

**“I felt like a lonely person in the desert“:**  
**A Case Study on Factors Moderating Interunit Communication**  
**in Multinational Headquarters-Subsidiary Relationship**

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Tiivistelmä – Abstract  One of the biggest challenges for internationalizing businesses is to develop and maintain efficient internal communication processes across national and cultural borders. This thesis aims to examine what are the most important organizational structures and communicational practices for a successful multinational headquarters-subsidiary relationship, and what do the communicational practices, such as the mechanics of language use and interunit knowledge-transfer, imply about the efficiency of global co-operation. This study considers the experiences of one case company’s Finnish headquarters and Dutch subsidiary on internal communication in a crucial phase of internationalization. The data was collected by interviewing Finnish and Dutch managers and employees working in different positions in the case company. This method enabled an in-depth focus on the perceptions of interunit communication between the globally dispersed units. A qualitative, inductive research method was used in this study to allow the results to naturally emerge from the data while interpreting the phenomenon of interunit communication within a real-life setting of one company. The findings supported the prior research highlighting the multinational company as a knowledge-based network, and brought forth the importance of efficient knowledge-transfer processes as a competitive advantage of multinational companies. Contrary to prior research, the issue of cultural differences was not experienced as a significant risk for either interunit communication nor the headquarters-subsidiary relationship in this case company. However, diversity in languages and communicational practices was seen to hinder the interaction between the units. The results indicated that language and communication management were required specifically in the early phase of internationalization of the case company to be able to build a successful interunit relationship when aiming for both local responsiveness and global integration.	
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Tiivistelmä – Abstract  <p>Yksi yritysten kansainvälistymisen suurimmista haasteista on luoda ja ylläpitää tehokasta viestintää yrityksen eri maiden yksiköiden välillä. Tämä opinnäytetyö pyrkii selvittämään, mitkä ovat tärkeimmät organisatoriset rakenteet ja viestintäkäytännöt onnistuneessa monikansallisessa emo- ja tytäryhtiön välisessä suhteessa sekä mitä eri viestintäkäytänteet, kuten kielten käyttö sekä sisäisen tietämyksen ja osaamisen siirto, osoittavat globaalin yhteistyön tehokkuudesta. Tutkimuksessa tarkastellaan yhden yrityksen suomalaisen emoyhtiön ja hollantilaisen tytäryhtiön kokemuksia sisäisestä viestinnästä kansainvälistymisen ratkaisevassa vaiheessa.</p> <p>Tutkimuksen aineisto kerättiin haastattelemalla suomalaisia ja hollantilaisia, eri asemissa työskenteleviä henkilöitä. Tämä menetelmä mahdollisti perusteellisen paneutumisen maantieteellisesti hajallaan olevien yksiköiden käsityksiin sisäisestä viestinnästä. Tutkimuksessa käytettiin kvalitatiivista, induktiivista tutkimusmenetelmää, jonka avulla tulokset nousivat luonnollisesti esiin aineistosta tulkittaessa sisäisen viestinnän ilmiötä yhden yrityksen oikeassa ympäristössä.</p> <p>Tulokset tukivat aiempaa tutkimusta korostaen monikansallista yhtiötä tietopohjaisena verkostona ja tuomalla esille tehokkaiden tiedonsiirtoprosessien merkityksen monikansallisten yritysten kilpailuetuna. Aiemmasta tutkimuksesta poiketen, tässä tapaustutkimuksessa ja kulttuurierojen kysymystä ei havaittu merkittäväksi riskiksi sisäisessä viestinnässä tai emo- ja tytäryhtiön välisessä suhteessa. Kielten ja viestintäkäytäntöjen moninaisuuden havaittiin kuitenkin rajoittavan yksiköiden välistä vuorovaikutusta. Tulokset osoittivat, että kielen ja viestinnän hallintaa vaadittiin erityisesti yrityksen kansainvälistymisen varhaisessa vaiheessa, jotta pystyttiin rakentamaan onnistunut sisäinen suhde, kun tähdätään sekä paikalliseen reagoivuuteen että globaaliin integraatioon.</p>	
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**Table of Contents**

<b>1 INTRODUCTION .....</b>	<b>6</b>
1.1. BACKGROUND AND MOTIVATION .....	6
1.3 AIM OF THE STUDY .....	7
1.4 STRUCTURE OF THE THESIS .....	8
<b>2 ORGANIZATIONS OPERATING INTERNATIONALLY .....</b>	<b>9</b>
2.1 PURSUE OF INTERNATIONALIZATION.....	9
2.2 MULTINATIONAL COMPANIES .....	12
2.2.1 <i>Internationalization of multinational companies</i> .....	13
2.2.2 <i>Core strategies and structures of multinational companies</i> .....	17
2.2.2.1 <i>International business strategies of multinational companies</i> .....	18
2.2.2.2 <i>Structures of multinational companies.</i> .....	19
<b>3 HEADQUARTERS – SUBSIDIARY COMMUNICATION .....</b>	<b>22</b>
3.1 COMMUNICATING ACROSS BORDERS .....	22
3.3 DETERMINANTS OF INTERUNIT COMMUNICATION.....	27
3.3.1 <i>Issue of diversity and distance</i> .....	27
3.3.2 <i>Language barriers</i> .....	32
3.3.3 <i>Interunit relationship</i> .....	38
3.3.4 <i>Moderating factors of knowledge–transfer</i> .....	41
<b>4 RESEARCH METHODOLOGY .....</b>	<b>46</b>
4.1 QUALITATIVE RESEARCH AND CASE STUDIES AS AN APPROACH .....	46
4.2 CASE DESCRIPTION .....	47
4.3 DATA COLLECTION .....	49
4.4 DATA ANALYSIS .....	52
<b>5 RESULTS .....</b>	<b>55</b>
5.1 ORGANIZATIONAL STRUCTURE AND INTERUNIT RELATIONSHIP.....	56
5.1.1 <i>Local autonomy versus global control</i> .....	56
5.1.2 <i>Dispersed units in interorganizational network.</i> .....	59
5.2 INTERUNIT KNOWLEDGE MANAGEMENT .....	63
5.2.1 <i>Knowledge-flows</i> .....	63
5.2.2 <i>Communicational policies and practices</i> .....	67

5.2.3 <i>Expatriate as bridge builder</i> .....	70
5.3 LANGUAGE DIVERSITY .....	73
5.3.1 <i>Common corporate language and language management</i> .....	73
5.3.2 <i>Language competency</i> .....	78
5.3.3 <i>Language as value of internationalization</i> .....	81
5.4 <i>Language as gatekeeper of interunit communication and grouping</i> .....	82
<b>6 DISCUSSION</b> .....	<b>84</b>
6.1 COMMUNICATION STRUCTURES OF GLOBALLY DISPERSED UNITS .....	84
6.2 TRANSFERRING KNOWLEDGE ACROSS DIVERSE UNITS .....	90
<b>7 CONCLUSION</b> .....	<b>100</b>
7.1 CONCLUSIONS .....	100
7.2 LIMITATIONS .....	101
7.3 IMPLICATIONS FOR FURTHER RESEARCH.....	102
<b>8 REFERENCES</b> .....	<b>103</b>

## **1 Introduction**

### **1.1. Background and Motivation**

Internationalization can be considered as a requirement for businesses, who aim to achieve the maximum competitiveness and growth rate (Gupta & Govindarajan, 2000; Leonidou, 2007). Although internationalization is widely considered as a value, it also may pose challenges to the management, employees and the structures of the company as the organization must be internally prepared for internationalization (Keyton, 2010; Luring & Selmer, 2011). Cultural and linguistic diversity as well as geographical distances between the units are proposed to require more managerial attention compared to domestic companies (Gupta & Govindarajan, 1991; Luo & Schenkar, 2007). In order to produce positive outcomes, internationalizing companies need to be able to manage increased diversity, information-transfer processes and global co-operation across borders. (Gupta & Govindarajan, 1991; Luo & Schenkar, 2007). Globalized markets, the changed nature of companies with international mergers and growing number of multinational corporations have given more attention to the role of well-working internal network and internal communication as a performance enhancer and success factor for global companies (Gupta & Govindarajan, 2000; Keyton, 2010; Luo & Shenkar, 2007).

In this study, internal organizational communication is examined from a viewpoint of the personnel of a recently internationalized case company. The purpose of the study is to gain insight into the perceptions of multinational headquarters-subsidiary communication by discovering the daily practices of communication and social interaction between the company's globally dispersed units. The case company of this study aims to internationalize in a pace, which, in five years' time, would allow 25 % of the company's annual turnover to come from their foreign operations. Therefore, it is essential to pay attention to the internal processes that are involved in the company's internationalization. Since the subsidiaries of

the case company of this study are still in a start-up phase, it is essential to discover different aspects of the company's interunit communication and the factors of communication that have impact on the company's global internal relationships. Thus, this study concentrates on the communication and the social interaction occurring between the personnel and managers of a globally dispersed multinational company (MNC), by delving into the communicational challenges of MNCs especially related to distance, diversity and internal structures.

### **1.3 Aim of the Study**

In this study, internal organizational communication is examined from a viewpoint of the personnel of a recently internationalized case company. The previous research has often only focused on either the headquarters' (HQ) or the subsidiaries' perceptions, especially with the focus on managerial level. Therefore, this study considers the views of both the headquarters' and the subsidiaries' personnel working in various positions in the company examining their experiences of internal communication in a crucial phase of internationalization. With this setting, this study offers both practical know-how on HQ-subsidary communication for MNC managers and valuable results for intercultural communication literature.

The purpose of this study is to examine what are the communicative practices and the communication structures that eventually affect MNC internationalization and the relationship-building process between globally dispersed and culturally diverse units. Moreover, the occurring communicative practices are considered as part of HQ-subsidary relationship and examined through the lens of MNCs' organizational structures and international business strategies. With these focal points, this study aims to find out the most important factors in interunit communication for developing a successful multinational HQ-subsidary relationship. Additionally, the study sets out to find out what the company's current communicational practices, such as language use and mechanics of knowledge-

transfer, might imply about the efficiency of the internal structures of and the global co-operation in the company. To specify these research themes, more detailed research questions are presented throughout the chapters of the literature review.

The theoretical framework of the study is formed by examining literature on MNC internationalization, on headquarters-subsidary relationship as well as research on intercultural and multilinguistic interunit communication. Furthermore, to understand the researched phenomenon in-depth, HQ-subsidary communication is discussed within the framework of various intercultural communication theories, such as convergence/divergence theory and theories explaining the factors affecting interunit communication. The interpersonal level of communication is approached particularly with ideas from interactional sociolinguistic field, which considers diversity to affect the interpretation and communication between individuals (Henderson, 2005).

#### **1.4 Structure of the Thesis**

This thesis consists of seven chapters. The introductory chapter presents the motivation and background for this study, as well as describes the aim of the study. The second and the third chapter present the theoretical framework based on previous literature. Chapter 4 describes the research method used in the study, the reasons for choosing this method and its validation. In Chapter 5 the results of the study are presented. Chapter 6 discusses and analyzes the results further in the light of the concepts presented in the theoretical framework. Chapter 7 draws a conclusion by presenting the main findings in relation to practical implications for the case company. Additionally, limitations and implications for future research are discussed in Chapter 7.

## **2 Organizations Operating Internationally**

### **2.1 Pursuit of Internationalization**

Many researchers (e.g. Keyton, 2010) argue that as a today's organization, it is difficult to work solely on a domestic field, even if the organization would define itself as an organization without any foreign operations. In a globalized world, organizations co-operate across countries and nationalities through such links as suppliers, retailers and production chain (Mor Barak, 2005). Multinationality and globalization are tangible themes for example regarding increased economic integration, in organizations' business strategies and in work-related migration (Mor Barak, 2005). Due to global mergers and acquisitions, changes in work-related legislation for instance in the European Union, the working life has become more dynamic and reachable for people and businesses all around the world (Bond & O'Byrne, 2014, p. 24; Thomas & Peterson, 2015, p. 3-6).

As national borders are not perceived as a limitation anymore, it has become more essential to find out ways to build an organization that has the capability, the strengths and the strategy to be able to work in a multicultural business world and to be "truly global" (Mor Barak 2005, p. 3). The motives for internationalization have been discussed widely in the literature, and mostly they are traced to the competitive advantages that are obtainable for the company through global operations, such as foreign subsidiaries (Bouquet & Birkinshaw, 2008; Ghoshal & Bartlett, 1990; Luo & Schenkar, 2007). Through internationalization, companies aim to increase their profit as well as to develop unique knowledge and innovation-power (Cavusgil, Knight, Riesenber, Rammal & Rose, 2014). Additionally, especially in the case of small-and medium-sized enterprises (SMEs), which now according to the latest statistics cover almost 90 % of business entities in the world, internationalization is an inevitable step if they wish to succeed and grow their competitiveness (Kubíčková, Votoupalová, & Toulová, 2014). Compared to domestic companies, MNCs benefit from their

abilities to transfer and create knowledge across borders and to enlarge their scale of business across borders (Kogut & Reuben, 2015).

The impact of global markets, new ways of working and the constant flow of information requires today's companies to adopt new practices in a fast pace, giving them only little time to adjust to changes. For instance, Schein (1996) along with Tienari and Meriläinen (2009) mention that the increase of globalization not only offers more possibilities but also puts the organizations under the pressure of strong impact of new cultures and markets, of cost-effectiveness and constant learning. The demand for effectiveness and ongoing development requires organizations to answer to both external pressures set by suppliers, customers and cooperatives, as well as to internal pressures within the company, such as the issue of increased internal diversity. (Luo & Schenkar, 2007; Tienari & Meriläinen, 2009)

Companies with globally dispersed units are affected for example by the existence and interplay of multiple different cultures, languages and dispersed locations, raising the issue of diversity and diversity management as one of the main concepts in the field of MNC research. According to diversity management literature, international companies should be aware of the diversity within the company as well as possess the know-how and strategies to manage the diversity to reach the positive outcomes diversity can offer (Mor Barak, 2005; Olsen & Martins, 2012; Yang & Konrad, 2011). In that sense, diversity is a so-called double-edged sword, creating both benefits, such as improved creativity and innovativeness, as well as challenges, such as increased level of miscommunications and reduced team-cohesion (Olsen & Martins, 2012).

Although the positive outcomes of well-managed diversity are acknowledged, the issues of intercultural organizational communication and cultural diversity as variables of headquarters-subsidary relationship are often left without attention in organizations. The

differences in communicative practices are at times simplified and perceived as a matter of ‘getting used to one another’, ignoring the managerial responsibility that should be directed towards these issues. For example, according to Constantinides, St.Amant and Kampf (2001) different cultures might have different, cultural-specific expectations towards what is important and how organizations function, which however, should be recognized to avoid miscommunications and conflicts. In addition, according to Bodea and Mustata (2007), ”the success of an organization also depends upon the communication between the employees but as well of the connection between managerial decisions and their practice” (p. 2), arguing for the importance of actual implementation of strategic managerial decisions.

According to the famous work of Bartlett and Ghoshal (1989) that presented a new framework for international management in the late 80’s, “differences in national market structures and customer preferences” (p.10) have been recognized as the largest hindrance in the success of companies’ internationalization. As multinational companies comprise of globally dispersed units with local markets and workforce, the companies need to decide what is the appropriate ratio of global integration and local responsiveness to gain the most profitable results from their global operations. Since the 1980’s, due to globalization, the growth of a global market and the role of technology, consumer preferences have nowadays experienced a vast convergence, making internationalization and market-entry processes easier (Cavusgil et al., 2014). However, internationalizing firms still struggle with the questions of internal organizational structures and the choice between global integration and local responsiveness.

The perceived challenges of MNCs’ internationalization have increasingly shifted from the scope of external factors, such as differences in markets and cultural contexts, to examination of internal aspects such as organizational structures and practices (Keyton, 2010). MNCs often struggle with the questions of language use, changes in organizational

culture and the use of communicational channels and practices, as well as the appropriate level of global standardization of these practices. In respect of the internationalization strategy of the company, decisions about language use, (cultural) diversity management and common communicative practices should be made, in addition to the more externally driven decisions about for example products' market-scalability and target-markets' business models.

Next, to better understand the phenomenon of global operations and internationalization, an overview of the characteristics and structures of multinational companies is presented.

## **2.2 Multinational Companies**

Although researchers from the fields of sociology and economy acknowledge the broadness of definitions for the term multinational company (Kogut & Reuben, 2015), some common conceptualizations have been developed. Multinational company (MNC) is an enterprise operating across national borders in multiple countries, at least in two, and are usually managed from one country, which is often the parent country of the company headquarters (Bouquet & Birkinshaw, 2008; Kogut & Reuben, 2015). Multinational companies usually comprise of one headquarters, parent-unit, and foreign subunits (Luo & Schenkar, 2007.) Furthermore, Kogut and Reuben (2015) describe MNC as “the vehicle for the transfer of organizational knowledge and practices” and “the product of foreign direct investment (FDI)” (p.74), also arguing MNCs to be organizational settings that have evolved to solve the “hazards of long-distance trade and investment” (p.74). Moreover, a differentiation between multinational, global and international companies has been done for example by Bartlett and Ghoshal (1989), as they argue that multinational companies usually aim to high responsiveness in local contexts of their dispersed operations, in contrast to

global and international companies that are more concentrated on a global-scale diffusion and operations).

To gain a deeper insight into the practices of MNCs' internal communication, it is essential to first understand the interdependencies between international business strategies, organizational structures and internal communication. Organizational settings and internal conditions of MNCs have been recognized to affect the structures and the efficiency of internal communication, the management of knowledge-flows as well as the company's internal language use (Luo & Schenkar, 2007). The following definitions of MNC strategies and structures are based on the most common models acknowledged in the MNC research literature.

**2.2.1 Internationalization of multinational companies.** Belonging to the group of the earliest internationalization theorists, Johanson and Vahlne (1977), have defined internationalization as “a process in which the firms gradually increase international involvement” (p. 23). This process of internationalization, where international involvement is being increased, can occur through actions of for instance exportation, franchising, joint ventures, foreign direct investment or mergers and acquisitions (Axinn & Matthysens, 2002; Kalinic & Forza, 2012; Malhotra, Agarwal & Ulgado, 2003).

Since every organization is different, their internalization has different elements in it. However, some generalizations about internationalization can be made as the companies tend to implement certain strategies when expanding outside their home countries (Axinn & Matthysens, 2002). Internationalization of companies has been presented in the literature with varying theories explaining both the motivation to internationalize and the actual process of internationalization, including conceptualizations of pre-entry, entry- and post-entry modes, entry timing, and market selection (Malhotra et al., 2003).

The Traditional Internationalization Theory includes the Innovation-related model, which argues that the new innovative ways of doing business eventually leads to internationalization (Bilkey & Tesar, 1977; Kunday & Şengüler, 2015). Additionally, one of the most well-known internationalization theories, the ‘Uppsala-model’ by Johanson and Vahlne (1977), is included in the Traditional Internationalization Theory (Kunday & Şengüler, 2015, p.975). The Uppsala model describes internationalization process through a stage model of sequential market-entry, which sees internationalization as a so-called experiential learning-process of the company (Axinn, & Matthyssens, 2002; Johanson & Vahlne, 1977; Malhotra et al., 2003). According to this model, internationalization often starts with exports and expansions to easily approachable, geographically close countries to reduce uncertainty, and once the company has gained experience, internationalization then continues with expansions to more distant locations (Axinn, & Matthyssens, 2002; Johanson & Vahlne, 1977; Malhotra et al., 2003). The Uppsala-model, even though being one of the earliest internationalization theories, is still widely used by internationalizing companies. The benefits of the model are the rather low level of risks and uncertainty as well as the high level of commitment resulting from the increased market-knowledge that the company gains through the sequential process (Axinn & Matthyssens, 2002).

