these and other questions, the first step to be taken is to increase communication and learn from the local subsidiary employees.

5.4 Conclusions

The expanding operations of MNCs in the merging markets, and the growing importance of their consumer markets, calls for a check on how western MNCs manage their control, culture and communication taking place in the MNC headquarter – subsidiary context.

In this study we have looked at Finnish MNCs with major operations in Brazil, as in all MNCs, it is fundamental to understand the local business environment and local customer profile. Moreover, in the present scenario where the trend is of shifting growth to emerging markets such as Brazil, and cultural and language differences, it is especially important to enhance communication and management processes between the subsidiary and the headquarters.

Child (Ibid) defined control as regulating the activities within an organization so that they are in accord with the expectations established in policies, plans and targets. In this study, specifically, the interest has been to find out how these are taken care of from the local employees' perspective. The results for the discussed themes were the following.

In the literature review output control (Snell,1992) was mentioned as a feasible option for the management of a subsidiary when the headquarters have no real control over the market environment. Baliga and Jaeger's (1984) bureaucratic control system dictated how processes were to take place within the organization whereas the cultural control type (Ibid.) concentrates on socialization and value sharing among employees. From the three MNCs, Savcor seems to exercise cultural control, while Valtra could be described to use bureaucratic control and Tecnomen output control. These conclusions are supported by that at Savcor, employees commented that there was "freedom", little pressure from the headquarters, and a Brazilian style on what came to managing projects and contact with local clients. At Valtra the use of bureaucratic control type goes in line with the need to control a big organization with a long history. Tecnomen's subsidiary office could be defined on management standards mostly by output control. From one side, this goes in hand with the headquarters interest in results, while in the other hand it gives freedom to shape the local subsidiary culture according to local needs.

The results for Finnish MNC's knowledge and preparation for doing business in the local context were interesting. At Savcor's local office interviewees agree that the company was well prepared for the local culture and business context. Yet, at Tecnomen's subsidiary, employees stated that more important than being well prepared

and knowledgeable of local culture and behavior standards, is to employ local employees. These have the best knowledge and ability to act in the local context. Expatriates, even when accepting the local circumstances, might be “handicapped” by a foreign, or in this case Finnish, mind frame that gears one’s thinking and acting in the foreign, here Brazilian, business environment.

According to the literature review, some of the most noticeable differences between Finnish and Brazilian culture were power distance, individualism, masculinity and uncertainty avoidance. The interview responses, at a general level, support that Finnish business should rely more on locals, exactly to be more aggressive on sales and sometimes quicker on decision making, according to higher local masculine values and lower uncertainty avoidance. The difference between the power distance on both countries, low in Finland and higher in Brazil, and individualism, high in Finland and lower in Brazil, are also themes that need to be well managed, especially if sending Finnish expatriates to work at, or even direct, local offices. Especially, Finns ought to give more importance and attention to excelling in the Brazilian business negotiation and Latin culture, as technologic excellence is not enough to excel in a new market. A good recommendation was given in the interviews: Finnish ex-expatriates should work more closely together and share with each other more the knowledge they have about Brazil. Still, only a Brazilian employee can offer a Finnish MNC the knowledge on the Brazilian “*jeitinho*”, described as flexibility, adaptability and creativity to local circumstances.

” *Language is almost the essence of international business*” (Piekkari, 2005) and communication is definitely the key to founding a business relationship in Brazil, just as it is in any Latin American country. On what comes to communication between the headquarters and the subsidiary, at Savcor it was said to be open. It seems that communication functions specially well between the former, when a subsidiary has a special role on R&D development or due to its important market share on sales or production. At Valtra, on the other hand, communication was said to have become less personal, which does in accord with the recent M&A. At Tecnomen’s subsidiary, no specific answer was obtained on communication. Still, through the study it has become

clear, that communication has an important role, as a company unifying source, a tool of message sending and an important resource that supports the functioning of the whole organization. At its best, communication can improve the functioning of the whole organisation, enhance company culture and enforce company values.

5.5 Limitations of the study

The empiric part of this study was designed from a Finnish MNC perspective. As the literature review has revealed, an MNC's business environment consists of a sum of the home market and subsidiaries' business and socio-economic realities, which might differ greatly.

Certainly, geographic dislocation and the limited time to do on-site investigation at each of the three subsidiary offices is also a limitation. The time at each site was strictly used for the interviews, whereas it would have been beneficial to spend time on-site observing, as to sense and observe the local corporate culture.

5.6 Future Research:

The links between control, communication and culture have been touched on in this study. More exploration of the interlinks is welcome, suggestions include doing a study focusing purely on communication taking place at a subsidiary between expatriates and local employees. Also, the role of culture and cultural expectations, subsidiary country's culture's impact could be studied on expatriates and their success on completion of work assignments abroad. Equally interesting would be to study how communication takes place in the Finnish expatriate community, focusing on how local market knowledge is shared among Finns and Finnish MNCs active in the same foreign countries.

