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Making sense of foreign direct investment: Towards a strong structuration model of MNE decision-making

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Abstract

Making sense of foreign direct investment: Towards a strong structuration model of MNE decision-making

Despite the centrality of FDI phenomena in IB research, we still have a limited understanding of the underlying managerial activities and interactions that generate FDI decisions. Extant theories of FDI focus on determining the necessary conditions for FDI to occur, while neglecting the actual decision process and the role of managers in shaping the FDI outcome.

To address this lacuna in the literature, a qualitative multiple case study collected data through in-depth narrative interviews with multiple participants in ten MNEs to retrospectively study how the FDI decision process unfolded in each case. The thesis provides a detailed understanding of the FDI decision process in MNEs. Such perspective entails a shift from conceiving FDI as “a point-of-time ‘go/no-go’ decision” to a process view in which MNE actors work together in time to reach a decision. As such, the thesis brings a focus on the activities and interactions performed by actors during the FDI decision process.

Based on the research findings, the thesis contributes to the IB literature by providing further insights into the processes, activities, and interactions which lead to FDI decisions. A strong structuration framework is proposed to explain the different trajectories that an FDI decision can take in different MNEs through the interrelations of three elements: (1) external structures which constitute the external conditions of actors’ actions; (2) MNE’s meaning structures which represent the firm’s institutionalized practices; (3) internal structures which consist of actors’ general dispositions and their conjuncturally-specific knowledge of the terrain in which action unfolds. The interrelations between these elements at a certain conjuncture shape actors’ activities and the way they relate to their MNE’s meaning structures leading them to follow or depart from their MNE’s institutionalized practices. Two FDI decision trajectory types were identified; an induced and an autonomous trajectory, within each, the structures were configured in different ways and the actions and interactions performed by actors were also different.

Building on these findings, the thesis provides several theoretical and practical implications to the IB literature and MNE managers and policy makers.
Dedication

This thesis is dedicated to my grandparents (Amira and Amin), mum (Ayten), dad (Farid), my siblings (Tamer and Yomna), my sister-in-law (Hadya), and my beautiful nieces Tia and Dima.
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Chapter 1. Introduction and Overview

1.1 Introduction

Despite the centrality of FDI phenomena in IB research, we still have a limited understanding of the underlying managerial activities and interactions that generate FDI decisions (Aharoni, 2010; Devinney, 2011). Extant theories of FDI have focused on determining the necessary conditions for FDI to occur, while relatively ignoring the role that MNE managers play in shaping the FDI outcome (Aharoni, 2010). Therefore, little is known about how actors, embedded in organizational contexts, interactively notice, develop, and evaluate the different FDI opportunities that exist in their firms’ environment.

Aharoni’s (1966) work is recognized as one of the classics in the IB literature, and reference to his book is often made to underscore his insights about the processual, social, and political nature of the FDI decision process (e.g. Alimadadi et al., 2017; Buckley, Devinney & Louviere, 2007). The implications of his ideas to our understanding of the FDI decision process were not fully realized as evidenced by consistent calls for process studies of FDI decision-making (Brouthers & Hennart, 2007). Theories descending from economic traditions treat FDI entry mode and location choices as a point-of-time decision and hence choice and action are conceived as unproblematic concepts (Buckley et al., 2007). The early studies of internationalization process (Johanson & Vahlne, 1977) adopted some of Aharoni’s (1966) central ideas around uncertainty avoidance, commitment, and knowledge, however, they shifted the focus from the detailed study of the actions and interactions of decision-makers during the FDI decision to a focus on explaining internationalization processes over time at the firm level (Vahlne & Johanson, 2017). The decision process, which is undertaken by organizational actors, that seeks to explain the way actors from within the process experience the situation, the living forward-understanding backward dialectic that is inherit in our life (Shotter, 2005), has been ignored in the IB literature. This resulted in a lacuna in our understanding of these issues as the IB literature did not keep up with advances in organization theory (OT), for example, in process theory (Hernes, 2014), sensemaking (Weick, 1995), structuration theory, and pragmatist views of action, which take seriously the interrelations between structure and action and interaction, and the role of time and temporality in shaping actors’ activities (Emirbayer, 1997; Farjoun, Ansell & Boin, 2015; Simpson, 2009).

In addition to these advances in ontological and theoretical perspectives, new empirical observations point out to important changes in the way MNEs are organized. Evidence suggests that there is an increasing delegation of decision-making responsibilities from headquarters
(HQs) to regional and/or local subsidiaries (Conroy, Collings & Clancy, 2017; Geppert & Dörrenbächer, 2014; Mudambi & Navarra, 2004; Nell, Kappen & Laamanen, 2017). It is now well established that MNE subsidiaries engage in developing initiatives (Strutzenberger & Ambos, 2014) and are an important source of knowledge creation (Regner & Zander, 2011). In short, knowledge, action, and decision-making are becoming increasingly dispersed in MNEs (Tsoukas, 1996). This is a very different structural context of action compared to the MNEs which Aharoni (1966) have studied in the 1960s whereby the locus of knowledge, action, and decision-making was conceived as residing at the MNE HQs. In this new empirical reality, ideas emerge from the centre and/or the periphery (Regner, 2003), and new proposals for FDI might come from existing subsidiaries and not necessarily from HQs. Issues of conflicting interpretations due to actors’ embeddedness in different contexts, power struggles over resources, and fighting for HQ attention, become an inescapable reality for MNE actors (Geppert, Becker-Ritterspach & Mudambi, 2016). Thus interactions during the decision process would not only take place between actors in the HQ, but also between subsidiaries and HQ (Geppert et al., 2016; Morgan & Kristensen, 2006). These issues however have been ignored in the context of FDI decisions.

To address these lacunae in the literature, this thesis aims to provide a detailed understanding of the FDI decision process in MNEs. Such perspective entails a shift from conceiving FDI as “a point-of-time ‘go/no-go’ decision” (Buckley et al., 2007) to a process view in which MNE actors interactively work together in time to reach a decision (Aharoni, 1966). As such, this thesis brings a focus on the activities and interactions performed by actors during the FDI process; activities that entail problematizing, interpreting, framing, knowledge development and articulation, issue selling, bargaining, evaluating, and choosing. Following Aharoni (1966), the FDI decision is conceived as a social and political process that takes place in time. It is social because it involves several organizational actors who might play different roles at different stages in the process (Aharoni, 1966). Those organizational actors might belong to different functional roles, managerial levels, or even different units. Therefore, understanding the interactional dynamics between those actors and the social relations between them is important in explaining the FDI decision process. Because those actors are embedded in different roles and spatial contexts, their interpretations, interests and goals might be different, and hence the process is political. All these activities and interactions do not take place in a vacuum, rather they are shaped and shape organizational rules and norms regarding appropriate action (March, 1962). Finally, these activities and interactions take place in time, and therefore the role of temporality is important to understand actors’ activities. Actors work towards a certain projective image while being informed and sometimes constrained by what they have already
done, but as they act in the present the future image is reshaped and the past might be re-interpreted according to actions in the present (Emirbayer & Mische, 1998). In order to accommodate these ideas, a perspective that conceptualizes both agency and structure as recursively implicated in action is needed. Stones’ (2005) strong structuration theory (SST) provides this perspective, which builds on Giddens’ structuration theory (1984) but aims to provide more substantive guidelines for empirical research as opposed to the abstract model that was proposed by Giddens. Specifically, Stones’ (2005) framework allows me to investigate actors’ actions and interactions; their internal structures, which shape and is shaped by their actions; and the external structures, which represent their structural contexts of action at a certain conjuncture (FDI decision process).

In the following sections, I first provide a background to the research by briefly discussing extant theoretical perspectives on FDI by MNEs. My aim in this section is to problematize some of the underlying assumptions that cut through different theories in IB. Specifically, I criticize extant FDI theories for reducing FDI decision process to a point-in-time decision, and thus ignoring the role of time, temporality, and actors’ active agency in shaping the FDI outcome. Second, for treating the MNE as a unitary actor, and as a result providing an impoverished model of agency that reduces actors to mere automata, and ignoring the embeddedness of actors in social relations and organizational structures which both enable and constrain their actions. By doing so I make the case for adopting a structuration approach, which seeks to understand FDI as a process by looking at the work performed by embodied, relationally constituted actors who are spatially and temporally embedded in MNEs contexts. I then present the research questions that I address in this thesis. Afterwards, I discuss the qualitative case study approach that I used, followed by a discussion of the potential theoretical and practical contributions of the research. Finally, I provide a summary of the thesis chapters.

1.2 Background

1.2.1 Theories of FDI

Variance FDI theories (such as the OLI paradigm of Dunning (1988) and the internalization theory of Buckley and Casson (1976)) have enriched our understanding about the factors that explain the existence of MNEs, the effect of transaction cost variables, among others, on entry mode choices (e.g. Brouthers, 2002), and the factors that influence FDI location choice (e.g. Chung & Alcácer, 2002). However, such approaches have largely ignored how these decisions are actually made by MNE actors (Brouthers & Hennart, 2007; Hutzschenreuter, Pedersen & Volberda, 2007). As indicated by Casson:
Transaction cost analysis explains the boundaries of the firm very well; what lies inside the boundaries of the firm is not explained so well because this is not the focus of the theory (Casson, 2000, p. 118).

As such, the decision process remains a mostly unobserved issue in the IB literature on FDI (Dimitratos et al., 2011; Hutzschenreuter et al., 2007), despite the fact that FDI is a crucial strategic decision.

The decision to engage in FDI has been explained by two competing approaches in the IB literature and both ignore to a certain extent the processes that lead to such action (Aharoni, Tihanyi & Connelly, 2011). On the one hand are theories and paradigms descending from an economic tradition (e.g. Buckley & Casson, 1976; Dunning, 1988; Hymer, 1976), which assumes that firms facing imperfect markets will choose entry mode strategies and foreign locations that are optimal in terms of profitability and transaction cost minimization. Firms are therefore seen as rational (e.g. Dunning, 1988), or boundedly rational (e.g. Buckley & Casson, 1976) in their choices. It is assumed that firms will have the information needed to take a rational decision (Aharoni, 2010), or that the decision-maker is able to develop a set of alternatives and rank them in terms of potential profitability (Buckley & Casson, 2009). When developing these alternatives, “a rational decision-maker will collect only sufficient information to make the risks surrounding the decision acceptable” (Buckley & Casson, 2009, p. 1568). It is not clear though “what is sufficient, how is the information collected and evaluated, how the decision maker knows which information to collect, and what is an acceptable risk” (Aharoni, 2010, p.85).

The implications of assuming such rationality can be questionable, as it leads to developing strong assumptions about the nature of firms’ decision-making (Devinney, 2011). The assumption of rationality also diverts our attention from process issues, as FDI theories descending from an economic tradition often treat decision-making process as a known set of choices constrained by the external environment (e.g. industry structure, macro factors) and firm-specific advantages, and from which choosing the most feasible action is not a problem. The problem then is not about how managers in firms choose a certain action because it is assumed that they will choose the best one anyway (Nelson, 1991).

On the other hand is the behavioral internationalization process (Uppsala) model (e.g. Johanson & Vahlne, 1977) in which managers who are risk averse and have limited information take small incremental steps when internationalizing as they gain experiential knowledge and learn about foreign markets. Johanson and Vahlne (1977) proposed that “the state of internationalization affects perceived opportunities and risks which in turn influence commitment decisions and current activities” (Johanson & Vahlne 1977, p. 27). Thus, commitment decisions are interlinked
as past decisions affect existing situations through accumulating experiential knowledge which reduces perceived uncertainty.

Even though the Uppsala model builds on Aharoni’s (1966) work, however Johanson and Vahlne (1977) focused their discussion at the firm level. This is problematic because it does not explain how the process of learning leads to further commitment. It does not explain how the knowledge that is developed in new markets is transferred and exploited by actors in the HQ. As stated by Johanson and Vahlne (1977, p. 29) “[p]roblems are mainly discovered by those parts of the organization that are responsible for operations on the market and primarily by those who are working there”. This assumes that knowledge of the opportunities is easily transferred to decision-makers in the HQ and that they will share a similar interpretation of the potential opportunities. For this assumption to hold, we either should assume that those who learn are the same actors who make commitment decisions, or that experiential knowledge can be easily packaged and transferred by those who learn to those who make the commitment decisions. The former assumption has been contested by many studies, most prominently by Bower (1970) who argued that top managers often do not possess the technical knowledge, rather line and middle managers are the ones who are most knowledgeable about market opportunities due to their engagement with day-to-day operations. The second assumption is also problematic because as several scholars have argued knowledge is produced in communities embedded within local contexts (Brown & Duguid, 2001) and it is therefore sticky (Szulanski, 1996). Hence, those who learn might struggle to convince decision-makers at the center of the potential opportunities that they perceive in their local environment. This might even be more challenging as Birkinshaw and Ridderstrale (1999) have shown that MNE HQs might suffer from a not-invented-here syndrome leading to rejection of initiatives that come from subsidiaries. Therefore, this process entails meaning contestation between actors and processes of issue selling (Dörrenbächer & Gammelgaard, 2016) to convince the HQ actors of the relevance of the perceived opportunity to the MNE. This requires departing from the assumption of the MNE as a unitary actor and to open up the organization to examine the processes that take place between actors during FDI decisions.

To conclude, a common assumption in extant FDI theories is that firms act as a unitary actor, and therefore the role of decision-makers and the process through which these decisions are channeled and abstracted are not explicitly incorporated. The firm is depicted as a unitary quasi-rational entity with the main purpose of profitability and rent extraction. Even the internationalization process model, which considers the role of managerial knowledge about foreign markets, still treats the firm as a unitary actor with a common understanding of the decision situation. Economic approaches lead to an overly rationalistic conception of actors’
conduct and endow them with fixed interests and preferences which abstract them from the social milieu in which they are embedded. While useful for certain purposes, these approaches tell us little about “the interpretive processes whereby choices are imagined, evaluated, and contingently reconstructed by actors in ongoing dialogue with unfolding situations.” (Emirbayer & Mische, 1998, p. 966). On the other hand, the Uppsala model with its emphasis on the role of routines and path-dependency (Vahlne & Johanson, 2017) ends up emphasizing the structural dimensions over the agentic possibilities of actors’ activities in departing from the institutionalized practices of their firms (Steen & Liesch, 2007). The result is an undertheorized account of the role of actors’ actions and interactions in shaping the FDI outcome.

1.2.2 The MNE as a contested terrain

Over the last three decades, there was a shift from conceiving the MNE as a hierarchy towards a view of the MNE as a differentiated network (Ghoshal & Bartlett, 1990; Nohria & Ghoshal, 1997; Rugman & Verbeke, 2001) and a heterarchy (Hedlund, 1986), whereby hierarchical relationships between the HQ and subsidiaries were de-emphasized and the focus shifted to knowledge sharing and transfer flows (Gupta & Govindarajan, 1994). The firm is seen as a social community which arises due to its superior efficiency in knowledge transfer and recombination capabilities because of the existence of a common social identity (Kogut & Zander, 1993). Shifting the focus on issues of learning and knowledge creation and transfer led scholars to recognize the important role played by subsidiaries in building new capabilities on which the whole MNE can draw (Bartlett & Ghoshal, 1989; Birkinshaw, 1997; Hedlund, 1986; Prahalad & Doz 1981). Subsidiaries through interacting with actors in their local environments are able to access and discover new opportunities and to recombine their MNE knowledge with newly acquired knowledge from their local operations which can then be shared with other actors in the MNE network. This optimistic view of integration and seamless sharing of knowledge between subsidiaries is assumed to be facilitated by the HQ managers’ role in designing a common social identity (Kogut & Zander, 1992, 1993) and a shared framework of values (Nohria & Ghoshal, 1997). These shared values result in actors having the same interpretations and goals regarding appropriate action. As pointed out by Forsgren and Holm:

By assuming that units and individuals in the MNC have views and interests in common, bounded rationality due to goal incongruence and differences in interests between units and individuals becomes much less of a problem (Forsgren & Holm, 2010, p. 425).

Thus, while Kogut and Zander (1992; 1993) correctly emphasise the social dimension that underlies knowledge creation and transfer in MNEs, they provide an overly socialized view of actors which reduce them to mere automata following institutionalized practices. This overly
harmonious view of the MNE has been challenged by several scholars relying on different theoretical perspectives. The work of Birkinshaw (1997) on subsidiary initiatives showed how differing interpretations between the HQ and subsidiaries can lead to rejecting the ideas proposed by subsidiary actors (Strutzenberger & Ambos, 2014). Building on the attention-based view (Ocasio, 1997), Bouquet and Birkinshaw (2008) show how subsidiaries compete for the HQ actors’ attention by building on their structural position and contribution to the MNE as a whole. The business network approach emphasizes the embeddedness of subsidiaries in local business networks which result in distributed knowledge (Forsgren, Holm & Johanson, 2005). The HQ becomes a player among others in the conquest of securing resources and shaping the strategic direction of the MNE (Forsgren et al., 2005). This perspective typically relies on resource-dependency theory to examine the influence of structural characteristics on the relationship between HQ and subsidiaries. Institutional perspectives have also highlighted that the MNE is better conceived as a loosely coupled organization due the embeddedness of subsidiaries in distinct institutional settings (Westney, 1993) which shape their local practices and knowledge (Morgan & Whittley, 2003). Taken together, these perspectives point out to the existence of a variety of external influences, the heterogeneity of MNE actors’ interpretations and practices, and as a result the distributed nature of knowledge in MNEs. The MNE context therefore is better conceptualized as a “contested terrain for meaning construction” (Edwards & Belanger, 2009), where actors with differing knowledge, identities, and interests are competing to advance their initiatives and projects (Kristensen & Zeitlin, 2001; Dörrenbächer & Geppert, 2006; 2011). As highlighted by Regner and Zander:

MNCs encompass vast differences within themselves, not only in terms of exposure to external knowledge and the knowledge set-ups of diverse subgroups, but also in terms of how various subgroups cognitively and normatively evaluate their own and external knowledge and opportunities (Regner & Zander, 2011, p. 830).

1.2.3 The problem of distributed knowledge

The preceding discussion underscores the problematic situation that face MNE actors. The MNE is not a monolithic entity rather it is a differentiated network whereby different actors engage in different practices and face different facets of the external environment due to their embeddedness in different local contexts. This allows the MNE to create a set of resources that are sticky and heterogeneous (Teece, Pisano & Shuen, 1997) which comprises of:

[S]pecific physical (e.g., specialized equipment, geographic location), human (e.g., expertise in chemistry), and organizational (e.g., superior sales force) assets that can be used to implement value-creating strategies (Eisenhardt & Martin 2000, p. 1107).
MNE resources are distributed unevenly among actors because they are not given but created (Tsoukas, 1996) through complex processes of recombination and juxtaposition through interactions with external actors in their local markets and internal actors in the MNE. As suggested by resourcing theory (Feldman, 2004), it is not the resources innate qualities as such that is of value for firms, rather it is “the skill actors use in bringing resources to bear” (Howard-Grenville, 2007, p. 562). Thus, the value of resources depends on how they are interpreted, which is a result of the knowledge applied to them and the organizational context which provides the interpretive and evaluative frames regarding which resources are valuable (Feldman, 2004). Knowledge and action are intertwined and locally produced and therefore actors’ understandings are shaped by the specific local conditions in which their knowledge is produced (Giddens, 1984). Therefore, MNEs are distributed knowledge systems (Tsoukas, 1996) where actors embedded in different communities (functional, geographical, etc.) share a common knowledge base, but there is no single actor who holds the whole MNE knowledge in its entirety (Tsoukas, 1996). While a common social identity (Kogut & Zander, 1992) and an institutionalized system of rules and routines (Cyert & March, 1963; Nelson & Winter, 1982) can facilitate knowledge transfer and act as truce in the case of conflicting interpretations, however actors’ embeddedness in different functions, managerial levels, and more importantly different geographical locations with their distinct institutional and cultural conditions will lead to the emergence of different contextual rationalities and identities (Blazejewski & Becker-Ritterspach, 2016; Regner & Zander, 2011). The way actors relate to their MNE strategy and structures will be shaped by their locally produced knowledge and identities leading to multiple interpretations, interests, and goals which might be aligned or misaligned with the dominant MNE’s shared interpretations and goals (Blazejewski & Becker-Ritterspach, 2016).

What are the implications of this perspective for the FDI decision process? There is an agreement in the FDI literature that the FDI decision starts with an identification of an opportunity (Aharoni, 1966) whether through the exploitation of existing resources or the exploration of new resources (Bakerma & Drogendijk, 2007). This is what Penrose called the firm’s productive opportunity (Foss, 1999), which is defined as “the productive possibilities that its “entrepreneurs” see and can take advantage of.” (Penrose, 1959, p.31). Productive opportunities emerge through the interplay between structures (resources and rules) and managerial initiative, meaning that resources and rules constrain managers’ perception of opportunities but managers can also envisage new usage of existing resources (Garnsey, 1995; Steen & Liesch, 2007). The concept of productive opportunity is also central in the Uppsala model which posits that new opportunities are perceived as a result of the accumulation of experiential knowledge, although the active managerial role played by managers is
undertheorized as highlighted by Steen & Liesch (2007). In both theories, the Penrosian growth theory of the firm and the Uppsala model, it is assumed that the productive opportunities are homogenously interpreted by actors inside the firm. This is because as argued by Pitelis (2007) intra-frim conflict is absent in Penrose’s theory. While in the Uppsala model, the focus is on the firm level and therefore actors’ interactions and the potential for conflicting interpretations are ignored. But because of the heterogeneous practices in MNEs and the distributed nature of knowledge, it follows that opportunity identification is not unproblematic. Opportunities can be identified by top or middle managers, in the centre or periphery (Regner, 2003), and by HQ or subsidiary actors. The identification of opportunities will be shaped by actors’ social positons and their knowledge frames. Actors need to articulate their opportunity knowledge to decision-makers who might hold different interpretive frames. Thus depending on the social position and the knowledge structures of the actors who identified the opportunity, and their relations to their MNE’s structures and external context, the FDI decision process can unfold in different ways. To be able to capture these interactional dynamics between actors, we need to study how the FDI decision process unfold through the interplay between structures and actors’ agency. This approach also pays attention to the role of time and temporality in the process.

1.2.4 Time and temporality

Time and temporality have been largely ignored in the IB field and particularly in the FDI and internationalization literature (Welch & Paavilainen-Mäntymäki, 2014; see for exceptions, Humerinta-Peltomaki, 2003; Jones & Coviello, 2005; Middleton, Liesch & Steen, 2011). This is surprising since it has been acknowledged long time ago that FDI decisions are temporal phenomena (Aharoni, 1966) and hence to understand how they unfold, time has to be taken seriously. Variance theories of FDI have either ignored time all together, quantify it as a variable (such as number of years of international experience), or engaged in “comparative statics” (Pettigrew, Woodman & Cameron 2001, p. 697) through examining relationships among variables at different points of time (e.g. Time-series analysis). As such, the experience of becoming in time (Hernes, 2014) is not considered. The past when accounted for is homogenized and treated as a resource (e.g. international experience) that can influence present decisions regardless of how organizational actors make sense of it- it is thus treated as dead facts (Lorino & Mourey 2013). Similarly, the future, even if uncertain, is represented by pre-given stable interests and preferences. The process is then reduced to a point of time decision- a discrete event that marks a difference between a before and an after state (Bakken, Holt & Zundel 2013). This view of time is central in variance theories because it gives way to establishing causal links between causes (before) and outcomes (after) (Bakken et al., 2013). Time in this view is
‘uniform’ (Bakken et al., 2013), “independent of the objects and people who experience it” (Van de Ven & Poole, 2005, p. 1388) and treated as “a linear, uncontrollable, constantly folding fact of life” (Butler, 1995, p. 925). Such treatment is therefore largely atemporal, even when time is considered (albeit in a static manner), it ignores temporality, which is “time with history and future, where the passing of time continuously challenges the making of history and the future as well as their interplay” (Hernes, 2014, p. 193).

The FDI decision is a long process where many changes take place when actors are investigating and deciding between alternatives (Aharoni, 1966). However, extant FDI variance theories often handle these decisions as an immediate choice between known alternatives (Aharoni, 2010). They further detach a certain action, such as the location choice or the entry mode choice, and abstract it from its respective process. This ‘point of decision approach’ imposes certain limitations that were highlighted by Buckley et al., (2007). They argue that many FDI studies investigating the location choice use panel or survey data and tend to focus on the final location of FDI, since they cannot surface the decision process by these methods. The other location alternatives that were considered by the actors and why they were eliminated are therefore unknown, because this information is not included in the database. Hence, these studies have not been able to show whether actors have developed a consideration set, and evaluated the different location alternatives, or whether they have simply recognized an opportunity in a certain location and did not consider any other location alternatives.

A similar situation can be observed in entry mode research, in which researchers usually cut the FDI decision process into slices, and look at the entry mode decision in isolation (Kumar & Subramanian, 1997). This approach assumes a sequential order of events that might not exist in reality (Slangen & Hennart, 2015). In other words, there is an implicit assumption that firms choose the host country first and then based on an evaluation of the economic and institutional environment and the associated transaction costs, choose the appropriate entry mode. Entry mode selection has been explained from a knowledge-based perspective, in which firms might prefer a high control mode if the knowledge transferred is highly tacit and hard to be transferred through market arrangements (Kogut & Zander, 1993). Therefore, a firm might decide its entry mode before selecting the market, but there is also a chance that this preferred entry mode might be legally restricted in the potential host market (Gatignon & Anderson, 1988). This point of decision approach does not capture the potentially iterative nature of location selection and entry mode choice. On that account, it could be said that cutting the FDI issue into slices of decisions, which are investigated in isolation, can hinder our understanding of the complexity of the organizational decision processes underlying FDI by MNEs.
A temporal perspective (Schultz & Hernes, 2013) would shift the focus towards the process and takes events as the key unit of analysis in understanding the process of becoming (Mead, 1932; Whitehead, 1929). An event can be defined as “a fact in which the world acquires existence and characteristics” (Hussenot & Missonier, 2015, p.6), which could last for seconds or years, and it can consist of other events. An FDI decision process for example can be seen as an event, which consists of internal and external meetings, strategy sessions, review committees, and also informal meetings or discussions that once they reach closure become past events that are open for (re)definition in the future present events. The FDI event is not to be seen as a self-contained event but is rather intertwined with past and future events. It derives its meaning through its relations with other events (previous investments, strategies, future quasi-stable goals etc…).

The MNE then could be seen as a structure of events (Hernes, 2014), the formation of which is only quasi-stable because actors are embedded in different locations and subsidiaries while sharing some common past experiences, they will also have different histories specific to their local operations, and therefore when they come together in a present event (FDI decision for example) different temporalities will be in place which might lead to new event formations, and new meanings and experiences. The coming together of heterogeneous actors with different temporalities in an event gives an image of the MNE as a contested terrain for meaning construction. Our focus then shifts to understanding how the connecting of past, present, and future events through actors’ work in the present results in certain actions that might lead to continuation of past decision patterns and thus stabilization of existing structural arrangements, or novel decisions resulting from experiencing the past and future in a different way. This ongoing temporal conception of time requires a recursive view of structure and agency different from the ones offered by reductionist and determinist perspectives.

1.2.5 The potential of a structuration perspective

Recently, several scholars have highlighted the deterministic tendencies of extant theories of FDI and internationalization which result from ignoring the role of actors’ agency in shaping their firms’ decisions (Buckley et al., 2016; Geppert & Dörrenbächer, 2014; Hutzschenreuter et al., 2007). Structuration theory (Giddens, 1984) can provide the sensitizing concepts that allow us to account for actors’ agency while at the same time avoid reducing outcomes to actors’ subjectivities and neglecting the role of structures. A central distinctive feature of structuration theory is that it attempts to provide an account that goes beyond looking solely at structure or agency, or of establishing an a priori position that privileges one over the other. In doing so, structuration theory is capable of investigating a myriad of substantive phenomena and explicating how in different situations, agents or structures can assume a bigger or smaller role.
in the explanation of processes and outcomes. This is in contrast to structural or voluntaristic theories, which write off any role for agents or structures from the start, and thus engage in reification or reduction, respectively. Such approaches are dispositioned to reproduce their onto-epistemological assumptions that guide their research. By arguing for a duality of structure rather than a dualism, Giddens (1984) proposed that structures are both medium and outcome of actors’ practices. This perspective emphasizes the knowledgeability of actors in conducting their activities while remaining sensitive to the enabling and constraining role played by structures in shaping actors’ activities. Scholars in OT have relied on structuration theory to investigate several issues (Whittington, 2010). Feldman and Pentland (2003), for example, using structuration theory have shown how routines are not mechanistically enacted by actors, but rather actors enact routines reflexively which might lead to stability or change in organizational routines. In the strategy as practice (SAP) literature, Jarzabkowski (2008) showed how the interrelation between structures and agency can lead to recursive or adaptive changes in organizational strategies. In the internationalization context, Steen and Liesch (2007) proposed a structuration perspective that looks at how the internationalization process is influenced by the interplay between managerial initiatives and firm’s rules and resources.

Structuration theory, however, has attracted criticisms on several grounds (McLennan, 1984; Stones, 2005; Thrift, 1985; Turner, 1986). To overcome these criticisms, I rely on Stones’ (2005) SST which builds and extends on Giddens’ structuration theory. SST has been recently applied in diverse fields such as accounting practices (Coad & Glyptis, 2014; Jack & Kholeif, 2007, 2008) and strategic investment decision-making processes (Harris et al., 2016). The advantage of SST is that it provides a bridge from the abstract level at which Giddens proposed his theory to the ontic level, which is the “level at which the empirical can be sought” (Stones, 2005, p. 76). The ontic level is concerned with the interplay of structure and agency in particular concrete situations. Therefore, this approach is sensitive to the potential variations in actors’ agentic capabilities in specific situations, and that certain structures might be more or less salient in specific contexts. Specifically, Stones (2005) proposes a quadripartite framework of structuration which consists of: 1) external structures, 2) internal structures, 3) actors’ conduct, and 4) outcomes. External structures are the conditions of action facing actors at T1. This the structural context of action which includes societal level factors in the external environment, and the internal MNE context which represents the MNE’s institutionalized practices and ways of doing things. These external structures are interpreted through actors’ internal structures which consist of their general dispositions and conjuncturally-specific knowledge of the context of action. Stones (2005) differentiates between actors-in-focus and actors-in-context. Actors-in-focus are those actors who are close to action and need to enact interpretations about how actors-
in-context are going to interpret the issue at hand. The actors-in-focus in this thesis are therefore those who identify FDI opportunities, and the actors-in-context are the decision-makers who evaluate these opportunities. This distinction allows me to capture the interaction dynamics between these two groups of actors. Depending on the interrelations between the internal structures and external structures at a certain conjuncture, actors will assume different agentic orientations to their context of action, resulting in habitual practices or projective thinking to depart from institutionalized practices. Therefore in this thesis I focus on the interrelations between these different structures in a specific FDI decision to explain the unfolding of actors’ activities and interactions during the process.