However, whereas the stage models see internationalization as a natural learning-process of the company, theories with business-strategy approach consider the process of internationalization to be a result of rational decision-making, emphasizing the process of risk-analysis and careful considerations of export and expansion destinations (Axinn & Matthyssens, 2002; Malhotra et al., 2003). For instance, follow-the-leader theory suggests that companies tend to first examine and then implement similar strategic decisions as their rivals (Malhotra et al., 2003). In addition, one of the most well-known theory explaining the choice

of entry-mode is the theory of transaction cost analysis (TCA), presenting the idea of costs as the main determinant when entering international operations. (Chetty & Agndal, 2007, p.2.).

According to Axinn and Matthyssens (2002), internationalizing companies demand new and combined strategies in today's "unlimited" (p.437) and "hyper-competitive" (p.437) world, where regulations and legislation are no longer prohibiting expansion. Companies are challenged with the growing global economy, high-tech markets with demanding knowledge-networks and the pressure to offer more and more value to buyers and stakeholders.

Therefore, the traditional internationalization theories are often considered too linear in the rapidly changing business contexts (Axinn & Matthyssens, 2002; Malhotra et al., 2003).

Axinn and Mathyssens (2002) argue that in many cases internationalization is indeed unpredictable and unintended, especially in the case of smaller-scale firms and companies from developing countries. The critics often find the traditional internationalizing theories, such as the stage-model, too deterministic, as they ignore any interdependencies as well as the business world's rapid nature and the desire to internationalize faster (Axinn, & Matthyssens, 2002; Bell, 1995; Malhotra et al., 2003).

To answer to the limitations of the theories, which present internationalization as a linear and systematic process, a network approach was developed by Johanson and Matsson (1988) to represent a less structured and more complex process of internationalization (Bell, 1995; Kunday & Şengüler, 2015; Malhotra et al., 2003). The network theory describes internationalization through the concept of interorganizational and interpersonal exchange relationships and networks, which increase mutual trust and knowledge between international actors, hence affecting the market selection and the choice of the entry-mode (Bell, 1995; Kunday & Şengüler, 2015; Malhotra et al., 2003).

Representing the new era of rapid internationalization, the Modern Approach Theory presents a concept of Born Globals by Rennie (1993) and international entrepreneurship.

These concepts introduce internationalization and market-entry process, which occurs especially among SMEs (Cavusgil et al., 2014; Kalinic & Forza, 2012; Kunday & Şengüler, 2015). Born-globals are mostly knowledge-based and knowledge-intensive firms that are internationally-oriented already from a very early phase on, managing to internationalize within a few years (Kalinic & Forza, 2012). Early internationalization of small-scale firms is enabled through the development of technology and technology-based communication, the lower costs of internationalization due to the progression in transportation methods and through a better reachability of physically distant locations (Cavusgil et al., 2014). In addition, knowledge-based SMEs with international networks and a managerial level with high-level of international interest, are most likely to succeed with rapid internationalization (Chetty & Agndal, 2007; Kalinic & Forza, 2012).

As the vast range of internationalization theories indicates, multinational organizations can be complex and manifold entities involving processes, relationships and networks not alone between different domestic units but also between various external networks and globally dispersed foreign units (Keyton, 2010). Internationalization theories and models present that the research on multinational companies has aimed to examine the distinctive features of MNCs and their structures, drawing from for instance social network theories, institutional theories and transaction theories (Bouquet & Birkinshaw, 2008).

The variety of internationalization processes aim to explain why and how companies internationalize, building a basis for the further understanding of how multinational companies strategize and structure their international activities (Malhotra et al., 2003). As companies choose their market entry-model, they also decide on their international business strategy, which again leads to an organizational structure that best supports the MNC's global activities. The next paragraphs present an overview of the various MNCs international business strategies and internal structures.

**2.2.2 Core strategies and structures of multinational companies.** The core strategies and structures define the way companies manage their international business activities (Bartlett & Ghoshal, 1989; Luo & Schenkar, 2007). According to Harzing (2002), MNC international strategies define the level of global integration, therefore affecting the entry-mode that creates the most distinctive firm-specific competitive advantage. Moreover, the core business strategies affect the internal organizational structures including the level of integration in their international operations, the distribution of hierarchy and power and the interdependency of MNC units regarding communication, support and co-operation (Luo & Schenkar, 2007).

To ensure their competitiveness in international markets, MNCs need to develop business unit strategies and internal structures that support the complexity of MNC knowledge transfer and information and resource flow across borders (Gupta & Wang, 2011; Luo & Schenkar, 2007). Since the unique role of foreign subsidiaries as a source of competitive advantage with their local knowledge and resources has been widely acknowledged, MNCs are increasingly interested in their internal structures to be able to build an effective network of resources (Bouquet & Birkinshaw, 2008; Ghoshal & Bartlett, 1990; Luo & Schenkar, 2007).

One of the main concerns of MNC managers is to find the balance between global integration and local adaptation (Piekkari, Welch & Welch, 2014). Piekkari et al. (2014) have acknowledged the following focal points of managerial attention, which can be considered within the framework of convergence-divergence (standardization versus localization): communication and information flow, coordination of resources and activities across foreign markets, consistency of procedures and performance, control and accountability. Convergence-divergence debate has been an ongoing matter in the economic and organizational literature for decades as literature has aimed to describe the ratio between

MNCs' local responsiveness and global standardization, not only considering the products and the business mission but also the internal practices such as language use, communicational practices and organizational culture (Gupta & Wang, 2011; Keyton, 2010). Different organizational structures can create different premises for internal communication (Luo & Schenkar, 2007). Organizational structures can work as a control-mechanism (Ferner, 2000), for example a centralized structure causing hierarchical coordination of knowledge-sharing affecting negatively to the readiness of interunit knowledge-share (Tsai, 2002).

The following definitions of MNC strategies and structures are based on the most common models acknowledged in the MNC research literature.

**2.2.2.1 International business strategies of multinational companies.** Multinational companies with multidomestic business strategy aim for high level of local adaptation by tailoring their products and operations and adjusting their policies accordingly to the local markets (Bartlett & Ghoshal, 1989; Harzing, 2002; Luo & Schenkar). Multidomestic companies concentrate on the local rather than global competition by gaining knowledge of the local markets and contexts and segmenting their business with national borders through foreign subsidiaries (Harzing, 2002; Luo & Schenkar, 2007). Companies with multidomestic strategy benefit of location-bound firm-specific advantages available only for specific locations, Hence, multidomestic strategy leads to high national responsiveness helping the company to adjust to the local market (Harzing, 2002; Rugman & Verbeke, 1992).

In contrast to the multidomestic strategy, global strategy aims for global integration and global competition (Harzing, 2002; Luo & Schenkar, 2007). Companies with global business strategy strive for standardized business and products, which creates a connection between the company's different markets (Harzing, 2002). Whereas multidomestic strategy uses the foreign subsidiaries of MNCs as means to response to local markets, global strategy considers subsidiaries as dispersedly located channels of the headquarters negating them of

the need to answer to local market's needs (Harzing, 2002). Moreover, companies with global strategy benefit of non-location bound firm-specific advantages, which can be transferred globally, and hence lead to benefits of scale and scope (Harzing, 2002; Rugman & Verbeke, 1992).

The categorization between multidomestic and global strategies is perhaps the most common division of MNCs international business strategies, but to describe a model between these two contrasts, a hybrid strategy, known as the transnational model by Bartlett & Ghoshal (1989), has been conceptualized (Luo & Schenkar, 2007). Companies practicing the transnational model aim to both local responsiveness and to global integration by exploiting the benefits of foreign subsidiaries' local contexts and the efficiency of global interconnectedness (Bartlett & Ghoshal, 1989; Luo & Schenkar). According to Luo and Schenkar (2007), "transnationality is the extent to which an MNC has internationalized its major businesses and diversified globally" (p. 330). Transnational model benefits of three types of advantages: location-bound and non-location bound firm-specific advantages in its parent and sub unit locations as well as country-specific advantages in its home and host countries (Rugman & Verbeke, 1992).

**2.2.2.2 Structures of multinational companies.** Based on the core business strategies, multinational companies are proposed to have a few distinctive organizational structures, departmental, divisional, geographical or matrix structures, which define the hierarchical structures and the structures of their international business (Gupta & Govindarajan, 2011; Luo & Schenkar, 2007). Multinational companies choosing to have a more centralized structure, are recognized to have a departmental or divisional structure, where headquarters' divisions or departments manage the foreign subsidiaries' operations and the "value-creation activities" (Luo & Schenkar, 2007). In contrast to departmental and divisional structures, MNCs can also have matrix or geographical structures, which are more decentralized (Luo &

Schenkar, 2007). Matrix and geographical structures aim to respond to local markets by giving more managerial responsibility to regional managers (Luo & Schenkar, 2007).

Moreover, a connection between the organizational structures of MNCs and the intensity and breadth of communication and language use has been presented (Luo & Schenkar, 2007). In a divisional structure, communication across borders is more intense since the aim of the divisional structure is to support knowledge- and capability transfer between the foreign units of the division. However, the breadth of communication is larger in departmental structure, as the operations are managed from a common international department resulting to broader cross-communication (Luo & Schenkar, 2007). Matrix and geographical structures with their complexity and the aim for local responsiveness result to the existence of multiple language zones within the company. However, a matrix structure requires more intense and broader communication as a matrix organization is divided by its functionalities and its products or services (Luo & Schenkar, 2007). In addition, Luo and Schenkar (2007) argue, that in departmental and divisional structures, it is more likely to use only one language whereas in geographical or matrix structures multiple languages are used.

More recently there has been a shift away from the view that considers the MNC as a hierarchical structure to a more interconnected view of MNC as an intra-firm network (Ghoshal & Bartlett, 1990; O'Donnell, 2000). Drawing from a social network theory and interorganizational theories, Ghoshal and Bartlett (1990) introduce the idea of multinational corporation as an interorganizational network, discussing the concepts of internal power-distribution and resource structures within MNCs. According to Ghoshal and Bartlett's (1990) view, MNCs can be more accurately described as internal "networks of exchange relationships among different organizational units" (p. 604), which are then embedded into an external network with different national environments, thus highlighting the effect of external environments to the structure of the MNC.

Many researches argue that organizational structures of MNCs affect the networks and relationships, including communication, between the globally dispersed units (Johnson, 1993). Internal structures build a basis for communicational channels and social interaction, hence impacting internal communication, for example regarding the transfer of innovation and knowledge and the exchange of expertise within the MNC (Keyton, 2010; Luring & Selmer, 2011). The models of MNCs internationalization, international business strategies and organizational structures aim to conceptualize the processes that are required to be a multinational company and to deepen the understanding on the background of multinational companies providing a starting point for the examination of the organization itself.

The structures of multinational companies offer important insight into the matters of interunit communication. The structures explain the different variations of interdependencies between headquarters and subsidiaries, such as the structures of social interaction and communication and language use (e.g. Keyton, 2010; Luo & Schenkar, 2007). Convergence-divergence framework offers a way of explaining how and why MNCs organize for example their language use and communicational practices, as well as how the relationship between dispersed units is influenced by the choice between global integration and local adaptation. Hence, the following research question is asked:

*RQ 1: Do international business strategy and organizational structure affect interunit communication in the case company?*

To gain more insight into the processes and mechanics of interunit communication in MNCs, the next chapter presents a relevant theoretical framework for headquarters-subsidiary communication.

### **3 Headquarters – Subsidiary Communication**

#### **3.1 Communicating Across Borders**

Whether talking about a domestic or a global multinational company, internal communication has increasingly been recognized as a crucial part of organizations' effectiveness and productivity, employees' well-being and overall organizational success (Ruck & Welch, 2012). Piekkari et al. (2014) propose that communication forms the core of organizations, and suggest that communication has the crucial role of building the relationship and structures between organizational units and individuals. Even though in some organizations, external communications, such as public relations and marketing, is still seen as the most important part of company's communication functions, the role of internal communication in companies' success has become more and more appreciated (Keyton, 2010).

Based on recent research evidence, the companies enjoying outstanding success have given the same level of importance to internal communications as to external communication (Farrant, 2003). Furthermore, some recent organizational communication literature considers organizational communication as an integrated entity including all the communicative functions; formal, informal, internal and external practices and acts (Kalla, 2005; Welch & Jackson, 2007), thus integrating communication as a crucial part to the organizations' strategy and international business vision.

Internal communication can be defined and categorized in many ways, and both domestic and multinational companies share the same basic functions and purposes of internal communicational practices. Internal communication refers to producing, transferring, sharing knowledge as well as to building a common understanding to represent the values and the nature of the organization (Keyton, 2010). One of the basic notions of internal communication is that internal communication happens both on formal managed level as well

as on informal, corridor chitchat, level, thus including different levels of formality (Ludlow & Panton, 1992; Welch & Jackson, 2007). On these levels, internal communication has many functions: according to Juholin (2001) internal communication produces, shares and transfers knowledge, maintains the organization and the work tasks in it, and enables creating a community with common values and culture. According to Keyton (2010), internal communication bears a crucial role in the life of organizations, arguing that organizations are constructed discourses of communication as they emerge from the interaction of people and practices.

When well-managed and strategically positioned, internal communication can even create a notable competitive advantage for the organization, ensuring improved performance-levels, committed employees, effective information flow and knowledge sharing inside the company (Farrant, 2003; Louhiala-Salminen & Kankaanranta, 2012; Ruck & Welch, 2012). The role of effective internal communication only increases when examining global and multinational companies with geographically dispersed units operating in different social, economic and cultural areas (Keyton, 2010; Luo & Schenkar, 2007). This nature of MNCs introduces linguistic and cultural diversity throughout the company as well as brings forth the challenge of simultaneously answering to different markets' needs (Dhir & Goke-Pariola, 2002; Luo & Schenkar, 2007).

Internal communication in MNCs includes information and knowledge flow on different levels and to different directions, including flow to and from the headquarters, subunits and between peer units of dispersed locations (Gupta & Govindarajan, 2000). When information should be able to cross not alone operational units but also national, cultural and linguistic borders, the communication channels and structures become even more important than in domestic companies (Luo & Schenkar, 2007). Similar to company mergers between different countries, which combine linguistic and cultural areas, also MNC-

internationalization forces the communicational channels, processes and corporate languages to undergo a change, where these processes need to be updated to represent the new global entity (Luo & Schenkar, 2007; Louhiala-Salminen, Charles & Kankaanranta, 2005).

Internal communication is a way of creating, transmitting and sharing knowledge, which includes both concrete operational models and tacit know-how within the organization. MNCs are seen as globally and internationally dispersed and knowledge-integrated networks, where knowledge is created and shared (e.g. Gupta 2000; Monteiro, Arvidsson & Birkinshaw, 2008). As MNCs are considered to create considerable organizational value and assets by internalizing knowledge, seamless knowledge-flow and effective and well-organized internal communication will work as a benefit for the company (Monteiro, Arvidsson & Birkinshaw, 2008). When international operations across national, cultural and linguistic borders increase, internal communication becomes more complex. MNCs' units have different functions, possessing unique information to answer to local needs however at the same time being in an interdependent relationship with each other, exchanging information and knowledge (Gupta & Govindarajan, 2000). The success factor and a distinctive feature of MNCs, is proposed to lie the mechanics of effective information- and knowledge-sharing between different country units, which ensures shared expertise throughout the company (Gupta & Govindarajan, 2000; Marschan-Piekkari, Welch & Welch, 1999).

MNCs' internal communication is argued to be affected by the perceived trust and equality, the level of shared visions and interests between the headquarters and the subsidiaries, as well as by the cultural, linguistic and geographical distance between the units (Lauring & Selmer, 2011; Marschan, Welch & Welch, 1997; Welch & Welch, 2008). The recent research has emphasized the role of internal networks and relationships as well as organizational and effective knowledge-transfer as the determinants of MNCs' competitive

advantage (Marschan-Piekkari et al., 1999). The less-hierarchical, network-based view of an MNC structure is considered as the modern MNC structure (Ambos, Ambos & Schlegemilch, 2006; Marschan-Piekkari et al. 1999), underlining the importance of efficient internal organizational communication.

Many researchers (e.g. Ambos et al., 2006; Gupta & Govindarajan, 1991) argue, that knowledge is the primary resource of MNCs and that MNCs have extraordinary capabilities of integrating, combining and creating knowledge, proving knowledge-transfer and organizational learning as the main communication processes of MNCs (Ambos et al., 2006; Gupta & Govindarajan, 1991). According to prior research, the cultural and linguistic diversity of MNCs is on one other hand challenging the efficient knowledge-flow but on the other hand offering learning opportunities and the advantage of cognitive diversity for the organization (Lauring & Selmer, 2011; Reus & Lamont, 2009). Knowledge is generally needed to achieve certain objectives, such as those specific to a certain department or unit (Lauring & Selmer, 2011), and according to Argote and Ingram (2000, p. 151) “knowledge transfer in organizations is the process through which one unit (e.g., group, department, or division) is affected by the experience of another”. In MNCs, knowledge contains organizational knowledge and expertise of the headquarters and the local knowledge of the dispersed units (Ambos et al., 2006). This knowledge is transferred as “knowledge outflows to peer subsidiaries, knowledge outflows to the parent corporation, knowledge inflows from peer subsidiaries, and knowledge inflows from the parent corporation” (Gupta & Govindarajan, 2000, p. 475).

According to the hierarchical view of MNC structure, the headquarters is considered as the primary source of knowledge, controlling and coordinating the flow of information to and from the subsidiaries (Ambos et al., 2006). The shift away from this view of MNCs as a hierarchical headquarters-subsidiary structure, to understanding MNCs more as structures of

differentiated networks and relationships (Ghoshal & Bartlett, 1990) has offered a new viewpoint for examining organizational learning and knowledge-transfer (O'Donnell, 2000). The network-based view of MNCs proposes that companies aim for more lateral and unit-to-unit knowledge-transfer and the exchange of resources, perceiving locally produced expertise as a competitive advantage for the company (O'Donnell, 2000). Based on this view, knowledge-transfer is argued to be an intra-firm process between the units.

In addition to the hierarchical and lateral views of transferring knowledge, a theory of reverse knowledge transfer describes the modern MNCs, suggesting the headquarters to become the receiver of subsidiaries' knowledge (Ambos et al, 2006; Li, 2005). This reverse knowledge transfer accentuates the dispersed geographical locations of subsidiaries as sources of competitive advantage, as it suggests that the headquarters learn from subsidiaries' exposure to local target markets' cultural, economic and societal environments (Ambos et al., 2006; O'Donnell, 2000). Headquarters is hence able to use the unique local knowledge as a competitive advantage in their international business, gaining the know-how of different foreign markets while simultaneously coordinating their global operations (Ambos et al., 2006). Additionally, reverse knowledge transfer activities can provide the foreign subsidiaries a more active and strategic role in MNC knowledge creation and in the company's international business decisions (O'Donnell, 2000; Li, 2005). Consequently, the dispersed strategic roles of MNC units requires successful interunit relationships, communication and resource-transfer (Roth & Nigh, 1992).