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APPENDICES

Appendix 1:

Interviewees:

Savcor:

Pasi Niemeläinen – Director

(interviewed on business activities, not included in imperia)

Frank Roxo - Regional manager of Operations

Felipe correa – System Specialist

Pedro Castelo –Research and Development Manager

Aline Sene – Corporate Assistant

Tecnomen:

Oscar Fernandez – Presidente Tecnomen América Latina

Beatriz Rodríguez – Controller

Augusto Coutinho . Comercial and Financial Manager

Valtra:

Luis Fernando Barroso – Commercial coordinator

Leandro Veiga – Exports Manager

Ricardo Huhtala – Director of Sisu Diesel’s South American Operations

Mirella Dolif – Human Resource Analyst

Appendix 2:

Interview Questions of the Helsinki School of Economics / Centre of Emerging Markets
in Transition in English

Managing business in turbulent markets

1. Background Information of the company’s headquarter and subsidiary

- Industry

- Size of the company in Finland and the subsidiary country (turnover, employee number)
- Main products and markets
- Importance of subsidiary market for the company
- Value of investment (€, \$)
- Location (e.g. capital, special economic area)
- Alternative locations
- Shareholding (majority, minority, 50-50, 100%)
- Establishment method (new, takeover)
- Subsidiary's mode of operation (e.g. production, sales, R&D)

2. The Effect of Recent Changes (e.g. Estonia's EU-membership, China's Adherence to WTO, the financial crisis of South Korea)

- What kind of changes have happened in the subsidiary country during the last 15-20 years?
- How have the changes affected the business environment?
- How have the changes affected the company's operations in the country?
- What makes the country an interesting investment place?
- What kind of investment hindrances does the country have?

3. The Company's Relationship to the Public Sector

- Judicial System and legislation (implementation of laws)
- Personal relationship to local authorities (who, on which topics/challenges)
- Importance / Need of Lobbying
- PR – activity, goodwill
- Corruption
- Main problems related to the public sector

4. The Company's Relationship to the Local Partner enterprises

- How did the cooperation start?
- Who took the initiative?

- How has the cooperation developed?
- How was the partner selected?
- Expectations of cooperation?
- Were the expectations of both parties the same?
- Have the expectations been realized?
- Division of work between the partners?
- Knowledge transfer?
- Building of mutual trust?
- Significance of contracts? Detail of written contracts?
- Importance of local network?
- Friendships in business?
- Most significant problems of cooperation?
- The most important resolution models for problems related to cooperation?

5. The Company's Relationship to Other Local Companies

- The basis of competitiveness of local companies
- What kind of cooperation or contacts does the company have with other local companies (e.g. customers, subcontractors)
- Do the practices of locals differ from the Finns in the following:
importance of contracts, meaning of local network, friendships in business, problem solving
- Most significant problems in regard to the local companies?
- The most important problem solving models in problems related to local companies?

6. The Company's Relationship to Local Employees

- Attitudes to foreign employees?
- Education and skills in relation to wage?
- What motivates locals?
- Responsibility given to local employees? Are locals willing to take responsibility?

- Employer's responsibility over local employees (e.g. healthcare, children's day-care)
- Importance of trade unions? Organization level development in the future?
- Hierarchy related to local culture in the organisation?
- Equality (e.g. the position of women leaders)
- Significance of ethnic or religious groups in business (e.g. Russians in Estonia, the Chinese in Malesia)

7. Future Prospects in the destination country, from the perspective of local enterprises and Finnish business

- Expectations of cooperation with local partner?
- What are the main risks related to the local business environment in the future?
- What are the main risks related to the operations of Finnish companies in the area in the future?
- Are there some general problems/ errors that all Finnish enterprises do in the area?
- How could these problems be solved?

Appendix 3:

The Thesis Interview Questions (1, 6 & 7) translated into Portuguese

1. Informações básicas sobre a Holding e subsidiárias:

- *Área de actividade económica*
- *Tamanho da empresa na Finlândia e no país da subsidiária (Brazil)(volume de negócios e quantidade de pessoal)*
- *Os productos e mercados principais*
- *A importância do mercado local para a empresa finlandesa*
- *O valor do investimento (€ / \$)*

- *A localização (p. ex: a capital, ou área industrial ou zona económica especial para investimentos e actividades de negócios de companhias estrangeiras).*
- *Localidades opcionais que foram debatidas antes da decisão final*
- *Valor accionista (maioria, minoria, 50- 50, 100%)*
- *Modo de investimento/estabelecimento: (estabelecimento de raiz, ou através da compra de uma firma ou companhia já existente).*
- *Modo de operação da subsidiária (funcionalidade operacional da subsidiária) (.ex. montagem, I&E, produção e vendas)*

6. Relação entre a companhia (administração) e os empregados:

- Atitude em relação aos empregados estrangeiros das subsidiárias.
- O nível educacional e profissional em relação ao nível dos salários.
- O que motiva os profissionais locais a trabalhar para a empresa finlandesa?
- Qual o nível da responsabilidade dada aos funcionários brasileiros? Mostram ou não estes funcionários locais vontade para aceitar responsabilidade?
- Quais são as responsabilidades assumidas pela entidade patronal em relação aos funcionários (p.ex: serviços /cuidados de saúde, hospedagem, infantário)
- Qual é a importância e implantação de associações profissionais? Qual o nível de desenvolvimento dessas associações ou sindicatos profissionais no futuro?)
- O impacto da cultura local na hierarquia orgazicional da empresa finlandêsa. (Frase mal feita.. decididamente).
- Igualdade entre sexos (p.ex. a posição de líderes femininas)?
- Qual o significado na operacionalidade funcional da empresa dos grupos religiosos ou étnicos?

7. Quais as expectativas no futuro, do ponto de vista do crescimento de negócios entre as companhias locais subsidiárias e companhias finlandesas?:

- De que maneira ou modo se pensa continuar a co-operação com o agente local?

- Quais são no futuro os principais riscos a considerar ligados á operacionalidade ambiental nas subsidiárias locais?
- Quais são os maiores riscos que podem afectar no futuro o funcionamento das companhias finlandesas nas áreas de investimento?
- Existem ou não erros básicos que todas as companhias finlandesas pratiquem nessas áreas de investimento? Quais são os problemas?
- Como se poderiam resolver estas questões?