1.3 Research questions

The current study addresses the following research question:

1- How do embedded-embodied organizational actors make FDI decisions?

The research question is broad to capture the different processes of SST. The term organizational actors reflects the fact that managers or actors broadly speaking are embedded in organizational contexts and as such, their actions are shaped and shape their organizational context. Organizational actors are also spatially and temporally embedded in specific contexts and this implies that their actions are temporally situated and shaped by their structural context of action, at the organizational and institutional levels. Organizational actors embody dispositions and specific hermeneutical frames, which they have acquired through certain socialization processes and through which they make sense of the external structures, their own actions, and the actions of the agents-in-context. The making of FDI decisions takes place through interactions between actors which captures the idea that the process is thoroughly social, as suggested by Aharoni (1966) and underscores the importance of social interactions in shaping the FDI decision. This broad research question can be broken down into three questions that are more specific:

a- Who are the actors-in-context and actors-in-focus in the decision process?

b- How do their interactions and social relations shape the activities performed during the FDI decision process?

c- In light of the external structures of actions, which elements of the internal structures do organizational actors draw on in performing the different activities during the FDI decision process?
These research questions reflect the basic elements in SST and provide direction to explore the interrelations between these different components during the FDI decision process. Next, I discuss the research methods employed in the thesis.

1.4 Research methods

Choosing the case study design was guided by onto-epistemological and theoretical assumptions and a consideration of the data collection methods that could be used. I describe this reasoning process in more details in Chapter (3). I decided to rely on a multiple case study design (Stake, 2006) using narrative interviews as the primary device for data collection, as this approach is suitable with the process and structuration approach adopted in this thesis. A case study design allows researchers to follow (in this thesis retrospectively) how actions and interactions between MNE actors unfolded within a specific organizational context. Therefore, it is suitable for studying FDI decision-making process.

I initially developed several criteria to choose the sampled firms. First, my focus was on MNEs, defined as those firms which own productive facilities in more than two countries. Second, I only included MNEs which engaged in FDI in the last five years to reduce recall bias. And finally, an important criterion was whether I was going to be able to interview those who were involved in the FDI decision. To identify potential case studies, I reviewed the stock market index of New Zealand (NZX 50), and went through the list to identify firms that fits the first two criteria. A list of twenty firms were identified, out of which six firms agreed to participate in the study. However, during the data collection process and as I started to make sense of the collected data, I realized that focusing exclusively on NZ MNEs would have not resulted in a balanced sample that can capture the complex interactions between HQs and subsidiaries. While the NZ MNEs in my sample are large firms, however compared to large European or US MNEs they are smaller in terms of size and scope of operations. Therefore, I decided to include four European MNEs in my sample under the assumption that the structural context of action in these cases might be different and hence the process might unfold differently.

My sample includes ten case firms all of which are MNEs which engaged in an FDI decision in the last 5 years (at the time of data collection), yet they exhibited differences in terms of whether the FDI idea was proposed by HQ or subsidiary actors, and whether the FDI was in an existing or a new market. In order to enhance the comparison potential across the cases, in chapter (4), I provide a narrative of six cases, which differ in terms of the location of the actors who proposed the FDI idea, the newness of the potential FDI location, and the trajectory type of the FDI decision process. In that sense, I followed Pettigrew’s (1990) advice in comparing between polar cases to detect the similarities and differences under different contexts of action. In total, I
conducted 27 interviews with an average of 2.7 interviews per case. To derive a rich account of how actors experienced the events and the detailed activities and interactions that were performed during the process, a narrative interview method was used. In the narrative interview, interviewees are given the chance to re-enact or re-live past events so that we can capture how they experienced these events. This approach rely on narrating actual events as opposed to hypothetical events and therefore “they come near to an everyday account and therefore to direct observation” (Czarniawska, 1998, p. 29) and can help in getting respondents into ‘the temporal mode’ of thinking and recall” (Hernes, 2014, p. 180).

Overall, my methodological approach is in line with Stake (2006) which Welch et al., (2011) categorize as interpretive sensemaking than with Eisenhardt (1989) and Yin (2009) more positivistic approach. Stake’s (2006) interpretive approach emphasizes understanding actors’ activities as situated and embedded in their surrounding environment and therefore is in line with the structuration perspective adopted in this thesis. In a multiple case design, Stake (2006) argues that researchers should proceed by treating each case on its own initially by paying attention to its contextual specificities, while keeping in sight the bigger picture which is the phenomena of interest. The focus therefore is on how the FDI decision process unfolded in each case and on how the process manifested differently (or similarly) across the different cases. Through going back and forth between within and cross case analysis we can provide a rich understanding of the FDI decision process by noticing similarities and differences in the way it unfolded in different structural contexts of action. I describe in Chapter (3) in more details the analysis process which was guided by Stones’ (2005) conduct and context analysis and included several techniques such as narrative analysis, visual mapping, within and between case analysis (Langley, 1999) and explain in details the coding process.

1.5 Theoretical and practical contributions

This thesis aims to provide several theoretical and practical contributions to the IB literature and MNE managers. Many researchers argue that decision-making processes present a lacuna in FDI research in the IB literature (Aharoni et al., 2011; Boddewyn, 1983; Brouthers & Hennart, 2007; Buckley et al., 2007). Recently, there has been an increasing interest in strategic decision-making and process issues in the internationalization context (Child & Hsieh, 2014; Harms & Schiele, 2012). Dimitratos et al. (2011) have studied how strategic decision-making processes of internationalized firms differ based on their national culture values. Another study looked at the effect of effectuation and causation decision-making processes on international new ventures creation process (Harms & Schiele, 2012). Child and Hsieh (2014) also theorized the effect of decision-making mode, such as reactivity, bounded rationality, incrementalism, and real options
approaches, on information use and network attachment in internationalized firms. The common theme among these studies is that they put decision-making issues at the centre of their analysis. They tend to focus on the effect of using certain decision-making modes or strategies on a certain aspect of the internationalization process. However, most of these studies have been conducted on small- and medium-sized firms. The current study contributes to the current discussion on decision-making process issues in FDI by focusing on the large MNE context.

The large MNE context, as highlighted earlier, brings into focus issues of conflicting interpretations between actors embedded in different locations (Regner & Zander, 2011). These interactions have been studied by the micro-political perspective in IB, however earlier studies have focused mostly on knowledge transfer and subsidiary mandates issues (Geppert & Dörrenbächer, 2014). Therefore this thesis aims to contribute to the micro-political perspective by shedding light on how these interactions between actors in the MNE can take place in the context of FDI decisions. In addition, recently Regner and Zander (2011) have called for studies that investigate how the interplay between the different social identity frames held by actors in the MNE can lead to the creation of new knowledge or the exploitation of existing knowledge. This thesis aims to contribute to this discussion by looking at how the interplay between structure and agency in the FDI decision process can lead to different FDI outcomes that might be in line or depart from the MNE’s existing structures. Finally, the SST perspective adopted in this thesis, builds and extends on earlier work in the internationalization literature that took a point of departure in structuration theory (e.g. Dutta et al., 2016; Steen & Liesch, 2007; Sydow et al., 2007). This approach takes seriously the interplay between structure and agency and the role played by actors in shaping the FDI decision. As such, a structuration approach is suitable in addressing the recent calls for considering the role of managerial intentionality in internationalization decisions (Hutzschenreuter et al., 2007).

This thesis aims to provide practical implications for MNE actors. By providing a detailed explanation of how the FDI decision process unfolded in the sampled MNEs, the thesis aims to provide the opportunity for managers to reflect on the role they play in shaping the FDI decision. This approach seeks to make actors’ agency more visible to them by showing how their understandings and interpretations play a role in influencing their firms’ decisions. In doing so, this thesis follows Numagami’s advice that scholars’ role:

is not to teach scientifically naive practitioners lawlike regularities confirmed by a scientifically rigorous method, but to encourage reflective dialogue among researchers and practitioners to generate more reasoned discourse on today’s key management issues (Numagami, 1998, p.4).
I also aim to provide practical implications for policy-makers. Under the assumption that FDI can lead to positive impacts on national economies, governments started to engage in structural reforms and the establishment of specialized agencies to attract MNE investments. The increasing number of investment promotion agencies (IPAs) has been highlighted by The United Nations Conference on Trade and Development (UNCTAD). Scholarly contributions on the strategies that IPAs should follow (Harding & Javoric, 2011; Wells & Wint, 1990) are often built on the assumption that the FDI decision is a rational process in which MNEs first develop a list of potential locations, then rationally appraise all the alternatives. I argue that a more effective strategy can be developed if we understand in more details the heterogeneous activities performed by MNE managers during the process. This perspective follows Aharoni’s advice that “policies should be tailored to influence actual as opposed to an assumed behavior” (2010, p.94). I discuss in more details these practical implications in the discussion chapter.

1.6 Structure of the thesis

This thesis consists of six chapters covering a review of the relevant literature, a discussion of the onto-epistemological assumptions that guide the research, the methods employed, analysis and findings, and finally discussions and conclusions. A summary of each chapter is presented below.

The present Chapter (1) gives an introduction and background to the research, the research questions, the methodological approach adopted in the thesis, and finally the intended theoretical and practical contributions.

The literature review is presented in Chapter (2). I review those theories that aimed to explain why and how MNEs engage in FDI and how they organize their activities. These include contributions from internalization and transaction cost economics (TCE) perspectives, competence-based perspectives such as the knowledge-based view of the firm and the Uppsala model of internationalization, and recent contributions of the micro-political perspective on MNEs. Each of these perspectives provide a distinct view of MNE actors, structures, and the external environment, and thus it is important to highlight how such differing assumptions can lead to different views of how organisational action takes place in the MNE. As I will show in the literature review, there has been a slow shift towards an appreciation of the role of actors’ agency and a criticism of the view of the MNE as a unitary actor. These perspectives open important questions regarding the role of actors who are embedded in different spatial-temporal locations in the MNE in shaping its strategic decisions. The MNE then is seen as a “contested terrain for meaning construction”. This is an important shift, because if the aim is to understand the process as opposed to establishing variance between specific factors and the FDI outcome,
then understanding how embedded MNE actors engage in meaning construction processes to guide their decisions is a central issue. I then argue that this approach can be fruitfully investigated through a structuration perspective which is consistent with process thinking, and sensitive to both agency and structure. Specifically, I discuss Stones’ (2005) SST and his quadripartite framework of external structures, internal structures, actors’ activities, and outcomes, and show how this framework in conjunction with more substantive IB and OT theories can be suitable to understand the FDI decision process in MNEs.

In **chapter (3)** I discuss the research methodology and the data collection methods and analysis procedures employed in this thesis.

In **chapter (4)** I provide narratives of six cases that show how the FDI process unfolded. This narrative approach allows me to provide a detailed account of the actors, structures, and the temporal unfolding of actions and interactions in each case before I abstract in Chapter (5) to present the theoretical concepts and their interrelationships that emerged from the analysis. In that sense, these narratives can be seen as both a data preparation phase (Langley 1999) and an analytical strategy through which I show the interrelations between actors, structures, events and activities (Pentland 1999).

In **chapter (5)** I present the cross-case analysis of the study by relying on the quadripartite framework of SST. I discuss how the interrelations between the external structures, the MNE’s meaning structures, and actors’ internal structures at a certain conjuncture shape the trajectory of the FDI decision.

In **chapter (6)** I discuss the findings in light of previous literature and present several theoretical, and methodological implications to the IB literature and practical implications for MNE actors and policy makers. I then discuss the limitations of the study and provide several suggestions for future research.

**1.7 Summary of chapter 1**

In this chapter, I have provided a general overview of the thesis. I have argued that while there is a well-established literature which provides possible answers to why firms engage in FDI, and the factors that influence entry mode and location decisions, the internal processes in MNEs through which such decisions emerge and actualize have been ignored, despite consistent calls for research to investigate the underlying decision process of FDI. Extant theories of FDI have relied mostly on structural explanations along with an impoverished view of agency whereby actors are portrayed as “dopes” who choose and evaluate decisions in a social vacuum, according to universal economic rationality. These approaches result in a view of the MNE as a unitary
monolithic actor and therefore ignore issues of social interaction, and the overall meaning
construction process which guides actors’ interpretations, actions and decisions. To address
these issues a structuration perspective is proposed as an approach that eschews mechanistic
explanations in favour of understanding how embodied actors who are relationally embedded in
spatio-temporal contexts interactively construct interpretations, which shape and guide the
trajectory of the FDI decision. The guiding framework in this research is based on Stones’
(2005) SST and enriched by more substantive theoretical perspectives drawn from the IB
literature and the strategy process and practice literature. I briefly discussed the qualitative
multiple case study approach adopted in this study, and argued that it is suitable to capture the
unfolding of the FDI decision in time. Finally, I have discussed the potential contributions of
this study to research and practice.
Chapter 2. Theories of the MNE and the FDI decision process

2.1 Introduction

The current study aims to develop a detailed understanding of how MNE actors make FDI decisions. Chapter 1 provided a brief introduction of the research objectives and the SST perspective which informs this thesis. Specifically, this study aims to explain how the FDI decision process unfolds in an MNE through the interrelations between the MNE’s structures and actors’ activities and interactions. In doing so, the aim is to go beyond structural-functional explanations of organizational action which leave little room for the role of actors’ agency, while at the same time avoid painting actors as omniscient rational decision-makers who calculate and choose in a social vacuum. Put simply, this research aims to provide an understanding of how FDI decisions are made by actors in practice. The study addresses the following research questions:

1- How do embedded-embodied organizational actors make FDI decisions?

   a- Who are the actors-in-context and actors-in-focus in the decision process?

   b- How do their interactions and social relations shape the activities performed during the FDI decision process?

   c- In light of the external structures of actions, which elements of the internal structures do organizational actors draw on in performing the different activities during the FDI decision process?

In this chapter I provide a review of the FDI literature and discuss the theoretical perspectives which inform my thesis. First, a brief discussion of TCE (Williamson, 1975) and internalization theory (Buckley & Casson, 1976), which are the dominant theories of FDI in IB, is provided. I highlight some of the limitations of this approach in explaining the decision process, which results in providing a deterministic account of decision-making that ignores human agency, social structures, and issues of knowledge and learning (Buckley et al., 2016). Competence-based approaches on the other hand, such as the knowledge-based view (Kogut & Zander, 1992) and the Uppsala model (Johanson & Vahlne, 1977) have placed issues of knowledge and learning at the centre of the analysis. However, both approaches treat the firm as a unitary actor where coordination and cooperation between actors are assumed because of the existence of a shared identity. The firm as an epistemic community perspective (Fransson, Håkanson, & Liesch, 2011; Håkanson, 2010) and the micro-political perspective in IB (Geppert & Dörrenbächer, 2014) have both challenged this view and argued for a view whereby meaning and interpretations are not homogenous within the MNE because of actors embeddedness in
different roles, functions, and spatial locations. The embeddedness of actors in different social and spatial spheres means that structures are interpreted differently by actors and that knowledge and action are distributed in the MNE (Tsoukas, 1996). Therefore, actors are likely to develop different interpretations about FDI ideas and they need to articulate and convince other actors of their interpretations. The process therefore is both social and political (Aharoni, 1966) and to understand it, we need to look at actors’ activities and interactions and how they are enabled and/or constrained by their structural context of action. To capture the interaction between structure and agency in the FDI decision process, I propose a structuration perspective and so I provide a discussion of structuration theory and the SST approach proposed by Stones (2005). I conclude by explicating the components of the theoretical framework which guides the study. First however before presenting the literature review, I offer an introduction on how the IB and OT literature were approached and critiqued and how my discussion is structured.

2.1.1 Forms of critique

In philosophy, three forms of critique are commonly practiced; immanent, transcendent, and the transcendental. Immanent critique is when a theory is evaluated according to the very criteria that it sets for itself. This form of critique therefore focuses on unravelling logical inconsistencies from within the theory. An example of this form is Dow’s (1987) critique of TCE based on the inconsistency between the notions of bounded rationality and farsightedness of economic actors. Transcendent critique is when a theory is evaluated by a set of assumptions developed in a different paradigm. An example of this form is Kogut and Zander’s (1992) and Nooteboom’s (1992) critique of TCE by offering a different conception of knowledge and of the firm that is rooted in evolutionary theory and sociological perspectives on knowledge. In practice, scholars often rely on both approaches. Theodor Adorno (1967) even argued that for a critique to be effective, it needs to rely on moments of both immanence and transcendence, because without transcendence we would be unable to imagine different possibilities or explanations, and without immanence, the critique would be repressive and offers no reason for adopting an alternative explanation.

In practical fields like OT and IB, critique can take additional forms such as following empirical surprises or a neglected aspect in practice, and problematizing by comparing theories with empirical findings (Alvesson & Karreman, 2007; Locke & Golden-Biddle, 1997; Sandberg & Tsoukas, 2011; Shepherd & Suddaby, 2016). I rely on these different forms of critique in developing my arguments; both immanent and transcendent, and problematizing through contrasting different theoretical perspectives and comparing them with extant empirical findings. For example, IB scholars have highlighted the increasing role of subsidiaries engaging
in knowledge creation and taking initiatives (Strutzenberger & Ambos, 2014), thus can we still assume that FDI decisions are “made” by the HQ (Buckley et al., 2016)? And if no then what are the consequences of this distributed knowledge (Dunbar & Garud, 2009; Tsoukas, 1996) on the process? Apart from the immanent and problematizing, my transcendent critique takes a point of departure in process ontology and structuration thinking which account for the duality of structure and agency in action, and the role of interactions between actors. A process ontology is suitable for process phenomena (Langley et al., 2013; Van de Ven & Poole, 2005) and thus theories should be assessed based on their ability to accommodate process thinking. Structuration perspectives are also suitable for process issues because they do not give a priori primacy to either structure or agency, but both and so they go beyond approaches that just look at one at the expense of downplaying the other. This leads me to my last point, one could ask is it possible to critique a theory for something which they do not purport to answer? My answer is yes when the theory aims to explain the same empirical phenomena at the ontic level (an FDI decision) then we can show that some aspects of the phenomena are unanswerable on their own terms. Thus TCE for example do not promise nor intend to explain the internal decision process of FDI (Casson, 2000). But this is because the very assumptions that they propose make it meaningless to look at these issues, because the firm is seen as a unitary actor, and the stylized decision-maker is assumed to be able to get it right, therefore issues of interpretation, meaning construction, contestation, etc. are written off a priori. Similar points will be made about other perspectives. In that sense, theories along with the methods used, and their underlying ont-epistemological assumptions constitute methods assemblages as argued by Law (2004) which are “enactments of relations that make some things (representations, objects, apprehensions) present ‘in-here’, whilst making others absent ‘out-there’.” (ibid, p. 14). Methods assemblages are performative, they do not only represent but also enact realities (Law & Urry, 2004). Theories with their assumptions make some aspects of a phenomena more present or salient, whilst others hidden. It is through this process of problematizing their underlying assumptions that we can unravel why certain aspects of the phenomena have been neglected and/or taken-for-granted and propose new ways to address them.

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1 Buckley et al (2016) write that “in Ibp theory, there is a consensus that FDI decisions are made by headquarters” (2016, p. 135). If by “decision” they mean authorization then this might be the case for many FDI decisions but still not all. Bower’s (1970) example of the subsidiary managers who built a new factory without the HQ knowing is instructive in this regard. Also, even if we assume that all FDI decisions have to be authorized by the HQ, still the preceding work (opportunity recognition, collecting information, etc) might have been carried out by subsidiary actors. This have major consequences for our understanding of the FDI decision process.
2.1.2 Process versus content approaches

The literature on FDI is well-established and goes back to the early writings of Dunning (1958) and Hymer (1960/1976). But arguably it was the seminal study of Hymer (1960/1976) that shifted the focus from an analysis of FDI at the country level to the firm-level (Buckley, 2006; Dunning & Pitelis, 2008; Teece, 2006). Since then IB scholars have been preoccupied with answering three interrelated questions. First, why do firms engage in FDI? This is concerned with explaining the emergence of the MNE similar to theories of the firm in organizational economics (Buckley & Casson, 1976; Hennart, 1982; Hymer, 1960; Rugman, 1981; Teece, 1976; among others, see for a review Teece, 2014). Second, how do firms enter foreign markets? A question that is related to the first and seeks to explain the “efficient mode” of operations that firms (should) choose when entering foreign markets (Brouthers & Hennart, 2007; Canabal & White III, 2008; Dikova & Brouthers, 2016). Note however that the “how” here is different from the “how” addressed by Aharoni (1966) which is how managers make the decision. And finally, where do firms locate their FDIs (Dunning, 1998; Jain, Kothari & Kumar, 2016; Kim & Aguilera, 2015; Nielsen, Asmussen & Weatherall, 2017).

In contrast to economic-based explanations of FDI, behavioural theories focus on the FDI decision process (Aharoni, 1966; Larimo, 1995). Aharoni’s study was explicitly focusing on how a specific FDI decision is made -although not as an isolated decision- however this concern with the decision process has been overshadowed by the subsequent Uppsala model of internationalization, which although it built on many of Aharoni’s insights, it focused instead on the internationalization process of firms over time and the underlying behavioural mechanisms that explain this process (Johanson & Vahlne, 1977). As Vahlne and Johanson state in their most recent reconceptualization of the model “we do not formally study the relationships among individuals at the mille-micro level” (2017, p. 1089). Still the Uppsala model is relevant to explaining FDI decisions because it shows how commitment decisions to foreign markets are the result of a process of learning and knowledge accumulation. As such it has often been positioned as a rival explanation to economic theories of the MNE such as the OLI and internalization theory (Buckley, 2016; Johanson & Vahlne, 1990).

To some extent, one can see this division (although a blurry one sometimes) as a distinction between variance-based and process-based approaches (Melin, 1992), or similar to a distinction in the strategy literature between strategy content and strategy process (Bourgeois, 1980; Chakravarthy and Doz, 1992) which are also underpinned by different onto-epistemological assumptions (Tsoukas & Knudsen, 2002). The content perspective in IB has been predominantly focusing on identifying the determinants and conditions that lead to minimizing transaction costs.
(Buckley & Casson, 1976), or transferring knowledge and value (Kogut & Zander, 1992) to achieve maximum or optimal performance under different market and institutional conditions, and thus takes a normative approach to a large extent. The process approach on the other hand focuses on the processes and activities that lead to such outcomes and therefore it is more “concerned with describing and explaining specific decision and event sequences, as well as the activities of strategists as they engage with issues, that give rise to continuity or change in strategy content over time” (Mirabeau, Maguire, & Hardy, 2018), although the strategists and managers part and the human dimension generally has been underexplored in the IB context compared to OT (Hutzschenreuter et al., 2007; Piekkari & Welch, 2010). But this distinction is increasingly recognized to be problematic. Early process studies by Bower (1970) and Burgelman (1983) have shown that structure, strategy, and process co-evolve in a dynamic way. Vahlne & Johanson (2017) rightly argue that their model addresses both content and process issues. And the dynamic capabilities literature, traditionally considered as a content topic, has integrated process ideas such as capabilities as skilful performances (Peteraf & Tsoukas, 2017) and processes of sensing, seizing, and transforming at the organisational (Teece, 2007; Teece et al., 1997) and managerial level (Adner & Helfat, 2003; Helfat & Peteraf, 2015).

More importantly I see the distinction as problematic for two reasons. First, a process approach will inescapably include an implicit or explicit conception of the content aspect, which will be backgrounded to foreground the discussion on process. One cannot simply discuss a process issue, for example decision-making, without having a conception of the terrain in which the process takes place, that is what is the nature of the firm and its purpose, what are the formal and informal structures, and the nature of organizational constructs such as knowledge and routines, to name a few things. The different images or perspectives of the MNE will shape the questions that we pose because as Barner-Rasmussen et al., (2010) argue “what you see ultimately depends on the lens you are using, given that each perspective necessarily downplays some characteristics of the MNC while illuminating others”(p. 86). Similarly Dunbar and Garud point out that our understanding of sensemaking and decision-making “depends on the perspectives that we use to assess organizations and on the roles we believe that individuals play within them.” (2009, p. 398). This is clear for example in the divergent images of decision-making and action provided by the Carnegie school (Simon, 1947; March & Simon, 1958; Cyert & March, 1963), the latter work of March and colleagues on garbage can models of decision-making and logic of appropriateness (Cohen, March & Olsen, 1972; March & Olsen, 1976, 1983), political decision-making (Allison, 1971; Pettigrew, 1973), and sensemaking.

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2 Of course, the terrain, structures, etc can be conceptualized in process terms, as it is the case in recent process scholarship in OT, which has been called a “strong process view” (Langley et al., 2013).
perspectives (Weick, 1979, 1995). The same is true for content theories, process descriptions inescapably enter their theories, although as background assumptions or as narratives to connect the different theorized constructs or results. In TCE for example, the transaction attributes and governance structures are aligned through a process of farsightedness, among other processes, “whereby the parties look ahead, recognize hazards, and devise hazard mitigating responses” (Williamson, 1999, p.1090). How this looking ahead takes place in firms between actors is bracketed in the analysis. These examples can be easily multiplied. Moreover, FDI decision-making takes place in an MNE context, which is different both in kind and degree from a traditional local firm (Roth & Kostova, 2003), and thus decision-making theories developed in OT should be translated with care to account for the distinctiveness of the MNE context.

The second reason is that the content of the process will certainly shape the way the process will unfold because the actors involved in different processes will be different, their actions and interactions will take different forms, and the structures implicated in action will vary. Innovation processes for example are different from internationalization processes and still very different from the process of purchasing office equipment. Although similarities are possible, and process studies on new product development (Carlile, 2002, 2004; Dougherty, 1992), (corporate) entrepreneurship and innovation (Birkinshaw, 1997; Bower, 1970; Burgelman, 1983), and science and technology studies (Fujimura, 1992; Latour & Woolgar, 1979; Star & Griesemer, 1989) can be illuminating, still translation should account for the particular characteristics of FDI decisions. And so a review of theories of MNE’s structures and processes is needed. Having said that, I will have to be selective rather than exhaustive in my literature review and will focus only on the perspectives and theories that I see as central in developing my arguments, whether by way of providing a contrasting explanations or by being part of my theoretical apparatus.

2.1.3 Structure of the literature review

Aharoni’s (1966) work provides a good starting point to think through the assumptions that we need to reflect upon in order to understand the FDI process. Although, Aharoni sometimes oscillates between different positions, which I will discuss later, still however he dedicated a large part of his book to problematize the assumptions of mainstream theory at his time. Aharoni problematized the way actors were conceptualized in economic perspectives. Instead of the rational actor model, he argued that actors are boundedly rational, and are embedded in social relations and organizational structures. He therefore brought to the fore issues of human agency, interactions and structures. Because of this embeddedness, actors will have different knowledge and will reach different interpretations and therefore issues of knowledge and meaning
heterogeneity and problems of coordination of action are central to his analysis. Finally, the FDI
decision is a process, and so an explanation will have to accommodate the role temporality plays
in shaping the dynamics of the process. Thus the way we conceptualize human agency,
interactional dynamics, structures, knowing and acting, and temporality will shape our
understanding of the process. These issues, which are interrelated in the sense that adopting a
position on one might implicate a stance on others, provide a way through which we can assess
the different theoretical perspectives on MNEs. I will focus in my review on the following
theories/perspectives to ground my discussion in a perspective that takes seriously Aharoni’s
important insights on the FDI decision process. First, I briefly review TCE and highlight some
of the limitations of this approach in terms of their treatment (or lack thereof) of human agency,
social structures, knowledge, and temporality. An important shift then took place by the
competence-based perspectives. Particularly, Kogut and Zander’s (1992) knowledge-based
view of the firm has placed issues of knowledge and learning at the centre of the analysis by
conceiving the firm as a social community. They also highlighted along with other contributors,
the importance of subsidiaries in creating new knowledge and engaging in new initiatives
(Barlett & Ghoshal, 1989; Birkinshaw, 1997; Hedlund, 1986). This is important, because as
strategy scholars have long argued, new opportunities can emerge from the top or bottom
(Bower, 1970; Burgerlman, 1983), and in the centre and periphery (Regner, 2003), and so we
need to be aware of the possibility that subsidiaries might engage in FDI initiative taking. This
approach however is limited by conceiving the firm as a unitary actor, placing the locus of
attention on the HQ as an overseeing coordinator, treating knowledge as a possession that could
be transferred easily within the firm, and portraying the community as too coherent where
coordination and cooperation are assumed to take place unproblematically because of the
existence of a shared identity. Taking this approach to its logical consequences would imply that
the firm should be conceptualized as an epistemic community where different communities
exist, and where actors develop knowledge through action (Fransson et al., 2011; Håkanson,
2010). Knowledge and action are situated and socially produced by embedded actors, and
therefore it is not just a process of transfer but also translation, and issues of boundaries become
both useful and problematic for knowledge generation. The embeddedness of actors in different
social spheres and different parts of the environments, also means that not only that
interpretations will differ but also interests. And therefore conceptualizing the MNE as a
contested terrain as argued by the micro-political perspective in IB is appropriate (Geppert &
Dörrnbächer, 2014). It is within this context, the MNE as a political epistemic community, that
new FDI ideas emerge and develop, and so this requires that we focus on how actors navigate
and interact in this contested terrain to put forward their ideas, translate and articulate their

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knowledge about these opportunities to relevant actors, and legitimize them in accordance with the structural context of action.