The research on MNC knowledge transfer proposes that MNCs create knowledge at one location and apply it to others, implying about the importance of efficient knowledge-transfer mechanism and processes (Minbaeva, Pedersen, Björkman, Fey & Park, 2003). Successful use of MNC knowledge is likely to lead to increased innovativeness and effectiveness in the company (Levin & Cross, 2014). Successful knowledge transfer requires

that the knowledge can flow freely within the company, that the different parts of the company are receptive for information, and that the necessary tools to make use of the knowledge exist (Ambos et al., 2006; Park & Mense-Petermann, 2014).

To better understand the functions of internal communication in globally dispersed MNCs, the following paragraphs delve deeper into the factors that affect communication between headquarters in MNCs, such as geographical distance, cultural and linguistic diversity, interunit relationship and knowledge-transfer mechanics.

### **3.3 Determinants of Interunit Communication**

According to the research on MNC knowledge-transfer, the success of knowledge transfer processes can be affected by various actors, such as the lack of trust and common visions, different interests and motivations, the level of absorptive capacity and shared language (Gupta & Govindarajan, 2000; Reiche, Harzing & Pudelko, 2015). A closer examination of the determinants and moderating factors of knowledge-transfer and internal communication is necessary to further develop MNCs abilities in knowledge-transfer processes.

**3.3.1 Issue of diversity and distance.** Since this study concentrates on a multinational company with globally dispersed units, the concept of culture will be at focus throughout the study either as a concrete object of examination or as an intangible framework behind the discussions. The term and the concept of culture in this study will be handled from a viewpoint of national culture, someone being for example ‘Dutch’ or ‘Finnish’, but it will be also understood as organizational culture, a part of the characteristics and nature of an organization, since both concepts are an essential part of MNCs.

As MNCs aim to cost-effective, innovative and international business, they have increasingly started to see the benefits of their local workforce of the dispersed subsidiaries (Luo & Schenkar, 2007). Due to the presence of multiple national cultures, MNCs should be

prepared to have the strategies and practices to benefit from the cultural differences. To answer to this need, acts of diversity management have often been in the spotlight of MNC behavior and literature, as the issue of workplace-equality has been of great interest already for the a few decades (Goby, 2015). MNCs are responsible of equal treatment and the recruitment of culturally diverse workforce as they aim to maintain a positive diversity climate (McKay, Avery & Morris, 2009; Goby, 2015). A tolerant environment for diversity requires the acknowledgment of cultural diversity and its possible effect on the organization (Bodea & Mustata, 2007).

The effect of cultural differences on organizations has been a popular subject of discussion in MNC literature. Cultural diversity is considered to contribute to the development of MNC expertise and innovativeness (Vaara, Sarala, Stahl & Björkman, 2012). Cultural differences create learning opportunities by offering unique nation- and location-bound knowledge to be used and transferred on inter- and intra-unit levels (Reus & Lamont, 2009). In spite of the positive effects cultural diversity has on organizations, according to Bodea and Mustata (2007), cultural differences should be diminished to avoid the risk of conflicts. Additionally, Ambos et al. (2006) argue, that cultural differences are a potential risk for interunit knowledge-transfer. As these argumentations indicate, cultural differences are often considered to cause social conflicts, miscommunications and negative effects on organizational efficiency (Reus & Lamont, 2009; Vaara et al., 2012).

Especially the literature on international acquisitions has considered the role of cross-cultural differences and the differences between organizational and national cultures as a risk-factor for integration and relationship-building (Reus & Lamont, 2009; Vaara et al., 2012; Welch, Welch & Piekkari, 2005). According to Taylor, Levy, Boyacigiller and Beechler (2008) cultural differences can result to differences in expectations of the contents of work tasks as well as regarding equal treatment. In addition, cultural differences can lead

to cultural distance, which can further result to hindrances in social integration and capability transfer and to the formation of two extremities of us vs. them (Björkman, Stahl & Vaara, 2007; Vaara et al., 2012).

Cultural distance is especially tangible with cultures differing in their cultural dimensions, such as individualism/collectivism, power distance and uncertainty avoidance. These national culture dimensions by Hofstede (1991) along with the cultural dimensions of Trompenaars (Trompenaars & Hampden-Turner, 1998) have been a tool for a vast range of cross-cultural comparisons explaining the differences in business behavior. Differences in national culture dimensions can pose internal challenges to MNCs regarding management styles, social interaction, decision making and the formation of a common organizational culture (Hofstede, 1991; Trompenaars & Hampden-Turner, 1994). Moreover, national and organizational cultural differences manifest themselves in identity-building, learning, value-creation and capability-development (Reus & Lamont, 2009).

In addition, the interplay of a company's common organizational culture and local national cultures challenges the internal structures of MNCs (Keyton, 2010). This interplay can be examined through the lens of convergence-divergence framework, as organizations decide whether they aim to the standardization of organizational culture throughout the company, controlled by the headquarters, or promote the local national cultures' nuances as part of their organizational culture (Gupta & Wang, 2011; Keyton, 2010). This view of organization's culture as an entity controlled by the headquarters suggests organizational culture to work as an organizational controlling mechanism (Keyton, 2010), indicating the headquarters to possess more power than the subsidiaries. However, organizational culture is not an explicitly manageable entity, although some changes might be possible to achieve by managerial actions (Keyton, 2010).

However, organizational culture is a phenomenon that can go through a natural change over time or through converging (Gudykunst, 2002; Keyton, 2010). Emphasizing the relationship of communication and culture, Barnett and Kincaid's mathematical theory (1983 cited in Gudykunst & Mody, 2002) discusses the effects of communication on cultural differences on group-level (1983 cited in Gudykunst & Mody, 2002). Barnett and Kindaid' theory proposes that if the communication of a group is not prevented, the group members' thoughts will eventually converge, (1983 cited in Gudykunst & Mody, 2002). Hence, the theory implies that the so-called power of the group is a converging-element, making the theory applicable to MNC settings, where a variety of cultures within one organization meet within.

According to Bartnett and Kincaid's theory (1983 cited in Gudykunst & Mody, 2002), information and external variables, such as local cultures, coming outside the group, can hinder or prevent the converge-process, eventually leading to divergence. From this viewpoint, a common organizational culture is exposed to, almost threatened by, the impact of diversity of national cultures. The relation between the core values of individual's organizational and national culture has been discussed in international management literature, and the overall conclusion has often lead to the perception that national cultures are more inherent for individuals than organizational values (Kattman, 2014; McLaurin, 2008). However, at the same time, organizational culture can be more dominant in its manifestations than one's inherent national culture, overtaking the values of national culture at an organizational setting (Kattman, 2014; McLaurin, 2008).

The interplay of national cultures and organizational cultures is indeed a complex issue for MNC management to solve. As discussed above, the co-existence of the different cultures manifests itself in varying values and perceptions of individuals, in the inter-unit relationship-building and in the distribution of power within the company. MNC are hence

required to plan and implement strategies to act on the needs of different national cultures as well as the of their own organizational culture, applying these strategies to their international business strategy (Keyton, 2010; Gupta & Wang, 2011).

In addition to the challenges posed by cultural diversity, the fact that MNCs units are located in two or more countries, usually with a parent unit in the home country and subunits in foreign locations, requires the company to develop the competency for managing, communicating and co-operating across borders (Keyton, 2010). According to Taylor et al. (2008) the globally dispersed nature of MNCs and especially the distance between the foreign subsidiaries and the parent unit, can result to lower involvement, to the feeling of uneven distribution of power and decision-making and to diverse value sets and visions.

When companies grow, they face the need for both global coordination and employing local resources offered by the foreign subsidiaries, which requires organizations to look for ways to enhance their internal international relationships. To reduce cultural distances and the impact of geographical distance between the headquarters and subsidiaries, MNCs use expatriation by sending a person from the parent-country to work in a key-position in a foreign subsidiary (Minbaeva & Michailova, 2004). Expatriation was previously seen as a control-mechanism of controlling and coordinating global integration in the foreign subsidiaries but has recently gained a role as a solution for knowledge- and capability transfer between the headquarters and subsidiaries, developing local workforce and building trust between the units (Delios & Björkman, 2000; Minbaeva & Michailova, 2004).

The challenge of distance, including the of cultural and geographical distance, has been proposed to be a barrier for MNCs' international business activities, knowledge-sharing and relationship-building between the headquarters and foreign subsidiaries (Harzing & Pudelko, 2014; Taylor et al., 2008). Hence, this study asks the following research question:

*RQ 2: Do cultural diversity and geographical distance affect interunit communication in the case company?*

A natural result from globally dispersed units employing multiple nationalities and people with varying cultural and linguistic backgrounds is MNCs' linguistic diversity . Linguistic diversity can cause notable language barriers between the units hence hindering communication. The determinant of language barriers to interunit communication is examined next.

**3.3.2 Language barriers.** It has been proposed that management literature often considers MNCs' linguistic diversity simply as a part of cultural diversity and hence disregards it as a separate research field (e.g. Henderson, 2005; Marschan et al., 1997; Piekkari et al., 2014). As presented in the previous chapter, the role and impact of national cultures and cultural diversity in MNCs has been recognized and broadly discussed in literature for example within the framework of national culture dimensions by Hofstede (e.g. Hofstede, 1991) and Trompenaars (e.g. Trompenaar & Hampden-Turner, 1998), whereas linguistic diversity of MNCs as a research field is often overlooked (Piekkari et al., 2014).

Nevertheless, the relation of language and culture has been researched already since the 19th century with various scholars arguing for the inherent connection between language and culture: language being the verbal representative of one's cultural worldview and values (Sharifian & Jamarani, 2013). Thus, language is naturally a part of culture, and a visible manifestation of one's cultural background. For example, Welch and Welch (2008), Marschan et al. (1997) and Piekkari et al. (2014) argue that language should be addressed as an object of research outside of the concept of culture.

According to Marschan et al. (1997), results of practical studies show, that language is one of the most often emerging aspects in international business. To separate language as its

own field of research as well as to increase the role of language management in MNCs business strategies, Welch, Welch and Piekkari (2005) argue language to be “almost the essence of international business” (p. 11) highlighting the role of well-managed internal communication and language diversity as a success factor of companies. Additionally, Luo and Schenkar (2007) address communication and language use as a part of organizational value-creation, seeing language as a tool of transmitting values between the headquarters and subsidiaries. Moreover, according to Piekkari et al. (2014), language affects the internal dynamics of MNCs, such as the processes of communication, network-building and human-resource management. Currently, an increasing amount of research acknowledges that MNC language diversity is a complex matter, which needs to be addressed with attention and through strategic decisions, as a managed language system can work as a considerable asset for the company (Luo & Schenkar, 2007).

In practice, language diversity is often perceived as a key factor for miscommunications in organizations and is therefore too easily treated as a simple issue, which is tried to solve by producing translations and dictionaries without paying enough attention to the actual management and design of a corporate language system (Welch et al., 2005; Piekkari et al., 2014). Indeed, without any strategic planning and management, the diversity in mother tongues and linguistic backgrounds within a MNC can lead to miscommunications (Welch et al., 2005). The lack of language and communication strategies can be a hindrance for the success of the company and further result to linguistic barriers, restrained internal communication, and in obstacles in trust- and relationship-building and knowledge-sharing (Lauring & Selmer, 2011; Marschan et al., 1997; Welch & Welch, 2008).

Language diversity is proposed to affect information-flow in the company (Lauring & Selmer, 2011). Some languages are naturally more used than others, which automatically leaves someone outside the information-chain and the sense of community (Welch, Welch &

Marschan-Piekkari, 2001). Language barriers are argued to hinder social interaction and the formation of social relationships, which can lead to isolation of individuals or groups (Marschan-Piekkari et al., 1999). According to Marschan-Piekkari et al. (1999), language-groupings occur accordingly to the language boundaries of MNCs. Henderson (2005) argues that language diversity and the lack of a common language affects relationship- and trust-building, and Harzing and Pudelko (2014) state, language differences especially affect the relationship and communication between the headquarters and the subsidiaries, particularly if expatriates are not positioned in the dispersed subsidiaries. Moreover, Piekkari et al. (2014) argue that language barriers can be the cause of subsidiary team isolation.

Many researches argue that MNC performance, knowledge-sharing and language have a strong connection (Lauring & Selmer, 2011). MNC knowledge-transfer and knowledge-flow can be impacted by language differences as language barriers hinder the effective flow of information between, out and into the units (Gupta & Govindarajan, 2000; Monteiro, Advisson & Birkinshaw, 2008). Thus, the performance of the MNC is decreased by uneven communication patterns affecting the efficiency of sharing relevant knowledge (Lauring & Selmer, 2011). According to many researches, language barriers may pose a potential challenge for multinational team-building and trust formation, and hinder the knowledge-transfer processes between MNC units (Feely & Harzing, 2003; Tenzer, Pudelko & Harzing, 2014).

Language barriers between MNC units may cause distrust, polarization of perspectives, division of groups, and insecurity and challenges in HQ-subsidiary relationship-building (Feely & Harzing, 2003). As the formation of strong ties and social personal relationships in MNCs is dependent on communication, the HQ-subsidiary relationship may be crucially affected by the aspects of mistrust and conflicts caused by language barriers. (Feely & Harzing, 2003). Feely and Harzing (2003) argue that the distortion of relationships

that is caused by language barriers can in turn affect the strategies, management and the overall international business objectives of the MNC. Furthermore, according to many researchers (e.g. Piekkari et al. 2014), language use in MNC includes implications about the distribution of power. For instance, mandating a corporate language by the headquarters might be perceived as a global control and coordination mechanism (Piekkari et al. 2014). In this case, the native speakers of the corporate language may possess more power than non-native speakers (Sharifian & Jamarani, 2013).

To avoid the challenges resulting from language barriers, MNC managers have been trying to solve the issue of language diversity for example through language standardization (Piekkari, et al. 2014). It has been argued that shared language has a positive impact on interunit knowledge-flow, especially regarding the transfer of tacit knowledge, and in the creating a shared social identity (Reiche et al., 2015). The notion of a common corporate language (CCL), is one of the key themes in MNCs language management research (Piekkari et al. 2014). A shared, common language and the adoption of CCL have been argued to a positive impact on MNCs communication, the communication frequency between units, the formation of social interunit relationships, and in global coordination, control and organizational performance (Reiche et al. 2015). CCL is an object of increasing research interest and a popular policy for MNC management in solving the question of language design (e.g. Feely & Harzing, 2003; Piekkari et al., 2014; Luring & Selmer, 2011; Luo & Schenkar, 2007; Dhir & Goke-Pariola, 2002; Welch et al., 2005).

However, Feely and Harzing (2003) argue that a mechanical choice of a common corporate language is not an overnight-solution that erases the challenges resulting from language diversity. Most often, CCL is English, as it has been adopted as the global language of business, the so-called lingua franca (Piekkari et al., 2014; Reiche et al. 2015). Piekkari et al. (2014) argue that choosing English as CCL may not happen without challenges. In many

cases, a large part of the MNC workforce does not speak English as their mother tongue. According to the results of a study on the multinational company KONE, as presented by Marschan et al. (1997), “the use of English as the corporate language can mask the subtle differences involved when parties are forced to operate in a second language” (Piekkari, et al. 2014, p. 18), arguing that using a second language can modify the content and interpretation of the actual message. It has also been proposed that mandating a corporate language might cause distrust between MNC units, especially in the case where a corporate language is the mother tongue of the company’s majority (Neeley, 2013). Neeley (2013) argues that mandating a corporate language may cause non-native speakers to feel status loss and resentment towards the native speakers as the native speakers are perceived as superior to non-native speakers.

Although CCL would have been mandated, there might still be discrepancies in employees’ language use as the actual language use can differ from the official policies. These discrepancies may be resulting from inadequate language skills, and further lead to corporate language-based communication avoidance and to the use of language contacts (Lauring & Klitmøller, 2015; Piekkari et al., 2014). Language contacts are individuals in different units, who share the same mother tongue, which allows them to use their common language instead of the official corporate language (Piekkari et al., 2014). According to Piekkari et al. (2014), “individuals can avoid the necessity of being fluent in the corporate language” (p. 67).

In addition to mandating a CCL, companies are also using other means of strategic language management to solve the challenge of language diversity. For example, local translations are widely used in MNCs, which allows the units to use English only as a contact language between the units (Piekkari et al. 2014). Furthermore, expatriates, although not officially used for language-purposes, can work in the role of language nodes due to their

intercultural communication competence and language skills, especially if the expatriates are bilingual in the parent language and subunit language (Piekkari et al., 2014).

However, expatriates are often competent in the corporate language but do not have the local language skills of the subunit(s), and are hence either using a translator or translating information and documents themselves. The role of expatriates as communication facilitators is often pivotal for the MNC as the information transfers through them.

Expatriates often prefer to trust their own language skills in translations as they may feel that when using a translator, the information could be altered (Piekkari, et al. 2014). Expatriates, and other language-competent individuals, are proposed to obtain power through language as they are able to control knowledge-transfer and communication processes by either choosing to forward or to withhold information (Piekkari et al. 2014).

As it has been proposed that language use should be a part of MNCs business strategy, MNCs often implement a strategy that is in line with their business strategy (Piekkari et al. 2014; Luo & Schenkar, 2007). Depending on the level of convergence or divergence, companies aim to either standardize language use or to accept all local languages as working languages, or decide to fall in-between of these extremities (Piekkari et al. 2014; Luo & Schenkar, 2007). When considering the notion of diversity that characterizes MNCs, “language issues are unavoidable” (Piekkari et al., 2014, p. 216). Language has increased its role as an interest of international management literature as it has been proposed to have a significant effect on knowledge- and capability-transfer, relationship-building, organizational dynamics, and considered to work as a tool of power-distribution and organizational restructuring (Bouguet & Birkinshaw, 2008; Luo & Schenkar, 2007; Piekkari et al., 2014).

As discussed above, companies have different strategies for handling the issue of language diversity, which they choose according to their business strategy, organizational structure and needs. Many researches see language as not a mere part of a cultural and

organizational accommodation but as its own entity that needs managerial attention (Piekkari et al. 2014). Thus, the issue of language use leads us to the following research question:

*RQ 3: Does language diversity affect the communication in the case company, and how is language diversity managed?*

Next, to better understand how culturally, linguistically and geographically diverse interunit relationship can affect internal communication in MNCs, the moderating factor of HQ-subsiary relationship is discussed.

**3.3.3 Interunit relationship.** According prior research, communication, interunit relationships and knowledge-transfer processes have an interdependent relationship. The frequency and intensity of communication between individuals and MNC's dispersed units are proposed to increase the transfer of knowledge as the communication naturally increases when more knowledge is shared (Lauring & Selmer, 2011). Frequent communication and knowledge-transfer are considered to build bridges between the dispersed units, to help understand and solve cultural and social challenges, leading to increased trust, reduced uncertainty and to decreased risk of conflicts between the units (Johnson & Lederer, 2005; Levin & Cross, 2004).