In order to avoid reifying the firm or on the other hand reducing structures to individual subjectivities, I argue that this approach needs to be firmly grounded in a structuration perspective that takes both agency and actors’ interactions and structure seriously without reducing one to the other. This approach is compatible with both the micro-political perspective in IB and the firm as an epistemic community perspective. I take a little detour therefore to social theory and discuss Giddens’ structuration theory. I then highlight some of the limitations in Giddens’ approach, which I believe are effectively addressed by Stones (2005) in his SST version. After a brief exposé of SST, I then present the theoretical framework of the study which builds on SST and integrates it with more substantive research on strategy process and practices in OT and IB. The emerging framework provides me with the necessary sensitizing concepts and relations to study the FDI decision process in MNEs.

2.2 The MNE as a processor of information versus a processor of knowledge

Early contributions in the IB literature on FDI have focused on answering the question of why MNEs emerge, that is why firms engage in FDI. The contributions of Hymer (1960/1976) were important in shifting the focus to the firm level of analysis. Hymer (1960/1976) argued that firms operating in foreign markets have some disadvantages compared to local firms due to their lack of knowledge about market conditions (liability of foreignness). However, if firms are still undertaking foreign operations then they must possess certain advantages that outweigh the disadvantages they face compared to local firms. These advantages arise from market imperfections, and specifically, structural imperfections. Structural imperfections enhance the asset and market power of MNEs; it is the result of scale economies, product differentiation, cheaper finance sources, and knowledge advantages. Hymer then argued that MNEs are motivated to control foreign operations in order to generate rents and exploit these firms’ specific advantages. By maintaining control over foreign operations, firms are also able to close markets and remove competition. In contrast, the internalization and TCE perspectives (Bucley & Casson, 1976; Williamson, 1975) consider the transaction costs that arise naturally due to market imperfections (mainly in the intermediate product market) as the reason for the existence of MNEs, which create internal markets to overcome these imperfections. MNEs then in this view are efficiency seekers rather than rent seekers (Teece, 2014). Dunning (1988) building on the internalization perspective proposed an eclectic framework (OLI) in which an MNE’s FDI decision is a result of the existence of ownership advantages, internalization advantages, and location advantages. In all these approaches however, there is a little consideration for the role
of managers in the FDI decision. Managers are assumed to be rational calculators who uniformly assess the relative cost of conducting market transactions versus the cost of internalizing. In this way, there is little room for entrepreneurship, learning, and interpretation. Managers’ decisions are determined by the structural characteristics of the focal transaction in light of the exogenous external environment. Preferences are exogenously determined, stable, and given (Buckley & Strange, 2011; Ghoshal & Moran, 1996), ignoring how learning and localized experiences can change actors’ preferences (Holt, 2004; Pessali & Fernandez, 1999). The role of time therefore is ignored. In contrast to this static view, scholars have highlighted that transactional analysis is not a once-and-for-all activity (Argyres, Bercovitz & Mayer, 2007) but rather it is a transacting process that is shaped by past transactions and whereby learning takes place as the decision process unfolds and therefore managers can change their preferences and risk perceptions (Lumineau, Frechet & Puthod, 2011; Zajac & Olsen, 1993).

In TCE, it is assumed that decision-makers are boundedly rational (Buckley & Casson, 1976; Williamson, 1975), but still managers are expected to choose and devise efficient governance structures. This is achieved through a process of farsightedness (Williamson, 1996). It is not clear however how decision-makers are able to achieve this task. As argued by Lindenberg:

"Bounded rationality is seemingly just big enough to make (complex, long-term) contracts incomplete, but not big enough to prevent farsightedness from solving this incompleteness ex ante (Lindenberg, 1996, p. 131)."

This conceptualisation of actors’ behaviour leads to a view of the MNE as a processor of information (Fransman, 1994), where actors respond in an optimal way to external market prices. Actors are assumed to understand, perceive and interpret the information in the same way. Thus while TCE and internalization perspectives have provided valuable insights regarding the transaction attributes that might impinge on MNEs FDI decisions, the underlying managerial activities have been ignored. Buckley and Chapman underscore the neglect of managerial perception of transaction costs in the literature by arguing that the TCE approach is very ambiguous on the question of whether transaction cost-minimising arrangements are to be perceived (if at all) in retrospect, or whether, by contrast, they can be perceived in prospect. If the former, then we seem to be leaning towards a Darwinian view of corporate adaptation. If the latter, then we need, in our model, the ‘homo transaction cost economicus’ (Buckley & Chapman, 1997, p. 133).

They further argue that in the writings of Williamson (1975) and Buckley and Casson (1976), theorizing happens by looking backwards- that is an outcome is identified and then those
scholars look at the existing arrangement and analyse which transactions have been minimized. In that sense,

the question of how this was achieved is far less clearly addressed in these texts: both random and rational explanations of the process are broadly compatible with the theory as applied in these much-cited works (Buckley & Chapman, 1997, p.135).

It follows then that in this approach, our knowledge of the actual managerial activities that led to the outcome will be ignored. In contrast to this looking backwards process, Buckley and Chapman (1997) propose a looking forward approach whereby we focus on how managers actually make the decisions. Taking a qualitative approach, they found that almost all managers did not generate “anything like a numerically justified assessment of transaction cost issues” (ibid, p. 138). Yet managers were aware of these issues but were interwoven with several other considerations such as the firm’s strategy, the industry structure, etc. They therefore argue that:

The opposition between random choices, and fully rational choices, is not a helpful one in assessing their activity. Their choices are not random; that is very clear. But nor are their choices computationally rational, in that the alternatives facing them can be fully costed and compared. (ibid, p.135)

Accordingly, Buckley and Chapman (1997) proposed to focus on the perceptions of the social actors involved in the decision process and to widen the analysis to include the effect of social processes and social systems on managerial perceptions. This attention to the social dimension of organizations has been addressed to some extent by competence-based perspectives.

Competence-based approaches or the organizational capabilities approach is a body of work that is at the intersection of economics, organization theory, and strategy which aim to explain firm’s behaviour by looking inside at the firm’s activities, processes, and structures. This approach includes contributions from the dynamic capabilities (Teece et al., 1997), knowledge-based view (Kogut & Zander, 1992) and resource-based approaches (Conner & Prahalad, 1996) and they all draw in different ways on the work of Penrose (1959), the behavioural theory of the firm (Cyert & March, 1963) and the evolutionary theory of the firm (Nelson & Winter, 1982).

This shift in perspective is explained by Kogut and Zander as follows:

In contrast to a perspective based on the failure to align incentives in a market as an explanation for the firm, we began with the view that firms are repositories of capabilities, as determined by the social knowledge embedded in enduring individual relationships structured by organizing principles (Kogut & Zander, 1992, p. 383)
MNEs therefore according to this perceptive emerge because they are superior to markets in creating and transferring knowledge due to the existence of a common social identity and organizing principles that facilitates the coordination of actors’ activities (Kogut & Zander, 1992, 1993). Thus as Fransman (1994) argued this perspective led to a shift from conceiving the firm as a processor of information to a view where firms are processors of knowledge. The knowledge-based approach focuses on how knowledge is created, embedded, and shared in the MNE. Because of the distributed nature of knowledge in firms (Tsoukas, 1996), the challenging goal facing the MNE therefore is to devise mechanisms that allow these knowledge flows to take place, such as standard operating procedures (Cyert & March, 1963), routines (Nelson & Winter, 1982), and a shared social identity (Kogut & Zander, 1992). On the other hand these mechanisms can lead to organizational inertia and path-dependent processes. For some scholars (Nohria & Ghoshal, 1997), it is the role of top management to devise such instruments, and there is an implicit assumption of rationality that presumes that those managers can accomplish this challenging task (Forsgren & Holm, 2010). For others, it is a process of guided evolution, whereby path-dependency and managerial initiative are intertwined (Augier & Teece, 2008). In both approaches however the focus remains on the firm level, which paints a picture of a tightly held organization whereby actors follow routines and act habitually. Volberda and Lewin (2003) described this as a naive evolutionary process. In Kogut and Zander's theory (1993), the firm is conceived as over-socialized, with everyone in the firm subscribing to the overarching social identity. This allows them to explain how knowledge sharing takes place inside the firm more efficiently than in markets. But it also paints a utopian picture of the MNE where everyone is sharing the same goals and interpretations (Forsgren, 2009). Taking Kogut and Zander’s (1992) argument regarding the embeddedness of knowledge in local practices to its logical consequences, the MNE is better conceptualized as a community of communities (Fransson et al., 2011). Whereby actors located in different roles, functions, and subsidiaries will inescapably develop distinct identities. Regner and Zander (2011) therefore proposed that an MNE consists of several social identities nested in a common identity frame and the tensions between these frames facilitate both knowledge creation and transfer. The arguments of Fransson et al (2011) and Regner and Zander (2011) are important because they point out that understanding MNEs decisions will require that we look at the interactions between actors and the way those actors relate to their overall MNE structures.

The importance of the knowledge-based view therefore is that it emphasized the central role of knowledge, learning, and social processes in our understanding of MNEs. This shift to knowledge issues has motivated scholars to pay more attention to the role of MNE subsidiaries in knowledge creation, which subsequently alerted scholars to the problems of coordination and
cooperation that MNE actors face. Because of the distributed nature of knowledge and its embeddedness in local contexts, it is impossible to conceptualize the MNE as a monolithic entity. Rather, it is a “contested terrain” (Edward & Belnager, 2009) whereby actors’ knowledge and practices are heterogeneous.

Behavioural approaches to FDI and specifically the Uppsala model shares with the knowledge-based view a common heritage in the work of Penrose (1959) and Cyert & March (1963) which emphasize the role of knowledge and resources and routines and learning respectively. These affinities between both approaches are even clearer in Vahlne & Johanson (2017) most recent reconceptualization in which they explicitly make clear the links with the knowledge-based view and the dynamic capabilities perspective. Thus it could be said that the Uppsala model is a process empirical application of the RBV and knowledge-based view of the firm. In the next section I discuss Aharoni’s work and the Uppsala model.

2.3 Behavioural theories of FDI

Behavioural theories of FDI share a common emphasis on issues of knowledge, learning, and routines and how these influence the FDI decision in Aharoni’s work, and the internationalization process in the Uppsala model. I discuss Aharoni’s work first because it provided an important foundation for the Uppsala model.

2.3.1 The FDI decision process

One of the earliest attempts at integrating IB and OT perspectives was the seminal work of Aharoni (1966) on the FDI decision process (Dörrenbächer & Geppert, 2017). Aharoni’s book was also one of the first systematic attempts to corroborate and extend the behavioural theory of the firm (Cyert & March, 1963) and the earlier work of Herbert Simon and James March (March & Simon, 1958; Simon, 1947) in the context of FDI decisions by MNEs. One of Aharoni’s (1966) study main contribution was challenging the main assumptions of the classical capital investment literature. Assumptions such as rationality, utility maximization, and the conception of the firm as a unitary pure economic entity were challenged by bringing in ideas from organization theory, sociology, and psychology.

Aharoni provided a rich account of FDI decision processes with detailed descriptions of the activities and interactions between decision-makers and the influence of organizational structures and the external environment on these activities. In addition, he also proposed a process model of internationalization that predicts the gradual interplay between learning and commitment after the establishment of an international division. Thus, while Vahlne and Johanson (2017) bracket out what they call the mille-micro level of interactions between
individuals and focus instead on the process of internationalization over time, Aharoni saw that to explain internationalization one needs to understand the actual decision process inside the firm. Aharoni started his discussion by noting that unlike economic theories, organization theorists are increasingly recognizing that “an organization is not simply some form of collective entrepreneur... [and] that social systems and economic organizations are interrelated” (1966, p. 13). He emphasized that the FDI decision process is a long one and involves a series of successive acts and thus reducing this process into a “‘point decision’ would create grave distortions in the understanding of the process.” (ibid., p. 35). He also highlighted that the term decision does not necessarily imply a deliberate or conscious intellectual process, rather and anticipating Mintzberg and Waters’ (1985) argument that it is better understood as a pattern in a stream of actions. He defined the decision process as:

The continuous dynamic social process of mutual influences among various members of an organization, constrained by the organization’s strategy, its resources, and the limited capacity, goals, and needs of its members, throughout which choice emerge. (ibid, p.15).

Aharoni followed Simon’s assumptions of bounded rationality and satisficing, however he abandoned Simon’s conception of decision-making as a sequence of deliberate steps starting with a well-defined problem through search and evaluation and final decision. Instead he argued that problem definition and alternatives perception are continuously redefined as action and interactions unfold. As such he proposed the use of the concept of “commitment” instead of “decision-making”. Problem definition and development of alternatives are shaped by the social system in which the decision-maker is embedded, his/her role in the system, and his/her relations with other members in the system.

The organization has devised an established “way of doing things” according to agreed-upon goals and past experience; these rules and specifications influence the behaviour of its members, the information gathered by them, and their adaptive reactions to the environment. (ibid, p. 33).

This builds on Cyert and March (1963) argument that organizations often take precedents arising from previous experience as imperative and rely on standard operating procedures to constrain their search. Thus Aharoni found that many firms who lacked previous FDI experience would \textit{a priori} refuse to consider the possibility.

Aharoni argued that the process starts with the decision to look abroad. This is not a decision per se, but rather decision-makers recognizing that FDI is a legitimate issue to be considered. When firms do not have prior experience in FDI, an initiating force needs to be strong enough to capture the attention of decision-makers. Initiating forces thus trigger managers’ attention.
They could arise from within the organization such as a proposal by a top manager, or from outside the organization such as: a proposal from distributors, clients or foreign governments; competitive pressures at home or abroad; and/or bandwagon effect. The impact of the initiating forces will vary by the existence of auxiliary forces which can act as selling points to top management. Auxiliary forces include creation of a market for components; utilization of old or unused machinery; and exploiting existing know-how. If these factors are strong enough then the investigation process starts.

The investigation is carried in successive phases. First it starts with collecting some general indicators through desk research to develop a general impression of the opportunity. This may lead to either abandoning or continuing the process, it also depends on the initial initiating force. If the process continues, decision-makers visit the potential host-location for “on the spot investigation”. The investigation is carried by several persons which calls for coordination, and often those who make the decisions are different from the investigators, which shapes the dynamics of the process. Perceptions of risk change through investigation, either positively or negatively, but also commitments are created both personally by the investigators and also organizationally by investing financial resources in the investigation process. Thus sometimes the final decision to invest “emerges at some point as the cumulative result of small acts performed by different people” (ibid, p. 123, italics in original).

Aharoni built on the sociologist Howard Becker (1960) conception of commitment. Becker (1960) argued that commitment emerges as an (social) individual makes side bets sometimes unconsciously by virtue of his/her participation in different forms of social organization. For Aharoni (1966) these individuals’ commitments might lead to organizational commitments, some of which might be contradictory and need to be resolved. Thus issues of power and politics emerge. Organizations through exporting to a certain market for example might create a commitment to retain this market. However, this commitment to this specific market might not be shared by everyone in the organization, or when considering FDI the commitment to the market might conflict with another commitment to an organizational policy for example that prohibits investing in countries with high corruption. This point is important because the concept of commitment is undertheorized in the Uppsala model and I will discuss this later. Aharoni on the other hand, explained how commitment at the individual level, which is the level at which Becker (1960) discussed the concept, can be aggregated to the organizational level. Finally, when the decision is accepted by the investigators, several rounds of negotiations and bargaining takes place with internal review bodies and also with external actors such as foreign governments. Internally, interactions are important because top managers are usually not involved in collecting the information and so they are not as entangled by commitments as the
investigators might be. Negotiations and bargaining take place. In a statement that resonates with symbolic interactionist ideas (see Strauss, 1993 for example), Aharoni argues that the decision process is:

[A] process of continuous mutual influences and bargaining among various groups….The very fact that an individual is a member of an organization compels him to make his decisions in line with other activities. The company’s policies and his perception of the point of view of others in the organization act as restraints on his freedom of choice. Through an implicit bargaining process, each member compromises, and a project is modified to ensure its acceptability (Aharoni, 1966, p. 149).

International experience plays an important role in Aharoni’s model. He argues that the initial conditions at the time in which the decision process takes place play an important role. When managers accumulate experience regarding FDI the organization itself changes, which has important implications for the evaluation of subsequent opportunities. He thus proposes a model of organizational international evolution by learning. While at the surface it appears that the first decision was influenced by an environmental force, “the roots of this process lie in some evolutionary development in the past” (ibid. p.175). An order comes from a specific market, and with no deliberate action from the firm they just fulfil it routinely. Overtime, an export agent develops the market and orders increase, until someone in the firm notices and becomes more involved in international business. This leads to the establishment of an export department and the employees start to develop a vested interest in developing international activities. Eventually, if successful this leads to the establishment of an international division. The very establishment of the international division leads to institutional forces in the firm that shape further internationalization, such as changes in the firm’s strategy, roles of executives, and increasing knowledge about foreign markets. “The acquisition of knowledge lowers the subjective evaluation of uncertainty, but not necessarily for all countries” (ibid. p. 189). A similar pattern was identified by Aharoni regarding the location pattern of foreign operations. Canada was often chosen as the first location by US firms, followed by other British Commonwealth countries, then Latin American countries, and finally European countries. Aharoni attributed this to the “idea of “experience first” (ibid., 180).

Based on his findings, Aharoni proposed a framework of the factors that influence the process of decision-making, which consists of system categories and relational concepts or codes of behaviour. The system categories are:

(1) the structure in which the activities take place; (2) the participants in the process, their role in the structure, and their personality, individual values, perceptions and
orientations; (3) the interactions among the various participants; (4) the information available to the participants both through past experience and through acquisitions of additional data (ibid, p. 292).

The relational concepts on the other hand are related to the process as they shape the focus of actors on certain problems, the information collected, and how evaluation takes place. These factors are identical to Cyert and March (1963) model and include: (1) the quasi-resolution of conflict, (2) uncertainty avoidance, (3) problemistic search, and (4) organizational learning. Aharoni, however also criticized their model for downplaying the role of the external environment, and excluding the role of social processes and commitments from the search process. In addition, he argued that the theory gives organizational slack a big role at the expense of leadership and innovation. But in his model the interaction between the system categories and the relational concepts is not entirely clear.

Since the publication of Aharoni’s work, MNE practices have differed greatly. As Somers (1998) argued, theories are history laden, and so many of Aharoni’s findings can be a result of historical specificities at the time of his study. MNE structures have changed from being centralized to a differentiated network where subsidiaries are not just an extended arm of the HQ anymore, but rather active contributors of knowledge and value creation. Many of the firms that Aharoni has investigated were engaging in FDI for the first time. In the biggest firms that he studied, the process was taking place mainly in the HQ with no role for subsidiaries. This might be different now in today’s MNEs where subsidiaries engage in initiative taking activities, which also have implication for how we should think about the process.

Our theoretical understanding of process issues has also advanced since the publishing of Aharoni’s book and these new perspectives if integrated with Aharoni’s insights of the social, political, and interactive nature of the process can overcome some of the limitations in his work. I will highlight here few issues. When reading Aharoni’s book one feels the tensions that exist between his rich descriptions of actors’ activities and interactions on the one hand and the relatively deterministic model that emerged from the analysis on the other. This could be attributed to the lack of theoretical tools and language that can capture these processes at his time. For example, he stressed the structural determination of standard operating procedures, policies, values etc. on actors’ conduct, while in other parts he also tried to account for the propensity of innovation and leadership, and the indeterminacy of the process due to the interaction dynamics between actors. Leadership activities that depart from standard operating

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3 In chapter 7 for example, Aharoni writes that “the pattern of power structure is the decisive factor in the decision, not the formal standard operating procedure or the organization manual” (p. 192). But this crucial insight is not included in his final model.
procedures and established ways of doing things however are reserved to higher echelons. Thus the possibility for the emergence of initiatives that depart from the firm’s way of doing things from bottom-up are slim because lower level actors’ conduct is assumed to be determined by standard operating procedures.

The deterministic aspects of Aharoni’s model come from his reliance on the Carnegie model of human agency which suppresses the parts of his work in which a more social and interactional approach could be seen at play. The Carnegie school portrays actors as atomistic and abstracted from social relations (Whittington, 1992) which as pragmatists and interactionists have long noted are at the heart of the constitution of actors’ agency and their rich internal complex structure (Dewey & Bentley, 1949; Emirbayer 1997; Emirbayer & Mische, 1998; Mead, 1934). As noted by Whittington:

By marginalizing the social, the Carnegie scholars arrive at the same denial of any intrinsic structures capable of generating diverse, independent responses to the environment as that characteristic of managerial economics (Whittington, 1992, p. 531).

The environment is conceived as the source of external stimuli, and actors’ responses are established according to existing performance programs if the stimuli is routine. And if novel actors will adapt existing elements to construct a new program (March & Simon, 1958). This idea is further developed in Nelson & Winter (1982) as decision rules and routines which are said to determine actors’ behaviour and ensures predictability of organizational action. Therefore in this perspective “human agency is ‘trivialized’ into machine rule-following.” (Tsoukas, 2017, p. 140). Compare this view with Feldman’s conception of routines as:

“Performed by people who think and feel and care. Their reactions are situated in institutional, organizational and personal contexts. Their actions are motivated by will and intention. They create, resist, engage in conflict acquiesce to domination. All of these forces influence the enactment of organizational routines and create in them tremendous potential for change” (Feldman, 2000, p. 614, also quoted by Tsoukas, 2017).

Such view is much more consistent with the interactional processes of Aharoni’s work and his elucidation of the dynamic interrelation between action and problem definition as a continuous process. I argue therefore that many of Aharoni’s insight can be usefully incorporated into a structuration perspective to capture the dynamic process of FDI decision-making. I will discuss this structuration perspective later, and now I turn to a discussion of the Uppsala model.
2.3.2 The Uppsala model

The internationalization process (Uppsala) model (e.g. Johanson & Vahlne, 1977) argues that managers, who are risk averse and have limited information, take small incremental steps when internationalizing, as they gain experiential knowledge and learn about foreign markets. Johanson and Vahlne (1977) argued that the firm’s current state of internationalization influences managers’ perception of the opportunities in foreign markets. As managers gain experiential knowledge through existing operations, their perceived uncertainty of foreign markets get reduced and therefore their commitment increase. The model therefore is evolutionary and path-dependent, where existing resources and knowledge and past decisions affect managers’ perceptions of possible opportunities. The model has been empirically supported by several studies, and had also attracted a lot of criticism for being deterministic and for overplaying the role of experiential knowledge and ignoring other forms of learning (see Welch, Nummela & Liesch, 2016). As it is clear from the previous discussion of Aharoni’s work, the Uppsala model builds on many of his insights regarding knowledge and commitment. Yet the main difference is that Aharoni’s focus on the detailed activities and interactions between actors are neglected in the Uppsala model. Instead, actors are assumed to be risk averse and incremental learners and therefore there is little role for initiative and entrepreneurship. Accordingly, “internationalization paths are considered as naive evolutionary journeys (Volberda & Lewin, 2003) based on accumulation of experience” (Hutzschenreuter et al., 2007, p. 1057).

Furthermore, similar to Penrose (1959) and Kogut and Zander (1992) there is little consideration of the potential conflicting interpretations between actors, or that actors’ knowledge might be different because of their embeddedness in different locations. Thus in the Uppsala model, it is assumed that those who are close to the market are the ones who learn about new business opportunities, but it is not clear how those who learn are able to transfer and articulate their knowledge to decision makers in the HQ. Psychic distance therefore seems to apply only during the entry but it does not play a role in the interactions between HQ actors and subsidiary actors. Therefore, despite Johanson and Vahlne’s (1977) attention to the role of subsidiaries in developing new knowledge about business opportunities, however how this knowledge is transferred to HQ actors is not seriously considered. This omission of what they call the mille-micro level of analysis (Vahlne & Johanson, 2017) leaves out important questions about how FDI decisions are made. To answer these questions, we should avoid the assumption of the MNE as a unitary actor and to open up the organization to examine the processes that take place between actors during FDI decisions. An important step in this direction has been put forward by the micro-political perspective in IB, which analyzes the different political “games” that are
played between subsidiary actors and HQ managers in their attempts to further their interests and achieve their goals which are constituted by their embeddedness in local contexts.

2.4 The MNE as a contested terrain (the micro-political perspective)

There have been several attempts to account for the role of agency in theories of MNEs to avoid portraying organizational actions as either structurally determined or as an outcome of rational managerial choice. Kostova, Roth and Dacin (2008) for example in their critique of neo-institutional theory as applied in IB research, argue that because MNEs are embedded in multiple institutional environments, MNE actors have an important role to play as “they must make sense of, manipulate, negotiate, and partially construct their institutional environments” (ibid, 1001). In that sense, institutions are better conceptualized as “enacted and socially constructed shared understandings and as outcomes of a social process in which the organization and its subunits and actors are actively involved” (ibid, 1001). This view of agency is adopted by what Barner-Rasmussen et al. (2010) labelled as the “critical” perspective, which takes a sociological approach in their conceptualization of the MNE. This micro-political approach seeks to go beyond the earlier contributions of comparative institutionalism and national business systems literature (e.g. Hall & Soskice, 2001; Whitley, 1999), which explain MNE hierarchy and power structures (Whitley, 2009), and internationalization strategies (Dörrenbächer, 2000; Geppert et al., 2013; Lane, 1998) as determined by national institutions of its home country. Instead, this critical perspective seeks to show how “structures and institutions are locally produced and reproduced” (Geppert & Dörrenbächer, 2014, p. 234). The MNE then is conceptualized as a transnational space (Morgan, 2001) and a contested terrain (Edward & Belnager, 2009) where actors in HQs and subsidiaries, embedded in different locations bring in distinct contextual rationalities by drawing on their institutional environments and engage in contestation and negotiation over different issues such as practice transfers, budget allocation, mandate changes, etc. (Kristensen & Zeitlein, 2001; Dörrenbächer & Geppert, 2010). In analysing these “micro-political games”, these scholars aim to understand “how different identities and interests of key actors stabilize and destabilize established institutional, cultural, and organizational structures” (Geppert & Dörrenbächer, 2014, p. 236). Those scholars converge on the idea that structures are both constraining and enabling and thus they conceptualize actors as “being informed by structural and institutional constraints but at the same time taking into account their subjective interests in organizing and strategizing” (Dörrenbächer & Geppert, 2006, p. 256; Also Becker-Ritterspach & Dörrenbächer, 2011). According to the micro-political perspective:
Organizational events or episodes such as market selection and entry mode choices, charter changes or subsidiary evolution, reorganizations or site closures, intrafirm competition, knowledge flows and resistance, are underwritten and constituted by politics. (Becker-ritterspach & Blazejewski, 2016, p. 185).

This perspective therefore brings to our attention the importance of internal politics in the MNE terrain. Internal politics for those scholars is an inescapable reality for MNE actors because their interests, knowledge, and identities are constituted in and through distinct contextual rationalities. The different knowledge structures and dispositions which actors embody, make organizational episodes such as FDI decisions potentially political. Internal politics do not necessarily imply dysfunctionality, rather it is just a logical consequence of the varying interpretations and values that actors bring in decision situations. Regner and Zander (2011) even argue that these conflicts can be a potential source of knowledge creation. To navigate this contested terrain, some actors might engage in issue selling (Dörrenbächer & Gammelgaard, 2016), others might abide by the HQ demands, while others might overtly challenge the MNE’s institutionalized practices. This however does not mean that political processes have to be part of every decision, instead, the extent to which such political activities will materialize will depend on whether the actors involved share the same knowledge dispositions and how they relate to their MNE’s structures. These processes however cannot be surfaced if we assume a priori that the MNE is a unitary actor. The findings of the micro-political perspective therefore alert us that organizational action is not only about coordination of meaning but that cooperation activities are also central because actors’ interests in MNEs can potentially be misaligned. Thus it is within this context, the MNE as a contested terrain, that actors propose new ideas for FDI and make their decisions. To understand how this process unfolds we need to pay attention to actors’ activities and interactions and how these activities are shaped and structured by the organizational and institutional contexts in which they are embedded. This approach calls for a structuration perspective that takes seriously the idea that structure and agency are implicated in action and therefore refuse to give a priori primacy to either structure or agency in explaining organizational action.

2.5 Structurationist approaches

Men [and women] make their own history, but they do not make it as they please; they do not make it under self-selected circumstances, but under circumstances existing already, given and transmitted from the past. The tradition of all dead generations weighs like a nightmare on the brains of the living (Marx, 1852/1977, p. 300).
The above quotation by Karl Marx in his book “The eighteenth Brumaire of Louis Bonaparte”, which is often quoted by scholars in their discussion of structure and agency (e.g. Crossley, 2011; Dépelteau, 2008; Layder, 1985) is probably the most succinct statement on the structure/agency conundrum which spans the social sciences and humanities literature. Different philosophical schools and theoretical perspectives have focused on only certain parts of Marx’s statement. RCT and certain interpretative traditions that portray social organizations as the plastic creations of actors’ activities concentrate on the “Men make their own history” part. Other traditions such as institutional theory focus on the second part, and explain how existing institutions shape and mould our thinking and actions. Structurationist approaches on the other hand attempt to grapple with the statement as a whole, and paraphrasing Marx, they focus on how actors make history under circumstances not of their own choosing, ‘but in the context of already existing social and spatial structures which both enable and constrain the purposeful conduct of life’ (Pred, 1990, p.119, quoted in Stones, 2005). I agree with Crossley (2011) however that there is nothing much to be said about this conundrum beyond what Marx has said. Meaning that there is no problem really to be solved. The problem really arises when we conceive the actor as a pre-constituted individual, cut-off from all sorts of social relations, who then comes to face the society. Only then we face the thorny question of whether individual’s actions are determined or voluntary. Therefore the problem only exists when we start off with a conception of the individual as separate from his/her environment, then as Dewey noted:

“Society” becomes an unreal abstraction and “the individual” an equally unreal one. . . . [And] there develops the unreal question of how individuals come to be united in societies and groups: the individual and the social are now opposed to each other, and there is the problem of “reconciling” them. (Dewey [1925–1927] 1988, p. 355, cited in Piiroinen, 2014, p. 85)

Structurationist approaches or co-deterministic approaches as Dépelteau (2008) calls them are those theories that aim to transcend the structure and agency dichotomy by conceptualizing social phenomena as the result of interactions between structure and agency. The work of Berger and Luckmann (1967), Bourdieu (1977, 1990), and Giddens (1976, 1979, 1984) can be loosely classified as ‘structurationist’ (Urry 1982, p. 100; see also King, 1999), which despite their differences, all (claim to) reject both structural deterministic approaches which reify social structures and leave no room for actors’ agency and voluntarist approaches which treat social structures as mere epiphenomena of actors’ actions. Instead they propose mediating concepts to capture the (assumed) co-constitutive and/or dialectical nature of agency and structure, such as Bourdieu’s ‘habitus’ (1990) and Giddens’ ‘duality’ of structure (1984).
According to Urry (1982) it was Berger and Luckmann’s *The social construction of reality* (1967) that initiated this structurationist movement. They proposed a dialectical view of individuals and society to explain the ‘constructed objectivity’ of the social world. The institutional world, with its different dimensions whether political, societal, cultural or economic, emerges through actors’ social activities and interactions, and as such “it does not thereby acquire an ontological status apart from the human activity that produced it” (Berger & Luckmann 1967, p.57). Through the passing of time however, and as social actions and interactions get repeated through habituation, they become more solid and gain an objective like character. These social practices get reinforced through language and other symbolic entities like norms, rules, etc. which become the methods of perpetuating the objectivity of these practices. Thus the institutional world which was produced by actors’ actions becomes now a pre-existing external reality that constrains and shapes their actions. Dépelteau (2008) summarizes this position as follows, in T1 actors interact and create a new interaction pattern. As this pattern gets repeated and through the passing of time (T2, T3), it gets perceived by its producers as a pre-existing pattern and gets transmitted to new actors. At T4, this pattern is treated as an objective reality by all actors. “The product acts back upon the producer” (1967, p. 52), and through this dialectical perspective, Berger and Luckman argue that they are able to account for the subjectivity and intentionality of actors (Weber) and to the external and coercive like character of social facts (Durkheim). The problem however is in trying to avoid the shortcomings of the voluntarist and deterministic approaches, Berger and Luckman reproduce both errors, as Bahskar (1979, p. 36) argues their model leads to “on the one hand, a voluntaristic idealism with respect to our understanding of social structure and, on the other, a mechanistic determinism with respect to our understanding of people.” This problem of determinism is clear in the early work of neo-institutionalism (DiMaggio & Powell, 1983; Meyer and Rowan 1977) which was influenced by Berger and Luckmann’s model, where the focus was on explaining how institutions shape and mould organizations’ actions. Because organizations always act in T4, they therefore face a pre-existing institutional world and as such they are embedded and constrained through normative, cognitive and regulative processes (Scott, 1995). The focus then was on explaining institutional reproduction and persistence, while change, if it happened, is mostly attributed to exogenous shocks rather than active endogenous change by actors. The result is an impoverished view of agency which depicts actors as cultural dopes (Fligstein, 2001) who mindlessly follow institutionalized practices. This conception of agency made it problematic to account for institutional change and practice variation at the field and/or the organizational level, since any attempt to incorporate elements that account for change, for example institutional entrepreneurship (DiMaggio, 1988), within this deterministic view would
fall prey to the “paradox of embedded agency” (Holm, 1995; Seo & Creed, 2002)- that is how do embedded actors are able to change the very institutions which constitute their actions.

One of the influential attempts at ‘solving’ the structure and agency debate has been offered by Anthony Giddens’ structuration theory (1976, 1979, 1984) by arguing for a duality of structure rather than a dualism of structure and agency. Giddens proposed structuration theory as a bridge to transcend micro and macro, individualism and structuralism, free-will and determinism and other dualisms common in social theory. Building on Heidegger, the later Wittgenstein and Schutz’s social phenomenology he attempted to overcome the determinism of French structuralism (Levi-Strauss and Saussure) and functionalism (Parsons) which posits a mechanical view of social reproduction with no role for human agency. And on the other hand to avoid what he thought was a reductionist move by interpretive (micro) sociology in their focusing on social action while ignoring wider societal structures. It is important therefore before discussing structuration theory to provide a brief exposé of the micro-sociology movement (Knorr-Cetina, 1981) to be able to appreciate Giddens’ position.

2.5.1 The micro-sociology approach

In mainstream IB and OT literature, there is an implicit assumption that for organizational action to be possible it has to be presupposed by a notion of sharedness, whether goals, values, and/or interpretations which are external to actors and shape or constrain their behaviour (Hernes, 2014). This assumption also relates to the common conception of the firm as a unitary actor, because this notion of sharedness allows researchers to gloss over the processes of meaning contestation and production between actors, under the assumption that organizations represents a system of shared meaning, assumptions, values, etc. (e.g. Kogut and Zander, 1992) and as such the firm can be treated as a homogenous entity.

The work of Weick (1979, 1995) however shows that shared meanings are not monolithic, they cannot be seen as solid trans-historical episteme that guide actors’ actions, neither do they manifest uniformly on actors, rather meanings are continuously constructed, contested, and repaired in situations through ongoing processes of sensemaking. As Tsoukas argues, it is impossible for actors to “obtain an Archimedean point from which to view the world” and therefore actors

need to collectively deliberate and, thus, to engage in political activity in order to settle [their] differences and decide on the course of action to be taken. The human domain is fundamentally the domain of doxa (opinion), not of episteme (science) (Tsoukas, 2005, p. 219, italics in original).
Organizations therefore as March (1962) consistently argued are inherently political, and when we abandon this idea of sharedness we see that far from being monolithic entities, organizations are rather “a contested space for meaning construction” (Edwards & Belanger, 2009). Seen from a distance as argued by Boland (1993, 1996), organizations may appear as having shared meanings, but when viewed closely, we find that those meanings are interpreted differently by different actors in the temporal flow of situated practice (Giddens, 1984). Ethnomethodology played an important role in promoting this shift to explain actors’ actions and meanings as arising from “within” rather than positing actors as puppets controlled from “without” by shared meanings or other reified theoretical concepts (Garfinkel, 1967).

Garfinkel developed the term “ethnomethodology” while studying jurors’ ways of arriving at a decision. He found that jurors when working on a specific case, engage in reflection upon their own deliberation processes, of how they differentiate between facts and opinions, of what the evidence shows, of how the evidence is relevant to the case at hand, all while accounting to each other’s meanings and actions, in summary they engaged in “methodological” issues (Garfinkel, 1968). This deliberation process however is not one of abstraction, actors according to Garfinkel do not step back from the temporal flow of action in order to reflect upon the intelligibility of their actions, and their methodological practices are not determined by an a priori imposed framework, rather this deliberation process is constituted and constitute the very settings in which action takes place; meaning is locally accomplished in temporally situated interactions.

Ethnomethodology suggests that to understand the ontological character of collectives such as organizations, we need to examine how actors invoke, refer to and use these collectives in their practical activities. While in many traditional perspectives in social theory, the dichotomy between individuals and collectives is taken for granted and then theorizing is geared towards explaining their intersection, Rawls (2008) argues that ethnomethodology is instead concerned with the practical activities of members, which renders both individuals and collectives mutually recognizable. For Garfinkel “the epistemological question takes precedence over the ontological” (Rawls, 2008, p. 708) his aim is to examine how actors can mutually make sense of these collectives and act without breaching these understandings.

Actors are no longer dopes enclaved by macro structures but rather they conduct their activities with a sense of social structure. Knowledgeable actors draw on structures to legitimize, explain, justify, or make sense of their activities in a retrospective fashion, to make their actions accountable to other members in their contexts (similar to Weick, 1979). Of importance is the

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4 It is beyond the scope of this chapter to provide a comprehensive review of ethnomethodology. For a general overview of ethnomethodology see Heritage (1984), and Lynch (2001), and on Garfinkel’s contribution to organization studies see Llewellyn (2014), Rawls (2008), and Samra-Fredericks and Bargiela-Chiappini (2008).
challenge to conventional theories that posit norms and rules as determining human conduct, rather ethnomethodology sees rules and norms as “features of settings and as parts of the very organization of conduct of those settings, not as causes of that organization in the first place” (Emirbayer & Maynard, 2011, p. 239). Garfinkel empirically showed the importance of the Wittgensteinian insight that “a rule does not contain its own application”5. There is an inherent indeterminacy in rules, for a rule cannot specify \textit{a priori} all the possible exigencies that might face actors in real-life situations. In addition, rules are often developed to apply for situations that might not be identical, thus as Kim (2003, p. 96) rephrasing Garfinkel puts it “rules are always trying to catch up with ever-changing circumstances”. This is particularly important in the MNE context, where internal formal and informal rules cannot always readily apply to the diverse institutional settings which MNE actors face.

Thus for Garfinkel even the most routinized activities will require judgement work by actors, sometimes they will engage in ad-hocing practices, in other times they might ignore the rule to keep the work going. Rules and norms are therefore used by actors to realize the organizational demands which arise in specific contexts (Emirbayer & Maynard, 2011). In OT, studies of routines have also showed the difference between the ostensive and performative aspects of routines and the competency required by actors in enacting routines (Feldman & Pentland, 2003). Institutionalists have recently turned to ethnomethodology to provide a micro-foundations explanation of how institutions are created, maintained, or transformed through actors’ institutional work (Powell & Colyvas, 2008). Heaphy (2013) for example showed how actors skilfully use organizational rules to repair breaches in the taken-for-granted beliefs in order to maintain or change institutionalized role expectations. All these studies point out that order and actors’ actions are not determined by rules, standard operating procedures etc. but rather emerge from the active work of actors who skilfully invoke macro structures and in doing so create, maintain, or change institutionalized patterns of activity.

Rawls (2008) draws an important implication from these theoretical and empirical findings, which is important for the MNE context. She argues that ethnomethodology’s argument that rules and norms cannot be seen as the cause of order in social organizations is quite consistent with Durkheim’s argument that “as social relations become more diverse, orders based on shared beliefs and traditional social structures can no longer maintain social solidarity” (Rawls, 2008, p. 709). As institutional complexity and plurality increase (Greenwood et al., 2011), “formal

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5 Tsoukas (1996) makes this point clear using the famous example provided by Wittgenstein. If you ask a friend to add +2 to the series 0,2,4,6 etc. And after she reaches 1000 she started adding +4. If you say she is wrong, she might respond that she thought the rule is to add 2 up to 1000 and then 4 up to 2000 etc. A possible solution is to add another rule but this will lead to infinite regress, therefore practical understanding is inescapable in human conduct.
structures, values, and beliefs become irrelevant, as the orders they describe lose efficacy” (Rawls, 2008, p. 709). In the context of global work, where actors, who do not necessarily share the same beliefs and values due to their embeddedness in different spatio-temporal contexts, have to work together and coordinate their activities, traditional perspectives which posit that order will emerge from a unified values framework become problematic. Rather, Rawls (2008) argues order will emerge from what Durkheim has called ‘self-regulating’ practices through which actors can make sense of each other actions in the absence of shared beliefs. In their study of currency trading in global investment banks, Knorr-Cetina and Bruegger (2002) show how in global fields where traders are geographically distant but oriented toward each other can achieve integration through what they call global microstructures which are “patterns of relatedness and coordination that are global in scope but microsocial in character and that assemble and link global domains” (p. 907). The focus then should be on how actors enact recognizable practices so that their actions can be mutually intelligible (Rawls, 2008).

To summarize this section, ethnomethodology’s findings point out to the importance of actors’ active agency, knowledgeable ability, and competent use of skills and practices in constructing a shared reality, which makes possible mutual intelligibility of actions. This conceptualization of actors’ agency, along with the notion of accountability to other members in the same settings are important to the perspective adopted in this thesis. Giddens adopted this specific insight in developing structuration theory. He however criticized ethnomethodology (and other interpretive approaches) for focusing entirely on the production of society and ignoring the social reproduction of structures (Giddens, 1976, p. 127). As Czarniawska (2004) argues ethnomethodology faces difficulties in explaining the connections between different accounting methods that are employed in different situations. Citing Latour (1993), she suggests that “ethnomethodology could explain sociality but not society: there is nothing to fix various actions, to make situations repeatable” (Czarniawska, 2004, p.4). I will discuss next how Giddens addressed this issue.

2.5.2 Structuration theory

The practice turn in social theory has been influential in providing OT scholars with a perspective that allows them to address the dualisms inherited in dominant OT theories such as habit and creativity, micro and macro, path dependency and path creation, structure and agency, and stability and change (Farjoun, 2010; Farjoun et al., 2015; Jarzabkowski, 2004; Regner, 2008). Structuration theory attempts to account for the embeddedness of actors in social structures while at the same time avoid portraying actors as dopes who act mindlessly. It is therefore central in this thesis in order to explain how FDI decisions are made by MNE actors
and how their actions and interactions are enabled and/or constrained by their firms’ structures. Giddens’ structuration theory is an attempt to overcome the reductionism committed by structuralism and functionalism, which leads to:

> suppressing or discounting agents' reasons - the rationalization of action as chronically involved in the structuration of social practices – [and] look for the origins of their activities in phenomena of which these agents are ignorant (Giddens, 1984, p. 26).

These structural-functional perspectives lead to a deterministic view of human conduct and leave no room for the knowledgeability portrayed by actors in their day-to-day activities, as shown by interpretative sociologies. On the other hand, Giddens wants to avoid the other form of reductionism committed by interpretative sociologies and rational choice theories, which portray social systems “as the plastic creation of human subject” (Giddens, 1984, p. 26) and thus imply that the structural proprieties of social systems were ‘produced’ by pre-constituted actors. Both these approaches according to Giddens, fail to see that each moment of action is both a production and reproduction of social structures. As actors perform their practices, they “reproduce the conditions that make such action possible” (Giddens, 1984, p.), and thus structure and action pre-suppose each other. In that way, structures and agents are not independently constituted as in a dualism, but rather represent a duality that portrays

> the essential recursiveness of social life, as constituted in social practices: structure is both medium and outcome of practices. Structures enters simultaneously into the constitution of the agent and social practices, and “exists” in the generating moments of this constitution (Giddens, 1979: 5).

Giddens makes an important distinction between natural and social systems and in doing so he challenges the different structural perspectives that appropriate concepts such as organisms and evolution from natural sciences as analogies to social systems (Giddens, 1984, p. 227-280). He argued that “nature is not man-made”, while a social system on the other hand although

> not made by any single person, [it] is created and recreated afresh, if not ex nihilo, by the participants in every social encounter. The production of society is a skilled performance, sustained and ‘made to happen’ by human beings (Giddens, 1976, p. 15, italics in original).

Although there is recursiveness in both natural and social systems, however the kind of knowledgeability displayed in nature in the form of mechanical reproduction is different from the knowledgeability of actors displayed in their social practices (Giddens, 1984). Human beings according to Giddens are “purposive agents” (ibid, p. 3) who “have, as an inherent aspect of
what they do, the capacity to understand what they do while they do it.” (ibid, p. xxii). However, such knowledge is bounded, in the sense that in conducting their practices, actors might produce unintended consequences, which might form unacknowledged conditions of actions.

By adopting this perspective, Giddens suggests that we should not conflate agency with intentionality. In many circumstances, actors might not have the knowledge that their actions will lead to certain unintended or unrecognized outcomes, and in other scenarios, actors might be able to achieve certain intended outcomes but through others’ agency rather than their own. Therefore, “[a]gency refers not to the intentions people have in doing things but to their capability of doing those things in the first place” (ibid, p. 9). In the strategy literature, this is well captured by Mintzberg and Waters’ (1985, p. 271) notion of emergent strategy as a “pattern in a stream of actions” which emerges through a series of spontaneous actions without necessarily having a deliberate intention. Organizational actors do not necessarily perform each task with the intention of achieving a pre-defined strategy. How then can actors be purposive? Chia and Holt (2006) address this issue by differentiating between a ‘building’ and ‘dwelling’ modes of agency. In the building mode, which reflects the rationalist conception of strategic decision-making, actors’ actions are guided by pre-defined goals; it is a “purposeful planned action” (ibid, p. 644, italics in original). Chia and Holt (2006) however argue that “much of what we call strategic activity takes place in a ‘dwelling’ rather than in a ‘building’ mode” (ibid, p. 644) whereby actors are immersed in the flow of day-to-day activities and try to cope with whatever hurdles they face. Actors are engaged in “purposive practical coping” (ibid, p. 644) which leads to the emergent strategy that Mintzberg and Waters (1985) referred to, which actors can recognize through retrospective sensemaking (Weick, 1995) (see MacKay and Chia, (2013) for an empirical application of this view).

The decoupling of agency and intentionality allows Giddens to conceive of every act as involving agency. Agency then according to Giddens “refers to doing” (Giddens, 1984, p. 10) and the ability of actors “to ‘act otherwise’” (ibid, p. 14). By engaging in a certain set of practices over others, actors influence the pre-existing state of affairs and reproduce or transform in large or small ways the structures that enabled their practices. Therefore, power is implicated in every act- the power to make a difference in a certain situation “in the sense of transformative capacity” (ibid, p. 15). This has an important implication for the way Giddens conceptualizes power, because now unlike resource dependency perspectives for example, power is not seen as a resource but rather as a routine element exhibited in every actors’ conduct as they draw on and reproduce rules and resources. In this way, Giddens ascribes social power to all actors, even those who are dependent can shape their superiors activities as they reflexively monitor their and others’ actions, this is what Giddens refers to as the dialectic of control. This dialectic of
control and the contested nature of meaning making in organisations is captured by Balogun and Johnson (2005, p. 1569) study as they show that:

[s]enior managers may be institutionally empowered to introduce novel templates in an attempt to redirect understandings, but their hegemony may be constrained by alternative recipient narratives (Balogun & Johnson, 2005, p. 1569)

Social practices for Giddens are an “ongoing series of practical activities” (Giddens, 1976, p. 81). These regular activities bring actors together in social systems, which are “organized as regularized social practices, sustained in encounters dispersed across timespace” (Giddens, 1984, p. 83). This continuity of practices presumes that actors are knowledgeable and able to reflexively monitor their actions to identify the appropriate practices in specific situations. This however means that such reflexivity also presumes some sort of a structured knowledge that makes practices “distinctively ‘the same’ across space and time” (Giddens, 1976, p. 3). It is the structural properties of social systems that allow:

the ‘binding’ of time-space in social systems, the properties which make it possible for discernibly similar social practices to exist across varying spans of time and space and which lend them ‘systemic’ form (Giddens, 1984, p. 17).

It is important to differentiate between social systems and structure; social systems do not have structures but rather exhibit structural proprieties in the form of recursive practices. Structure is virtual and it exists “as time-space presence, only in its instantiations in such practices and as memory traces orienting the conduct of knowledgeable human agents.” (ibid, p.17). Structure is like language consisting of a complex set of rules, which only gets enacted in speech (practice). Structure refers to rules and resources recursively implicated in the (re)production of social systems. Giddens takes a Wittgensteinian understanding of rules as ‘formulae’. Rules therefore for Giddens encompass those that are formulated like ‘we only do FDI with an ROI higher that 12%’ and more informal rules such as “routines, habits, procedures, or conventions” (Whittington, 2010, p. 148) like ‘we usually talk with our networks before investing in a foreign country’ or ‘we use Porter’s framework when evaluating an FDI’. On the other hand, Giddens differentiates between two types of resources, allocative and authoritative. Authoritative resources pertains to capabilities of commanding and coordinating others’ actions, and allocative resources concerns capabilities of providing command over objects such as cash,

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6 It should be noted that Giddens’ conceptualization of social systems is different from the use of the word systems in Parsons’ framework for example and other system theorists. He argues that “[s]ocial systems should be regarded as widely variable in terms of the degree of ‘systemness’ they display and rarely have the sort of internal unity which may be found in physical and biological systems” (Giddens, 1984, p. 377). Thus, actors’ participation in social systems does not imply that a common normative or cognitive framework controls their conduct.
technology etc. In their interactions, actors draw upon rules and resources and thus (re)produce the system’s structural proprieties, which enabled their actions. Giddens analytically distinguishes between three forms of interaction; communication, power and sanction which are analytically associated, respectively, with three structural dimensions; signification, domination, and legitimation. In their communication, actors draw on interpretive schemes leading to reproducing or transforming structures of signification. For example, a manager might draw on the popular discourse around emerging markets to argue for an investment, which then leads to reproducing the truce of this scheme. In sanctioning interactions, actors draw on norms of legitimated conduct and thus (re)produce structures of legitimation. This might entail a manager enacting rules against bribery for example to block proposals for investments in a highly corrupted country. Finally, in power interactions actors draw on facilities such as authoritative and allocative resources and thus (re)produce the structures of domination. Through this conceptualization, Giddens proposes to speak of a duality whereby “the structural properties of a system are both the medium and the outcome of the practices they recursively organise” (Giddens, 1984, p. 25).

To study this structuration process, Giddens proposes a strategy of methodological bracketing, whereby a researcher can focus on either institutional analysis or strategic conduct analysis. In strategic conduct analysis, the focus would be on the modes through which actors draw on the structural proprieties (rules and resources) of their social systems in their social activities. In this approach, the structural proprieties are assumed to be methodologically given. Institutional analysis on the other hand brackets the skills and conduct of agents, and focus on understanding the structural properties of social systems. Giddens insists however that researchers need to remember that:

“such bracketing is wholly methodological… [and] [t]hose who take institutional analysis to comprise the field of sociology in toto mistake a methodological procedure for an ontological reality” (Giddens, 1984, p. 285, italics in original).

2.5. 3 Application of structuration theory in OT and IB

Structuration theory continues to be a major influence on several approaches in OT, as evidenced by Giddens being one of the most widely cited scholars in the field (for a recent review see Seidl & Whittington, 2014; Whittington, 2010). Scholars have drawn in different ways on Giddens’ insights in studying different phenomena in order to challenge the dominant view that structure determines organizational action and to recover the role of actors’ practices in shaping organizational outcomes. In an early contribution, Ranson, Hinings and Greenwood (1980) attempted to overcome the dualism between structural perspectives which posit organisational
structure as a prescribed framework for action and interactionist approaches that focus on meaning structures that emerge from actors’ interactions, by arguing that both are mutually constitutive (see Willmott, 1981, and Whittington, 1992 for a critique). In technology studies literature, Barley (1986) using a structurational lens showed how the introduction of new CT scanners in two hospitals have occasioned structural changes in different ways as the meanings of the new technology were “defined by the context of their use” (ibid, p. 106). In the routines literature, Feldman and Pentland (2003) argued that routines are both ostensive and performative. The ostensive part is “the abstract idea of a routine (structure)” while the performative part is “the actual performances of the routine by specific people, at specific times, in specific places (agency)” (ibid, p. 95). Actors therefore are not mere routine-followers, but they rather perform routines and therefore there is an endogenous possibility for change (Feldman, 2000). Routines are both a source for stability and change (Feldman & Pentland, 2003; Feldman et al., 2016). Finally in the SAP field, Jarzabkowski (2008) using a structuration perspective, identified different strategizing behaviour through which top managers attempt to shape the strategy process.

In the internationalization literature, only few studies have followed some of Giddens’ ideas. Earlier internationalization process models are mostly structural and the role of actors in shaping the outcome is not taken seriously. Steen and Liesch (2007) recognized this shortcoming in the Uppsala model, and building on insights from Penrose (1959) they argued that:

managers (agents) may control and coordinate resources (structures) but also, resources exert influence over human agents and impinge upon managerial initiative (Garnsey, 1995; Bets & Garnsey, 1999). (Steen & Liesch, 2007, p. 197).

Steen and Liesch (2007) then regrouped the Uppsala model components into a path of agency, which includes action components such as commitment decisions and a path of structure, which includes institutionalized rules and routines, governance structure, and network position. These structural components are interdependent and they represent the notion of ‘productive opportunities’ suggested by Penrose. They suggest the use of structuration models and actor-network theory for future studies of internationalization. Lamb, Sandberg and Liesch (2011, p. 688) addressed this issue using phenomenography to investigate the understanding and practices of small business managers’ internationalization activities and concluded that:

[F]irm internationalisation is characterised by an evolving recursivity rather than by a linear causality. There appears to be neither a beginning nor an end; there is an ongoing cycle of producing and reproducing their internationalisation realities and enacting them,
based on their understanding of firm internationalisation (Giddens, 1984; Weick, 2001). (Lamb et al., 2011, p. 688)

Adopting a structuration perspective, Sydow et al., (2010) in their study of foreign market entry process, argue that explaining foreign market entry “requires attention to process and practice, rather than structure alone.” (ibid, p. 14). They conceptualize foreign market entry “as a process driven by the recursive interplay of knowledgeable agents and the social structure or organizational networks and field” (ibid, p. 13). This recursive relation between structure and agency is investigated by Dutta et al., (2016) in their study of the evolutionary pattern of foreign acquisition decisions by MNEs. Dutta et al. (2016) argue that MNEs acquire experiential knowledge from past cross-border acquisition decisions (CBA) which are built into routines that guide future CBAs (Haleblian, Kim & Rajagopalan, 2006; Hayward, 2002). These structures then lead MNEs to follow similar acquisition patterns and thus exhibiting path dependencies. In some situations, these routines might not be applicable leading MNEs to break away from their existing path through exercising agency. Dutta et al., (2016) taking a structuration perspective found that MNEs’ CBA decisions break away “from the path dependencies of routinization and experiential learning, to incorporate “agency” based on availability of organizational slack resources and CEO power” (ibid, p. 213). Slack resources (Cyert & March, 1963) are unused resources, which can be deployed for alternative use by actors, and according to Dutta et al., (2016) it falls under the allocative resources category of Giddens’ theory (1984). The other category, authoritative resources are captured by the CEO impact in terms of his/her overconfidence and tenure duration. Thus MNEs “that have higher discretionary slack resources are more likely to break free from path dependencies in CBA decisions and adopt new entry mode strategies.” (Dutta et al., 2016, p.222). However, their quantitative approach does not allow them to explain how actors enact a path-dependent or a path-breaking trajectory, and therefore they call for qualitative studies to capture “how and why multinationals decide to move from a path-dependent to path-breaking courses” (ibid, 223).

These recent contributions provide an advancement over purely structural and rational approaches by taking into account the role of management agency (Hutzschenreuter et al., 2007) and the duality of structure and agency in shaping internationalization decisions. In that sense, they seek to go beyond 

the prevailing biased focus on the downward impact of macro-level context on micro-level firm (e.g., Tihanyi et al., 2005; Tsang & Yip, 2007) toward a balanced approach to MNE as both reactive and proactive (Li, 2010, p. 54).
Rather than depicting internationalization decisions as either exploitative or explorative (Barkema & Drogendijk, 2007) they are seen as exhibiting a duality of exploration and exploitation, and path dependence and path creation (Farjoun, 2010).

To summarize this section, it could be argued that Giddens’ central contribution is that he brought actors’ practices into the centre instead of focusing solely on structural forces or actors’ subjectivities as explanation of social action. There are two important insights relevant for the perspective that I adopt in this thesis. First, actors are embedded yet knowledgeable agents who reflexively monitor their conduct. Second, there is a recursive relation between structure and agency, such that as actors engage in recurrent practices they reproduce the structures, which made their practices possible. This implies that to explain an FDI decision, we have to pay attention to the role of actors in producing it, while recognizing at the same time that human action cannot be explained without reference to the social context, which is often ignored by economic-based theories. Asocial and ahistorical explanations which treat FDI decisions as a discreet event become problematic, and the same goes for structural explanations that emphasize the path dependency of internationalization processes without taking into consideration the active role of actors in (re)producing these processes (Johanson & Vahlne, 1977). Path dependence according to structurationist perspectives becomes path (re)creation (Garud, Kumaraswamy & Karnøe, 2010). Instead of assuming a self-reinforcing mechanism that locks in actors in certain paths and “whose evolution is determined by contingencies (chance events)” (Garud et al., 2010, p. 760), a structuration perspective attempts to explain “how embedded actors attempt to shape and navigate their ways through (or out of) such processes” (ibid, 762).

The answer to this question will be addressed in the next section where I discuss the Strong Structuration Theory (SST) (Stones, 2005) that I adopt in this thesis. SST helps me address two problematic issues in Giddens’ perspective to strengthen the theoretical basis of my study. First, as highlighted earlier, routinized practical consciousness of agents that is grounded in tacitly held “mutual knowledge” (Giddens, 1984, p.4) of social practices is the mechanism through which agents reflexively monitor social practices and interactions, and hence Giddens considers routine as the master key of structuration theory. It is hard within such conception of agency to account for actors’ creativity, non-routine interactions, or instances whereby actors are able to distance themselves and change their structural context of actions (Thrift, 1985). Despite, Giddens’ emphasis on actors’ agency, departing from existing ways of doing things will be piecemeal as actors slowly modify their practices to cope with the exigencies of the situations that they face. Emirbayer and Mische (1998, p. 963) agree with this criticism as they describe Giddens and Bourdieu’s conception of agency as “habitual, repetitive, and taken for granted”. However, habitual action is only one facet of human agency, in addition to the projective and
practical dimensions, which all constitute different temporal orientations of agents towards structures (Emirbayer & Mische, 1998). When one of these dimensions “is conflated with agency itself, we lose a sense of the dynamic interplay among these dimensions and of how this interplay varies within different structural contexts of action.” (ibid, p. 963, italics in original; Also Simpson, 2009). So to understand why and how in certain events during the FDI process, organizational actors might engage in routinized action and in other might engage in projective thinking and distance themselves from existing structures, we need to conceptualise agency in a way that captures its full complexity.

The second issue with Giddens’ perspective [which I aim to avoid] is his undertheorizing of interaction between actors (Crossley, 2011). In social processes, enacting structure involves multiple relationally connected actors and therefore structure exist “between those actors” (Crossley, 2011, p. 128). Although Giddens discussed interaction in his theory, it is not clear however how it influences the structuration process, and how actions emerge “by means of engagement between actors who affect and influence each other” (Crossley, 2011, p. 129). To account for social relations between actors we need to conceptualize action as taking place “across actors who are aspects of a relationally integrated whole” (Simpson, 2009, p. 1334), as suggested by pragmatists such as Dewey and Mead. This focus on interactions and social relations is emphasized by Stones (2005) in his SST.