Consequently, through increased communication frequency, interunit social relationships with effective knowledge-transfer processes are likely to evolve. It has been proposed that social relationships impact knowledge-transfer positively and work as communicational channels for resource- and knowledge-flow (Lauring & Selmer, 2011). Interunit meetings, joint projects and international teams are proposed to enhance the sharing of knowledge as well as the quality of interaction (Barner-Rasmussen & Björkman, 2005). Frequent communication increases trust and integration between the individuals and units,

and as trust increases, individuals are more likely to communicate with each other (Levin & Cross, 2004; Luring & Selmer, 2011). Increased trust is also proposed to have a positive impact on sharing more tacit information (Luring & Selmer, 2011). The tacit nature of MNC knowledge, which is challenging to both articulate and measure, poses a challenge to effective knowledge transfer, especially across national borders (Argote & Ingram, 2000; Gupta & Govindarajan 2000).

To aid the transfer of tacit knowledge and to build strong relationship between the units, companies aiming for the transnational model combining global integration and local responsiveness, the use of expatriates has been implemented (Park & Mense-Petermann, 2014). Expatriate managers are able to share and transfer knowledge, including organizational practices and models, while simultaneously integrating global policies (Park & Mense-Petermann, 2014). On one hand, it has been proposed that expatriates are an overseas control-mechanism coordinated by the headquarters (Park & Mense-Petermann, 2014). On the other hand, the research on MNCs has widely acknowledged the pivotal role of expatriates in knowledge transfer, and sees expatriates as MNC boundary spanners with bridging-capabilities (Park & Mense-Petermann, 2014).

According to intracultural vs. intercultural networks theory by Yum (1988 cited in Gudykunst & Mody, 2002) intercultural networks are more likely to have weaker ties and relationships compared to intracultural networks. It has been proposed that due to the complexity of intercultural networks, the communication frequency is lower than in intracultural networks, where stronger ties are formed more easily. This theory argues that cultural diversity impacts the relationships and communication in intercultural organizations (Gudykunst & Mody, 2002). It is argued that bridges, such as expatriates and other liaisons, are more important for intercultural networks than intracultural networks (Gudykunst & Mody, 2002). Expatriate managers have been considered to both aid the distribution of

company-wide practices and to transfer the locally produced knowledge, and to be the central actors in MNC globalization and relationship-building (Park & Mense-Petermann, 2014).

Frequent communication, possibly achieved by using expatriates, may help to overcome not just social but also cultural barriers between the dispersed units (Johnson & Lederer, 2005).

The impact of interculturality and cultural diversity to social interaction in MNCs can be considered through Burgoon's expectancy violation theory (EVT) (1978 cited in Gudykunst & Mody, 2002). Expectations, for example culture-specific, are defined as normative communicative acts and social patterns as well as desired behavior. According to EVT, violations against these expectancies may occur in intercultural environment as different cultures with different behavioral and communicational expectancies interact (Gudykunst & Mody, 2002). On one hand, it has been proposed that expectancy violations should be avoided by adapting to the norms of the target culture, for example the MNC's parent-country culture, but on the other hand expectancy violations are argued to increase for example the persuasiveness of unexpected messages compared to expected messages (Gudykunst & Mody, 2002). EVT hence implies that cultural diversity can simultaneously increase innovativeness of MNCs but also pose a challenge to the relationship-building between units.

Furthermore, the effect of cultural differences on communication has been conceptualized for example by Aitchison's Prototype Theory (PT) (1994 cited in Constantinides et al., 2001) According to the Prototype Theory, individuals create certain perceptions of concepts based on their previous experience and exposure. Hence, the theory states that "prototypes are culture-based expectations of traits a given object should possess" (Constantinides et al., 2001, p. 39). For example, the PT theory can be explained through the prototype of the word 'cold': the word surely represents two different things for a Finnish person and a Hawaiian person, as these individuals from different cultures have been exposed

to certain perceptions of the 'cold' within their own national context. As Constantinides et al. (2001) argue, although Aitchison's theory was not created directly for international business context, the theory is applicable also in explaining the impact of cultural differences in intercultural communication situations. In a corporate setting, individuals assess the validity of received information for example related to their work assignments or the treatment and feedback they receive from their managers.

Positively perceived relationship of the headquarters and subunits, leading to increased trust and reducing negative tension, can affect interunit communication by increasing the communication frequency and hence the success of knowledge-transfer processes between the units. As the intracultural vs. intercultural network theory and the expectancy violation theory already proposed, cultural, linguistic and geographical distance within MNCs can pose a potential barrier to efficient interunit communication and to the flow of knowledge. In addition, perception gaps and information asymmetry between the headquarters and subsidiaries, and possible motivational disposition of the units are proposed to have an impact on the processes of MNC knowledge transfer. These moderating factors are discussed next.

**3.3.4 Moderating Factors of Knowledge–Transfer.** Due to the unique nature of MNC subsidiaries, which are embedded both in their local contexts as well as in their company's global network, there is a tension present in the interunit relationships of MNCs (Li, 2005). This tension is caused by the distance (cultural, linguistic and geographical) between the units, and can result to polarization of perceptions and perspectives, dispersion of motivations and differing interests (Feely & Harzing, 2003). The relation of autonomy vs. control in the headquarters-subsidiary relationship affects for example how valuable subsidiaries' local knowledge is perceived to be, how knowledge can be transferred between the units and to

which extent knowledge-transfer processes are controlled by the headquarters (Gupta & Govindarajan, 2000; Li, 2005).

According to Gupta and Govindarajan (2000), successful knowledge-transfer requires that the target unit, the receiving party, understands the relevancy of transferred information, can assimilate it and apply it in practice. This is considered as the absorptive capacity of the target unit (Gupta & Govindarajan, 2000). According to Song (2014) “effective knowledge transfer between knowledge senders and recipients requires absorptive capacity” (p. 73). For example, in reverse knowledge transfer, the headquarters is required to comprehend the value produced by the foreign subsidiaries’ local knowledge in order to benefit from the knowledge (Ambos et al., 2006). The perceived value of the received information hence affects whether the information will be assimilated and further utilized. Furthermore, according to Minbaeva et al. (2003) the absorptive capacity of a unit is comprised of the motivation and abilities of employees.

As the subsidiaries are affected by their external local contexts, the information and knowledge they possess may differ from the knowledge possessed in the headquarters. The value of certain information might be perceived to be greater from the viewpoint of the subsidiaries than of the headquarters (Gupta & Govindarajan, 2000; Minbaeva et al. 2003). Reverse knowledge transfer may be thus affected by a corporate immune system, a phenomenon explaining the resistance of subsidiary initiatives. The corporate immune system causes the headquarters to resist information absorption from the subsidiaries as the headquarters perceives subsidiaries’ local knowledge either less important, as a threat or unwanted change (Birkinshaw & Ridderstråle, 1999).

The differences in how valuable certain information is perceived, is argued to include power implications. Especially in the case of subsidiary initiatives, the power distribution in the MNC is proposed to affect whether the issue is perceived as relevant (Birkinshaw &

Ridderstråle, 1999). According to Birkinshaw and Ridderstråle (1999) MNC power distribution can be viewed based either on structural power gained through administrative system and the organizational hierarchy or resource-based power that stems from valuable resources the unit has. On one hand, based on the view that considers subsidiaries as strategic actors, subsidiaries can gain resource-based power with their unique local knowledge (Birkinshaw & Ridderstråle, 1999). On the other hand, structural power often benefits the views of the headquarters and gives the parent-company more control (Birkinshaw & Ridderstråle, 1999).

The uneven distribution of power together with the reluctance to transfer knowledge between units can result to information asymmetry, when a unit has information the other unit or units do not have (O'Donnell, 2005). Units can be reluctant to share information which may result from the lack of a motivational disposition that Gupta and Govindarajan (2000) describe as the "eagerness to help others" (p. 479). This motivation affects knowledge outflows from units, whereas knowledge inflows are affected by motivation of "eagerness to learn and to help oneself" (Gupta & Govindarajan, 2000, p. 479).

Knowledge transfer is also impacted by the disposition of interests, lack of incentives and lack of shared vision (Birkinshaw et al. 2000; Gupta & Govindarajan, 2000; Li, 2005). For example, subsidiaries are reluctant to share and transfer information if they feel that the incentives of knowledge-share are not benefiting their own performance, if the knowledge is highly location-bound, and if they perceive their interests diverge from the interests and vision of the headquarters (Gupta & Govindarajan, 2000; Li, 2005).

Shared visions, including shared values and common goals, are proposed to positively affect the cooperation between the units, and according to Li (2005), "shared values and understandings between parties in an exchange relationship facilitate meaningful communication that is essential in both the exchange and combination required for

knowledge creation” (p. 82). Shared values have been acknowledged to positively affect and enhance MNCs dyadic absorptive capacity and the creation of mutual systems and culture (Yli-Renko, Autio & Sapienza, 2001). A common organizational culture is proposed to aid the formation of shared values as a common culture entails common organizational values and a shared identity hence building a bridge between the diverse units (Li, 2005).

Resulting from the lack of shared vision and interests, perception gaps between the subsidiaries and the headquarters’ managers may emerge (Birkinshaw et al. 2000; Chini, Ambos & Wehle, 2005). Subsidiaries’ and headquarters’ can often have divergent interests, as the issues of autonomy vs. control, local adaption vs. global integration and subsidiaries independent activities vs. MNCs global coordination are clashing (Birkinshaw et al., 2000; Chini et al. 2005). On one hand, perception gaps can cause the underestimation of subsidiary initiatives, and on the other hand, the misjudgment by subsidiaries of what is relevant information for the company’s global success (Birkinshaw et al., 2000).

Effective interunit communication and knowledge-transfer are proposed to be the main strategic concerns of modern MNCs, and crucial factors for the competitive advantage of MNCs (Barner-Rasmussen & Björkman, 2005; Birkinshaw et al., 2000) As MNC knowledge is often tacit by its nature, efficient communicational policies, practices and strategies are required to transfer, assimilate and apply knowledge to benefit the company (Gupta & Govindarajan, 2000). The moderating factors for interunit knowledge-transfer are acknowledged to be factors partly related to cultural diversity and partly to interunit determinants such as to the absorptive capacity, information asymmetry and divergent interests and perceptions. Hence, this study aims to answer the following research question:

*RQ 4: What factors moderate interunit knowledge-transfer in the case company?*

The literature review of this thesis has aimed to develop an understanding of the most relevant literature considering the purpose of this study. As this study aims to acknowledge the needs of a recently internationalized case company regarding headquarters-subsidary communication, the literature and theories presented in this review are related to internationalization strategies and structures of MNCs as well as to interunit communication and diversity in MNCs.

First, the literature on internationalization processes and the core business strategies of MNCs in Chapter 2 offered a starting point for understanding the case company's business path, its current situation as well as its future objectives. Next, the literature on headquarters-subsidary communication in Chapter 3 delved deeper into MNC interaction and communication, discussing relevant themes for understanding the moderating factors of headquarters-subsidary relationship and communication.

The themes discussed in the literature review offer the necessary understanding to set out appropriate research questions for the study and to concentrate on the relevant themes when collecting and analyzing data. This study next proceeds to the research methodology presenting the methods of data collection and analysis.

## **4 Research Methodology**

### **4.1 Qualitative Research and Case Studies as an Approach**

This study is conducted as a qualitative case study aiming to explore the communicative practices and moderating factors of interunit communication of one MNC. According to Eisenhardt (1989), “the case study is a research strategy which focuses on understanding the dynamics present within single settings” (p. 534). As this study aims to examine and describe the phenomenon of interunit communication in one MNC, a case study approach was chosen as the most appropriate research strategy. Case studies as a research strategy are conducted to gain in-depth understanding of social phenomena, aiming to develop important hypotheses and theories (Kohlbacher, 2006). Case studies are empirical inquiries that allow the investigation of emergent and authentic issues occurring in social, real-life contexts, hence often used within the field of organizational studies and social sciences (Kohlbacher, 2006; Marschall & Rossmann, 1989; Yin, 2003).

Case studies can be conducted using both quantitative or qualitative research methods but for this study, a qualitative research method was chosen. This study is interested in interpreting the phenomenon of interunit communication within the real-life setting of one MNC, and the qualitative research method allows the examination of phenomena occurring in its natural, social context (Marschall & Rossman, 1989). Qualitative research assumes that social reality is constructed of meanings, which are created and maintained through interaction and communication (Marschall & Rossman, 1989). Qualitative research provides an interpretative paradigm for the research of social phenomena allowing the researcher to focus on interpretation and on the connection of situation and behavior (Eisenhardt, 1989; Kohlbacher, 2006). The aim of this case study is to provide a description of one case of intercultural interunit communication. Therefore, the data was collected with interviews to

allow an in-depth focus on the perceptions of internal communication between globally dispersed units.

The research questions, drawing from the findings of previous literature, of this study are:

*RQ 1: Do international business strategy and organizational structure affect interunit communication in the case company?*

*RQ 2: Do cultural diversity and geographical distance affect interunit communication in the case company?*

*RQ 3: Does language diversity affect the communication in the case company, and how is language diversity managed?*

*RQ 4: What factors moderate interunit knowledge-transfer in the case company?*

#### **4.2 Case Description**

The case company is a Finland-based SME founded in 2000 in Helsinki, Finland. The company has since then expanded to various locations both in Finland and to abroad, now located in three different cities in Finland and having one subsidiary in Sweden and one in the Netherlands. An expatriate from Finland has been positioned as the country manager to the subsidiary in the Netherlands, whereas the Swedish subsidiary's country manager is Swedish. All units employ both full- and part-time employees, and the whole company currently employs altogether approximately 70 people. The headquarters in Helsinki has the biggest number of employees, the subsidiary in the Netherlands, founded in 2013, employs 8 people and the Swedish subsidiary, founded in 2015, is the smallest location with only one employee in the first half of 2017.

The company offers cloud-based tools for financial management, such as e-invoicing, e-archiving, purchase and accounts receivable ledgers, invoice processing and a mobile application. According to the case company's website, they are aiming for "modernizing

financial administration” and reducing the carbon footprint of companies by making the transition from paper-based invoices to electronic invoicing. The services of the company are being used in 9 different countries and the company has been growing approximately 25 % annually.

The largest share of the company’s current annual turnover comes from Finland, which naturally positions the foreign subsidiaries as smaller operators within the corporation. The Dutch and the Swedish subsidiaries are both in a start-up phase as an office and as an operator in the local market, although both subsidiaries are steadily growing. In addition to the difference in the size of the units, there are also differences in the local markets, which affects the local success of the business and the level of growth. For instance, the company has noticed that the Netherlands is behind Finland in the development of cloud-based tools for financial management, making the Dutch market not as ready for the company’s solutions, which poses a challenge to the growth of the Dutch subsidiary’s business.

The imbalance in the turnover and in the volume between the units, although surely resulting from the different phases of the units and not from unsuccessful business, are some of the main factors providing an interesting setting for this study. Moreover, the case company is currently in a phase of internationalization, where it is required to make strategically important decisions on the matters of internal communication, language use and organizational structure in order to achieve its fullest potential as an international company.

To ensure efficient international co-operation, the management of the case company experiences the current timing to be the right time to create common policies and principles for internal operations, for example related to internal communication, to be able to answer to the requirements of a truly global company. However, some questions are discussed in the company before creating these policies: what is the level of integration that the company wants to achieve? Should the company aim more for global co-ordination and standardization

or for independent, local units? How intense communication and co-operation between the units is required? This issue of convergence and divergence, global integration and localization in the framework of communication and organizational practices, are in the focus of this study, aiming to discover the different ways of organizing interunit activities in MNCs.

Therefore, the current phase of the case company offers an interesting timing for a research on the relationship between the headquarters and the globally dispersed subsidiaries. In accordance with the needs of the company, this study aims to find out how the different units are linked to each other, what is the relation of autonomy and control, what characterizes the communication between the HQ and the subsidiaries and what are the key challenges in the internal communication of a multinational company.

#### **4.3 Data Collection**

The data was collected with semi-structured interviews with employees and managers from different positions in the case company. Interviewing is one of the data collection methods of qualitative research (Travers, 2001), and it was chosen as the method for this study as it provides the natural perceptions and descriptions of the researched phenomenon. Prior to this study, the author was familiar with the case company through a personal relationship and was hence aware of the company's current situation and able to contact the appropriate persons within the company. It is acknowledged that the author's prior knowledge and personal contacts in the company may add to the subjectivity of this study. However, the personal experience also provides more depth to the study as the interviewees were more likely to feel at ease in the interview situation and trusted the author, thus able to share their honest perceptions on the researched theme. Furthermore, personal contacts allowed the author to easily reach needed information about the company, such as details about its size and its economic statistics.

Altogether twelve in-depth interviews, each approximately 1-2 hours long, were conducted face-to-face in the company's three offices in Finland and in their one subsidiary in the Netherlands. Four of the interviews were conducted in the Dutch and eight in the three different offices in Finland. The interviewees were carefully selected based on their relevant positions and experience with the company's internationalization and interunit communication. The interviewees from Finland included top-level managers, individuals from the middle management and personnel. The interviewees from the Netherlands included the Finnish expatriate, a sales manager and individuals within the line management.

All interviewees are known to communicate between the foreign subsidiaries and the Finnish headquarters on a regular basis. As the interviewees were individuals from various positions in the company both from the headquarters and from the subsidiaries, the interviews enabled a precise and holistic approach to the subject of this study. The broad range of interviewees allowed the study to gain a deep insight into the naturally emerging patterns and themes, and ensured the strength of the findings as suggested by Eisenhardt (1989). In addition to these interviews, two shorter discussions with a headquarters' interviewee and a subsidiary's interviewee took place to gain preliminary information about the company and its current situation.

Interviews conducted in semi-structured manner do not provide a strict structure but rather an open outline of themes and questions to guide the interview in order to cover the key issues. This manner allows that the interviewees have the freedom to talk in their own words about subjects they wished to share with the interviewer, as proposed by Silverman (2005). The interview schedule designed by the author included the following key themes with carefully designed open-ended questions: general internal communication (channels and roles in interunit communication and perceptions of effective communication: to find out preliminary information about the current situation), headquarters-subsidiary relationship and

communication (what kind of communication occurs, perceptions of it), language and communication (language use and policies), and culture and communication (cultural differences, organizational culture). Although the approach of the analysis in this study is data-based, the author was required to familiarize herself with the previous literature before planning the interview themes and questions to be able to cover the most relevant issues during the interviews.

Although the interviewer was in control of the questions and at times encouraged the interviewees to have a deeper discussion by asking questions from the planned interview schedule, semi-structured interviews with open-ended questions enabled a conversational approach with the interviewees, offering the possibility for follow-up questions, clarifications and the freedom to modify the interview outline depending on the interviewee, as suggested by Silverman (2005). This freedom allowed the interviews to focus on matters that were perceived as the most important, not forcing the interviewees to talk about strictly planned questions, which would not necessarily be the most pivotal questions in the company's current situation.

The date and place of the interviews were individually agreed upon with the participants, and the author travelled to the agreed place. To ensure that the interviews would provide relevant information, the interview themes, as well as practical information about the interviews (time, place and duration), was sent to the interviewees by email approximately a week before the interview took place. The interviews were conducted in Finnish with the Finnish interviewees and in English with the Dutch interviewees, and as the thesis is written in English, summaries of the Finnish interviews were written in English. It is acknowledged, that the translations of the Finnish interviews made by the author might include a notion of interpretation and linguistic issues, but the translations aim to follow the interviewees'

thoughts as closely as possible. The interviews were audio-recorded with two devices, and transcribed as soon as possible after each interview.