### 2.6 Strong Structuration theory (SST)

An important contribution to advance structuration theory was proposed by Stones (2005) to overcome the limitations of Giddens’ earlier conceptualization. SST has been recently employed by scholars in empirical research in diverse fields such as accounting practices (Coad & Glyptis, 2014; Jack & Kholeif, 2007, 2008), information technology programs change (Greenhalgh and Stones, 2010), strategic investment decision-making processes (Harris et al., 2016) and has been proposed by Elbasha and Wright (2017) as a promising framework for the study of strategizing activities.

Giddens’ structuration theory has been criticized for being overly philosophical and pitched at an abstract level, which results in giving little guidance for researchers in investigating substantive issues (McLennan, 1984; Stones, 2005; Thrift, 1985; Turner, 1986). Furthermore, Stones (2005) argued that this abstract rendition of structures and agents, leads to an undifferentiated view of the relative degrees and variations of these abstract concepts when examined in situ-specific time-space. He argued that structuration theory as Cohen (1989) highlighted is an ontology-in-general (Stones, 2005, p. 7) of structures and agents and thus it is not clear, how it could be applied in particular situated contexts. He proposed an ontology-in-
situ which provides bridging constructs to capture the ontic level, which is the “level at which the empirical can be sought” (Stones, 2005, p. 76). The ontic level is concerned with “particular concrete and/or situated entities in the world” (ibid). The study of FDI decision-making is a process study at the ontic level. Between the general and the ontic, Stones adds meso-level bridging constructs which aims to make it “possible to talk about at least some abstract ontological concepts in terms of scales or relative degrees” (Stones, 2005, p. 77). For example, we can identify different degrees of structural rigidities, different degrees of agency, etc, in their manifestation in certain situated contexts. Stones (2005) recommends that his framework be applied with other substantive theories that could be useful in informing specific processes at the ontic level. For example, the micro-political perspective can provide us with fine-grained concepts that could enrich the analysis of the relation between actors between and within subsidiaries and HQs, and sensemaking theories can provide concepts that capture the repertoires of actions, which actors undertake during the decision-making process. The interrelations between the general, meso, and the ontic levels are depicted in Figure 2.1. Also Figure 2.1 shows the basic processes that constitute Stones’ quadripartite framework which comprises (1) external structures which constitute the conditions of actions at T1; (2) internal structures within and between the agents which consist of agents’ general dispositions and their knowledge of the terrain in which action unfolds; (3) active agency, which includes the activities and practices, habitual and strategic; and (4) outcomes which represent the intended or unintended consequences of actors’ conduct.

Stones (2005) differentiates between two types of agents- agents-in-context and agents-in-focus. Agents-in-context inform the action of agents-in-focus by shaping their understanding of structures, and agents-in-focus are those actors who are close to action and need to enact interpretations about how others (agents-in-context) are going to interpret the issue at hand. For example, a manager or a group of middle managers who are championing a new initiative would be the agents-in-focus, while the top management team and board members would be agents-in-context. In another situation, agents-in-focus could be subsidiary actors who are championing a new FDI idea and agents-in-context would be managers in the HQ. This distinction therefore captures adequately the interactions and relations between MNE actors during the FDI decision-making process.

External structures are the conditions of action that can both enable or constrain agents’ actions and they might exist independently of the agent-in-focus. For example the MNE strategy, rules, and other internal elements in the organization, and also other macro elements external to the organization such as the institutional and cultural dimensions of host and home countries. In
some instances, these conditions of action might not be acknowledged by agents-in-focus and thus lead to unintended consequences. They can take the form of independent causal influences, where the external structures are constituted, reproduced or changed entirely independently of the wishes of the agent-in-focus, even though they may directly affect the life of the agent (Coad & Herbert, 2009, p.179, italics in original).

Figure 2-1: Strong Structuration Theory Quadripartite Framework Of Structuration

<table>
<thead>
<tr>
<th>Ontology in general</th>
<th>External structures</th>
<th>Agent</th>
<th>Outcomes</th>
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<tbody>
<tr>
<td></td>
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</tr>
<tr>
<td></td>
<td></td>
<td>Internal structures</td>
<td>Agent’s practices</td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>Meso-level ontological concepts</td>
<td>(1) Constraining (2) Enabling</td>
<td>(1) Unreflective (2) Critical</td>
<td>(1) Routine (2) Practical (3) Projective</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ontic-level</td>
<td>Empirically informed processes of structures and actions in situated contexts (Explaining the specificities of how, why, when, and by whom FDI decision-making is constituted in specific MNE’s context)</td>
<td></td>
<td></td>
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</tbody>
</table>

ontological claims guiding empirical research
Revising ontological claims based on substantive findings

Source: Developed for this study based on Stones (2005)

These external structures are mediated through “position-practices” a concept that Stones (2005) borrows from Bhaskar (1979) and Cohen (1989). “A position-practice is a social position and associated identity and practice, together with the network of social relations which recognise and support it” (Greenhalgh & Stones, 2010, p.1288). Agents are embedded in various position-practices, which shape their capabilities and the knowledge required to recognize and resist external structures. These capabilities and knowledge emerge from the internal structures
which pertains to how and what agents know. *Internal structures* are analytically divided into two components, *general dispositions*, similar to Bourdieu’s (1990) concept of habitus, which include things such as “world views, cultural schemas, typified recipes of action” (Coad & Herbert, 2009, p.180) acquired by actors over time. And the second component is *conjecturally-specific knowledge* of the specific situation facing the agent-in-focus, which in conjunction with the agent’s general dispositions will shape his/her understanding of external structures and how s/he is expected to act. Perceptions of external structures might change as time passes, and the internal structures might change because of the actions and interactions between actors during the process.

2.7 Theoretical Framework

In this section I unpack the components of the SST framework that I discussed briefly in the previous section and explicate its constitutive structures, processes and activities and how they are applied to the study of the FDI decision process. I build on the idea of the MNE as an epistemic community (Fransson et al., 2011) to highlight the embeddedness of actors and the contextual and situated nature of knowing and acting. The embedded and situated nature of action implies boundaries between actors situated in different spatio-temporal contexts and therefore the existence of divergent interpretations of FDI opportunities. Pluralities of meanings mean different identities and interests which necessitate negotiation and politicking between actors in order for coordinated and cooperative action to be possible. This has been studied by the micro-political perspective in IB which conceptualizes the MNE as a “contested terrain for meaning construction”. Finally, the process and strategy as practice literature provides central ideas to understand actors, activities, and the processes and structures which are recursively implicated in organizational action.

As highlighted earlier, SST provides a synthesis of consistent ideas derived from various strands of the sociological interpretive tradition such as ethnomethodology and symbolic interactionism and practice perspectives, and philosophical ideas from hermeneutics, phenomenology, and pragmatism to provide a processual, relational, non-deterministic account of actors’ conduct. SST internally reconstructs Giddens’ structuration theory by addressing many of the criticisms related to the abstract character of the theory, the under-determination of the structural side of social organizations, and the relative neglect of interactions between actors. Stones (2005) advances his SST to bridge the gap between the level of ontology-in-general at which Giddens pitches his theory, and the ontic which is the level at which the empirical can be sought. In that sense, SST can be treated as a general framework through which researchers can investigate how the basic constitutive features of structuration theory can manifest differently in different
substantive settings. Therefore, Stones (2005) advises scholars to use SST in conjunction with other substantive theories related to their field of inquiry. The components of the SST framework can be unpacked and enriched therefore by incorporating consistent theoretical insights from the IB and OT literature to sensitize the inquiry to how these components materialize in the MNE terrain.

I now discuss the different components of the SST framework as used in this study, which are: 1) external structures 2) actors’ internal structures; 3) actors’ activities; and 4) outcomes. But before discussing each component I start with discussing what Stones calls the “conjuncture” which is the combination of events that the researcher is seeking to explain. The conjuncture in this thesis is the FDI decision process. Understanding the nature of FDI decisions is important in order to know what kind of “stuff” will be relevant in the different components of the SST at the substantive level.

2.7.1 The FDI decision process (the conjuncture)

The IB literature has investigated several aspects of the foreign market entry decision, such as the choice between a non-equity or equity modes of entry and the choice between equity based joint ventures or wholly-owned subsidiaries (Brouthers & Hennart, 2007). Extant research has also examined the establishment mode choice that is the choice of acquiring a subsidiary or setting up a Greenfield investment (Hennart & Slangen, 2015), along with the amount of equity in each of those settings (Klier et al., 2017). Other scholars have looked at the FDI location decision (Jain et al., 2016; Kim & Aguilera, 2015; Nielsen et al., 2017). As I have already argued, slicing these decisions and investigating them in isolation has advanced our understanding of variance issues but led to a poor understanding of the decision process. Thus entry mode studies assume for example that MNEs choose a market first then decide their entry mode. This however is not ‘necessarily’ true as some firms exhibit a preference for particular entry modes, suggesting that the firm’s routine structure might lead to blind spots with respect to location (Benito, Petersen & Welsh, 2009). A further problem in these approaches is that they impose a pre-defined list of alternatives on the decision-makers, but we do not know whether decision-makers were actually choosing among these sets (Slangen & Hennart, 2015). The same applies to location research, in which we know little about what the alternatives that the actors have developed are and whether actually they did consider any alternatives at all (Buckley et al., 2007). Aharoni (1966) for example argued that most firms in his study did not consider any alternatives, rather they responded to opportunities that emerged in specific markets. Thus understanding FDI decision as a process that takes place over time is important.
There is an agreement in the IB literature that an FDI decision involves the exploitation of existing knowledge or the creation of new knowledge (Vahlne & Johanson, 2017). It is a process that entails knowledge of a certain opportunity, whether such opportunity is about exploiting, reconfiguring, or exploring new knowledge. Knowledge emerges through action and therefore is often tacit and locally situated. Such knowledge of opportunities might emerge in the centre, in HQs, or in the periphery in subsidiaries (Regner, 2003), it could emerge at lower levels or higher levels of management (Bower, 1970; Burgerlman, 1983). This is because knowledge in firms is distributed (Tsoukas, 1996). Ideas, opportunities, threats, regardless of how they are framed by organizational actors, do not present themselves unequivocally to actors, rather they are enacted by embedded actors and such enactment takes place within and through the organization’s meaning structures. Opportunities enacted by actors need to be articulated to other actors, their meaning will be contested, etc. Thus it is not only a process of choice, but also a process of meaning making that entails interactional processes directed towards achieving coordinated action. Such interactional processes are often taken-for-granted by approaches which treat the firm as a unitary actor.

Depending on where the FDI opportunity emerges and who the actors behind it are, the process might take different trajectories. Actors might need to translate their knowledge of the opportunity to other actors to be able to advance their project. This might be easy or difficult depending on the boundaries that exist between the actors (Carlile, 2002). In such cases, boundary objects might facilitate this process. In others, it might involve actors engaging in political activities, actively trying to issue sell their proposals to other actors through framing processes for example (Kaplan, 2008).

The processes that I have just described and the way the whole FDI decision process can emerge and unfold in each MNE, I argue, depend on: who are the actors-in-context and actors-in-focus, their constitution in terms of their dispositions and their (changing) conjecturally-specific knowledge, and their formal and informal social relations; the external structures or the structural context of action at T1 and its emergence and development along the activities of actors (both in focus and context) at T2, T3, etc; and the actions and interactions of actors-in-focus and actors-in-context which is shaped simultaneously by their internal structures and the structural context of action. The outcome of the process will result from the interrelations between these different aspects. I now turn to discuss each of the SST framework components.
2.7.2 External structures

Hernes (2014) attributes the success and also failure of OT to the plethora of entities and structures that scholars have identified and assumed them to be basic components of organizations, and of their surrounding environment. The list includes such things as people, strategies, technologies, rules, routines, roles, and units, which have become accepted categories from which elements have been scrutinized in many different combinations and from a host of different perspectives. (ibid, p. 99).

This list can be easily expanded by adding institutions, industry structures, market structures, etc…As Bourgeois (1984, p. 590) argued these structures or contexts of action are then conceptualized as constraining managers’ actions. One way out of this is to argue that actors act based on an enacted image of the environment (Smircich & Stubbart, 1985). The importance of Stones’ (2005) distinction between external and internal structures is that he emphasized that external structures are really just other actors past and present whose conduct provide constraints and opportunities for the actors-in-focus at any given conjuncture. This means that the context of action is an outcome of the many actions of actors present and past, which provides the initial conditions of the actors-in-focus conduct. Hernes’ (2014) notion of meaning structures is also important in this context. Meaning structures consist of “conceptual, human, or material elements forming interconnected wholes” (p. 105). These structures can be intra-organizational, organizational, or extra-organizational in the form of discourses or institutional structures (Becker-Ritterspach & Blazejewski, 2016). Hernes (2014) points out that the use of meaning and structures, signifies that structures gives meaning to acts, and that structures at the same time are always interpreted. But such interpretation is not voluntary, as Stones (2005) highlights, it takes places within a context that is populated with others who might enforce certain meanings on other actors. Specifically, Stones speaks of two causal influences of structures on actors. The first is independent causal influences “is when the external structures have complete autonomy from the agents whom they affect” (Stones, 2005, p. 111). There are many situations in organizational life, where actors might face such causal influence, such as when certain subsidiary actors have no say in the development of the MNE strategy or the mandates assigned to them. More apparent are also situations in which the constitution of the institutional and market structure of a foreign market can be hardly affected by a certain MNE. The other type of influence is labelled irresistible causal force, a phenomenological one, which is when actors might have the capacity to resist a certain external structure but feel that they are not able to resist.
When discussing external structures therefore we need to take seriously Stones’ (2005) insight that we should take into account the phenomenology of the actors-in-focus and how they perceive the possibilities of action with regard to the external structures in the current situation. This however doesn’t mean that structures only act as constraints, rather they can also be enacted in a way that advances actors’ projects by enrolling them as part of their activities. The micro-political perspective in IB gives many examples of such instances, where subsidiary actors enact aspects of their local institutional environment in their contestation with the MNE HQs (Geppert & Dorrenbacher, 2014; Morgan & Kristensen, 2006). Another example is provided by Clark and Geppert (2011) in which a UK subsidiary of a US MNE possessed all the required structural features from a resource dependency perspective that make it a powerful subsidiary, yet the perceptions of the subsidiary managers of their position was one of dependency.

To conclude, actors’ interpretation of the structural context of action will be mediated by their own hermeneutical understanding informed by their internal structures which I will discuss next. This understanding can be more or less accurate which can also result in unintended consequences. I now discuss the internal structures of the actors.

2.7.3 Actors-in-context, actors-in-focus, and internal structures

In SST, Stones (2005) differentiates between two (groups of) actors at any given conjuncture. The actors-in-focus are those who are close to the action and/or doing the acting, and actors-in-context are those who are relevant for the actions undertaken by the actors-in-focus. As I discussed earlier the actors-in-context constitute part of what Stones discusses as the structural context of action and external structures. There is no difference between the two sets of actors in terms of their general constitution, meaning that both are embedded in different sorts of structures, but in any given substantive situation they might have different goals, interests, and knowledge based on the position they occupy and their overall internal structures. The distinction is useful because it makes us sensitive to the interactive dynamics that it is part of any social situation. This is what Thrift called “the ghost of networked others” (1996, p. 54). It captures the insight that action is always carried on with knowledge and anticipation of how others (even if not co-present) will react. This point is clearly important in the organizational context. Blazejewski and Becker-Ritterspach, (2016) in the micro-political perspective make a similar distinction between key actors and relevant actors, I will use Stones’ terms however for the sake of consistency.

Who are the actors who matter in the process? Should we conceptualize the MNE as a unitary actor, or as composed of units conceived as also unitary actors (e.g. subsidiaries, departments, etc.)? Or should we look at individual actors’ actions? Can we reduce organizational outcomes
to individuals’ actions and possibly to their characteristics and psychological processes as many methodological individualists (Felin & Foss, 2005) seem to suggest? Or is the locus of action in socio-culturally mediated interactions between actors? These questions, and other related ones, have been debated over and over in OT under the guise of structure and agency, micro and macro, individualism-holism and through such debates alternatives emerged such as situationalism (Knorr-Cetina, 1981), relationalism (Chia & Holt, 2006; Emirbayer, 1997), and groupism (Kaghan & Lounsbury, 2011) which can be roughly grouped together as an approach that emphasizes the interactive and socially situated nature of action. The result of these debates is an increasing pluralism in OT (see Cunliffe, 2011). This is clear in the strategy process and practice literature, in which the earlier focus on decision processes and administrative systems at the organizational level (Bower, 1970; Burgelman, 1991; Chakravarthy and Doz, 1992; Ocasio, 1997) was supplemented by an emphasis on managerial elites’ actions (Pettigrew, 1992) including CEOs, top management teams, and board members (Finkelstein & Mooney, 2003; Jarzabkowski, 2008), and middle managers (Balogun & Johnson, 2004; Floyd & Wooldridge, 1992).

In IB, mainstream perspectives still focus on the firm as a unitary actor and rely on a rationalistic and/or functional perspectives on action (see Becker-Ritterspach & Blazejewski, 2016; Geppert & Dörrenbächer, 2014 for reviews and critiques). To be sure, I am not opposed to the idea of treating the firm as a unitary actor when addressing certain questions, or to even anthropomorphize it and endow it with goals and all that which entails. In our everyday talk we do speak of Pepsi engaging in a new FDI project for example. Thus I agree with Mouzelis (1995) that this is fine as long as the anthropomorphic ascription of human-like qualities to organizations is:

No more than a convenient shorthand to avoid long-winded descriptions of complex processes of representation and of group decision-making. In so far as verbal abridgements can be readily translated into detailed action terms, there is no reification (Mouzelis, 1995, p.13).

But if it is these very complex processes that we are seeking to explain, then obviously reifying the firm and saying for example that the firm started by developing alternatives, then evaluating them, then choosing, would certainly be problematic. Hodgson captures this distinction by reference to Douglas North’s work, in which North abstracts deliberately from the internal processes of firms, and treat them as unitary actors because his primary interest is “in economic systems rather than the internal functioning of individual organizations” (Hodgson, 2006, p. 9). This is fine, Hodgson (2006) argues, when organizations have established and clear means for
reaching decisions. The problem however emerges when we define organizations as actors, then we confuse abstraction and definition which are two different analytical procedures (Hodgson, 2006) because this would conflate social individual agency and organization. Because even in the presence of mechanisms to reach decisions, potential conflict and divergent interpretations are always latent (Hodgson, 2006), as shown even in the simple case of routine work (Feldman, 2000).

Approaches that take the firm as a unitary actor effectively erase issues of interpretation and contestation by relying on a trivialized image of human agency which then turn organizations into trivial machines in which their actions are determined by pre-determined rules (Tsoukas, 2017). When human agency is trivialized by conceptualizing action for example as following decision-rules (Nelson & Winter, 1982), performance programs (March & Simon, 1958), or by an urge to economize on transaction-costs (Williamson, 1975), then human actors can be treated as basically the same and thus the abstraction from the individual to the collective is made easily, because there is no room for heterogeneity among actors’ conduct. Everything that makes humans the social individuals that we common-sensibly know is effectively constrained by administrative structures (Simon, 1947) or by incentive structures (Williamson, 1975) which make their actions mechanical and identical. An alternative perspective that is grounded in pragmatism, practice theories, and several other interpretative traditions, conceives human actors as more than mere rule-followers (whether normative or rational rules of conduct). Instead, agency is seen as “not the exercise of merely individual preferences but is shaped through its being embedded in several collective contexts (interactional, organizational, and institutional contexts)” (Tsoukas, 2017, p. 142). Such embeddedness in different discursive practices (Shotter, 2006) which is a “collective, unarticulated background” (Tsoukas, 2017, p. 145) provides actors with dispositions to act in certain ways and to take certain orientations to their structural context of action. These dispositions which are largely taken for granted by actors, provide them with the “inherited background” (Tsoukas, 2009) against which they make sense of their activities and the situations in which they find themselves and which legitimates some goals and means over others. Notice here that the static means-end framework of rational action becomes a subset of this dispositional line of thinking. In some situations, these dispositions will give rise to lines of actions that as Emirbayer and Johnson (2008) argue:

are “naturally” and immediately adjusted to [actors’] respective fields [and] present themselves misleadingly under the appearance of “aiming at” explicitly formulated goals, since the actions they entail are always proper and well-timed – one acts spontaneously as one “should,” like a fish in water – while lines of action objectively incompatible with the conditions at hand are excluded as unthinkable. Organizational
actors can certainly be said to pursue interests. But in the approach we are advocating, the concept itself of interest, whose opposite is not disinterestedness but indifference, a total lack of commitment to the game at hand and its stakes, is defined capaciously to include all manner of investments (Emirbayer & Johnson, 2008, p. 32).

This is how as Chia and Holt (2006) argue, organizational actors can act purposefully without necessarily having a purpose in mind, rather the purpose may become clear retrospectively through sensemaking. These socio-culturally embedded dispositions which are enacted skillfully not automatically, to practically cope (Chia & Holt, 2006) with everyday situations, are acquired by actors as they become socialized into sets of established practices and ways of thinking at the intra-organizational, interactional, organizational, cultural and institutional contexts. Stones (2005) discusses this aspect of internal structures under the name of the “general-dispositional” and likens it to Bourdieu’s notion of habitus but he uses the former to avoid the deterministic connotation and the focus on the reproductive aspect of habitus in Bourdieu’s work. He also uses the term general to highlight that these structures are transposable to some extent across a range of situations as argued by Sewell (1992) and Mead’s discussion on social skills, and to distinguish it from the conjuncturally-specific knowledge which relates to more specific contexts and situations at specific points in time. The general-dispositional structures include:

- generalized world-views and cultural schemas, classifications, typifications of things, people and networks, principles of action, typified recipes of action, deep binary frameworks of signification, associative chains and connotations of discourse, habits of speech and gesture, and methodologies for adapting this generalised knowledge to a range of particular practices in particular locations in time and space (Stones, 2005, p. 88).

These general-dispositional structures develop from the agents’ past and present socialization into established practices in different contexts. This means that tensions might easily arise from within these structures which pave way for the actors to reflect upon their own practices. It can also arise due to tensions between one’s own general-dispositional structure and the external structures of action, as one moves from one organizational context to another, or as one interacts within different communities or functions within the same organization, or as one interacts with actors from a different geographical place embedded in different institutional and cultural settings. These tensions therefore provide opportunities and obstacles for firms to generate new knowledge and opportunities.

The other dimension of internal structures that Stones discusses is the conjuncturally-specific knowledge which involves an actors’ knowledge of the specific structural context of action.
Thus although such knowledge will be interpreted according to the general-dispositional structures, it involves more fine-grained knowledge about specific contexts in certain place and time. Thus while for example an actor might have general-dispositional knowledge about how a strategy plan should be crafted in general, conjuncturally-specific knowledge would be more about how the strategy plan should be crafted in a specific company and how those specific actors-in-context are going to react to this plan. This kind of knowledge is well captured in the issue selling literature (Dutton et al., 2001), where issue sellers are said to engage in contextual sensemaking to think whether their moves will be successful or not. Issue sellers therefore rely on relational knowledge, that is knowledge that “actors have of each other, of each other’s intentions, stakes, private goals and territories” (Baumard, 1999, p. 22, quoted in Dutton et al., 2001). This knowledge held by the actors-in-focus can be classified according to Giddens’ three inter-related aspects of structures, which is knowledge of the interpretive schemes, power structures, and normative structures in a specific context of action. Meaning that actors-in-focus will have more or less accurate knowledge about how specific actors-in-context are likely to interpret their actions, and more or less accurate knowledge of the power resources which the actors-in-context might be able to mobilize. Finally, more or less accurate knowledge of the actors-in-context likely behaviour according to their normatively held beliefs. Like the possible tensions that might arise from the plurality in the dispositional structures, plurality also might exist within the conjuncturally-specific structures when actors-in-focus are dealing simultaneously with various actors-in-context who might possess different interests and demands.

What are the implications of these plurality of structures for our understanding of MNEs’ actions? These implications have been elucidated by Mouzelis (1995) in terms of the tension between the dispositional, the positional, and the situational and by Stones (2005) in terms of the tensions between the external structures, the general-dispositional, and the conjuncturally-specific structures, and have been applied in the firm context by Tsoukas (1996) who argued for a view of firms as distributed knowledge systems. These insights can be unpacked as follows. Actors’ conduct is inherently undetermined. Because, although firms can have more or less control over the normative expectations of actors by structuring specific role structures with certain prerogatives and mandates, developing strategies to be followed and through socializing actors into specific practices, this control is never perfect for three reasons. First, firms have no control over actors’ dispositions which although partly shaped by the organizational context, they are also constituted by past socialization experiences. Second, interpretations of normative expectations will be shaped by actors’ embeddedness in broader cultural, institutional, and industrial contexts which are ubiquitous in the MNE case and lower intra-organizational
contexts such as communities and functions within the firm. Third, the general-dispositional and conjuncturally-specific structures are instantiated within local structural contexts of action “whose features cannot be fully known by anyone ex ante, but are actively shaped by practitioners as they confront local circumstance.” (Tsoukas, 1996, p. 22). Thus it could be concluded that there is an inevitable tension between the various dimensions of structures that I have just discussed which both constrain and enable actors’ conduct. It also follows that knowledge will be distributed in the MNE. Different actors will develop different knowledge as the result of the tensions between their internal and external structures. To complicate things more, this knowledge needs to be articulated but different actors because of their embeddedness in different social spheres will have different interpretations and interests of the usefulness of this knowledge, and so to be articulated it needs not only to be translated but also to be perceived as in the interests of other actors. This distributed, local, and situated nature of knowledge and action can be both challenging and useful for firms. Regner and Zander (2011) make a similar point although they discuss it as tensions between social identity frames held by different groups in the MNE. They argue that:

While a common corporate social-identity frame promotes knowledge transfer, the diversity of various subgroups' social-identity frames, in combination with interaction and temporary tension between them, advances knowledge creation (2011, p. 821).

This also builds on the Penrosian insight, which was also addressed by Johanson & Vahlne (1977) and more clearly by Steen & Liesch (2007) that firm’s growth will be determined by the tension between managers’ perception of how current resources are used as opposed to their potential use to develop new opportunities. However they say little about how this tension emerges and how it is settled. For Penrose (1959), development of new opportunities is a function of the way managers interpret their environment, and how they think resources can be applied to a productive opportunity. In the current perspective, new opportunities will arise through the tensions between the internal and external structures, in addition to the tensions between the actors-in-focus and actors-in-context. Penrose (1959) overemphasized the subjective dimension of managers’ experience and downplayed the intersubjective and conflictual aspect of organizational life (Pitelis, 2007). That is managers are situated and therefore their attention and interpretation of different opportunities will differ, and such differences will have to be resolved through coordination and cooperation which will determine how actors will respond to the opportunities identified by other actors.

To conclude, actors’ internal structures as represented by the dispositional structures and the conjuncturally-specific structures will shape the relation that actors will take with respect to the
external structures in their structural context of action in any given conjuncture. This interrelation between the internal structures and the external structures along with the interaction between the actors-in-focus and actors-in-context in specific situations will give rise to different agentic orientations, as Emirbayer & Mische (1998) called them, to the actors’ structural context of action. That is actors’ conduct and practices might be more or less habitual, practical, and/or projective at any given point in time during the process. It is also clear that their internal knowledge structures which they draw upon in apprehending the structural context of action, can be more or less accurate, which might lead to unintended consequences. I now discuss the actors’ conduct and practices.

2.7.4 Actors’ activities

Stones (2005) discusses actors’ conduct and practices in terms of strategic and habitual activities in line with Mouzelis (1995). Stones’ exposition of actors’ conduct is similar to Emirbayer & Mische’s (1998) conceptualization of agency. Because Stones (2005) differentiates between external and internal structures, and he further divides internal structures into dispositional and conjecturally-specific knowledge structures, he, like Emirbayer and Mische (1998), conceives agency as always embedded in structure; “there is no hypothetical moment in which agency actually gets ‘free’ of structure” (Emirbayer and Mische 1998, p. 1004). Furthermore, because of Stones’ attention to interactions between actors-in-context and actors-in-focus, along with the more in-depth conception of structures that I have just mentioned, he is able to provide a more fine-grained account of conduct that accommodates both routine and strategic action, unlike Giddens and Bourdieu who overemphasized the routinized dimension of action (Emirbayer & Mische, 1998). Having said that, I also think that Emirbayer and Mische’s (1998) conception is more developed than Stones (2005) in this regard, as they go much deeper in the details of how actors can take differing temporal orientation to structures and so I will be building upon their work. Emirbayer and Mische (1998) define human agency as:

the temporally constructed engagement by actors of different structural environments—the temporal- relational contexts of action—which, through the interplay of habit, imagination, and judgment, both reproduces and transforms those structures in interactive response to the problems posed by changing historical situations (Emirbayer & Mische, 1998, p. 970).

As actors confront different contexts of action, they may switch between the different dimensions of agency which are themselves structured through these contexts, and thus can take different stances towards external structures. The three different aspects of agency are only analytical distinctions, and so the three can be found in varying degrees within any specific
conjuncture, but one dimension is likely to dominate and take a greater role than the other two. The iterational dimension relies on habit in responding to current situations. This is related to the discussion on how dispositions take on a taken-for-granted status and orient actors to follow certain lines of action based on past experiences. It should be noted that this not a mechanical application of schemas, but rather “requires attention and engagement on the part of the actors in order to narrow the possibilities for action” (ibid., p. 975). Thus, it is more consistent with Dewey’s notion of habit as opposed to Simon’s notion of routine (see Cohen, 2007). Emirbayer & Mische (1998) discuss three processes related to this dimension of agency which are selective attention which makes actors cognizant of certain aspects of the situation according to their general-dispositional structures. There is overlap here with the attention-based view of Ocasio (1997) although the former is less deterministic (but see Ocasio, Laamanen & Varaa, 2018 for a more social perspective). This implies that the recognition and identification of FDI opportunities will be shaped by the MNE’s meaning structures.

The projective dimension on the other hand entails taking a critical distance from past routines, and the possibility that actors might engage in projective re-construction of possible future outcomes. However,

the formation of projects is always an interactive, culturally embedded process by which social actors negotiate their paths toward the future, receiving their driving impetus from the conflicts and challenges of social life (Emirbayer & Mische, 1998, p. 984).

This view is consistent with the approach I adopt in this thesis. The key word here is the project, which has also been used by Strauss (1993) in his description of social action and Obstfeld’s (2012) notion of ‘creative project’ to describe how organizations get new things done. A project according to Schutz is the fundamental unit of action, as “the meaning of any action is its corresponding projected act” (Schutz, 1967, p. 62). But this is not the rational conception of a means-end framework, rather means and ends evolve through action, and therefore the plan goes under continuous revisions as action unfolds. Still, actors act based on a certain projection of what they want to accomplish in the future, even if such projection is indeterminate and not always clear. This projection is accomplished through a process of anticipatory identification which is done through retrospective-prospective engagement with the past in terms of prior stocks of knowledge and simultaneous imagination of the future to map possible trajectories of action (Emirbayer & Mische, 1998). This dimension of agency is also intimately linked with framing process (Snow & Benford, 1988; Kannan-Narasimhan & Lawrence, 2018; Kaplan, 2008; Werner and Cornelissen, 2014) which is an important process in this thesis. Frames are lenses for seeing reality, and thus framing is a purposeful and political
process through which a group of actors try to impose or persuade others to adopt a certain frame (Kaplan, 2008). It thus involves proposing alternative ways of understanding and actors might rely on it to direct the attention of others on specific issues. The concept of framing is also implicit in the Bower-Burgelman model, in which it is suggested that actors who propose autonomous initiatives will have to conform or reframe the meaning of their initiatives in line with the prevailing structures and strategies in an organization in order to gain adoption for their initiatives (Dougherty and Heller, 1994). A closely related emerging area of research is that of resourcing (Feldman, 2004; Howard-Grenville, 2007) which suggests that actors can reconfigure the use of certain resources by creating new meanings of resources. Framing here becomes one of the mechanisms through which actors can change the relationship between a given resource and its use in a specific organizational context in order to gain support for their initiatives (Kannan-Narasimhan & Lawrence, 2018).

Finally, the practical-evaluative dimension of agency is concerned with responding to the exigencies of the present situation. This is because:

Even relatively unreflective routine dispositions must be adjusted to the exigencies of changing situations; and newly imagined projects must be brought down to earth within real-world circumstances…The problematization of experience in response to emergent situations thus calls for increasingly reflective and interpretive work on the part of social actors (Emirbayer & Mische, 1998, p. 994).

This dimension of agency includes processes such as problematization when local contingencies arise and extant habits of action are not working and thus actors need to figure out what is distinct about this specific situation. Problematization will lead actors to characterize the situation in a certain manner, in doing so they will rely on their general-dispositional structures which furnish them with transposable recipes of action, and/or their more conjuncturally specific knowledge about the situation at hand and so might lead to adopting a different line of action. This will be followed by deliberation processes among the involved actors until they finally reach a decision, or a choice emerges as a result of their continuous interactions.

2.7.5 Outcomes

In SST, Stones (2005) discusses outcomes as the intended or unintended consequences of actors’ practices, which result in constituting events, changes in external and internal structures, and realization of actors’ purpose irrespective of their effect upon structures. In this thesis, I do not focus on the long-term effect of the process on the MNE’s structural context and agents’ internal structures. My focus is on explaining the FDI outcome that will emerge through the processes that I have described above. It is an organizational outcome that emerges from the activities and
interactions of embedded organizational actors (Blazejewski & Becker-Ritterspach, 2016; Kouamé & Langley, 2018) which may or may not be similar to the intended outcome as projected by the person or group who initially proposed it. But because I focus on realized FDI decisions, that is FDI decisions that have been already implemented, I therefore accommodate both emergent and deliberate processes (Mintzberg & McHugh, 1985; Mirabeau et al., 2018).

In this study, the end of the process is when the new subsidiary is established. Of course there is no end in a literal sense because a process is always in a state of becoming, but researchers have to assign an end point of investigation according to the research questions that they seek to address. By taking the establishment of the subsidiary as the outcome, I avoid the problematic separation between formulation and implementation (Mirabeau et al., 2018) and the problem of tracking decisions to commitments (Mintzberg & Waters, 1985). Also this approach builds on the findings of Aharoni (1966) which showed that even after the formal authorization of the decision there are several rounds of negotiation and bargaining that might shape the final implemented outcome. There is another sense however in which I use the term outcomes to refer to the temporary stabilized interpretations and meanings which emerge from actors’ activities and interactions. These interpretations emerge from the ongoing work of actors and/ or deliberate attempts at strategy making which can take place during certain strategic episodes whether formal or informal such as meetings, strategy sessions, or ad-hoc encounters etc. (Hendry & Seidl, 2003) which serve to punctuate the process. Huff (1988) shows that these events serve as “decision points” which provide “opportunities for participants, solutions and problems to interact” (ibid, p. 8). The outcome of these encounters becomes part of the meaning structures on which actors draw on in subsequent events and thus they play a role in shaping the unfolding of the process (Hernes, 2014). As these events become a past event however they become amenable to re-interpretation and contestation between actors according to the exigencies of the present or the re-conception of the future projective outcome (Hernes, 2014). This captures the idea that the FDI process is an emergent trajectory (Aharoni, 1966; Strauss, 1993) punctuated by certain events where actors for example “decide” to pursue a certain line of action. And this line of action might then constrain their subsequent actions or it might be contested or re-interpreted according to emerging local contingencies. It is a process of path-(re)creation therefore that involves mindful and reflexive actors rather than a deterministic path dependent process (Garud et al., 2010).

2.8 Summary of chapter 2

Chapter 2 provided a summary of the IB literature on FDI and theories of the MNE. I have argued that while TCE and internalization perspectives have advanced our understanding of the
importance of transaction-costs influences on FDI decisions, however, they fall short in explaining how managers make these decisions in practice. The shift in the IB literature to issues of knowledge and learning has opened up important questions about the internal social processes in the MNE. Earlier contributors in this stream however have continued to portray the firm as a unitary actor. Although they moved from the overemphasis on hierarchy in TCE, they replaced such emphasis by an overly deterministic view of social identity and routines which are assumed to manifest uniformly on actors. Recent contributions in the micro-political perspective have criticized this unitary and homogenous view of the MNE and instead argued that MNEs are contested terrains where actors embedded in different locations have different identities, knowledge and interests. This shift in perspective opens up important questions on how actors interact and make decisions in this contested terrain. I have argued that to study these activities and interactions, an SST approach is useful to capture how the interrelations between the MNE’s structures and actors’ internal structures can shape actors’ activities and interactions and lead to different FDI decision trajectories and outcomes. In Chapter 3, I discuss the methods that were employed to address these questions.
Chapter 3. Research Methodology

3.1 Introduction

The previous chapter has provided a review of the different theoretical perspectives which aim at explaining FDI decisions. I have argued that extant theories rely heavily on variance approaches, and use either structural explanations or rational choice theories, which both lead to deterministic accounts of FDI decision-making and relegate the role of organizational actors to mere automata (Geppert & Dörrenbächer, 2014; Tsoukas, 2017). As such, these perspectives neglect issues of agency, embeddedness of actors in organizational and social relations, interaction and relationality between actors, and the temporality of action (Tsoukas, 2017). To remedy these issues, I proposed SST (Stones, 2005) as an approach that takes seriously the co-constitutive nature of structure and agency, and the processual nature of organizational life. SST does this by providing an explanation of how structure and agency are implicated in action - that is how structures (external and internal) both enable and constrain actors’ agency and provide the medium through which actors make sense of their situated context, which in turn lead to the re/production of organizational meaning structures. SST also pays attention to the embeddedness of actors in a network of social relations. Therefore, the social and political nature of FDI decision-making highlighted by Aharoni (1966) are taken into consideration by distinguishing between actors-in-context and actors-in-focus. Finally, it also takes temporality seriously by looking at the sequentiality of action, and how actors may be differentially oriented towards the past, present, and the future. It thus captures the living-forward understanding-backward dialectic that is inherent in social life. SST, I argued, is suitable for achieving the purpose of this thesis, which is to provide a detailed understanding of the FDI decision-making process in MNEs. Specifically, the thesis addresses the following research questions:

1- How do embedded-embodied organizational actors make FDI decisions?
   a- Who are the actors-in-context and actors-in-focus in the decision process?
   b- How do their interactions and social relations shape the activities performed during the FDI decision process?
   c- In light of the external structures of actions, which elements of the internal structures do organizational actors draw on in performing the different activities during the FDI decision process?

Consistent with Stones’ (2005) recommendation, I rely on a qualitative approach, which is suitable for process and structuration perspectives. Specifically, I rely on a multiple case study approach with narrative interviewing as the main data collection method, which provides the
necessary rich accounts that capture the structural-hermeneutical nexus that is at the center of SST.

In this chapter, I outline the onto-epistemological assumptions, case study method, and the data collection methods and procedures, which I employed in this study in order to collect the data. I first discuss the research paradigm and process ontology adopted in this thesis. I then discuss the need for a shift from variance to process theorizing and the implications for the research methodology. I then set out the multiple case study approach adopted and the case selection process. To enhance the credibility and trustworthiness of the research, I provide a detailed account of how the data collection process unfolded and make clear my reasoning behind choosing these specific methods and techniques (Bansal & Corley, 2011). This approach to reporting methods acknowledges that

because discovery can be serendipitous, methodological rigor is conveyed through the authenticity and candor of the text. It is important that researchers be able to describe how they discovered their insight (Bansal & Corley, 2011, p. 236).

This avoids some current concerns regarding the reporting of methodological practices in qualitative studies, which often depict their methods as a well-thought, linear and objective process and argued that these accounts are often retrospective rationalization of what has been a messy process (Johnson et al., 2006). Those critics argue that research, like any human project, involves compromises, iterations, and limitations. Researchers in their inquiries often act pragmatically in terms of resource constraints, opportunistically in their choice of respondents, and their onto-epistemological and theoretical ideas often change as the data collection unfolds. Instead of effacing these traces, researchers are encouraged to be reflexive of how their practices produce certain knowledge claims (Johnson & Duberly, 2003; Hardy, Phillips & Clegg, 2001). Researchers who report a transparent account of their practices give readers the chance to read, understand and evaluate under what conditions the research findings have been “produced”, which enhances the trustworthiness of research. These practices relate to the onto-epistemological underpinnings of research, theoretical framing, the choice of cases, respondents, interview structure, language used, etc. In this chapter, I report the choices and practices that I made during the data collection process.

3.2 From substance to process ontology

A fundamental issue that influences the way we study a certain phenomenon is our paradigmatic assumptions. A research paradigm constitutes of a set of (shared) beliefs and assumptions about how we envision reality, human nature, and the nature of organizations (Gephart, 2004; Morgan
Researchers need to adopt theories and methodologies that are consistent with their ontological and epistemological assumptions (Gephart, 2004), because:

The way we think the world is (ontology) influences: what we think can be known about it (epistemology); how we think it can be investigated (methodology and research techniques); the kinds of theories we think can be constructed about it; and the political and policy stances we are prepared to take (Fleetwood, 2005, p. 197).

Thus, prior to discussing my methodological stance and research methods, I first highlight my guiding ontological and epistemological assumptions.

The world as substance ontology is dominant in the IB field, MNEs are often conceptualized as stable entities and even more process-oriented studies often depict processes as a series of steps or sequential stages failing to capture the flow-like character of organizational processes (Welch & Paavilainen-Mäntymäki, 2014). These views give priority to outputs over processes, homogeneity over heterogeneity, stability over change, and individuality over relationality. Process is conceptualized as processes of enduring entities (Nayak & Chia, 2011) and analytic primacy is given to qualities and possessions of things (Nayak & Chia, 2011) (e.g. ownership advantages), and not how these things are continuously being re/produced by relational organizational actors, and how their meanings might differ in different temporal and spatial contexts. Adopting a process philosophy, on the other hand goes beyond the taken for granted meaning of process as a succession of stages to a view where process is constitutive of reality, and “that processes rather than things best represent the phenomenon that we encounter in the natural world about us” (Rescher, 1996, p. 2). Such a process ontology envisions organizations as “ongoing accomplishments” (Feldman, 2002) always in the state of becoming (Tsoukas & Chia, 2002). It thus acknowledges the existence of an external fluxing reality, in the face of which organizational actors inter-subjectively enact a workable organizational reality that enables them to take actions and make decisions, and thus analysis should focus on understanding such enactment processes. This enactment process does not emerge \textit{ex nihilo}, but rather, as structuration perspectives highlight, it takes place within an already constituted context and an existing nexus of social relations (Stones, 2005). This process approach has been called “Becoming-realism”, a position that is built upon ontological realism and epistemological social constructionism (Chia, 1999).

Our methodological decisions regarding how to study organizational processes are influenced by our ontological assumptions regarding the nature of process in reality. Tsoukas and Chia (2002) differentiated between two views; one that envisions reality as consisting of things or entities and process in this reality reflects changes in the qualities of the entity. Rescher (1996)
argued that this ontological belief can be traced back to Democritus’ view of the world, which assumes that the world is comprised of stable independent substances, and even if their qualities changed, their nature will remain stable. Organizational decision-making according to this view is a sequential process consisting of different phases, even though the qualities of each phase can be different, still an organization will remain unchanged in terms of its identity, goals, and shared interpretations (Poole & Van de Ven, 2010).

The other ontological view sees reality as consisting of processes, and entities as materializations of processes (Tsoukas & Chia, 2002). Organizations in this view, are constantly in a state of becoming (Tsoukas & Chia, 2002), as they are constantly being shaped by a set of processes and activities that are internal and/or external to the organization. Rescher (1996) traces this view back to Heraclitus’ argument which viewed reality as a network of processes. According to Heraclitus:

Process is fundamental: The river is not an object but an ever-changing flow; the sun is not a thing, but a flaming fire. Everything in nature is a matter of process, of activity, of change (Rescher, 1996, p. 10).

In this processual view, decision-making is an iterative process, in which decision premises are constantly being shaped and reshaped, as organizational actors are trying to make sense of chains of activities and events in their contexts (Poole & Vand de Ven, 2010). In the current study, the processual ontology is adopted, as it is argued that:

research questions that focus on how processes themselves ("sensemaking,"decision making, performing, identifying, etc.) emerge, develop, grow, and decline are compatible with a process metaphysics in which the focus is on how processes (rather than things) unfold over time (Langley et al., 2013, p.6).

### 3.3 From variance to process theorizing

The literature on FDI has long acknowledged that FDI is not a point of time decision; it is rather a lengthy process that consists of many changes along the way (Aharoni, 2010; Buckley et al., 2007). However, the dominant paradigms that explain FDI are considered to be static to a large degree (Melin, 1992). According to Mohr (1982) research approaches can be generally classified into variance and process approaches. Variance theories aim to explain a phenomenon through capturing the relationship between independent and dependent variables (Mohr, 1982; Poole & Van de Ven, 2010). Thus generally, according to internalization theory, market imperfections in intermediary products will lead firms to internalize foreign markets through FDI (Buckley & Casson, 1976), or the interaction and presence of ownership, internalization, and location
advantages will result in FDI (Dunning, 1988). The aim of such theories is to identify the important factors that lead to the observed behaviour, and “an implicit goal of variance research is to establish the conditions necessary and sufficient to bring about an outcome” (Poole & Van de Ven, 2010, p.570). The decision-making process by which the OLI advantages have led to FDI is deduced, and assumed to be rational, although it is not observed directly (Devinney, 2010). The result of such an approach is appreciated for its parsimonious and predictive power, but the dynamic and the interactive nature of the process is not captured (Welch & Paavilainen-Mäntymäki, 2014).

Scholars have long recognized that dynamic phenomena need to be addressed through a dynamic research approach (Langley, 1999; Mohr, 1982). A process approach can be useful in capturing the temporal and dynamic nature of the phenomenon (Mohr, 1982; Poole & Van de Ven, 2010), however process models still play only a minor role in explaining FDI and internationalization of MNEs in general (Welch & Paavilainen-Mäntymäki, 2014). In contrast to variance theories, process theories look at “a sequence of events that describes how things change over time” (Van de Ven, 1992, p. 169). Thus, in the current study, a process approach is adopted to explicate decision-making as a process of interrelated events, actions, and interactions that lead to undertaking FDI. The focus in process theories is, therefore, not on the amount of variance in variables and its effect on the observed phenomenon, but rather on the temporal order of events and activities and interactions that lead to the emergence and realization of a certain outcome (FDI) (Langley, 1999). Contrary to variance theories, which hypothesize that large causes will increase the chance of occurrence of a certain outcome; process theorists embrace the idea that small events can also be critical in explaining a phenomenon (Orton, 2000). As Weick et al., (2005, p. 410) argue, “to work with the idea of sensemaking is to appreciate that smallness does not equate with insignificance”. Process theories often use narratives to provide an explanation of the interrelated events that lead to a certain outcome. This explanation has the power to reveal the temporal and dynamic connection between events and actors in a phenomenon.

The present study aims to understand the decision-making process that leads to FDI. Thus the time span of the process according to Melin’s (1992) classification is an ‘episode’. The focus is on a short time period of organizational life, starting when a trigger for FDI has been recognized and proposed by an organizational actor, and ending when a decision has been taken, and resources have been mobilized to take action. This approach differs from the Uppsala model which can be considered as an ‘epoch’, looking at the internationalization process of a firm (Melin, 1992). The unit of observation in process research is a specific event (FDI), and the unit of analysis in the majority of decision-making process research is the decision. The current
study, however, follows Langley et al.’s, (1995) recommendation of taking an issue as the unit of analysis. By doing so, the study avoids the problem of isolating a decision from other related decisions. I consider FDI as an issue, which is defined as “constellations or galaxies of individual decisions” (Nicolaidis, 1960, p.173, cited in Langley et al., 1995), and consists of several interrelated decisions such as the FDI location and the entry mode decision. This is also consistent with Stones’ (2005) SST framework, which seeks to explicate the structuration process at a certain “conjuncture” which means a combination of events. Traditionally in the FDI literature, these decisions have been investigated in isolation which has been criticized (e.g Kumar & Subramaniam, 1997), as it obscures our understanding of the relationship between such decisions. Linkages between these decisions can be sequential, which means that, for example, the choice of a particular location will influence the entry mode choice, or it can also be the other way around. Linkages can also be precursive (Langley et al., 1995) which means that a decision regarding an earlier FDI might set the premises for the current FDI opportunity. Therefore taking the issue or the conjuncture in Stones’ (2005) terms can help in highlighting the linkages between decisions, and the relations between the actors and their interactions within the organizational context over a certain period.

Research on decision-making processes has utilized different methodologies and methods, including quantitative, qualitative, and mixed approaches. These differences reflect competing research paradigms and differing interests in aspects of decision-making. Poole and Van de Ven (2010) combined these two different ontologies with two different epistemologies of studying process (variance and process approach) to develop four alternative strategies to study organizational decision-making (See Figure 3.1).

**Figure 3-1: Typology Of Strategies For The Study Of Decision Processes**

<table>
<thead>
<tr>
<th></th>
<th>Substantial</th>
<th>Processual</th>
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</thead>
<tbody>
<tr>
<td><strong>Variance approach</strong></td>
<td>1- Using a variance approach to examine the effect of independent variables, such as decision-making formality and comprehensiveness on the dependent variable which is the</td>
<td>4- using modelling techniques to predict the patterns of decision processes</td>
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<td></td>
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</tbody>
</table>

76
| Process approach | 2- Taking a process approach to narrate and describe sequences of events and progressions of change through stages and cycles. | 3- Taking a process approach to narrate events while accounting for the fluidity and the emergent nature of the process. |

**Source:** Adapted from Poole and Van de Ven (2010, p.572).

The first strategy assumes that decision-making process consists of substantial stages, and take a variance approach to study the process. This strategy takes a positivist stance, and relies on quantitative methods to capture the influence of selected independent variables on a dependent variable, which is decision-making. The focus is therefore not mainly on the process, but rather on the attributes or the characteristics of the process. Fredrickson and Mitchell’s (1984) study, which investigated the effect of the comprehensiveness of decision-making process on decision-making effectiveness, is an example of this approach. The second strategy also assumes that the decision-making process consists of identifiable stages, but researchers in this strategy take a process approach to describe the decision-making process. Scholars in this camp rely on qualitative case studies, and sometimes quantitative methods, to develop a description of each stage of the process. Examples of this approach are Mintzberg et al., (1976), and Nutt (1984) studies, which identified different stages of decision-making process. Another strategy (four) assumes that decision-making is a fluid process, however, it utilizes a quantitative modelling approach to describe the process. A famous study that pioneered this approach is the garbage can model put forward by Cohen et al., (1972).

In the current study, I adopt strategy three which takes a processual view of the world, and utilizes a process research epistemology to study decision-making processes, and therefore it is considered to be “the most ideologically consistent approach to process research” (Poole and Van de Ven, 2010, p. 574). This approach relies on qualitative case study approaches, either in
real time, or through building retrospective accounts of the process, arguing that a better understanding is likely to emerge through capturing rich thick descriptions of the process (Langley, 1999).

3.4 Qualitative case study approach

Qualitative research is suitable to unravel organizational processes, and to provide an understanding of how collective action takes place in organizations, while accounting for the interaction and temporality of the process (Doz, 2011). Qualitative research can provide a detailed representation of processual events, which cannot be sufficiently explained by a few variables (Gephart, 2004). It can be suitable to understand processes of meaning creation, by relying on social actors’ narratives to understand their organizational reality (Gephart, 2004). Contextual and situational elements are therefore emphasized in qualitative research, and help in providing a rich explanation of events (Doz, 2011). As researchers start to abandon an objectivist structural view of the world, and start to hold a more inter-subjectivist, structurational, and processual view of the world, qualitative research becomes more suitable to address their research questions (Morgan & Smircich, 1980). There are several strategies to conduct qualitative research, such as ethnographic studies, interviews, and case studies. It should be noted however that a case study approach is not synonymous with qualitative research; case studies can rely on both quantitative and qualitative evidence. Therefore, case studies can be better regarded as a research strategy (Yin, 2009). In the current study, a qualitative case study approach is used, as it is recommended by process theorists who emphasized the usefulness of such an approach in providing a rich explanation of how processes unfold to a certain outcome (Langley, 1999). Such a qualitative approach is advocated when a study is addressing process-related research questions, and when a processual ontological view is adopted (Rasche & Chia, 2009). A case study approach is also appropriate for the present study as it can be used “to illuminate a decision or set of decision: why they were taken, how they were implemented, and with what result” (Schramm, 1971, cited in Yin, 1994, p. 12). Finally, a case study approach is well equipped to address questions of why and how events occur (Yin, 2009).

Case study research can serve different purposes; it can be used to provide descriptions, to test a theory, and to generate or to extend a theory (Eisenhardt, 1989). Depending on the purpose of research, a researcher will decide whether to adopt an inductive or a deductive approach to research. Some researchers have advocated a purely inductive approach, when developing a new theory (Gioia, Corley, & Hamilton, 2012), while others have argued that iterating between induction and extant theory is also possible (Langley, 1999). In the current study, the latter approach is adopted. Although a purely inductive approach can be useful in capturing the
contextual elements of the process, it can also result in what Pettigrew (1990) called “data asphyxiation”, therefore iterating between theory and data can serve the researcher well in terms of providing direction and setting boundaries for the research. As Langley (1999) suggested iterating between theory and data can help developing process models that builds on different theoretical perspectives, or induce from data to enrich existing theoretical perspectives. Following this line of thought, a specific research question is identified to guide the study, and SST was identified as useful guiding framework. However, the framework is general enough to accommodate any surprising themes that might emerge during the data collection.

3.4.1 Single vs. multiple case study design

Choosing the case study design was guided by onto-epistemological and theoretical assumptions and consideration of the data collection methods that could be used. I decided to rely on a multiple case study design (Stake, 2006) using narrative interviews as the primary device for data collection. The choice between single vs multiple case studies is a contested issue and the relative merits of each approach rest upon several onto-epistemological assumptions regarding organisational reality and the knowledge that we produce through our inquiries (Dyer & Wilkins, 1991; Eisenhardt, 1989; Eisenhardt, 1991). An alternative for the multiple case study design could have been a single case study with a focus on a single FDI decision, but this would have entailed a reliance on a few respondents and hence less richness in the data, because typically in FDI decisions only a certain group of actors are involved, and interviewing organizational actors who were not involved in the process is unlikely to yield any substantial information. The richness of the data can be enhanced by relying on observation, but for several reasons that I discuss in Section 4.4 this was not possible. The challenge of relying on observations in studying FDI decisions has mainly to do with identifying firms which are in the process of considering an FDI. Because unlike strategy sessions, meetings, and workshops that often take place on a periodical basis, FDI decisions emerge in an unsystematic fashion in response to enacted opportunities and so the timing of entering the field to observe them in real time is challenging. Finally, I also decided that studying a single FDI decision would be too idiosyncratic to account for the possible heterogeneity in actors’ activities and their interactions in different spatio-temporal situations. FDI ideas can be proposed by top management or middle managers, by actors in HQs or subsidiaries, and they could be targeted at an existing or a new market. My objective was to try to notice the similarities and differences in the way these situations emerge through actors’ work and how they subsequently shape actors’ sensemaking and interaction processes, and relying on a single FDI decision would have not allow me to
capture the different trajectories that an FDI process can take under seemingly different local contexts of action.

Another alternative research approach would have been a single embedded case study (Yin, 2009). Several seminal studies have adopted this approach, whereby researchers investigate multiple embedded processes within a single case, such as resource allocation decisions (Bower, 1970), and internal corporate venture projects (Burgelman, 1983). The benefit of a single embedded case is that it allows for comparisons between different processes while controlling for variance that may result from the organisational context. However, this requires that these different processes have taken place concurrently or within a relatively short temporal span. One of the criteria that I established for case selection is that the firm must have undertaken the FDI decision in the last five years in order to reduce recall bias and to ensure that those who were involved in the decision were still working in the firm. It was hard to find a firm that engaged in several FDI decisions within the last five years and so I would have had to investigate decisions that took place a long time ago which could have potentially resulted in a less detailed narrative of the process. Through this reasoning process, I decided to rely on a multiple case study design.

An important question arises, however, when researchers rely on multiple case studies, that is - what kind of knowledge are we aiming to produce? Those who follow Eisenhardt (1989) seek to uncover objective generalities, which are then represented in the form of testable propositions (Welch, et al., 2011). The cases are therefore chosen based on certain *a priori* established criteria to detect variance among the observed patterns. This view presumes an ordered, structured, and stable ontology in which actors’ actions are more or less pre-determined. But, if we are interested in understanding the process of meaning construction, and conceptualize meaning making as a local activity in which actors’ conduct is not determined by some constructs acting behind their back, then the search for supposedly enduring proprieties, generalities, and propositions is ill-suited (Tsoukas, 2017). But does that mean that “all comparisons are odious”? (Cervantes, cited in Steinmetz, 2004, p.372). I argue that this depends on the aim behind comparisons, and my approach is more in line with Stake (2006) which Welch et al., (2011) categorize as interpretive sensemaking than with Eisenhardt (1989) and Yin (2009) more positivistic approach.

Stake’s (2006) interpretive approach emphasizes understanding actors’ activities as situated and embedded in their surrounding environment, which is consistent with SST. As such case studies for Stake (2006) should involve particularization rather than generalization (ibid), and thus rather than seeking generalized explanations, researchers should provide a detailed understanding of the social context of action and actors’ activities in each case. In a multiple
case design, Stake (2006) argues that this entails treating each case on its own initially by focusing on its situational context, while remaining subsidiarily aware of the bigger picture, “the quintain” (ibid). Stake uses the metaphor of “quintain” to refer to the phenomena of interest to researchers, for example in this study the “quintain” is “the FDI process in MNEs” which I seek to understand better by looking at how it manifests itself differently (or similarly) in the cases that I study. Through this recursive process of in-depth understanding of actors’ lived experiences and abstract analysis across cases, we are able to provide a rich understanding of the “quintain” by noticing similarities and differences in the way it manifests in different local contexts of actions. This approach can be seen as in line with Flyvbjerg’s (2001) plea for a phronetic social science that seeks to provide descriptions of actors’ situated practical understandings. By understanding the process in each case, we can then develop what Shotter (2012) called “prospective-descriptive” concepts that “illuminate certain general features of such otherwise unique events” (Shotter, 2012, p. 258, italics in original) which could be used to make sense of actors’ activities across cases. I now discuss the process of cases selection and the cases’ characteristics.

3.4.2 Case Selection & characteristics of cases

After deciding that a multiple case study approach was suitable for this research. The next decision was regarding the number of the cases and the choice of the sampled MNEs. This process was not a linear one; it involved several iterations between theory and methods. It was also emergent, as I re-thought my approach as I started the data collection, and the choice of subsequent case firms was guided by the earlier choices to ensure a specific level of variation in my sample. This process however was not directionless or random; it was guided by the evolving theoretical approach, certain methodological criteria, and consideration of access issues. As described by Bizzi and Langley:

sampling in process research is bound to involve an element of convenience given the complexities and vagaries of access. However, researchers also need to work with sufficient purposefulness to ensure that comparisons offer valuable information (2012, p. 228).

I initially developed several criteria to choose the sampled firms. In the current study, the population of interest is large MNEs. This study uses the New Zealand government definition of large companies, which states:

“Section 19A(1)(b) defines 'large' company as One that crosses two of the following thresholds:
1. NZ$20,000,000 in annual turnover (as per statement of financial performance shown in their latest financial accounts)

2. NZ$10,000,000 in a company’s assets (as per statement of financial position shown in their latest financial accounts)

3. 50 or more full-time employees (includes employees in subsidiary companies) (usually not reflected on the financial accounts).” (Ministry of Business, Innovation and Employment, 2014)

Furthermore, MNEs are defined as those firms which own and control productive facilities in more than two countries. In addition, the current study focuses on FDI by MNEs in the last five years, in order to reduce potential recall problems. It uses the OECD’s (2008, p.17) definition of FDI which is:

Direct investment is a category of cross-border investment made by a resident in one economy (the direct investor) with the objective of establishing a lasting interest in an enterprise (the direct investment enterprise) that is resident in an economy other than that of the direct investor. The motivation of the direct investor is a strategic long-term relationship with the direct investment enterprise to ensure a significant degree of influence by the direct investor in the management of the direct investment enterprise. The “lasting interest” is evidenced when the direct investor owns at least 10% of the voting power of the direct investment enterprise. Direct investment may also allow the direct investor to gain access to the economy of the direct investment enterprise which it might otherwise be unable to do. The objectives of direct investment are different from those of portfolio investment whereby investors do not generally expect to influence the management of the enterprise.