It is acknowledged that the skills and characteristics of the author as well as the characteristics of the interviewees can impact the interview situation and the outcome of the interviews. Naturally, interviewees differ in their willingness to share their perceptions with a so-called outsider, which may affect the depth of their answers. Cultural differences in the cross-cultural interview setting and the use of second-language, as English is not the mother tongue of neither the author nor the Dutch interviewees, are acknowledged to potentially have an impact on the accuracy and nuances of the interview answers. However, the author experienced that both the author's and the interviewees' fluency in English as well as the author's experience in intercultural settings allowed the interviews to be conducted in English without it affecting the outcome noticeably.

#### **4.4 Data Analysis**

The data was analyzed by using the method of qualitative content analysis, in which the transcriptions of the interviews are analyzed to identify and categorize commonly emerging themes. According to conventional content analysis, the data, such as interviews, is systematically classified and coded to identify themes and patterns (Kohlbacher, 2006; Kondracki & Wellman, 2002). Content analysis aims to recognize similarities and differences in the data and to form a summarized picture of the research topic, which can be connected to a broader research context within the field (Tuomi & Sarajärvi, 2009). Qualitative content analysis is used to interpret and describe data "to provide knowledge and understanding of the phenomenon under study" (Downe-Wamboldt, 1992, p. 314).

The analysis in this study uses the inductive and data-based approach as the themes and categorizations were not built based on previous theories but recognized from the data to allow the ideas to naturally emerge without the author to test certain hypotheses or to define

categories beforehand, as proposed by Kondracki and Wellman (2002). However, in addition to inductive content analysis where categories are recognized directly from the data and not from previous theories, the results of the analysis are later discussed in the light of previous theories, and the ideas presented in the literature review are connected to the data. Hence, the analysis also theory-bound and abductive, which is an approach that connects findings from the data with previous theories to explain and strengthen the findings (Tuomi & Sarajärvi, 2009).

The qualitative inductive content analysis requires organizing the data, which is done through the following procedures: open coding, creating categories, and abstraction (Elo & Kyngäs, 2008). The analysis process begun by defining the unit of analysis. For the purposes of this study, focusing on single words or sentences was seen as too limiting. For this reason, phrases, or passages of multiple sentences describing the same theme, were chosen as the appropriate unit of analysis. The analysis proceeded by the author reading each interview transcript carefully to form a comprehensive perception of the interviews and to familiarize herself with the topic. Next, the interviews were again read, now word by word, to recognize parts that would express opinions or feelings. After that, phrases (codes) that represented the opinions and thoughts of the interviewees were highlighted in the text. The data was analyzed to search for interviewees' thoughts and experiences of interunit communication, which would answer the research aim of this study. Notes about the findings were created and relevant remarks made by the interviewees were noted and extracted from the transcriptions.

Based on the notes and the highlighted parts of texts that represented the emerging themes of the interviewees' thoughts, an initial coding scheme was developed. Through recognizing similarities and differences in the data, codes were then organized into meaningful clusters and to further describe and organize these clusters, tentative sub categories were developed. When working through the interviews with existing codes and

categories, code clusters and sub categories were revised and combined into main categories, if necessary, to form the most meaningful and comprehensive categories. This process of abstraction, in which categories are developed step by step, aims to finally form a generic description of the research theme (Elo & Kyngäs, 2008). The data was examined and abstraction continued until workable. The final categories are presented in Chapter 5 in Table 1. After analyzing the data, the results were considered and reflected in the light of previous research and theories, and conclusions of the analysis were made to answer to the research aim of this study.

It is acknowledged that the method contains an implication of reliability and validity issues. As this type of qualitative content analysis is mostly based on the researcher's categorization of the data, author's subjective constructions may have an impact on the interpretation of the interviewees' answers, as suggested by Silverman (2005). Language is ambiguous and certain expressions may contain multiple meanings, and one person might interpret some content differently than another individual. Nevertheless, the interpretative approach to the data offered an in-depth and a holistic understanding to the research theme, and enabled a comprehensive examination of the informants' emotions and thoughts.

## 5 Results

In the data presentation, the research data has been divided into three main categories and the results are presented according to these categories. The main categories include subcategories, which are presented within each main category. Next, each category is described and discussed in detail, and presented with extractions from the original data to represent the perceptions of the informants. The final categories were developed based on the relevancy of information they provided related to the research questions of this thesis. Additionally, the categories include information that was seen as relevant for the case company's needs and current situation, although not directly related to the research questions. The categories are presented below in Table 1.

**Table 1**

Main category	Subcategory
1. Organizational structure and interunit relationship	1. Local autonomy versus global control 2. Dispersed units in interorganizational network
2. Interunit knowledge management	1. Knowledge-flows 2. Communicational policies and practices 3. Expatriate as bridge builder
3. Language diversity	1. Common corporate language and language management 2. Language competency 3. Language as value of internationalization 4. Language as gatekeeper of interunit communication and grouping

Details for example about the interviewees position are not mentioned when presenting examples of the data to ensure the anonymity of the interviewees. The interviewees are referred to either Dutch or Finnish interviewees based on their working location, as some of the examples can be only understood when referring to the country unit they work in.

Next paragraphs present and discuss the results in accordance with the above-mentioned the main- and sub categories.

### **5.1 Organizational structure and interunit relationship**

When discussing the theme of interunit communication, the interviewees thoughts and expressions reflected views on organizational structure and interunit relationship affecting the communication in the company. The interviewees discussed how the company's organizational structure and the international business strategy may affect interunit communication, and approached the theme of interunit relationship by examining national cultural differences, pondering the theme of organizational culture, and discussing about the communicational networks of the company.

The results related to organizational structure and interunit relationship were further divided into the following subcategories: Local autonomy versus global control, and dispersed units in interorganizational network. These subcategories are next presented with more detailed examples of interviewees' thoughts.

**5.1.1 Local autonomy versus global control.** Most interviewees were uncertain about the international business strategy of the company and were hence not able to discuss in detail whether the company aims for global standardization and co-operation or for locally independent units. At the time of the interviews, both the Dutch and the Finnish interviewees perceived the company to be an internationalizing company rather than a global, international organization. All informants, both the Finnish and the Dutch, perceived the Dutch subsidiary

as a very self-controlled and –managed independent unit. The Finnish interviewees sometimes also expressed their worry about the Dutch subsidiary not having enough support, whereas the Dutch interviewees wished for even more autonomy and opportunities for independent decisions.

*I don't want to be in the position that I have to ask them want to know more about it so I can figure it out myself [Dutch Interviewee 4]*

*Of course we are co-operating but sometimes the subsidiaries are too alone, I would hope for more co-operation and I think we should put more effort into promoting common interests [Finnish Interviewee 7]*

*The subsidiaries do not have a specific culture at the moment, and the Dutch subsidiary is way too detached [Finnish Interviewee 3]*

When asking about the intensity of communication between the units, the opinions seemed to vary based on the person's position in the company and on the unit, in which they were working. One of the Dutch interviewees saw that their unit should aim to not to be dependent on communication with the Finnish headquarters. However, another Dutch interviewee mentioned the need for more organized international team that would increase and facilitate the communication between Finland and the foreign units, especially in the beginning of internationalization. Dutch interviewees seemed to appreciate the trust the headquarters is giving them, which allows the subsidiary personnel to make their own decisions. All Finnish interviewees mentioned the Dutch subsidiary being very independent and not requiring constant control and coordination from the headquarters.

*No the communication is enough, it's good enough. We need to have it better here that's the most important thing for now so we need to focus on that and not to focus on communication with Finland [Dutch Interviewee 4]*

*They give me the trust, which is nice. But maybe in Finland you would have one more or less linked person that's gonna help with starting the market and one helpdesk person and yeah maybe a sales person, so you have a like a little international team that helps with the first steps [Dutch Interviewee 2]*

*The Dutch subsidiary is rather an independent unit working there and their operations don't directly concern us. They don't really ask us, they are more self-managed so it's like the wishes come from them rather than from us [Finnish Interviewee 7]*

Both Dutch and Finnish interviewees recognized that the interunit communication has significantly improved since the entry to the Netherlands partly due to a change in the organizational structure, as an expatriate from Finland was positioned to a key position in the subsidiary, and partly due to the stabilization of the subsidiary's position in the local market.

*There was also the more psychological distance, you know, now we have the weekly meetings then of course it helps. Before the expatriate, there was at that moment we didn't really have anyone, there was of course the support in Finland but there was not a structured team [Dutch Interviewee 2]*

However, both Dutch and Finnish informants were still calling for more clear responsibilities and roles in interunit communication to ensure efficient and barrier-free flow of information. The interviewees perceived that the company should aim to build a more dedicated international team and to invest more resources into for example communications, language and culture-related issues during internationalization processes.

*If you want to be an international company you have to work at one point with an international team, or at least in Finland one person from support needs to be in the international meetings [Dutch Interviewee 4]*

*Dedicated person that makes sure the service center is here and then you know those people when you do it once or twice you encounter always the same challenges [Dutch Interviewee 1]*

An international team was seen to not only facilitate the co-operation and communication but also to increase the understanding of country-specific matters as there would be certain people responsible for only international issues.

*The issue is that we don't have the people who would have time to do the international issues so we need more people to do it. And also we need to develop an understanding for the fact that although currently most of the turnover comes from Finland it is still important to invest resources to abroad to take care of for example internationalization and language-related things" [Finnish Interviewee 9]*

*I think it's that when we grow we need a team that looks more closely into the issues in the Netherlands and in Sweden. So we could build teams that look*

*directly into the countries, which could give more in-depth understanding of the international issues then [Finnish Interviewee 3]*

**5.1.2 Dispersed units in interorganizational network.** Geographical distance of the company's units, although acknowledged, was not experienced as a distinct barrier for efficient interunit communication. Geographical distance was also not perceived to influence the level of support the subsidiaries receive from the headquarters. On the contrary, the headquarters were at times prioritizing the needs of subsidiaries as the vulnerability of the foreign operations and the need for ad hoc help was recognized. However, the interviewees agreed that the distance between the headquarters and the subsidiaries decreases the ease and accessibility of communication as it is naturally not possible to communicate face-to-face, ask for help across the corridor or to see the colleagues physically.

*When the group grows and the geographical distances increase, the intensity of communication needs to increase, and we have to transfer information through lots of different forums and channels [Finnish Interviewee 7]*

*I don't know if it's, like, that you don't dare to contact each other as easily, that you are just trying to cope on your own even though you could communicate. When you are working in different locations, you cannot just go and ask face-to-face, which would be so easy compared to when you have to check if the person is online or start to write an email. So it happens easily that you're just trying to solve things on your own even though someone would have the information, this is the problem [Finnish Interviewee 1]*

*We are pretty far from each other, and face-to-face communication is always better, because you see all the gestures and facial expression and you can understand each other only through gestures [Dutch Interviewee 1]*

Technology and the electronic communication were seen to affect interunit communication. On one hand, technology-based communication was argued to reduce the perceived distance between the Dutch subsidiary and the Finnish headquarters. The interviewees experiences that using online-chat and meeting-tools created the feeling of being in the same place at the same time, which in turn reduced the delay in getting help and answers from other units. Additionally, the possibility of storing documents

and material online and to cloud-based storage was acknowledged to facilitate interunit information transfer. However, communicating through email or online-chat was perceived to be at times too time-consuming, inconvenient, and to cause misunderstandings through spelling-errors and the lack of nuances.

*Through online video conferences everyone hears and sees the message at the same time. I also use the chat a lot and there you see the communication in writing but of course it's a bit clumsy and stiff. And you yourself might have do a mistake or misunderstanding when you are trying to answer as fast as possible [Finnish Interviewee 3]*

*In email communication you think that the other has thought and created the message to make it as clear to me as possible but of course there is the issue of delay and so on [Finnish Interviewee 8]*

*Of course with the geographical distance you are dependent on internal chat and other tools, you cannot just go there in person and ask so it's always email or chat communication, which is not the same thing as sitting in the same place face-to-face [Finnish Interviewee 2]*

*There is a lot info on the intranet so I can see it any moment any place [Dutch Interviewee 4]*

The globally dispersed units of the company were mostly seen as independent operators rather than perceiving the company as a global integrated organization. Some interviewees, including both Dutch and Finnish informants, experienced that the company shares a common identity and a feeling of togetherness whereas some perceived that there is a lack of shared mindset.

*No it's not it's not an international company. I do feel like an employee of the corporation but we have our own location here [Dutch Interviewee 4]*

*We have met each other and so on, so in that sense I think that it is perhaps a common company mindset even though there are different countries and languages, I feel like the Finnish personnel has included the other despite the geographical distance [Finnish Interviewee 7]*

Despite the units' geographical distance, the interviewees did not perceive significant or visible national culture differences, which would affect their work or interunit communication. Some of the interviewees explained that in case of miscommunications, it was difficult to recognize whether the challenges result from personal or cultural differences. However, it was acknowledged that different cultures and possible cultural differences should

be considered as a part of internationalization in case the business vision requires expanding to culturally similar markets. Some of the interviewees felt that they would have been interested in knowing more about the subsidiaries' national cultures in order to prepare themselves for encountering their colleagues and to be able to avoid miscommunications or being disrespectful in another cultural context.

*No not really I thought there would be cultural differences but I didn't notice anything because it's Europe and we are close to them also cultural-wise [Dutch Interviewee 4]*

*In general, if we go to another country and we have local workforce, that we would have a common language or that we wouldn't have huge cultural differences, of course this should be started with. And not, like, choose to force ourselves into some other country with totally different context, where we would have difficulties operating because the culture is so different [Finnish Interviewee 2]*

*I would have liked to know for example how the Dutch people are like and I was perhaps thinking things, like, about how to dress, relaxed or formal, because you want to fit in for the first time you go somewhere [Finnish Interviewee 4]*

When discussing organizational culture in the company, the interviewees mentioned that the organizational culture is mainly created in the headquarters, and called the company's culture a Finnish organizational culture. The parent-country values, language and culture was seen to dominate at the time of the interviews. The company has created common values as part of their HR-activities but at the time the values were written down, the company was not yet international. It was mentioned in the interviews, that the company needs to consider which parts of the so-called old Finnish culture it wants to keep and which parts should be reconsidered as a part of the internationalization. The interviewees found that the Finnish headquarters should set the example for the organization's culture but local nuances should be appreciated.

*We need to think what are the things that we want to keep and preserve from the Finnishness and, like, from this company heritage, and what is the*

*company's identity, how to make it international while also not losing the original identity [Finnish Interviewee 6]*

*I think now the organizational culture comes from here, from Finland, because this is the parent-company. Of course we have noticed that there are different needs and ways to work in the Netherlands so of course they are taking it into account [Finnish Interviewee 5]*

*If we think about organizational culture, we are still very Finnish [Finnish Interviewee 6]*

*The organization, it's still based on their Finnish culture and language [Dutch Interviewee 4]*

*No I don't feel like we have a shared culture yet but it's getting there [Finnish Interviewee 2]*

The informants considered relationship-building between the headquarters and the subsidiaries as a mutual process, on which they are actively working in order to grow into a more global company with a common identity.

*Well, I think our relationship is okay, not excellent but also not a terrible, and we are working on it all the time to improve it [Dutch Interviewee 3]*

*It would be of course possible and something to aim for to be a global integrated company, but it of course requires systematic work to reach the goal [Finnish Interviewee 3]*

*We are activating more people to go the Netherlands and communicate with them in order to get the feeling in Finland that hey, this thing abroad is also working and growing, and to get to know the people there [Finnish Interviewee 7]*

Factors moderating the feeling of togetherness were seen to be intensity and breadth of communication, common events, personal contacts across units as well as visits to and from other units. Especially more informal communicational situations were seen to have a positive impact on the interunit co-operation and communication.

*It was really good and I felt really welcomed when I was there. I think it helped that I went to Finland when I started I saw the people [Dutch Interviewee 4]*

*Meeting each other face-to-face would definitely help to create a common culture. At this point I think it would be very important that the people in our subsidiaries could be included as part of the company and I think the best way to do it would be informal things and activities [Finnish Interviewee 7]*

*I notice, that as I have been in the Netherlands couple of times at our office, I don't feel weird or I'm not scared to contact the people there, so I can ask them about their holidays and stuff like that as well [Finnish Interviewee 2]*

*No I think it would be nice to meet the colleagues also in informal setting then it would be good to see more sides of them and get to know them a bit better I like being part of an organization who knows each other more or less because then you get to know people and you get to know the organization and you know what the organization stands for. For example I don't know who my sales colleagues are. It would be nice if you would have more contact with the other guys too [Dutch Interviewee 1]*

*I think things like language training are not necessary but it's more like, we are trying that people would communicate and interact and speak English more with the foreign employees to create relationships and contacts [Finnish Interviewee 5]*

## **5.2 Interunit knowledge management**

Interunit knowledge and information transfer and its processes were broadly discussed in the data of this study. The findings demonstrate the interviewees' perceptions on the effectiveness and success of interunit knowledge transfer, information in- and outflows to and from subsidiaries as well as discuss the communicational strategies, policies and responsibilities in the company.

The results are divided into the following subcategories: knowledge-flows, communicational policies and practices, and expatriate as bridge builder. These subcategories are next presented with more detailed examples of the interviewees' thoughts.

**5.2.1 Knowledge-flows.** Interunit communication in the case company was perceived as a mutual process including communication from subsidiaries to the headquarters, between the two subsidiaries, and from the headquarters to the subsidiaries. Interunit communication was seen to include the exchange and transfer of materials, documents, expertise, opinions as well as acts of informal communication, which aim to build personal relationships. Subsidiary information outflows (to the headquarters) mainly consisted of requests for support in issues related to products, technical developments, recruitment, and of informing the headquarters on relevant events and activities in the subsidiary and in its local market.

*Well the Dutch unit of course asks some help sometimes, like, ad hoc work-related communication, and then we hear about new sales and so on. The communication from there is mostly like, hey, we have this problem, how can it be fixed [Finnish Interviewee 6]*

*They let us know the customers' needs and tips for improvement that came from local customers, or inform us about missing translations [Finnish Interviewee 4]*

Apart from requests for support and help, information outflows from the subsidiaries to the headquarters were not experienced as frequent. The Finnish interviewees felt that they were not aware of what is currently happening in the subsidiaries.

*The communication is mainly then, when problems or challenges occur and they ask for help. The units are operating so independently that for example I don't know what the Dutch or the Swedish units are doing of informing [Finnish Interviewee 4]*

*If it's rather the rule or the exception that I hear something from the Netherlands, I would say it's the exception [Finnish Interviewee 7]*

*There is a well-functioning unit in the Netherlands but it's currently very independent from the Finnish operations, and in Finland people are not well aware of what is happening in the Netherlands [Finnish Interviewee 6]*

The interviewees expressed that especially in the starting phase of international activities, the communication between the Dutch subsidiary and the Finnish headquarters was lacking in richness, speed and in relevant content. At the time of the interviews, the intensity, breadth and content of interunit communication was mostly seen as sufficient but some factors were still seen to decrease the efficiency of communication. One of these factors was the lack of communication-specific resources. The headquarters' personnel felt that they were not able to control the amount of work as easily as they used to when they were only responsible of the Finnish workload. It was expressed that it is usually the subsidiary contacting the headquarters for support, which sometimes caused the personnel in the headquarters to feel that the contacts from the subsidiaries resulted to extra pressure, for which they did not have enough time.