Finally, an important criterion was whether I was going to be able to interview those who were involved in the FDI decision. In order to identify potential case studies, I reviewed the stock market index of New Zealand (NZX 50), and went through the list to identify firms that fit the first two criteria, in addition to business press such as the National Business Review. A list of twenty firms was identified, out of which six firms agreed to participate in the study. After conducting the first interview, however, I found out that the FDI idea in this case was developed and pursued by the European subsidiary of the NZ MNE. This finding made me rethink my theoretical approach and my sampling strategy, and it became clear that the process might unfold differently when the idea was proposed by the subsidiary or HQs. Focusing exclusively on NZ MNEs would not have resulted in a balanced sample that can capture the complex interactions between HQs and subsidiaries. While the NZ MNEs in my sample are large firms, however compared to large European or US MNEs they are smaller in terms of size and scope of
operations. Therefore, I decided to include four European MNEs in my sample under the assumption that the structural context of action in these cases might be different and hence the process might unfold differently. Those four European MNEs are listed in the Fortune 500 global firms.

Overall, my sample includes ten case firms all of which are MNEs which engaged in an FDI decision in the last 5 years (at the time of data collection), yet they exhibit differences in terms of whether the FDI idea was proposed by HQ or subsidiary actors, and whether the FDI was in an existing or a new market. A new market in this study is when the MNE did not have physical presence in the country, and so even if the MNE was engaging in exporting activities in the focal country, it was considered as a new market. The case firms also represent different industries, six cases are manufacturing firms and four are in services. Based on the two dimensions of whether the FDI idea was proposed by HQ or subsidiary actors and whether the target host country was in an existing or a new market, I categorized the cases in a two-by-two matrix as shown in figure 3.2. The selected cases covered three of the quadrants of the matrix which represent adequate variation that can enrich the theorizing process. There are no cases in my sample in the upper-right quadrant which represents FDI opportunities identified by HQ actors in existing markets. This is not very surprising since such roles are most likely delegated to subsidiaries by the HQ. It does not necessarily mean however that this scenario cannot happen. HQ actors can engage in this role if for example they identified a promising large acquisition, and/or if the MNE is organized into different business groups and one of those groups do not have operations in the focal host country. My cases sample however did not include this scenario, and so my discussion focuses on the three other quadrants. Overall, these variations help me to capture the different trajectories that an FDI process can take under seemingly different (local) contexts of action.
In addition to these ten case firms, I also conducted two additional case studies. One of them was one of the largest NZ MNEs, and the other was a European MNE. However, I decided to drop these two cases from my sample because the level of detail of the data was not sufficient. In the NZ MNE, I interviewed the ex-CFO who was working in the MNE when the FDI decision was taken. Although, he provided me with details around the reasons behind the decision, and the strategic motive of the firm at the time, his narrative lacked the necessary details about the activities performed by actors, the interactions between actors, and the temporal unfolding of events. This might reflect that top managers are often involved in these processes in a more evaluative role rather than a more hands-on approach. I was unable to access other actors who were involved in the process, as most of them have already moved on to different firms. In the other case, the interviewees were also unable to provide a detailed account of the process due to their low involvement in the decision-making process. Their accounts were based on what they
heard happened rather than through their involvement. As such, I decided not to include these two cases. Table 3.1 provide a summary of the case characteristics.
Table 3-1: Key Characteristics of MNEs Interviewed

<table>
<thead>
<tr>
<th>Case</th>
<th>Number of interviews</th>
<th>Interviewees’ Position</th>
<th>Industry (Product)</th>
<th>Pre-tax Operating revenue (USD)</th>
<th>% of revenue from foreign operations</th>
<th>Number of foreign subsidiaries</th>
<th>FDI location</th>
<th>Entry mode/establishment mode</th>
<th>Country of origin</th>
<th>Location of actors who proposed the FDI idea</th>
<th>Previous operation in target country</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zeus</td>
<td>3</td>
<td>- Chairman</td>
<td>Manufacturing</td>
<td>125 million</td>
<td>94%</td>
<td>- 16 manufacturing sites</td>
<td>Russia</td>
<td>Wholly owned-acquisition</td>
<td>New Zealand</td>
<td>European subsidiary</td>
<td>Only exporting</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Regional manager</td>
<td>(Industrial products)</td>
<td></td>
<td></td>
<td>- Main HQ</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>- Project manager</td>
<td></td>
<td></td>
<td></td>
<td>- 2 regional HQs</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>- 2 regional sales offices</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Odin</td>
<td>1</td>
<td>- CEO</td>
<td>Manufacturing</td>
<td>200 million</td>
<td>76%</td>
<td>- 6 manufacturing facilities</td>
<td>Vietnam</td>
<td>Wholly owned-greenfield</td>
<td>New Zealand</td>
<td>Australian subsidiary</td>
<td>Yes-existing production facility owned by</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(Industrial products)</td>
<td></td>
<td></td>
<td>- Main HQ</td>
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<td></td>
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<tr>
<td>Hera</td>
<td>2</td>
<td>Board member</td>
<td>CFO (regional development and strategy manager at the time of investment)</td>
<td>Manufacturing (Industrial products)</td>
<td>500 million</td>
<td>30%</td>
<td>14 manufacturing facilities</td>
<td>Main HQ</td>
<td>3 regional headquarters</td>
<td>China</td>
<td>Wholly owned-greenfield</td>
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<td>Thor</td>
<td>3</td>
<td>Board member</td>
<td>CEO - Project manager</td>
<td>Manufacturing (Healthcare equipment)</td>
<td>170 million</td>
<td>95%</td>
<td>1 manufacturing facility</td>
<td>Main HQ</td>
<td>21 sales offices</td>
<td>Mexico</td>
<td>Wholly owned-greenfield</td>
</tr>
<tr>
<td>Company</td>
<td>Size</td>
<td>Industry</td>
<td>Key Details</td>
<td>Regional Development</td>
<td>HQ Location</td>
<td>Subsidiaries</td>
<td></td>
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<tr>
<td>Cronos</td>
<td>3</td>
<td>Software</td>
<td>CEO, Regional manager</td>
<td>Argentina, greenfield</td>
<td>New Zealand</td>
<td>3 subsidiaries</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Iris</td>
<td>4</td>
<td>Software</td>
<td>COO, Regional manager, Project manager</td>
<td>Philippines, greenfield</td>
<td>New Zealand</td>
<td>4 subsidiaries, 10 offices</td>
<td></td>
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<tr>
<td>Aura</td>
<td>2</td>
<td>Reinsurance</td>
<td>Regional Business development manager, Subsidiary Manager</td>
<td>Bahrain, greenfield</td>
<td>Germany</td>
<td>36 subsidiaries in 21 countries</td>
<td></td>
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<tr>
<td>Company</td>
<td>Code</td>
<td>-Regional manager</td>
<td>-Country manager</td>
<td>-Project manager</td>
<td>Industry</td>
<td>Total Revenue</td>
<td>Ownership</td>
<td>HQ Location</td>
<td>Subsidiaries</td>
<td>Additional Notes</td>
<td></td>
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<tr>
<td>Horus</td>
<td>3</td>
<td>-Regional manager</td>
<td>-Country manager</td>
<td>-Project manager</td>
<td>Manufacturing (Consumer goods)</td>
<td>7.5 Billion</td>
<td>More than 95%</td>
<td>Sudan</td>
<td>Main HQ, Operations in 160 countries</td>
<td>Sudan</td>
<td>Whole owned-acquisition</td>
</tr>
<tr>
<td>Ra</td>
<td>3</td>
<td>-Regional Manager</td>
<td>-Regional Underwriter</td>
<td>-Project Manager</td>
<td>Reinsurance</td>
<td>4.4 Billion</td>
<td>More than 95%</td>
<td>Egypt</td>
<td>Main HQ, 6 regional HQs in addition to other regional HQs within each business division, Subsidiaries in 61 countries</td>
<td>Egypt</td>
<td>Whole owned-greenfield</td>
</tr>
<tr>
<td>Osiris</td>
<td>3</td>
<td>-Regional Manager</td>
<td>-Subsidiary Manager</td>
<td></td>
<td>Manufacturing (Industrial products)</td>
<td>6 Billion</td>
<td>More than 95%</td>
<td>Egypt</td>
<td>Main HQ, 4 divisions and three main regional HQs</td>
<td>Egypt</td>
<td>Whole owned-greenfield</td>
</tr>
</tbody>
</table>
- Project Manager

Operations in 100 countries.

300 Manufacturing facilities

- Pseudonyms are used to ensure confidentiality
3.5 Data collection methods
In this section, I first explain why I chose to rely on interviews as my main source of data. I then discuss how the interviews were structured and explain the narrative interview technique that I used in collecting the data. Afterwards, I discuss how I chose the respondents in each case, and provide a summary of the characteristics of the conducted interviews. Finally, I discuss the use of secondary data.

3.5.1 Choosing the data collection method
Researchers using a qualitative case study approach often rely on different data collection methods such as observation, in-depth interviews, and archival records (Stake, 2006). The choice of data collection methods is guided by theoretical considerations and often restricted by methodological and practical issues. Process-oriented scholars often argue that observation is a powerful instrument that can allow researchers to observe what “really” happens in certain situations (Bizzi & Langley, 2012; Langley, 2007). Because observation allows researchers to observe events in real time, it is argued that it can overcome potential biases, which might arise from retrospective interviews during which respondents might rationalize their actions or fail to recall certain aspects of the event under investigation (Bizzi & Langley, 2012). Thus, many scholars have relied on ethnographic approaches to study strategizing practices (Fauré & Rouleau, 2011; Jarzabkowski, 2008).

There are however many challenges that make it hard to use observation to investigate FDI decisions. To be able to use observation, researchers need to know that the phenomena of interest will materialize during their time in the field. Wiedner et al., (2016) for example, started their study after the publication of the UK government proposal to reform the National Health System; the case therefore provided an ideal site to observe strategic change in real time. The researchers chose the case following a major event that they were able to identify from secondary sources (media, newspapers, organizational reports, etc.). Then they entered the field to observe in real time the consequences of this event. This approach is also used in the post M & A integration process (e.g. Leroy & Ramanantsoa, 1997; Vaara, 2003; Yu, Engleman & Van de Ven, 2005).

Another approach that also relies on observation, is represented by those studies that aim to investigate the mundane everyday practices of organizational actors. The assumption in these studies is that the phenomenon of interest, institutional logics for example, will materialize in the everyday recurrent practices of actors (Smets et al., 2015), and so observation is useful to
capture these practices in situ because they cannot be easily discursively articulated by organizational actors. The interest here is in something that organizational actors do every day or very frequently and so the time of entering the field does not pose serious challenges. Finally, in the strategy field, many researchers also rely on observation to study the everyday strategizing activities, or other periodically recurrent events such as meetings, strategy sessions, and strategy workshops (e.g. Jarzabkowski, 2008; Kaplan, 2008; Kaplan, 2011).

In all these approaches, researchers either study the consequences of a major event, or the everyday practices of actors or some other frequently occurring activities, and so they know before entering the field that they will be able to observe their phenomena of interest. This however is challenging for FDI decisions for many reasons. First, unlike strategy sessions for example which usually have a fixed date, MNEs do not necessarily engage periodically in FDI. This is potentially possible for re-investment decisions, but FDI decisions, which involve entering a new market or establishing a new entity or a manufacturing facility for example in an existing market, usually emerge in a less systematic fashion and so it is hard for a researcher to know when an MNE will engage in FDI to observe it in real time. What complicates this issue further is that MNEs often consider FDI to be a confidential issue and usually announce it only after the decision is authorized by the board or top management. In all the case firms in this study for example, the FDI decision was announced to stakeholders after it was signed by the board. The only exception was case “Zeus” in which the board communicated to shareholders their intention to invest in Russia before the final approval but even in this case the announcement came two years after the idea was first proposed. Thus, researchers who rely on secondary sources to identify the firms that could be included in their sample, will only be able to identify FDI decisions that already took place and hence will have to study it retrospectively.

To address this issue, Czarniawska (1998, p. 28) used what she called “observant participation” whereby organizational actors themselves collected systematic observations under the guidance of the research team. This is of course an innovative solution but it requires a strong connection with the sampled organization. It was challenging enough for me to get managers to sit for a one-hour interview, so I think getting access and convincing busy managers to accept the burden of collecting observations is very unlikely.

3.5.2 The narrative interview

For the reasons mentioned above, I decided to rely on retrospective in-depth interviews with multiple respondents in each MNE. The challenge facing process researchers relying on
retrospective data is how to get hold of, the way actors experienced events that already took place, how the past and future were invoked at each significant event, the activities that actors undertook in making sense of these events, and the interactions between the different actors. The challenge as Hernes (2014) highlights is to capture these processes while at the same time avoid representing them as unfolding linearly. As many researchers have consistently highlighted, the traditional semi-structured interview would not be appropriate to capture these processes (Czarniawska, 1998; Riessman, 1993). An alternative is the narrative interview (Czarniawska, 1998) whereby interviewees are given the chance to re-enact or re-live past events so that we can capture how they experienced these events. This approach rely on narrating actual events as opposed to hypothetical events and therefore “they come near to an everyday account and therefore to direct observation” (Czarniawska, 1998, p. 29) and can help in getting respondents into ‘the temporal mode’ of thinking and recall” (Hernes, 2014, p. 180). Thus I have followed Czarniawska (1998) in choosing the method which would allow me “to tackle the peculiarities of modern organizing: the condensed time, the simultaneity of events taking place in different settings, and the invisibility of a growing part of operations” (p. 31) while also considering the nature of the phenomena of interest and time and resource limitations.

3.5.3 Pilot interview

My decision to rely on narrative interviewing came after a pilot interview that I have conducted with a fellow PhD colleague who had previously worked in several MNEs and was involved in international operations activities. The interview was informal and I did not record or use the data. The purpose of the interview was to test out my interview protocol and to train myself before entering the field. I was however very disappointed by the outcome, as I found that the responses were very brief and not as detailed as I hoped they would be. I ruled out the possibility that this outcome can be ascribed to a lack of rapport, because we are well acquainted. Therefore, I asked him after the interview why his answers were brief and asked him to reflect and evaluate the questions that I have posed. He told me that he felt that the questions were too close-ended, and they did not give him the space to recount his experiences. As I understood from his feedback, it was as if I am pushing him to re-package his experiences to fit into the questions that I was asking. Consider this question for example, “what are the factors you took into consideration when you were evaluating the target market?” The question presumes that there was an explicit evaluation stage. In addition, the most likely answer by the respondent would be a list of factors, which, although theoretically important, does not say
much about the timing and the sequentiability of which factor came first. Most importantly however, it would not necessarily capture who developed this list of factors, and whether there was agreement among the actors about the saliency of these different factors. It is an important question nevertheless, but instead of starting with these type of questions, I decided to start out by an open question and keep these more structured questions till the end.

The question-response mode while useful for certain variance approaches, is less useful for process approaches because it imposes structures upon the respondents by a priori selecting the themes and the topics. Alternatively in the narrative interview, I started by asking the interviewee to tell me the story of their recent FDI decision, which I identified prior to the interview through secondary data. I then left the respondents to engage in storytelling, avoiding any interruptions, and simply nodding to signal interest and attentiveness. As the respondents are recounting their experiences, I took notes about the issues that needed clarification. When the respondents appeared to be pausing, I asked probing questions, such as what happened next, can you tell me more about this, etc. After the story was concluded, I then had a set of questions with the aim of filling any gaps in the respondents’ stories (see interview guide in Appendix 1). The result of these narrative interviews was a very rich account of the FDI process in each case.

3.5.4 Choosing participants

Choosing participants is a critical part of the research process, as the decision regarding whom to interview can shape the findings of the research (Dunford & Jones, 2000; Miles & Huberman, 1994). Even when one has a clear research question concerning a specific group of organizational actors, for example aiming to investigate top management teams’ behaviour, deciding to focus exclusively on interviewing certain individuals or a group of individuals can result in omitting important parts of the phenomenon given the relational and intertwined nature of organizational life. This issue is quite challenging in process-oriented studies where the focus is on studying a certain process or event, and then questions regarding the boundaries of the data collection become problematic to define a priori. Because processes are fluid, they often cut across different levels within the organization and materialize across different temporal and spatial boundaries (Pettigrew, 1990), deciding who to interview, in terms of their role and spatial location in the organization prior to entering the field can shape the story that emerges from the data. Regner’s (2003) research on strategy making in the centre and the periphery of the MNE points to the importance of the spatial location of organizational actors. It is not always possible to interview everyone who was involved in the phenomena of interest.
but choices based on unquestioned assumptions regarding whom to include in our data collection process can have important implications regarding the research findings.

Marschan-Piekkari et al., (2004) convincingly argued that the issue of who to interview is even more problematic in MNE research where action and decision-making is “by definition geographically scattered” (p. 250) as opposed to “other types of uni-locational research” (Yeung, 1995, p. 315). An important question regarding research in MNEs therefore arises as Yeung (1995) argued as to whether we should interview actors in the HQs, subsidiaries, or both. This poses challenges in terms of the research design and practical issues such as gaining access to multiple units. Marschan-Piekkari et al., (2004) highlighted for example how our conceptualization of the MNE field and the shift from the focus on HQs to the networked MNE can have important implications regarding the data collection process. When researchers are studying processes, which involve actors from HQs and subsidiaries and they focus exclusively on actors in only one unit but not both, this leads to “methodological separatism” (Yeung, 1995, p. 324) and “obscure an understanding of the complexity of MNC as a research site” (Marschan-Piekkari et al., 2004, p. 254). This insight is supported by recent research on MNE HQs-subsidiaries relationships and the micro-political perspective which show that often actors in HQs might not possess sufficient knowledge about certain MNE’s activities and they can be “mistaken about the ‘reality on the ground’” (Marschan-Piekkari et al., 2004, p. 254). Thus, to avoid this methodological separatism, Marschan-Piekkari et al., (2004), suggest unit triangulation, whereby researchers collect information from several units. This is of course useful when the activities under investigation were undertaken by actors in different units.

As I highlighted earlier, I started my data collection under the impression that FDI decisions are likely to be made by actors in HQs. Since these are strategic decisions, and given the often-promoted view of the HQ as responsible for strategy development, it seemed like a logical assumption. In addition, most of the studies on entry mode choices that rely on surveys collect their data from respondents in HQs (e.g. Brouthers, 2002). Upon conducting the first interview with the Chairman of case ‘Zeus’ in which he said that the idea was developed and pursued by actors in the European subsidiary, I realized that this is an overly simplistic assumption, and while this assumption might be necessary for quantitative survey-based studies, it would be problematic if the purpose is to understand how the process unfolded. Thus, following this interview, my focus became on following the action, albeit retrospectively. After securing access in each case, I requested to interview those who were involved in the decision, and this became the overarching criteria for choosing respondents. Because I was not interested in
‘opinions’ about how a hypothetical FDI decision should be made, but rather on how an actual FDI decision was made, being involved in the process therefore was necessary. In most cases, my point of contact in each case put me in contact with those who were involved in the decision. In the first interview in each case then, and through the narrative interviewing approach that I adopted, names of other actors emerged and then I contacted them and requested an interview. Thus, I have followed a snowballing technique in identifying respondents in each case firm (Patton, 1990).

The findings of Aharoni’s (1966) study showed that in medium and large MNEs the FDI decision is made by a group of individuals across different levels in the firm. Different actors get involved in different parts of the process and do different organizational work. Sometimes the idea is put forward by a top manager and at other times it is proposed from the bottom by middle or operational managers. Top managers often engage in evaluation processes, while middle and operational managers collect information on the ground, all while interacting with each other in the organizational context. Thus, unlike internationalization in SMEs where some scholars rely on a single respondent in each case, usually the CEO or founder, under the assumption that he or she would be involved throughout the process and therefore able to provide a comprehensive account, this approach would not be useful in larger firms where knowledge and action are distributed (Tsoukas, 1996).

To account for the distributed nature of organizational processes in MNEs and to capture the interactions between actors and the different activities that they performed throughout the process, I relied on multiple interviews within each case except for one case (Odin) where I was only able to interview the CEO. I decided however to include this case in my analysis for several reasons. First, the interview was rich, producing 28 pages of text. Second, the CEO was involved in the process from the very beginning and so he was able to provide a coherent narrative covering specific dates, the actors involved, and the activities performed during the process. Because of that involvement from the beginning, he explicated the logic behind actors’ actions and the discussions that happened during the process. There were no apparent gaps in the story. Third, during the interview the CEO showed me the proposal that was put forward by the subsidiary manager and the comments that were made by him and the CFO. This provided additional insights about the interactions that took place during the process. Finally, the interview was supplemented by secondary data including three annual reports (around 80 pages each), shareholders annual meeting presentations by the CEO and Chairman (two documents) and the minutes of these meetings, which included Q&As session with
shareholders covering issues of strategy and international investments (2 documents). The evidence therefore provided a theoretically rich account of the FDI process in this case. Although the CEO was able to account for other actors’ perspectives during the interview, it is still his own interpretation, which is shaped by his habitus (Bourdieu, 1990). I acknowledge therefore that this is a limitation of this case.

In all the other case firms, I conducted multiple interviews with an average of 2.7 interviews per case. My decision concerning the number of interviews per case was shaped by theoretical, methodological and practical concerns. There seems to be no agreement in the literature regarding how many interviews are sufficient in each case. Barlett and Ghoshal (1989) for example in their seminal study on transnational MNEs, have conducted interviews with 236 managers in nine case companies. In their review of published IB qualitative studies, Piekkari et al., (2009, p.581-582) report that “the average number of interviews per case in a large-N case study was 2.8, in contrast to 40 in single case studies and 6 in studies with 4 to 10 cases”. This pattern seems to remain the same in recently published studies (e.g. Achcaoucaou, Miravitlles & Leon-Darder, 2014; Conroy & Collings, 2016; Jonsson & Foss, 2011; Ul Haq, Drogendijk & Holm, 2017; Vahlne & Jonsson, 2017). This variation can be ascribed to different reasons, such as the purpose of research (Patton, 1990) and the case design. Pettigrew (1990) for example suggests that an appropriate design for a full-time researcher is 4 to 6 cases with 50 in-depth interviews per case. However, as Macdonald & Hellgren (2004) argue researchers who suggest such large numbers of interviews often ignore practical issues of information overload and resource constraints. For example, following Pettigrew’s suggestion, a researcher would conduct 300 interviews in six cases. The time required only for transcribing these interviews (usually 8 to 10 hours for a one-hour interview) would amount to 375 working days (8 hours per day), that is in addition to the time spent during the actual interview process, and the time spent analyzing the data (Macdonald & Hellgren, 2004). Besides these practical issues, this approach might be suitable given Pettigrew’s interests in studying organizational change in large organizations, and his emphasis on studying processes across levels, and hence relying on such large number of interviews seems appropriate to capture how change unfold throughout the organization. But for scholars who are studying more specific processes, such as an FDI decision which usually involves a smaller group of actors, how useful would it be to interview someone who was not involved in the decision? Macdonald & Hellgren, (2004, p. 266) argue that “it cannot be the case that more information is always preferable to less.” They argue that advocating a large number of interviews seems to be influenced by survey based methodology, where “the more interviews conducted the better the research” (Ibid, p. 266).
Given the purpose of my study, I focused on organizational actors who were directly involved in the process. I tried in each case to interview the main players in the process. This was not however always possible due to their busy schedules and because some have left the firm before I started data collection. However, I believe that the narrative approach that I adopted allowed me to collect a rich account of the FDI process in each case. In some cases, I could have conducted more interviews but with organizational members who were not involved in the decision, but I do not think that these interviews might have added any value. This was also based on my experience with interviewing respondents who were not greatly involved in the process in the two cases which I have dropped. Their stories simply did not provide the level of detail required to address the research questions of the thesis. As Macdonald & Hellgren (2004) argue, often researchers conduct a large number of interviews without explaining why and how these different data were used, and without providing representative quotes from all the different sources. In these cases, it could be said that a quantitative logic is operating under the assumption that more interviews can enhance the legitimacy of research. Thus, to decide whether the interviews conducted were sufficient in each case, I followed several criteria. First, I made sure that in each case, interviewees were involved in the process. Second, that they belonged to different organizational levels to avoid relying solely on elite or non-elite respondents (Welch et al., 2002). Interviews were conducted with board members, top management (CEOs, CFO, COO), regional managers, and project managers. This allowed me to understand the activities performed by the different actors who played a role in the process and how they interacted with each other. I also interviewed subsidiary actors in the case firms when the FDI idea emerged in the subsidiary to avoid the issue of methodological separatism (Yeung, 1995). Finally, after conducting the interviews in each case, I have read each transcript carefully to make sure that there are no significant gaps in the narratives provided by interviewees. I have followed Czarniawska’s suggestion to use a “recall check” (2004, p. 55) by asking, “Will I be able to retell this story? If not, what is missing?” (ibid, p.55). The result of this process as I mentioned earlier is that I dropped two cases from the study because the interviewees in these cases were not able to provide a coherent narrative that covers the different activities, which took place during the decision process.

3.5.5 Collecting the data

In total, I conducted 27 interviews from November 2014 to October 2015. Interviews lasted approximately between 40 minutes 90 minutes. I digitally recorded all the interviews with the permission of interviewees and transcribed them on the same or next day. Collecting the data
involved a substantial amount of travel. I could have relied on Skype or other platforms, but I preferred to leave this as a last resort because I felt that it would not have been the ideal setting to entice respondents to engage in storytelling. As highlighted by narrative scholars, physical presence of the narrator and the listener is important in co-constructing the story.

Interviews were conducted at the firms’ premises, in respondents’ offices or meeting rooms, apart from two interviews where it was more convenient for respondents to meet somewhere else. The first was an interview with the chairperson of ‘Zeus’, it was more convenient for him to meet at my University on that day. The second was an interview with the project manager from case ‘Ra’, which due to his busy schedule, he suggested to meet after his working hours in a café in Dubai. It is argued that the location of interviews can influence the dynamics of the interview process, for example, interviews conducted outside the firm’s premises can be more informal and respondents can feel more at ease. I observed this from the interview with the project manager, where he was very open and the discussion was informal, but this can also be because he was almost the same age as me and we are native speakers of the same language and so rapport was established easily at the beginning.

3.6 Data analysis

The data analysis process was partly planned and partly emergent. Throughout the analysis, I shifted back and forth between raw data, the emerging themes and extant theory. Thus, the analysis was iterative rather than linear; it was an abductive process where I kept on iterating between theory and data (Dubois and Gadde, 2014; Gioa et al., 2013). Throughout the analysis, however I was guided by process and structuration perspectives. The methodological bracketing proposed by Stones (2005) was a useful strategy in framing the analysis. Stones (2005) recommends relying on two forms of bracketing; agent’s conduct analysis and agent’s context analysis, which in conjunction can capture the dialectical process of structuration in a certain conjuncture. Agent’s conduct analysis “draws upon the ontological category of knowledgeability (as part of an agent’s internal structures) in a way that leads us back to the agent herself…and the way she carries out the work of action and interaction within an unfolding sequence” (Stones, 2005, p. 122). Therefore, agent’s conduct analysis is concerned with the agent’s activities and interactions, which is mediated by her internal structures. Agent’s context analysis on the other hand “can be used to analyse the terrain that faces an agent, the terrain that constitutes the range of possibilities and limits to the possible” (ibid, p. 122). Therefore, agent’s context analysis is concerned with the external environment and the internal MNE context.
In certain complex phenomena, like FDI decisions, whereby different actors are involved in different stages and processes might unfold in different places over a relatively extended period, Stones (2005) argues that a “composite strategy” is needed. A composite strategy recognizes the complexity of interactions in situations where action is distributed. This approach is suitable when the explanandum is “a particular decision, interactional sequence, set of spatial or temporal arrangements or event” (ibid, 2005, p. 126). Therefore, in each case I focused on identifying the actors-in-focus and the actors-in-context. The actors-in-focus in this study are those actors in HQs or subsidiaries who propose and develop the idea, and the actors-in-context are those actors, usually in HQs, who evaluate and authorize the decision. Considering these general guidelines, I followed the following steps in the analysis process. However, it should be noted that the steps did not unfold linearly.

3.6.1 Stage 1

I started by constructing a story for each case, describing the main events, actors and actions undertaken during the FDI decision-making process. Narratives are essential for process theories, because it is the way by which informants communicate their understanding of a certain process. Data in the form of narratives can be “loosely defined as a sequence of events, experiences, or actions with a plot that ties together different parts into a meaningful whole” (Feldman et al., 2004, p.148). Langley (1999) argues that almost any process research use some sort of narratives. Some scholars rely solely on narrative analysis, while others use it as initial stage of data preparation (Langley, 1999). In the current research, I followed the latter approach. After interviewing different informants and analysing supplementary material, a narrative in the form of a story was constructed for each case. This narrative data is useful for subsequent stages of analysis, as narrative data offers deep insights about the process (Langley, 1999). Pentland (1999) have highlighted certain proprieties of narrative data that make it useful for process theoretical development. Narrative data can capture time sequence, by highlighting the beginning (trigger for FDI), middle (actions and interactions that guide the search for alternatives), and end (FDI choice) (Pentland, 1999). Narratives capture the role of actors in the story, and by identifying who did what and when, a better explanation of actors’ interaction during the process is likely to emerge. Narratives usually contains implicit or explicit values, morals, or actors’ conviction of what is right and wrong, therefore how organizations evaluate the decision can be inferred. Finally, narratives are useful in capturing contextual features at different points of time (Pentland, 1999).
3.6.2 Stage 2

During the process of constructing the narrative of each case, I relied on temporal bracketing strategies (Langley, 1999). Temporal bracketing involves identifying discrete phases within the FDI decision-making process to detect for example changes in the activities performed, and importantly, changes in the actors involved. This help in capturing the interaction between the actors-in-context and actors-in-focus. At this stage, I started observing common stages across the cases, although these stages did not take place in the same order in all the cases. Four stages were identified: sensing the opportunity which consisted of activities performed by actors to identify and interpret an external or internal event; embedding the opportunity which is related to activities performed by actors to embed the opportunity in the MNE’s agenda; evaluation and choice which consisted of activities related to developing and sharing knowledge about the opportunity and finally making a choice; lastly implementation which is related to activities performed to establish the new subsidiary. I noticed however that these stages did not unfold linearly, there were iterations between stages. Also some stages took place simultaneously. Therefore, I decided to call these stages “sub-processes” to highlight that they temporally extend in time and not necessarily materialize in the form of a discrete stage.