*Resources are limited in a way that when it's really busy in here, it might cause that we cannot answer to the Netherlands as fast as they would hope and need [Finnish Interviewee 5]*

*The development and implementation are in difficulties as every request is important to someone. Of course we have to invest to the Netherlands now but on the other hand we might have a very important Finnish client, and as the number of hands in Finland is limited, it has to be chosen what to do first [Finnish Interviewee 7]*

*When you ask something, it takes sometimes really long before they answer. There are some issues with clients that I feel that could be solved sooner and it's not because they don't know how to communicate in English. The point is that they need to help us because we don't work here so long and you sometime need the support and it's not always there so some things are like taking way too long [Dutch Interviewee 4]*

The interviewees discussed the level support, which the subsidiaries receive from the headquarters and from the other Finnish units. In addition to the lack of resources, one of the barriers that was perceived to hinder knowledge-transfer to subsidiaries was the lack of understanding the subsidiaries' needs. Due to the local nuances and market differences, subsidiaries' needs were at times experienced complicated, as the Finnish personnel could not always comprehend why for example Dutch customers would like to have a certain feature in the product that would not work in the Finnish market. Dutch interviewees perceived that due to differences in what is considered important, the Dutch requests are at times processed as secondary to the Finnish requests.

*It's taking way too long if they don't even understand me and what we need [Dutch Interviewee 4]*

*Product managers know very well how is it from Helsinki to further to the North, what are the wishes and the thoughts about our company, but they don't know that well how is it from here to the South because, you know, clients are not going to call from the Netherlands so it's, like, hidden there [Finnish Interviewee 7]*

*We have received feedback that the Dutch unit is there quite alone, or like, they have to make extra effort to be heard. So we have tried to figure out what would be the model in the situation where five product managers thinking about Finland listen to one person from the Netherlands trying to tell that, hey, we also would have things to do here [Finnish Interviewee 2]*

*Yeah, they are listening to us especially in development-related issues but the most challenging thing is, that if there is something in the products that needs change because of the market in the Netherlands, these are a bit harder to get through [Dutch Interviewee 3]*

The information from headquarters to the subsidiaries was seen to flow slowly or the information was perceived as too limited. Hence, the subsidiary interviewees experienced that they were at times alone and could not receive all the information and support they needed in order to proceed with their local customers.

*I felt like a lonely person in the desert, although it was good for my development... It's still sometimes difficult to know when things are being done. Because it's a black box so then we don't know what is happening. If you don't hear anything then you start to feel the gap and then you think that they're probably very busy with the Finnish stuff, but you know, that's sometimes frustrating that you don't know, I'd rather hear [Dutch Interviewee 2]*

*Things that we ask we don't really know when things are being done that's sometimes still vague. that they say yeah okay we can do it in three weeks then I have to email again like whats gonna happen [Dutch Interviewee 4]*

Organizational learning and the intensity of knowledge-flows was seen to increase as a result of regular face-to-face communication and of building interunit relationships across the units. The company has started to pay more attention to the organizational structures and the communication between different departments and units to distribute global company policies and practices. It was experienced that if the employees of different units, who are working within the same field of work, would meet and share their experiences, the company could build common knowledge and learn from each other despite the geographical distance.

*It's good to have contact with your colleagues, who are in another country because we can learn from them and they can learn from us [Dutch Interviewee 1]*

*With the processes we are creating, like organizing common development and planning meetings, we are trying to reduce the gap that in the future we wouldn't have to solve the same problems in two different places anymore [Finnish Interviewee 3]*

*We have had visits from Finland to the Netherlands to kind of spread mobilize the things that are done in Finland [Dutch Interviewee 3]*

*We are on the right path to make this more uniform and in a way to connect the subsidiaries to the headquarters. And we have this thing that people really like, that whenever we have a wish for development or a problem, we can benefit from the knowledge of the headquarters in the subsidiaries to develop certain areas. We can get people from Finland here to see how we are doing things and to possibly give us some tips [Dutch Interviewee 3]*

The interviewees highlighted the importance of global knowledge- and information-transfer. The Dutch subsidiary aims to be more independent to be able to operate in the local market without constantly needing support from the headquarters. However, before this can happen, the interviewees perceived that the transfer of company- and field-specific knowledge should be improved and increased.

*If you look at the bigger picture and you know, let's say we will be a European supplier, then it would be really helpful for me if I in the CRM system could look up a big client in Finland that is also present in, you know, Germany or in Netherlands and that I could see how or what we're doing for them, what the problems are, who the contacts, are how we basically got that client because that really helps you to improve your business locally [Dutch Interviewee 2]*

*For example, sales processes are more or less the same in every country, so if you would like have sales meetings with all the offices, you could learn from the way they do and you can share some perspectives and you can also share the well the things that didn't go well [Dutch Interviewee 1]*

*Because there are things that happen here in the Netherlands, which are happening in Finland too, so if we struggle with something or I struggle with something and we have a solution for that, it's good that the other offices know the solution too [Dutch Interviewee 4]*

**5.2.2 Communicational policies and practices.** The Finnish interviewees, whose responsibilities included informing the Dutch unit about company-specific information, felt that it was at times challenging to decide what kind of information should be communicated to the foreign subsidiaries, as the company did not have specific for that. The interviewees expressed that they sometimes struggled with the lack of communication policies as they feel that they are not sure what is relevant information, and whether either too much or not

enough information is transferred to the subsidiaries. The interviewees acknowledged, that the amount of documentation should be increased, in English, in order to transfer also the more tacit, intangible information across the units.

*The challenge is instructing and guiding, and how do we get the information to the Dutch personnel, and what information is interesting for the subsidiaries [Finnish Interviewee 7]*

*The problems are related to the fact that what kind of information should be transferred to the other units, what is relevant. If there is too much, the point will get lost and if there is not enough then ... [Finnish Interviewee 4]*

*And the kind of information that might be forgotten to say out loud in training but that could be found later. If this is not done in English, some are automatically blocked out and perhaps not able to make decisions or contribute to their work only because they did not know about something that was not documented [Dutch Interviewee 3]*

It was perceived that the unclear processes in interunit communication, for example in informing other units about the status of a problem, result to feelings of confusion and frustration. As the Dutch subsidiary is still dependent on the headquarters regarding the development of products, it is also dependent on the information the headquarters provides. A Finnish interviewee acknowledged that as it is not always clear what information to transfer and how, it might be forgotten that the subsidiaries should be informed about certain issues.

*It's sometimes hard to figure out okay what is the status and when are they gonna do something with it. Like, okay, these are the issues we have now: where are they, what's the status, is someone working on them or not, when are they gonna be fixed or are they not gonna be fixed. That's still missing now [Dutch Interviewee 3]*

*Oh surely it is lots of times that we have forgotten to inform Sweden or the Netherlands, like, something should have gone out in English or it was just not sent there. There is no clear policies in who creates the material, in which language and through which channels it is informed and so forth [Finnish Interviewee 7]*

*Of course we can also use common sense in deciding what needs to be informed but it would be easier if there would be something, where you could check if for example it needs to be done in Finnish or in English [Finnish Interviewee 5]*

Related to the communicational policies, practices and how different channels are used in the company, the interviewees pondered over the roles and responsibilities of their interunit communication. At the time of the interviews, it was mostly seen that with the current number of personnel and the number of countries involved, international interunit communication is efficient enough without a certain person, for example a communications manager, overseeing the internal international communication. However, when discussing further internationalization and the growth of the company, the interviewees felt that it would be increasingly important to create clearer communicational roles and responsibilities to ensure the creation of global communicational policies and practices, sufficient documentation in a common language and efficient knowledge-transfer across borders.

*A person or persons, who are responsible for, like, that we would have all needed things in certain languages. At the moment I think we are not skilled enough nor do have time for it, so we have to start to think in what kind of boxes people are put into to ensure that things will work when we continue doing even more things outside Finland [Finnish Interviewee 2]*

At the time of the interviews, the company was about to launch a new intranet, which was planned to include common content for all countries as well as country-specific sections. The interviewees had high expectations towards the intranet and wished that it would improve the transfer of work-related content as well as the documentation, and to simultaneously increase the informal communication between the country units.

*Yeah it's like a two-way interactive channel with discussion, like hey I'm selling a bicycle, and things like that, so it will be more like informal content to make it kind of a meeting place. People shouldn't have a barrier to post something in intranet, like, if someone has a birthday, you shouldn't have to think if you can post something about it there but it should be a place that would significantly add the spirit of community [Finnish Interviewee 2]*

*I hope the intranet will become a good communication channel where everything is gathered, because at least I have, like, a crazy amount of emails [Finnish Interviewee 7]*

*It's like a marketplace where you put on all the information. The language should be English so there is, like, one standard, you can collect all the*

*information on the marketplace and then you just have to, well, read into the information, which is there instead of looking it up yourself all the time. So that's the thing that when everybody does it, like, really frequently and in a structured way [Dutch Interviewee 1]*

Personal contacts and relationships within the company across the units were considered as one of the major factors enhancing interunit communication. It could be drawn from the data that the interviewees often used personal contacts, especially if sharing a same language with someone in the other units, for communicating instead of contacting the responsible people through official communication channels.

*I turn to 'person X' whose, like, English is pretty good so if you ask something, I know I should ask it to the helpdesk the official way, but... Actually, when I really need help, if it's an emergency and I really need an answer, I just chat with 'person X' because then I get an answer immediately Dutch Interviewee 4]*

*I think it helped that I went to Finland the first week that I started I saw the people. Then I just asked the people that I knew, like, this and this needs to be done. and I've been to Finland three or four times then now you know whom to contact [Dutch Interviewee 2]*

*I have been in contact with 'person Z' a lot so even though there is a person who actually should answer, sometimes I am being asked like hey, I have this and this problem, when would you have time for it [Finnish Interviewee 6]*

**5.2.3 Expatriate as bridge builder.** The role of expatriate in the company's interunit communication was broadly brought forth in the data. Having a person, sent from the parent-country, in a key position in a subsidiary was seen to positively affect the intensity, breadth and efficiency of the headquarters-subsidary communication. It was seen, that the expatriate should have a certain level of intercultural communicational skills and international experience and/or interest in international operations, and to be a trusted person, who has multiple years' experience in the company.

The interviewees mentioned that an expatriate facilitates the transfer of information. The expatriate's previous experience in the company allows the expatriate to be more capable of recognizing relevant information for both the subsidiary and the headquarters. The

interviewees explained that the previous company-specific experience helps the expatriate to coordinate the subsidiary and to actively ask for relevant help from the headquarters. The data presents that the lack of an expatriate in the Swedish subsidiary may pose a potential challenge to the interunit communication between Sweden and Finland.

*The difference now between the subsidiaries in Netherlands and in Sweden is that in the Netherlands there is our own, experienced person, who already has the know-how and then knows what and how to ask [Finnish Interviewee 8]*

*In the Netherlands it really helps to control it that there is a Finnish person as country manager, and especially because the person is very active to find out about things [Finnish Interviewee 5]*

*I would say that we need to have local knowledge and experience but also a Finnish expatriate tightly involved who understands our products and our company [Finnish Interviewee 6]*

The expatriate was seen to oversee the subsidiaries' activities and operations, as well as to spread the company practices and policies across national borders and to bridge the geographical and psychological distance between the country units. The interviewees perceived that the fact that the expatriate is often the contact person between the units, allows the expatriate to control the information flows and knowledge transfer between the units. The data presents that expatriate's previous experience in the company allows the expatriate to often make the decision on what is relevant information and what kind of information should be transferred between the units.

*If I need some information from intranet that is in Finnish but I don't know what it says then I ask the expatriate and he says, oh no its not interesting for you, alright okay I delete it [Dutch Interviewee 1]*

*If there would be no expat from Finland, you would have the Dutch entity and you have the Finnish entity, but now it's, like, there is some kind of mix. Otherwise it would be the Netherlands and Finland or whatever, but I think that it wouldn't be the same if the expat wouldn't be here. Like, you would have two islands, on which the same companies work but in different way [Dutch Interviewee 2]*

*We have noticed that we don't have, like, a manual or something, which would explain how things are done in the company, so it falls to the responsibility and to the knowledge and skills of the expatriate [Finnish Interviewee 7]*

*I think the expatriate can forward necessary information here to Finland, I think before they were very alone there and it was a bit, like, wondering if right things and decisions are done over there. So, I think it would be good, when going into a new country, that there is someone to oversee the processes and to give instructions [Finnish Interviewee 4]*

The expatriate manager was seen as the main contact person between the headquarters and the Dutch subsidiary. Especially as the expatriate is Finnish, the Finnish interviewees explained that it feels easier to contact someone with whom they share the same language, instead of directly contacting another person in the subsidiary. The interviewees acknowledged that the expatriate is often translating material and messages from Finnish to English, and recognized that this adds to the expatriate's workload, as the expatriate must function as a language node between the units.

*If we would have a situation in the Netherlands, that the manager would be someone who does not speak Finnish, it would be much more difficult. Of course it helps to know the company's operations quite broadly plus when you share the same language with the headquarters it makes the communication easier [Finnish Interviewee 7]*

*The fact that the expatriate has relationships in the headquarters makes it easier to approach, of course everyone here wants to help, but I think there is a difference, when there is a Finnish person, which improves the situation [Finnish Interviewee 1]*

The Dutch interviewees felt that as the expatriate has experience in the company practices and policies, and shares the same language with the headquarters, it is easier to communicate to the headquarters through the expatriate to avoid miscommunications. It was seen that the subsidiary's needs may be considered as more important when a Finnish expatriate forwards them to the headquarters.

*There we don't really have a say in the priority currently if its high priority we tell the expatriate manager and he's gonna call whoever he's gonna call [Dutch Interviewee 1]*

*There is no barrier anymore but that's basically because the expatriate is here. Well you don't have to be a native speaker but you need to speak Finnish or you need to be Finnish and go to the other country to help and exchange information. I think it's hard even if you explain it in English it can be*

*interpreted in another way and you don't have the solution that you want, and then you have to do it again and again and so on [Dutch Interviewee 4]  
Because Finnish is the main language, it's the main culture, yeah, that's the whole base of the organization. If there's no one from Finland in here, it's hard to communicate and also to demand and ask developments and stuff [Dutch Interviewee 2]*

### **5.3 Language diversity**

Issues related to language use in the case company were widely brought forth by all the interviewees. The issues mostly related to the challenges posed by the company's current language diversity. Language was for instance seen as a mechanism of transferring information and of increasing group cohesion, and these processes were perceived to be at times hindered by limited language skills in English and by negative attitudes towards using other than the informant's own mother tongue. Interviewees expressed implications about a lack of language management strategies and policies and about discrepancies in language use. The interviewees seemed to agree that language diversity, when unmanaged, can result to communicational challenges between the units as it might prevent efficient transfer of information within the company. Moreover, language as a part of internationalization was discussed and language indicating a value of an international company was considered.

Results related to language use could be divided into the following subcategories based on the themes that were recognized from interviewee's expressions: common corporate language and language management, language competency, language as a value, and the role of language in interunit knowledge and information transfer. These subcategories are next presented with more detailed examples of interviewees' thoughts.

**5.3.1 Common corporate language and language management.** The languages currently used in the company are Finnish, English, Dutch and Swedish. Dutch and Swedish are used inside the subsidiary setting and for the local external communication, English is used mainly for communication between the Finnish offices and the subsidiaries as an unofficial corporate

language, and Finnish was seen to have many roles: the parent language, the corporate language and a local language within the Finnish context.

Based on the informants' views, one of the topical questions in the company's language use was the issue of choosing a common corporate language, which was a theme that was clearly under discussion in the company at the time of the interviews. The discussion around common corporate language was related to the language of documentation, spoken working language and interunit language policies. The interviewees expressed uncertainty about the official language policies in the company, for instance regarding translation responsibilities, the language choice in communicational channels and whether there actually is a chosen corporate language.

*I think the corporate language is Finnish or I have understood this and I think there has been discussion if it could also be English but at least I have understood that for now it is still Finnish [Finnish Interviewee 8]*

*I feel that I'm working in Finnish-speaking organization although it has been discussed that the company language is English. It has been discussed that English is our company language since we are international now but in practice you don't see it in anything [Finnish Interviewee 6]*

*Oh there has to be decisions and policies made by management because otherwise no one is going to do it I if I say hey this is a ticket in English can you please all the people that work on it do it in English then yeah probably a couple will do it and others just don't care, I don't know if maybe some people cannot do it in English but there has to be a decision from management that says okay, all tickets related to international issues need to be in English that's just needs to be agreed upon [Dutch Interviewee 2]*

The interviewees seemed uncertain whether the company needs a corporate language that would be mandated by the management. A Finnish interviewee referred to language as merely a tool of communication, and some of the interviewees were discussing the correct timing and phase of internationalization when deciding on the company language policies. Overall, language was seen to be an important part of internationalization. Currently, the lack of a common language was seen to hinder communication. It was expressed that the foreign

subsidiaries are not automatically informed about certain issues as almost all material is still produced only in Finnish.

*Materials are automatically done in Finnish and informed only within Finland, so the Netherlands and Sweden are informed basically when someone remembers that, hey, we could also inform them [Finnish Interviewee 7]*

*I don't know if the language actually has anything to do with communication, like, it makes no difference which language is used for the communication, it is more like a tool of communication such as when I choose whether I will write a letter or send an e-mail type of thing [Finnish Interviewee 6]*

*At this point, the largest part of our turnover comes from Finland so it is not justified to say hey we are going to change everything in English that would mean that the work of the Finnish people would become more difficult. But if we are thinking five years ahead of time and if our goal is to have equal turnover from Finland and from abroad, we should make certain decisions already now [Finnish Interviewee 3]*

All interviewees mentioned their views on implementing English as corporate language, and the opinions for or against it varied from person to person and between the country units. The Dutch subsidiary seemed to approach English as a CCL in a positive and open manner as all Dutch interviewees expressed that the company language should be changed to English and they were hoping for the change. The Dutch interviewees' thoughts especially brought forth the challenges that were caused by the lack of English in their documentation, intranet and products, and felt that the language of documentation should be changed to English. A Dutch interviewee also mentioned, that a common language could help to achieve common company-wide goals.

*When you want to achieve something with people that are in different offices there has to be a common language [Dutch Interviewee 2]*

*It would be good to have the whole system in English instead of Finnish because now they start in Finnish they translate it to English and then translate it to Dutch more or less [Dutch Interviewee 1]*

Compared to the Dutch interviewees, the Finnish interviewees expressed more worried attitudes towards English as a CCL. Some of the Finnish interviewees saw more complexity in the change, and expressed that at least some of the workforce might be

unwilling to work in English. The interviewees perceived that changing the company language from Finnish to English is difficult as the current majority of the company's workforce is Finnish, much like the company's annual turnover. Hence, Finnish was perceived as the natural company language.

*I think at this point it is enough that the company language is Finnish and translations are made [Finnish Interviewee 9]*

*Using English causes more stress because you have to, so to say, dig your language skills [Finnish Interviewee 5]*

*Yeah, I would say that here in Finland it is a minority that sees the change to English as a positive thing [Finnish Interviewee 3]*

*We have considered whether the company language could be English but then we were thinking that currently almost hundred percent of our annual turnover comes from Finland and our personnel is almost hundred percent Finnish [Finnish Interviewee 8]*

*Here inside Finland most the customers are Finnish and those are the ones that we mostly serve and we are like doing a lot of stuff for Finland here so if the company language would be totally changed then yeah [Finnish Interviewee 5]*

*When we're talking about the language the common language thing is that not all Finnish employees are too comfortable with it [Dutch Interviewee 2]*

*I don't think they have any policies for using any language but I also think that the board is Finnish completely so I think it is kind of logical to let it be in Finnish till but yeah I would think English is better [Dutch Interviewee 1]*

The Finnish interviewees perceived challenges in choosing English as the company language expressing thoughts about the use of English being extra work on top of their regular work. English was not seen as natural to use as it was seen to take a lot of time and effort to produce material in English. As the most documentation has been produced only in Finnish, the personnel is often responsible of translating the applications and manuals to English and further to the local subsidiary languages. A Finnish interviewee had noticed negative opinions about the fact that the Finnish personnel was not required to use English in their work at the time they were hired in the company. As the company has since then internationalized, they are however now required to use a second language, which seemed to be causing resistance.

*I remember when a colleague said to have once written a message in English for three hours so if you will think about every word whether this is good English or not it is of course more work [Finnish Interviewee 5]*

*Well it has been noticed that there is resistance there, if a support request comes in in English then it's always, like, who is going to answer to it and so forth [Finnish Interviewee 5]*

*Of course, the challenge is that we have been recruited when internationalization was still not appreciated so naturally the language skills and writing in English and all of this can cause challenges [Finnish Interviewee 7]*

However, in addition to the Dutch informants who saw a common company language as a positive change, also most of the Finnish interviewees, despite some objections against English as the company language, could understand why the change to English would happen and why a common corporate language could be implemented. According to some of the Finnish interviewees, if the company language would be changed to English it could improve the documentation, which could enable the recruitment of non-Finnish speakers also to the Finnish units. Overall, the Dutch and the Finnish informants saw the importance of standardized language policies and strategies, as they considered that due to the unmanaged language diversity and without policies regarding language use, documentation and the effectivity of communication processes would suffer.

*Oh there has to be decisions and policies made by management because otherwise no one is going to do it I if I say hey this is a ticket in English can you please all the people that work on it do it in English then yeah probably a couple will do it and others just don't care, I don't know if maybe some people cannot do it in English but there has to be a decision from management that says okay, all tickets related to international issues need to be in English that's just needs to be agreed upon [Dutch Interviewee 2]*

*Maybe it is more about the fact that what it actually means if the company language is English, what should I do, which documents should be in English and what it would mean in practice in communication [Finnish Interviewee 6]*

*We would be able to use non-Finnish speaking workforce so in principle we should move on to that point where documentation, instructions and this kind*

*of stuff would be in English cause it is a universal language [Finnish Interviewee 7]*

*In relation to the documentation language, we have had the challenge that we are not able to recruit a person in Finland who does not speak Finnish so we should have the courage to take the first step towards it [Finnish Interviewee 4]*

*To secure the operations of the subsidiaries, we need to make sure that there is written documentation in English to ensure that the transfer of knowledge is not dependable on the existence of a key person [Finnish Interviewee 7]*

It could be drawn from the data that choosing a corporate language can pose challenges to the company, despite what the chosen language would be. Some of the interviewees also brought forth the possible need for language training if the company language would be changed to English.

*The personnel should also be prepared for it and English training is necessary and so on so it cannot just happen by pushing a button and think that if I manage with English then everyone will manage because it is not like that [Finnish Interviewee 8]*

*And I think it would be a really good gesture from the management to organize language training because everyone was originally recruited to a Finnish company where there was no signs of internationalization so this is like a new thing [Finnish Interviewee 5]*

*Choosing English as the corporate language is of course a two-ended concept because then at least internally if we think about communication between the headquarters and the subsidiaries then it would serve the subsidiaries so that they can get the information but on the other hand maybe it is not the most natural working language for people so [Finnish Interviewee 8]*

*We are in countries where English is not spoken as the main language so they in the subsidiaries have the same than here in Finland that they need to translate or think about the meaning in English, like, what is meant here [Finnish Interviewee 2]*

*Through benchmarking we have concluded that often there is no official corporate language because if we choose Finnish it means that some people are left out and if we choose English then Finland will be handicapped [Finnish Interviewee 4]*

**5.3.2 Language competency.** The term language competency refers here to level of competency in English, as it is the language, which is most likely to be the common corporate language in the case company. None of the interviewees had experienced a high

language barrier between the country units, and felt that knowledge is successfully transferred although their own language competency would at times feel insufficient. Currently, English is the second language for everyone in the company, which has however, according to the interviewees, has posed occasional challenges to communication. The interviewees have noticed, that juggling between different languages and using their second language as the primary contact language between the headquarters and the subsidiaries affects mutual understanding, the sharing of opinions, and the richness and elaborateness of messages. The use of a second language was mostly seen as not natural.

*When you have to switch from Finnish to English, you have to process a lot more to transfer, you know, because a lot of times the thought will be reduced or it suffers because of your language skills [Finnish Interviewee 2]*

*When you use other than your mother tongue, even simple things can appear as difficult and it is merely because someone understands or expresses the same thing differently even though both are speaking English [Finnish Interviewee 9]*

*To reason something or bring in my own arguments, which I am perfectly capable of doing in Finnish in my mother tongue, I will not do it in English [Finnish Interviewee 8]*

*For people here it takes a lot of effort to comment on things in English [Finnish Interviewee 2]*

The level of language competency varied from person to person, and between the country units. The data expressed an inconsistency between the headquarters' and the subsidiaries recruitment requirements, as applicants in Finland were not required to present their English competency in practice whereas subsidiaries' applicants were required to speak English fluently even if they would not be in touch with the headquarters in their own field of work. A Dutch interviewee experienced that this discrepancy causes an uneven level of language skills in the company, making it sometimes difficult to communicate with their Finnish colleagues.

*It's weird for me that they're seeking for somebody here in the Netherlands who is speaking English but in their own headquarters they're not looking for people that are speaking English, or they don't ask from their personnel to*

*Speak English, so that's weird how can you ask your smaller company to speak English, they don't speak good English [Dutch Interviewee 3]*

It could be drawn from the data that the interviewees who had either personal or work-related previous experience of international operations, intercultural encounters or international communication, reacted more positively to the use of foreign languages than the interviewees who had less previous experience. Interviewees, who had previously either worked in large international companies, travelled a lot, read books in English or used English in their personal relationships were more confident about their language skills and showed more courage towards engaging in encounters with the other units.

*For me it's not a big deal since I have come here from a company where English was the company language [Finnish Interviewee 9]*

*For me it's very natural since the most books I read are written in English, I have done some minor translation work before and worked in an international company. I use English a lot with my friends from abroad [Finnish Interviewee 7]*

It was mentioned that especially when recruiting younger people to Finland, it is assumed that they speak good English. A Finnish interviewee saw that the assumption that everyone has sufficient language competency can affect the people with insecurities or insufficient language skills to feel to have received unequal treatment or to be incompetent in their actual work. In addition, another Finnish interviewee mentioned the incompetency in work field-specific vocabulary, making the interviewee insecure about communicating in a second language, which can in turn hinder communication and reduce the richness of messages.

*If I would be a so-called monolingual without speaking a word of English but I am good at my work and suddenly all our communication and documentation would happen in English, I would feel frustrated and kind of betrayed, I was not required to do this, I am very good at my job but I cannot understand anything anymore. It could also be a very embarrassing situation as it is assumed that everyone speaks English [Finnish Interviewee 8]*

*It is already hard to write these things in Finnish, like, how do you describe the situation and what is my proposal to fix the problem, and when I have to say the same thing in English without IT-vocabulary, I'm wondering how to do it and if I'm going to manage it, I have to do it [Finnish Interviewee 2]*

**5.3.3 Language as value of internationalization.** The questions and worries expressed by the informants were related to the appropriate timing for implementing a common corporate language in accordance with the phase of internationalization. Language was seen to be an important part of internationalization strategy, and it was expressed that language should be taken into consideration during the whole internationalization process. Language diversity was considered as a challenge in managing international operations.

*Language diversity can be seen in managing the growth and in the functionality of the organization, so it clearly poses a challenge [Finnish Interviewee 4]*

*I think language issues should be considered right away when entering new markets [Finnish Interviewee 3]*

It could be drawn from the data that the interviewees saw English as a common company language representing the value of internationality and to reflect an international mindset of the company. The interviewees discussed that English as the company language would show that the company is aiming to be truly international and to continue its internationalization. The interviewees acknowledged that English would be the most sensible choice as the company language in the future, as English was considered as a lingua franca and a worldwide business-language.

*In my opinion, if a company wants to go international, you must realize that you have to speak good English, and if you don't speak English then there is no way that you could be international. That's the main thing I think [Dutch Interviewee 2]*

*We already have monthly reviews in English so I think it will be done in progressively, like, it is recognized more and more all the time that we are internationalizing and we can think for example if this document could be done directly in English and so on [Finnish Interviewee 5]*

*Yeah of course of course which international company doesn't speak English, that's really weird. Everything should be in English, otherwise you can't be*

*international, you cannot expect that we hear and see Finnish words in the applications and documents and then say oh yeah it doesn't matter [Dutch Interviewee 3]*

**5.4 Language as gatekeeper of interunit communication and grouping.** The interviewees thoughts expressed that language can be considered as a so-called gatekeeper in both interunit communication and in relationship-building. The interviewees mentioned that a common language can increase the feeling of togetherness and make individuals feel as members of a common group, whereas the lack of common language may cause the opposite. A common company language was said to improve the connection between the units and to help individuals to feel equal in an international company.

*Language is related to the fact that you feel that you belong to the group. Let's say we would use English, I think it would be more natural to approach the people in our subsidiaries as well [Finnish Interviewee 8]*

*If we are an international company, every employee should have the right to understand the communication in the company. In my opinion it is basically a value-based decision related to the value of equality and equal treatment. If the company and communication language would be Finnish, I can guess that the people in the Netherlands and Sweden don't feel very appreciated [Finnish Interviewee 6]*

The interviewees discussed the role of language in interunit information flows and saw a common language facilitating the efficiency of communication and knowledge-transfer between the dispersed units. Interviewees acknowledged that the language choice in I affects knowledge- and information-transfer, especially from the headquarters to the subsidiaries. It was seen that the lack of language policies in documentation and communication can prevent the information to reach the right people, or that people will be left outside the information-flow if they do not possess certain language skills. The Dutch interviewees mentioned that since the company language is not English, and as English is not always used in for instance in the company's intranet, the lack of shared language makes it difficult to know whether the necessary information is transferred or not.

*I don't know if I miss something in our intranet but it would be good if it would be in English because then you just know if you miss something [Dutch Interviewee 1]*

*We can see the information but we don't understand what it says [Dutch Interviewee 4]*

*Let's say, if we were to use Finnish in transferring information, it would certainly block out every subsidiary [Finnish Interviewee 8]*

This chapter presented the results of the study by discussing and describing the analyzed data in different main- and subcategories. The categories were created according to the themes that were seen to provide the most relevant information both for the research questions of this thesis and for the case company's needs. Each category included a separate discussion about the results, and quotes from the interview transcriptions were presented to introduce the most relevant examples of the data.

The first main category *Organizational structure and interunit relationship* included results related to the tension between local autonomy and global control, and to the issue of distance between the MNC's units. The second main category *Interunit knowledge management* presented the discussed the issues of knowledge-transfer processes, the policies and practices of communication and the role of the expatriate in the case company. The last main category *Language diversity* presented the results that were related to the notion of a common corporate language, to the level of language skills in the case company, to language and internationalization and to language as a part of knowledge-transfer processes.

Next, the main results of the study are further discussed in the light of previous research presented in the literature review of this thesis.

## 6 Discussion

The qualitative case study findings aimed to reveal and describe factors affecting the interunit communication in a multinational case company, as seen by the selected interviewees. To gain a more in-depth understanding to the research theme and to fully answer the research questions set out in the previous chapters, the findings are discussed in more detail in the light of previous literature and of the theories presented earlier in this thesis. The discussion combines the findings of this study with a theoretical background aiming to develop novel and relevant information for research, international companies and for the case company of this study. The discussion is divided into two different sections – *Communication structures of globally dispersed units*, and *Transferring knowledge across diverse units* - to concentrate on the most relevant issues regarding the research questions of this study.

### 6.1 Communication structures of globally dispersed units

Based on the interviewees' discussions, the business strategy and the structure of the case company have an impact on the interunit communication on three levels: in the frequency, intensity and in the breadth of communication, as also suggested by Luo and Schenkar (2007). It can be drawn from the data, that a global business strategy, as presented by e.g. Harzing (2002), requires more intense and rich communication, whereas for example multidomestic strategy, as introduced e.g. by Harzing (2002) and Luo and Schenkar (2007), aims to use local knowledge without constant support and control from the headquarters. It was sensed that on one hand in the case company, geographical distance naturally reduced the frequency of communication, but on the other hand the organizational structure simultaneously increased the breadth and the richness of communication. The case company's communication was increased as the units must communicate in detail in order to manage the operations globally, to get clear answers from other units and for instance to be

able to explain local problems, as similarly described by Luo and Schenkar (2007). The organizational structure of the case company increased the communication intensity and breadth, especially when communicating in a second language – English – across language zones, as discussed also by Luo and Schenkar (2007).

The case company's organizational structure falls between a centralized structure and a more decentralized matrix structure, when following the definitions of Luo and Schenkar (2007). On one hand, the company seems to aim for a global integration and implementation of a common global strategy, centralizing the highest managerial decisions to the Finnish headquarters. On the other hand, the company hoped to respond to the local needs of the subsidiaries and to develop units that are capable of creating independent processes for the local markets. MNC literature often sees subsidiaries possessing less power than the headquarters, hence putting the subsidiaries under the control of headquarters' decisions. This hierarchical and centralized view on a MNC structure, as described by O'Donnell (2000) and Ferner (2000), proposes that centralized organizational structure can work as a controlling mechanism set by the headquarters.

Based on the findings of this study and the previous literature on MNC internationalization, internationalization and foreign operations have different stages, varying from stable to more fragile state of the subsidiaries. It could be concluded that in this case company, the international strategy and entry mode affected the company's interunit communication, as similarly proposed by Luo and Schenkar (2007). In the earliest phases of internationalization, intense interunit communication was more called for, and it was seen to be of crucial importance in building a solid basis for the headquarters-subsidiary relationship and for the feeling of togetherness, as noted also by Keyton (2010) and Luring and Selmer (2011). At the time of the interviews, the interviewees perceived that to ensure efficient interunit communication and co-operation, instead of concentrating on creating and

maintaining very intense and broad communication between the units, the company should aim to build resources, such as teams dedicated only for international operations.

The findings of this study imply that the phase of internationalization may affect the communication occurring between the headquarters and subsidiaries of the case company. At the time of the interviews, the case company consisted of multiple Finnish units and two foreign subsidiaries, of which the Dutch subsidiary was more stable and further in its local operations, whereas the Swedish subsidiary was still in a starting phase. The interviewees' perceptions imply that the subsidiaries in more sensitive phase may require more support, richer communication, frequent visits across units and tighter co-operation, as similarly argued by Luo and Schenkar (2007) and Luring and Selmer (2011). The findings of this study show that when the internationalization of the case company had proceeded, and the subsidiary had built more stable internal processes as well as ensured a role in the local market, intense communication and support was no longer required as much as in a more fragile phase.

As recognized in the previous MNC literature (e.g. Birkinshaw et al. 2000; Keyton, 2010; O'Donnell, 2000), the tension between the subsidiaries' desire for autonomy and the headquarters' need for global control and coordination, can affect the communication between the units. As explained by the interviewees of this study, when the internationalization reached a certain, more stable phase, the subsidiary started to wish for more autonomy and less intense communication with the headquarters. It could be drawn from the data that especially at a more stable point of internationalization, the headquarters should be able to communicate its understanding to the subsidiary and provide the trust the subsidiary needs, as similarly described by Gupta and Govindarajan (2000) and Li (2005), who researched the factors of successful resource transfer.

The interviewees thoughts and expressions further reflected the dilemma of autonomy versus control, as also argued by Keyton (2010) and Tsai (2002), which was broadly reflected in both the subsidiary's and the headquarters' interviewees thoughts. The findings of this study suggest that if the subsidiary is too dependent on the headquarters' support, in a situation where the subsidiaries have local clients and customers, it reduces the speed and reactivity to solve the local needs if everything needs to be confirmed by the headquarters before making local decisions. As the case company's development work is primarily done in Finland, the Dutch interviewees expressed that at times they feel their work suffering as the company's structure requires them to pass on local requests to Finland and then to wait for the answers. Hence, on one hand, the subsidiary interviewees were hoping for more independency in decision-making, and saw decreased intensity of communication as a sign of organizational success and increased trust from the headquarters. On the other hand, the headquarters' interviewees' thoughts reflected a wish for more intense communication. The HQ interviewees expressed that they worry about the subsidiaries being too alone and unable to come to the best decisions without the knowledge and support from the parent-country, as similarly discussed by Birkinshaw et al. (2000) and Chini et al. (2005).

The interviewees also saw global co-operation as vital for international success and internal communication, and as a way to build a truly global company, as similarly proposed by e.g. Keyton (2010). Both the Finnish and the Dutch interviewees highlighted the importance of organizational learning through communication, as also noted by Marschan-Piekkari et al. (1999). The Finnish interviewees perceived that through intense communication they are more likely to be able to spread and to mobilize the company's practices and policies to the subsidiaries, which was also similarly expressed by the Dutch interviewees, and likewise noted by Keyton (2010). The Dutch interviewees brought forth the importance of cooperation and communication with their Finnish colleagues through joint teams and

common meetings, these providing a way of comprehensive organizational learning, as also noted by Li (2005) and Marschan-Piekkari et al. (1999).

The Dutch interviewees saw that at the time of the interviews, their unit was partly missing company-specific information that the headquarters possesses. The age and phase of the unit can hence be seen to affect the amount of knowledge the units have, making the case company asymmetrical in knowledge, as also discussed by Li (2005) and O'Donnell (2000). It could be noticed from the interviewees' perceptions that the Finnish interviewees felt less need to approach the Dutch subsidiary whereas the Dutch interviewees naturally were more active to contact the headquarters as their operations were dependent on the Finnish unit's knowledge and support, which could be connected to information asymmetry of units as explained by Li (2005) and O'Donnell (2000).

In addition to case company's organizational structure and internationalization strategy affecting interunit communication, the data brought forth that geographical distance between the headquarters and the subsidiaries may impact the intensity and breadth of interunit communication, as also discussed Taylor et al. (2008). The interviewees expressed that the case company should understand the importance of building structures that support the effective transfer of resources and knowledge through organizational networks, as similarly proposed by Bouquet and Birkinshaw (2008), Ghoshal and Bartlett (1990) and Luo and Schenkar (2007).

The dispersed locations were perceived to be a natural characteristic in the case company rather than a barrier to efficient communication. Although the interviewees acknowledged the distance between the units as a potential risk for cooperation, the subsidiary interviewees expressed that they received the necessary support from the headquarters despite the distance, in contrary to much of the MNC research suggesting that subsidiaries can feel unsupported due to the distance (e.g. Taylor et al. 2008). The lack of

understanding between the units was mostly experienced to result from the different sizes of the headquarters and the subsidiaries instead of geographical distance, and it was perceived that more value is naturally given to the Finnish customers' wishes since the volume of customers is greater in Finland.

The nature of dispersed locations was however affecting the experience of shared values and common organizational culture in the case company, as similarly proposed by Birkinshaw et al. (2000) and Taylor et al. (2008). The interviewees expressed that they do not have the feeling of togetherness between the units, and perceived that they do not work in a truly global company, which would share the same visions. It can be drawn from the data that the lack of shared values, visions and organizational culture may lead to mistrust and negative attitudes towards further internationalization, towards the success of international cooperation and towards the creation of globally integrated systems, likewise noted by Li (2005) and Yli-Renko et al. (2001).

In contrary to much of the MNC research (e.g. Ambos et al., 2007; Reus & Lamont, 2009; Vaara et al., 2012), dispersed locations with cultural differences of the case company were not perceived to pose risks for interunit communication or for knowledge-transfer. The interviewees acknowledged that cultural differences may at times result to perception gaps, as also noted by the prototype theory (Constantinides et al., 2001), in very practical issues and in organizational behavior, such as how meetings are held and how to dress to work. However, the interviewees simultaneously explained that it is difficult to say which differences are persona- or group dynamics-related and which can be traced back to one's national culture. On the contrary to Bodea and Mustata's (2007) argument on reducing the cultural differences to avoid risks, it could be drawn from the data that the interviewees were hoping to see national cultural differences in their work, and that they were intrigued by the possible cultural differences rather than experiencing cultural diversity as a cause for

miscommunications, contradicting with Ambos et al. (2006) arguing that cultural differences can possibly hinder communication. The interviewees expressed that the distance being rather short between the parent-country and the subsidiaries, and as all countries belong to Northern or Central Europe, the national cultures present in the case company do not differ very visibly in the context of working-life.

However, supporting Bodea and Mustata's (2007) argument, some interviewees expressed their wish for cultural training, and talked about the importance of cultural knowledge as a part of internationalization process. Implying about the need of diminishing cultural differences between the employees, it could be drawn from the data, that the interviewees would like to be well-prepared for possible cultural differences they might encounter when the case company enters a new foreign market. The interviewees perceived that, at the time of the interviews, each unit still had their own cultural characteristics, on the contrary to converging on common organizational culture, as proposed by Bartnett and Kincaid's mathematical theory on group-level converging (1983 cited in Gudykunst & Mody, 2002). This implies to the fact that currently the subsidiaries are more exposed to their external contexts than to a close system of the case company, as proposed by Bartnett and Kincaid's theory (1983 cited in Gudykunst & Mody, 2002).

## **6.2 Transferring knowledge across diverse units**

It could be drawn from the data, that the frequency of communication initiatives varied between the units of the case company. The Finnish interviewees were at times more passive to approach the Dutch subsidiary while the Dutch interviewees actively send emails, called or opened a chat with the Finnish employees. This could be explained by the fact that the subsidiary needs more information from the headquarters than the headquarters from the subsidiaries, as the information the case company's subsidiary currently possesses might not be crucial for the company's global success. This finding is contradicting much of the MNC

research (e.g. Bouquet & Birkinshaw, 2008; Ghoshal & Bartlett, 1990; Luo & Schenkar, 2007), which has recognized foreign subsidiaries as one of the main factors for MNCs' competitive advantage.

It can be concluded from the data that the headquarters might lack absorptive capacity, which prevents it to comprehend the value produced by the subsidiaries, as supported by the arguments of Gupta and Govindarajan (2000). Subsidiaries have been proposed to be of great importance due to the local knowledge they produce, which could increase the global scale of MNC knowledge (Bouquet & Birkinshaw, 2008). In the case company, to gain the most benefits of the success in the local markets and to be able to use the local knowledge produced by the subsidiaries, it could be seen that the headquarters should add more value to the experience and knowledge that is produced in the foreign subsidiaries. However, based on the interviewees thoughts, subsidiary knowledge can be consciously perceived to be secondary information. This choice of ignoring subsidiary knowledge can be connected to the early phase of internationalization, in which it might not be sensible to need locally produced knowledge as a global competitive advantage. Additionally, similar to the propositions of Gupta and Govindarajan (2000) and Minbaeva et al. (2003) perception gaps between the case company's headquarters and subsidiaries might result to the fact that the subsidiaries experience certain information more valuable than the headquarters.

Contrary to previous literature (e.g. Birkinshaw, 2000), the case company's units seem to share the same interests, and the unit managers experienced to be working together towards common company-wide objectives. However, the local market differences were seen to result to perception gaps and to lack of understanding the local nuances, as also noted by Birkinshaw et al. (2000) and Chini et al. (2005). On one hand, perception gaps can be seen to cause underestimation of subsidiary initiatives, and, on the other hand, subsidiaries may

misjudge of what is relevant information for the company's operations, as similarly noted by Birkinshaw et al. (2000). It could be drawn from the data that the Dutch interviewees sometimes felt their wishes to be underestimated or unheard by the headquarters as the Dutch market requires the products to be partly localized in a way which seems uncommon to the Finnish units. This finding is supported by the notion of resistance towards subsidiary initiatives, implying about the phenomenon of corporate immune system (Birkinshaw and Ridderstråle, 1999).

The Dutch unit is often required to ask for changes from the development department in Finland, and the Dutch interviewees explained that it is challenging for them to know the status of their requests. The lack of standardized communicational processes between the units can be hence interpreted to cause the feeling of underestimation as there seems to be a gap in the information-flow between the headquarters and the subsidiaries. It can be drawn from the data, that when the communication policies and practices are not standardized, the knowledge- and information-transfer can be hindered or even blocked, resulting to barriers in international operations, as similarly noted by Gupta and Govindarajan (1991, 2000) and Barner-Rasmussen and Björkman (2005).

Supported by the views of Gupta and Govindarajan (2000) of MNC knowledge often being tacit, it seems that the case company's knowledge, especially knowledge related to internationalization and international activities, is tacit and hence challenging to transfer across the dispersed units. As tacit knowledge is often transferred through the everyday activities of the company, through corridor chit-chat rather than with the help of official trainings, the case company is facing a potential barrier to transferring knowledge between the units. Due to the dispersed locations and geographical distance, this kind of communication acts are missing from the HQ-subsidiary relationships, as similarly seen by Gupta and Govindarajan (2000). Hence, as the findings propose, in-depth documentation,

official communicational policies and practices as well as clear roles and responsibilities are pivotal processes in ensuring successful knowledge-transfer across the units.

As the range of information that flows across MNCs' units, is very broad and vast, it needs to be controlled and coordinated (Gupta & Govindarajan, 2000; Keyton, 2010). The headquarters' interviewees brought forth the issue of how to select the relevant information to be transferred to the subsidiaries out of all the information that is produced in the Finnish units. It could be concluded from the data that, at the time of the interviews, the case company was lacking clear policies on global informing and communicating, which seemed to complicate and slow down the information-transfer to the subsidiaries, as similarly described by Keyton (2010) and Luo and Schenkar (2007). The interviewees highlighted the importance of creating roles and responsibilities for information-flow across the units, as this was seen to help keep the workforce up-to-date on both domestic and international activities, as well as to facilitate the automation of out- and in-flows of relevant information, as also discussed by Luo and Schenkar (2007).

The data presented a difference in the willingness to approach other units, as the Dutch interviewees felt more at ease to contact the Finnish employees whereas the Finnish interviewees mentioned to feel sometimes uncomfortable and hesitant to approach the Dutch employees. This could imply about a result, in addition about the above-mentioned information asymmetry, of language-based communication avoidance, similar to the findings by Luring and Klitmøller (2015) and Piekkari et al. (2014). As the Dutch employees were all hired to an international company, and required to speak English already in the job interview, whereas most the Finnish employees were hired to a Finnish company, which at that time, had no intentions of using English as a working language, the language competencies can be seen to vary between the case company's units. The Dutch employees are naturally using more English as they are in an ongoing communication with their Finnish expatriate manager

and with their Finnish colleagues located in the headquarters, contrary to the Finnish employees', whose main working language is still Finnish and of whom only a minority needs to contact the subsidiary employees in English.

The interviewees thoughts on language competency indicated a further discrepancy between the units' language requirements. It could be drawn from the data that the Finnish units may see using their second language, English, as an obstacle slowing down their own work and communication, while it should be noted that the Dutch employees are already using a second language as their main communication language. This discrepancy seemed to cause some resentment and even annoyance in the subsidiary interviewees, who perceived that the current language use reflects inequality, as similarly noted by (Neeley, 2013). It can be concluded that the company currently struggles with the question of language choice and between two different values the language choice reflects. The choice can be seen to be based on either the current situation, where the majority of the workforce and the largest part of the turnover come from Finland, or on an orientation towards future and further internationalization.

Language was also seen as a tool of creating networks and a sense of a common global company. At the time of the interviews, language was seen to be a very topical and crucial theme in discussions about the case company's internal processes. The company had considered implementing a common corporate language, English, and had already made some steps towards that, however not officially decided for or against a corporate language. Most of the interviewees perceived that currently the best way would be to use English as a communication language in all international communication and documentation, however, without having to officially select a company language. This view could be seen to result from the current phase of the case company's internationalization, which would not yet require a full change to English in all communication. Supporting the views on other strategic

decisions about language in addition to CCL, as introduced by Piekkari et al. (2014), the interviewees perceived that English could be used as a contact language, from which local translations would be further created.

As the company's products and services are very connected to different markets and customers' nationalities, local languages are still needed in order to operate within the local contexts. However, many interviewees seemed to be very long-term orientated as they considered having English as a common language to facilitate possible further internationalization and the communication across even more countries, which is compatible with the views of supporters of CCL, as described by Neeley (2013) and Piekkari et al. (2014). Language, and the use of English, was also seen to imply about the value of internationality and to reflect an aim to be a truly global company. It could be drawn from the data that as long as the company was mainly using Finnish for interunit communication and documentation, the mentality of the case company was not truly international.

English seemed to be the only choice for a possible common corporate language, although the majority of the workforce is still Finnish. As also noted by Marschan et al. (1997) and Piekkari et al. (2014), the interviewees highlighted the role of language as a gatekeeper of information as they perceived that choosing a language for documentation and interunit communication also chooses who is able to receive information, as the lack of certain language skills may block someone out, as also noted by Piekkari et al. (2014). Especially the subsidiary interviewees perceived that using English as a contact language and the automatic language of documentation would be natural if the company aims to create more independent local units, which would follow the a common global strategy. Interviewees hence acknowledged the potential barriers that language use may pose to interunit communication as well as to relationship- and trust-building between the units, as similarly proposed by Feely and Harzing (2003) and Tenzer et al. (2014).

The data proposes that the Finnish employees are using their language contact, the Finnish expatriate located in the subsidiary, as the main communication channel, which resulted to language-based communication avoidance with English-speaking colleagues, as similarly noted by Piekkari et al. (2014). Expatriate is thus a crucial part of the knowledge-transfer processes of the case company since a large amount of the information is transferred through the expatriate, delivering unintentional power to the expatriate, as proposed by Piekkari et al. (2014).

The case company's expatriate manager's role as a language node, possessing language-related power, positions the expatriate to the role of a gate keeper of information, as likewise noted by Piekkari et al. (2014). As the interviews brought forth, the company seemed to be lacking in documentation and translations, forcing the expatriate to often translate material from Finnish to English, as well as the subsidiary personnel to further translate from English to Dutch. The translation processes were seen not only as difficult and time-consuming but also as extra work for the expatriate, as well as for the other language-competent individuals. The expatriate can be proposed to be facing dilemmas of both choosing the relevant information to be translated and of not always possessing the necessary language competency for correct translations, which could possibly result to a hindered flow of information due to language barriers, as also described by Piekkari et al. (2014).

The Dutch interviewees felt that it is easier to communicate to the headquarters through the expatriate, as it was seen to reduce the possibility of misunderstandings and miscommunications, as similarly noted by Piekkari et al. (2014). The interviewees acknowledged that having a language node between the Dutch subsidiary and the Finnish headquarters, bridged the geographical, cultural and linguistic gap between the units, while the lack of expatriate in the Swedish subsidiary widened the gap and lead to feeling of subsidiary isolation, as proposed by Piekkari et al (2014). The role of expatriate manager was

brought forth in every interview, and it could be concluded that expatriation is perceived as one of the main factors affecting interunit communication in the case company. It could be drawn from the data that positioning an expatriate manager to the Dutch subsidiary has increased both the absorptive capacity of the headquarters and the influence power of the subsidiary, as also seen by Johnson and Lederer (2005) and O'Donnell (2000).

Before the parent-country expatriate was located in the unit, the Dutch subsidiary seemed to be having issues with overall confidence in their local operations. The Dutch interviewees explained that the expatriate manager has reduced the feeling of uncertainty, of underestimation and of loneliness, as similarly discussed by Johnson and Lederer (2005) and O'Donnell (2000). The expatriate was seen to promote the local nuances of the subsidiary hence raising the headquarters' awareness on national culture and market differences, as noted by Johnson and Lederer (2005), O'Donnell (2000) and Park and Mense-Petermann (2014).

From the viewpoint of the headquarters' interviewees, in addition to reducing the linguistic and cultural barriers between the case company's units, the expatriate was perceived to facilitate the mobilization and spreading of company-specific practices and the coordination of the company's strategy, while taking the local nuances into account, as similarly noted by O'Donnell (2000) and Park and Mense-Petermann (2014). The Dutch interviewees also expressed to have received increased understanding from the headquarters, as well as to have experienced increased richness of communication and to have formed a deeper informal relationship after the expatriate was positioned to the unit. Hence, it could be drawn that the findings support Yum's theory on inter- and intracultural networks (1988 cited in Gudykunst & Mody, 2002), as the expatriate was seen to bridge the gap between the units and facilitate the building of stronger networks. Expatriation was experienced to contribute to the mutual resource- and knowledge-transfer and strengthen the relationship between the

subsidiary and the headquarters, as also described by Park and Mense-Petermann (2014). Relationships and networks were experienced as pivotal for effective knowledge-transfer in the case company, similar to the ideas of interorganizational network theory by Ghoshal and Bartlett (1990).

In addition to a formal, work-based relationship, an informal relationship between the headquarters and the subsidiaries was seen to be important in the case company. While the intensity and breadth of formal, work-related communication was mostly experienced as sufficient, both units' interviewees were calling for more informal communication between the units. Frequent visits and communication, personal relationships across the units and informal content in communication, such as asking about a colleague's holiday plans, were seen to increase the frequency both in work-related communication and in organizational learning as the personal relationships were used as communication channels instead of the official channels, as similarly noted by Piekkari et al. (2014). Interviewees expressed that they prefer to contact other units through someone they know personally even though it is someone, who is not the official contact person. Personal contacts were also used as communication channels if official communication policies were not agreed upon. It can be drawn from the data that an informal relationship between the units is reflected as increased understanding and decreased uncertainty, as similarly proposed by Johnson and Lederer (2005) and Levin and Cross (2004).

While discussing the actual above-mentioned processes and practices of interunit communication, the data also brought forth the interviewees' attitudes towards internationalization, international and intercultural encounters and multilinguistic communication. These attitudes could be seen to impact the actual communicational processes and acts as the interviewees who expressed a positive attitude towards international operations also seemed to feel more at ease to communicate and interact with their foreign

colleagues. Furthermore, it could be drawn from the interviewees' thoughts that individual with previous experience of intercultural encounters, of travelling or of using English as well as those individuals with interests in international business life perceived the case company's internationalization and the implementation of English as the CCL more positively. It could hence be sensed that negative attitudes and a lack previous experience could be potential risks affecting further internationalization and implementation of global practices, especially if negative attitudes emerge on managerial level, as similarly noted by Chetty and Angdal (2007) and Kalinic and Forza (2012) discussing SMEs internationalization.

The next chapter draws a final conclusion by presenting practical implications for the case company based on the findings of the study and the previous literature.

## **7 Conclusion**

### **7.1 Conclusions**

The study set out to examine the various factors affecting the success and efficiency of interunit communication in a multinational case company. The findings of this study developed an understanding of a situation of one case company in a rather early phase of its internationalization process. In this phase, the company managers experienced that issues related to diversity and international encounters were starting to emerge. As the company was interested in finding reasons and explanations for the communicational challenges posed by the new situation of internationalization, it was vital to investigate the underlying factors, such as the organizational structure and internationalization process that affect the company's current state. Furthermore, it was clear that the company is challenged by the existence of dispersed and diverse locations and of the missing structures of communication between the units. Therefore, an in-depth examination was necessary to understand how the current situation is perceived by the employees and managers in different positions.

The findings of the study introduced various opinions, patterns, attitudes and practical implications about the internationalization of the case company and about the interunit communication between the Finnish headquarters and the Dutch and the Swedish subsidiaries – the Swedish subsidiary being in smaller role due to its size and its current start-up phase. The issues brought forth novel information on how the case company's interunit communication is currently structured, what are its challenges and its strengths. A single case study allowed the in-depth investigation of the chosen theme.

The main findings were related to practical work-related practices and policies of interunit communication as the data presents that more clear roles, practices and responsibilities were broadly called for. The communication between the headquarters and the Dutch subsidiary had already improved significantly but to ensure the efficient transfer of

information and knowledge across the company units, especially in the case of further internationalization, it could be seen that the company's structures and roles could be (re)organized to better support information-flows. The documentation and interunit communication language of should be planned and managed in a way, where language is used as a tool of enabling the transfer of information and the processes of global relationship-building, instead of complicating and hindering cooperation. Additionally, the case company's interunit communication was seen to have improved, when informal relationships and personal networks across the units were formed, which had increased trust and cooperation between the headquarters and the subsidiaries. Contrary to the previous literature on cultural differences and physical and psychological distance in MNCs, the findings of this study did not bring forth strongly visible perceptions of cultural differences or distance as barriers to interunit communication. Confirming the findings of previous literature, the need for strategic language and communication management was brought forth, and more attention towards linguistic and cultural diversity as well as towards interunit relationship-building and common organizational learning through efficient communication were called for.

## **7.2 Limitations**

Limitations of this study concern the selection of literature and the chosen research methodology. As the research on MNC internationalization, MNCs' internal communication and intercultural communication is a vast and broad field, this study was naturally not able to cover all literature that may have had a more in-depth input for the research theme. However, as the study was conducted as a single case study, the literature in this study was chosen based on the relevancy for the case company in question, hence offering important background for the empirical research.

Qualitative inductive research has certain limitations in its methodology. As proposed by Silverman (2005), this study method is subjective by nature as the data examination and

findings are based on researcher's own interpretation and beliefs. It should be hence noted that the study might include findings that are affected by the author's personal opinions and values, and which could be interpreted differently by another researcher.

Conducting the study as a case study provides in-depth findings of the researched theme but generalizations of a single case should be made with caution as the findings are limited to only one company within single setting, as noted by Kohlbacher (2006). This study does not aim to describe the theme of interunit communication as a general phenomenon, which would be applicable to all research, but seeks to answer to the needs and questions within the context of one case company.

### **7.3 Implications for Further Research**

This study provided important descriptions of a single setting research and could hence answer to the current needs of the case company. However, further in-depth research on interunit communication investigating the interplay of language use and cultural diversity is advocated, as especially language-issues are still often overlooked, as suggested by Piekkari et al. (2014). Similarly, as the findings of this study proposed a notion of MNC employees' and managers' attitudes as variables affecting interunit communication, this finding implies about a potential research area for further examination on attitudes role in international interunit communication. Furthermore, based on the findings of this study, research with larger sample using longitudinal method would offer more holistic insight for intercultural communication research, and allow to connect the findings to a more long-term development of internationalizing MNCs.

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