3.6.3 Stage 3

I started open coding by associating raw data into first order descriptive codes, which reflect the respondents’ language. During this stage, my coding process was focused on identifying activities, such as interpreting, searching, visiting markets, meeting clients, issue selling, negotiating, legitimizing etc.; and structures, such as internal organisational rules, routines, strategic practices, etc. and also external structures such as institutional and economic conditions. After inductively developing these first order codes, I started an abductive process where I kept iterating between theory and data (Dubois and Gadde, 2014; Gioia et al., 2013). Through this process, I identified relations between first order codes to develop second order concepts. I started grouping the activities under the sub-processes which I identified earlier. For example the sub-process of sensing the opportunity consisted of activities such as problematizing and interpreting. Embedding the opportunity included activities such as informal communication with top management, proposing the idea through formal channels, issue selling, framing, and internal and external legitimizing.

I broke down Stones’ (2005) concept of external structures into two components: External structures and MNE’s meaning structures, which I found that actors related to them differently and therefore it was conceptually clearer to separate them. External structures included the
external conditions of action at the start of the process and any changes that had an influence on the subsequent actions during the process. External structures included societal-level conditions such as institutional and economic factors and business networks. On the other hand MNE’s meaning structures refer to the dominant institutionalized practices and beliefs in the MNE, which can take the form of codified artefacts or can be taken-for-granted shared norms and interpretations. I followed Mantere (2005) in categorizing these institutionalized practices into three categories: strategic practices, organizing practices, and controlling practices. Strategic practices answer the question “how participants come to understand strategy and its relation to their work” (Mantere, 2005, p. 166). These practices exist in codified or taken-for-granted forms, for example, announced strategic plans, strategy documents, strategy sessions, and strategy processes which represent the dominant strategic direction of the MNE and provide standards as to what activities are aligned or not with the MNE’s strategy. Organizing practices refer to “what is agreed as the proper way of acting according to strategy, how the tasks of individuals and units correspond to strategy, who is obligated and who is allowed to act and so on” (Mantere, 2005, p. 166). These practices specify the responsibilities of actors in the MNE and establish the processes through which strategy can be realized. Finally, controlling practices refer to the processes through which resources are allocated and the mechanism and tools through which proposals are evaluated. For example, project templates, standardized instruments, etc. which the top management used in evaluating initiatives.

Actors’ generalized views, schemas, and values were coded as general dispositions which is one of the elements of the actors’ internal structures proposed by Stones (2005). I found that these general dispositions can be aligned or misaligned with the dominant MNE’s meaning structures. The other element of the actors’ internal structures is the conjuncturally specific knowledge which represents actors-in-focus knowledge of the values and interpretations of the actors-in-context. This is similar to the concept of relational knowledge in the issue selling literature which refers to issue sellers’ knowledge of the views of top-management (Dutton et al., 2001). This conjuncturally specific knowledge informed how actors-in-focus interacted with actors-in-context. At this stage I started to observe that the way the external structures, MNE’s meaning structures, and actors’ internal structured were configured, gave rise to different patterns in the process. I found that in some cases, the FDI opportunity was in line with the MNE’s meaning structures and therefore within the confines of existing strategy, I called this pattern “induced” following Burgelman (1983), because the FDI opportunity can be seen as “induced” by the dominant MNE’s meaning structure. In other cases, the FDI opportunity was not aligned with the MNE’s dominant meaning structures and therefore
departed from existing strategy, I called this pattern “autonomous” (Burgelman, 1983). I then further divided the quadrants in the 2-by-2 framework that I presented earlier into induced and autonomous as shown in Figure 3.3.

I started comparing the relations between the identified elements in each pattern across the cases, first looking at cases that followed a similar pattern, and then comparing across cases. At this stage, the relations between the elements became clear and I found that the way the external structures, MNE’s meaning structures, and actors’ internal structures were interrelated led to different patterns of activities and interactions between actors, and therefore shaped the way the process unfolded. To capture these interrelations, I found Strauss (1993) and Obstfeld’s (2012) use of the concept of trajectory useful, which Obstfeld (2012) defines as “a sequence of interdependent actions involving multiple actors” (Obstfeld, 2012, p. 1574) which perfectly captures the FDI decision process. Through cross-case comparisons then I found the cases in which the FDI opportunity were induced had a similar trajectory in terms of the interrelations between the elements that I identified and therefore I called it “induced trajectory”. The same was found for the cases in which the FDI idea was autonomous, and so I called it “autonomous trajectory”. There are two dimensions in the trajectory, following Obstfeld (2012) and Feldman and Pentland (2003), these are the ostensive aspect and the performative aspect. The ostensive aspect is the generalized idea of how the process should unfold. Actors when they sensed the opportunity developed a conception of how the process should unfold. The ostensive aspect is divided into a trajectory projection which is “a vision of an expected or desired outcome and an associated course of interaction to achieve it” (Obstfeld, 2012, p. 1578). And a trajectory scheme which is “the plan designed to guide interactions consistent with the trajectory projection” (ibid, p.1578). The ostensive aspect of the trajectory is a result of the interrelations between the external structures, MNE’s meaning structures, and actors’ internal structures. The performative aspect of the trajectory represents the actual activities performed by actors, which I referred to earlier (Obstfeld, 2012). The interplay between the ostensive and the performative aspects of the trajectory gave shape and form to the FDI decision process. Figure 4.3 shows the general relations between the elements identified in the study.
Figure 3-3: Case Categorization by Location of Opportunity Identification, Newness of Market and Trajectory Type

* Boxes in solid lines are the cases presented in chapter 4.
Figure 3-4: A General Model of The FDI Decision Process

Conjecture

- External structures
- MNE’s meaning structures
- Actors’ internal structures

The FDI ostensive trajectory: Trajectory projection and trajectory scheme

- sensing the opportunity
- Embedding the opportunity
- Evaluation and choice
- Implementation

The FDI performative trajectory: coordinative and cooperative activities

FDI Outcome
Based on how the structures were configured, the interplay between the ostensive and performative dimensions played out in different ways. The two trajectory types that I identified are autonomous and induced. As shown in Figure 3.3 three cases followed an autonomous trajectory, while seven cases followed an induced trajectory. In order to enhance the comparison potential across the cases, I focused on six cases, two in each of the three quadrants, whereby in each quadrant a case represented an induced trajectory and another followed an autonomous trajectory. In that sense, I followed Pettigrew’s (1990) advice in comparing between polar cases to detect the similarities and differences under different contexts of action. In chapter 4, I present the findings of these six cases to provide a contrast between the induced and autonomous trajectory in each quadrant of the 2-by-2 matrix. In chapter 5, I present a general analytic discussion of the findings and discuss the similarities and differences between the two trajectory types.

3.7 Evaluating the quality of methods

With the increasing interest in qualitative approaches based on the interpretive tradition, broadly defined, scholars have started to rethink the evaluative criteria through which we can assess the quality of research methods (Alvesson & Sköldberg, 1999; Denzin & Lincoln, 1994; Johnson et al., 2006; Lincoln & Denzin, 2003; Sandberg, 2005; Welch & Piekkari, 2017). Researchers have criticized the use of positivistic criteria in assessing the quality of interpretive approaches, because they are not in line with the underlying ontology and epistemology. Validity and reliability, the two main criteria used to justify knowledge produced in the positivistic traditions are based on an objectivist epistemology, which presumes the existence of an objective knowable reality and builds on a correspondence theory of truth (Kvale, 1989). However, interpretive approaches are built upon the assumption that actors and the social world are inextricably related, and therefore it is impossible to take an Archimedean point to capture organizational life as it happens. This does not necessarily lead however to a relativistic position where everything goes; rather truth claims should be evaluated using criteria consistent with the basic onto-epistemological assumptions guiding the research (Sandberg, 2005).

In this research, I followed Sandberg (2005) criteria for evaluating qualitative research based on interpretive approaches. Sandberg (2005) distinguishes between communicative validity, pragmatic validity, transgressive validity, and reliability as interpretive awareness. Communicative validity means, “attempting to gain coherence between the researcher's interpretation and the data being examined” (Lamb et al., 2011, p. 679). This was achieved through building rapport with interviewees during interviews, and by making sure they have a complete understanding of the purpose of the research. This was also achieved prior to
conducting the interviews by sending the interviewee a document that outlines the purpose of the research and what kind of information will be sought. In addition, the narrative interview also helped in achieving communicative validity by only posing one general question and allowing the interviewees to fully describe their experiences without interruptions or by imposing an \textit{a priori} rigid set of questions that pre-determine the respondents’ answers. Finally, communicative validity was achieved after the analysis by receiving critical feedback from my supervisors, and through presenting my research at different conferences (Sandberg, 2005).

Pragmatic validity refers to paying attention to the possible differences between what people do and what they say (Sandberg, 2005). This was mostly achieved by asking probing and clarifications questions during the narrative interviews, to encourage interviewees to give specific examples about their experiences during the process. Transgressive validity on the other hand “draws attention to possible contradictions and differences, rather than coherence as stipulated by communicative and pragmatic validity” (Lamb et al., 2011, p. 679) across and within cases. For within cases, I relied on triangulation within cases, to provide a multi-vocal story of the FDI process, rather than constructing a dominant narrative, which provides a monological, single-voiced stories of events (Boje, 2001; Buchanan & Dawson, 2007). Such monological perspectives often depict conflicting accounts as a source of bias, and hence multiple interviews are conducted with the aim of coalescing on a coherent account and discarding the aspects that appear to be contradictory to enhance the internal validity of each case. These contradictory accounts however are embraced in the current study as they are taken to represent the multi-vocal character and the contested nature of the MNE terrain, and therefore they need to be explained rather than being disregarded as mere noise. Pragmatic validity was also achieved through cross-case comparisons by paying attention to both differences and similarities across cases. Finally, reliability as interpretive awareness was achieved by first providing an in-depth discussion of the onto-epistemological assumptions, which guide this research, and by providing a detailed account of the reasoning behind the choices of methods, and finally by explaining how the data analysis process unfolded from the raw data to the development of aggregate themes.

3.8 Ethical considerations

Ethical considerations are important in any research and even more critical in qualitative approaches, which require building trust, and where participants share detailed information about their organizations. It is important therefore that the researcher takes the necessary steps to ensure that the research will not harm the participants in anyway, and that they are not deceived into giving information without their voluntary and informed consent. Informed
consent pertains to “the obligation to furnish the potential participants in a research study or experiment with detailed information (preferably in written form) on the purpose, duration, and methods of the research.” (Marzano, 2012, p. 443). In this research, I have followed the guidelines provided by the University of Auckland Human Participants Ethics Committee (UAHPEC). Before starting the data collection, I have applied for ethics approval from UAHPEC by providing an overview of the thesis project and the steps through which I will collect data from each case organization. The ethics approval was granted on the 16th of September 2014 for three years.

Before conducting interviews, a participant information sheet (see Appendix 2) was provided to each participant to make sure that he/she are aware of the nature of the topic, and assuring them that the information will be treated confidentially and materials will only be published after anonymizing the names of the organizations and participants. At the beginning of each interview a consent form (see Appendix 2) was handed to participants and I re-explained the purpose of the research and informed them that they can choose not to respond to any question, ask that I turn off the recorder, decide to end the interview at any time, and choose to withdraw their data no later than a month after the interview. I also re-assured them that the information will not be exposed to any other person in the same organization, and that all names will be anonymized to ensure their confidentiality. To avoid deductive disclosure (Kaiser, 2012, p. 457) whereby someone might be able to recognize the identity of interviewees through their reported positions, I assured them that I would also anonymize the name of their firms. However, for the firms headquartered in NZ, I informed them that there is a possibility that their firms can be identified because of the small size of the NZ market. Throughout the data collection process, I did not face any ethical problems and none of the participants asked to turn off the recorder or refused to answer any questions.

3.9 Summary of chapter 3

In this chapter, I clarified the onto-epistemological assumptions which guide the research, and described the qualitative multiple cases study approach that I adopted and how it fits with studying organizational processes. I explained the rationale behind case selection and provided a brief description of the sampled cases characteristics. The reasoning behind choosing narrative interviews as a data collection method was explicated. I also explained the data analysis process and the steps taken to identify the central constructs in the study. Finally, I discussed the steps that I took to evaluate the quality of the methods employed, and discussed the ethical considerations of the study.
Chapter 4. Within-case findings

4.1 Introduction

This chapter presents the findings of the within-case analysis of six MNEs to explain how the FDI decision process unfolded in each case. The thesis addresses the following research questions:

1- How do embedded-embodied organizational actors make FDI decisions?
   a- Who are the actors-in-context and actors-in-focus in the decision process?
   b- How do their interactions and social relations shape the activities performed during the FDI decision process?
   c- In light of the external structures of actions, which elements of the internal structures do organizational actors draw on in performing the different activities during the FDI decision process?

The findings are presented in the form of narratives of the process in each case. In Chapter 3, I provided a description of the data analysis process and the central constructs which emerged from the analysis. These constructs are the external structures, the MNE’s meaning structures, and the actors’ internal structures. The interrelations between these structures at a certain conjuncture shape the FDI decision trajectory, which is captured by the interplay between the ostensive and the performative aspects of the trajectory. This interplay give form and shape to the FDI decision sub-processes which are: sensing the opportunity, embedding the opportunity, evaluation and choice, and implementation. Two trajectory types were identified; an induced and an autonomous trajectory, within each, the structures were configured in different ways and the activities and interactions performed by actors were also different. I follow the same structure in presenting the findings so that the similarities and differences between the cases become clear. The cases narratives are therefore organized in line with the theoretical framework that emerged from the analysis: 1) a brief company background, 2) the external structures perceived by the actors-in-focus, 3) The MNE’s meaning structures and how they relate to the actors-in-focus practices, 4) the actors-in-focus internal structures, 5) the conjuncture in which the interrelation between the structures plays out, 6) the interplay between the ostensive aspect of the trajectory and the performative aspect of the trajectory which represents the activities and interactions undertaken by actors, and finally 7) the FDI outcome.

In this chapter, I focus on presenting the findings of six case studies as I highlighted in Chapter 3. In each quadrant of the 2-by-2 framework (see Figure 4.1), I chose a case that followed an induced trajectory and another that followed an autonomous trajectory. In that way, each case
pair within each quadrant can be seen as polar types and therefore the differences and similarities become more apparent. The six cases presented in this chapter are: 1) Zeus, 2) Ra, 3) Osiris, 4) Horus, 5) Thor, and 6) Aura. The chapter concludes by providing a brief summary of the findings, which are then discussed in more details in Chapter 5 in the form of a cross-case analysis.

Figure 4-1: Case Categorization by Location of Opportunity Identification, Newness of Market And Trajectory Type

4.2 Case Zeus

“I always say it is a puzzle, it is different pieces that you try to put together in place, at the beginning you don’t know exactly how, so first of all you need to create pieces of the puzzle, so how big is your puzzle, you need to get data, data is by far the most
important part, if your data is not correct it is very difficult to put the puzzle together.”

(Project manager, Case Zeus)

The above quotation is Frank’s, the project manager, reflection on how the FDI decision process unfolded. Frank was relocated from the Asian to the EMENA (Europe, Middle East, and North Africa) subsidiary based in the Netherlands upon a request by Julian, the EMENA regional manager, to assume the role of business development manager (emerging markets) and later to act as a project manager for the expansion move to Russia. The decision to relocate Frank was because he was involved in similar expansion projects in the Asia region. But when Frank was relocated, Russia was still not the chosen location, it was only an option among other alternatives in the Central and Eastern European region. The final decision was a 7.5 million USD acquisition of a privately-owned local company in Russia, as a first step towards further expansion in the region.

4.2.1 Company background

The EMENA regional subsidiary is one of two regional subsidiaries (the other one in Asia) of a large New Zealand MNE specializing in industrial chemical products. With around 1700 employees and operations in over 25 countries, it was one of the leading chemical companies in Australasia with an operating revenue of around 125 million USD in 2013. It was during the 2000s when Zeus started expanding beyond the NZ and Australian markets through a series of acquisitions that doubled the size of its operations. Specifically, it was the acquisition of a Dutch MNE in 2005 that moved Zeus to the global stage, as this acquisition provided them with manufacturing sites in Asia, Europe, and North America, in addition to several R & D centres in Europe and the US. Facing unfavourable market conditions in Australia and NZ in the late 2000s, Zeus started to give more attention to global markets and especially emerging markets in Asia and Europe.

4.2.2 External structures: growth opportunities in Eastern Europe

By the end of 2008, Zeus was facing slowing demand for their products in most of their markets as a result of the Global Financial Crisis. Global demand decreased by 10-30 % across markets (annual report, 2009). The Asian subsidiary however was able to double its profits because of increasing demand for its products in China, and the European subsidiary, despite its low performance in Western Europe, managed to secure several exporting contracts to clients in Central and Eastern Europe which improved their overall performance to some extent. The performance of the Asian and European subsidiaries alerted the HQ actors to the potential opportunities in emerging markets. Actors at the European subsidiary also started noticing that
many of their clients began to establish in Russia and other countries in Central and Eastern Europe. The regional subsidiary manager mentioned that:

“we saw that if you look at the Scandinavian countries which are Norway, Sweden, Denmark, and Finland, well Finland is not Scandinavian but the northern European countries, they use Russia as the backyard, for them it is really if their domestic market is not going anymore they go to Russia, and certainly Finland, and these companies are all our customers, so beside big global players moving to Russia, we also saw all these Scandics moving also to Russia, so it was a nice portfolio of customers that we could serve by local presence” (Regional subsidiary manager, case Zeus)

In addition to this observation, many of their clients also asked them to consider a move to Russia:

“Our biggest and most important customers started to invest over there so created a market where a raw material supplier would be needed and they also asked us to go over there”

These external market conditions were perceived favourably by subsidiary actors. Annual market growth for the company’s products in Eastern Europe was estimated at 4 to 5% with little competition in these markets. The actors-in-context in HQ also shared the same positive view of the external environment in Eastern Europe, as explained by the Chairperson:

“because our customers, they are large multinationals customers, like Exxon, Naval, PPG and some other European regional customers were establishing themselves in that market particularly to supply [chemical] products to the motor vehicle industry and also the heavy machinery manufacturing industry which is an area where we have intellectual property so that made sense.”

But the actors both at HQ and subsidiary were also cognizant of the weak institutional conditions in these markets which can pose difficulties for their entry. Because of their previous operations in emerging markets, they recognized that issues around bribery, intellectual property protection, safety, and interactions with governmental actors in general need to be considered seriously. As stated by the chairperson:

“It is something that we have learned when we went into Vietnam and China and other developing countries, governments matter in these countries”

But their previous international experience was also reassuring that they are capable of dealing with these challenges. The project manager reflecting on his experience in Asia, said that:
“Asia offers a lot of experience certainly in managing these kind of projects and learning how to deal with governments from developing countries”

The actors in both HQ and the European subsidiary therefore shared a similar understanding of the external structural context of action. This shared understanding was channelled by the alignment of Zeus meaning structures and the actors’ internal structures.

4.2.3 Zeus meaning structures: expanding into emerging markets through a low-risk calculated approach

Up until 1998, Zeus was mostly focusing on the New Zealand and Australian markets. Through a series of acquisitions, the company started to expand its international operations. The start was with acquiring an Australian firm with operations in Vietnam, followed by an acquisition of a manufacturing facility in China, and finally a major milestone was the acquisition of a Dutch MNE with operations and facilities in North America, Asia, and Europe, which doubled the size of Zeus. The management team of the Dutch MNE was mostly retained and they assumed several leading roles at the regional and executive levels in Zeus. The new organizational structure that followed from these acquisitions provided Zeus with a geographical platform to further expand into emerging markets. This focus on emerging markets increased after the slowing demand in mature markets during the GFC. Particularly, slowing demand in Australia and New Zealand led the top management team to reconsider their strategy and they started a process of restructuring that ended up with the sale of several divisions and reduction of production capacity in both Australia and New Zealand. These decisions were the result of a gradual focus on the resin products, which the management believed was the core product of Zeus, and an increasing attention to emerging markets, which the management believed was where the future of the company resided.

The change in the firm’s structure and strategy was highlighted by the Chairperson in the annual meeting speech in 2014:

“The company has transitioned from being a New Zealand company with a strong regional position in Australia and New Zealand with some global operations, into a global company, proud if its New Zealand heritage, but with a focus on growth in Asia and in other emerging markets.” (Chairperson, annual meeting speech, 2014).

The shift to being a global company was also reflected in the company’s criteria for selecting new board members as highlighted by the Chairperson in 2012:

“Over the last few years, as part of the Board refreshment process we have sought to increase the international business skills and experience on the Board given the complex
nature of [Zeus] operations and that future growth will be outside of the ANZ region.”

(Chairperson, annual meeting speech, 2012)

The firm’s focus on emerging markets started to emerge during 2008, and it was formalized into a widely shared strategy after the appointment of a new CEO in 2009. The firm’s strategy was built on two pillars: to strengthen their position through operational improvements and to grow through expanding in emerging markets via a mixture of green-field investments and disciplined strategic acquisitions. To enact this strategy the HQ encouraged and assigned responsibilities to the Asian and European subsidiaries to actively monitor and pursue opportunities in existing and neighbouring emerging markets. This process of opportunity development was controlled through institutionalizing a set of criteria and instruments to be used in opportunity assessment.

For example, a market entry framework was developed and disseminated to guide actors’ thinking about how to enter a new market. The framework starts with exporting products, followed by establishing sales presence, then a distribution centre, and finally local manufacturing facility. The framework reflected the shared disposition for a slow and low-risk calculated approach to entry as emphasized by the chairperson and actors in the European subsidiary. This framework however needs not to be followed in each market, rather there was flexibility according to the specific market conditions. However there was a preference for wholly-owned operations as mentioned by the Chairperson:

“We do tolling in some parts of the world when we run out of capacity, but what we do is usually toll our lower value products because we don’t want to pass on our intellectual property which is in this case is the chemical formulations for our high end products to anybody else who might become a potential competitor…but it’s not a preferred option because we are really concerned about controlling and protecting our IP, and also not giving a competitor a chance to build a business that would end up competing with us.”

Controlling practices, to decide how resources will be allocated, in the form of institutionalized evaluation criteria for proposed investments were also established. For acquisitions and new investments generally, there were two criteria that the top management relied on: financial and non-financial. Non-financial criteria were related to strategic considerations. Opportunities were assessed based on whether they enhanced their leading position in existing markets or provided an opportunity for growth in emerging markets. From a financial perspective investments needed to deliver above cost of capital returns within two years. The chairperson explained:

“But in the end if you can’t make money out of it, then don’t bother so that’s the ultimate criteria, is it going to be profitable? And for developing markets, we always put a higher
hurdle rate on our expectations, so we wanted an ROI of 15 or 16 percent for this investment, whereas in New Zealand or Australia we might be looking for 12 percent ROI”

In order to enact these criteria, frameworks and case templates were provided for middle management to follow when proposing new initiatives. There was a capital project management process that start with business case definition, through project execution, and start-up of the new investment. At each stage, top management and in some cases the board had to give their authorization. There was also a framework that needed to be followed to manage project risk. This framework included tasks such as country economic assessment, demand assessment, safety hazards, and project scheduling tools such as GANTT charts.

Overall, the strategic focus of Zeus on emerging markets and the shared interpretation among top management of the importance of actively looking at opportunities in emerging markets has enabled the European and Asian subsidiary to explore opportunities in nearby markets. As explained by the European subsidiary manager this was part of their responsibility:

“Mainly the idea started with the aim to develop our markets in emerging countries as part of our strategy, so we are responsible here for the EMENA (Europe, Middle East and North Africa) region. Also for us it is important to look at emerging countries and see what our chances are to develop our business there”

The strategic practices at Zeus provided the European subsidiary with the opportunity to participate in the strategy planning process. This process takes place each year as explained by the Chairperson:

“So each year, the board receives a strategic plan presentation from the senior executives in each of Europe, Asia, the Americas, Australia, and New Zealand. And in those presentations they are asked to do a scan of opportunities, they look at where they are now, where they think the growth opportunities are going to be, and if there is a growth opportunity, how we are going to access that growth.”

The dominant meaning structures at Zeus as manifested in the institutionalized strategic, organizing, and controlling practices enabled the subsidiary actors to pursue FDI opportunities. The meaning structures were also aligned with the subsidiary’s perception of the external structures in their region. This alignment was further strengthened by the relatively shared dispositions held by actors in HQ and subsidiary.
4.2.4 Actors’ internal structures: we create chemistry everyday

Actors both in the HQ and the European subsidiary had similar views regarding the future of the company. Both, as emphasized earlier, thought that emerging markets represent a lucrative opportunity for the company’s growth. Their disposition towards entry emphasized a low-risk and slow approach to enable them to learn as much as possible before committing any investments. This is because as explained by the regional manager “our knowledge of the region was not there and he [project manager] had to build it up”. This calculated approach was also clear when the project manager was referring to the popular business discourse around BRIC which he thought can be misleading: “So BRIC is something they mention but you have to be careful to follow the enthusiasm that you have in newspapers”. The actors-in-focus also had previous international experience but their beliefs were that even if they are experienced in international markets they still have to engage in systematic assessments. The project manager explained this as follows:

“The good thing about experience is that you know a little bit about how to think, but too much experience is not good, because you start to copy the things you have learned somewhere else, and every country is completely different and has different risks”

These dispositions coincided with the dominant MNE’s meaning structures and the emphasis of actors-in-context on applying standardized frameworks with detailed steps for every market entry. This shared way of thinking can possibly be ascribed to the actors’ common professional and educational background. The majority of managers in case Zeus whether in the European subsidiary or the executive team and board members are chemists with many of them having a master degree in business administration. The CEO in a magazine interview said that being trained in chemistry “provides a framework to break problems down into their fundamental elements and drivers. Understanding those elements and drivers enables good solutions to be developed.” This breaking down of problems into specific components was apparent in the routinized processes in Zeus and the way actors approached the opportunity as evidenced by Frank’s reference to the puzzle metaphor. This emphasis on the chemistry background was also highlighted in the annual report which stated that “Every day we create human ‘chemistry’ across our global team whether it is within our teams or with our customers.” (Annual report, 2011). These shared dispositions were also due to recent efforts by the management to integrate the firm’s subsidiaries. A new program started in 2008 targeted at “embedding disciplined processes throughout the organisation and providing a solid base for continuous improvement going forward.” (Annual report, 2010). This program included the establishment of a framework of core values and a global team along with cross-functional teams from different regions to
enable knowledge sharing. These teams consisted of members from different regions and functions. In addition, the management invested in a new global intranet, organized an annual conference for managers, and established an internal communication program across the MNE. These practices allowed the actors-in-focus to develop their conjuncturally-specific knowledge about the normative and interpretative frames held by the actors-in-context. Still of course there were differences between the actors-in-focus and actors-in-context regarding their knowledge about their specific markets, but their shared identity enabled the resolutions of such differences. Overall, the actors-in-focus internal structures were aligned with Zeus meaning structures.

4.2.5 The conjuncture: should we go east?

The European subsidiary had a mandate to expand in emerging markets in the EMENA region. In 2008, the potential for expansion in emerging markets was becoming clear and so the regional subsidiary manager decided that this was something worth considering. Accordingly, he asked to relocate Frank to assume the role of business development manager. Frank’s role was to systematically monitor growth opportunities in the EMENA region, and to establish relationships with clients in these markets. The regional manager explained that this move allowed Frank to start building relationships with clients in the East and Central European region:

“Something also that I think was a good move is that through the decision that we wanted to develop this Central and Eastern European part, we made [Frank] also responsible for that business, so that he was in contact with suppliers and knew about raw materials moves and so that he really was involved in the business, and then of course the bigger picture is that it was also his responsibility to develop the business.”

Over this period, the regional subsidiary manager was receiving requests from clients to expand in the region. Frank also started as part of his role to systematically look at the potential in these markets. By the end of 2008, in the annual strategy session at the subsidiary, in which they discuss “where do we want to be in 3 to 5 years’ time.” (Regional manager, case Zeus), they started reflecting on the issue. The conjuncture then was centred on:

“Looking at the upcoming economies in central and Eastern Europe, we had to decide like what we were seeing? It is an emerging market, so what we do with it? We are going to continue exporting from existing sites, or should we consider having local presence? What kind of local presence” (Regional subsidiary manager, case Zeus)
4.2.6 The interplay between the ostensive and performative trajectory: playing a puzzle

Following the sensing of the opportunity through their discussions with their clients in the region, the subsidiary actors had to interpret the situation. This problematizing of the situation facing them was guided by their strategic role of expanding into emerging markets and the overall focus of Zeus on growth in emerging markets. Thus deducing from past and existing strategic practices, they decided to open a business case and follow the opportunity. Their initial trajectory projection was broad with the goal of establishing operations in the Central and Eastern European region. The scheme or the plan to achieve this goal involved assigning a team led by Frank to start collecting information and to follow the frameworks used by the company to guide their activities. An initial assessment of the demand patterns and the economic conditions of the countries in this region was performed and developed into a proposal. The proposal was not specific at this stage and it was only developed to get the top management initial approval. This proposal was then presented in the annual planning session by Frank and Julian in Australia, and it was “explaining the rational and of course they proposed different countries which they looked at” (Chairperson, case Zeus). The management team and the board agreed to start investigation because it was in line with the firm’s strategy. After embedding the opportunity and getting the green-light from the HQ to start a business case, Frank and his team started the process of knowledge development and evaluation. Guided by their initial projection of looking at the Central and Eastern European region and the framework that specified the dimensions to consider and the steps to follow, the team started to fill in the gaps in their knowledge. This knowledge development process involved both desk research and potential host country visits where they met with their clients and visited several factories. The project manager described this stage as follows:

“At first we also visited companies in Romania, Hungary, Czech, Slovenia, Poland, so before we took the decision to go to Russia, we did visit a lot of companies and sites already in other areas, so our knowledge about central Europe was quite good at that time, so I think we visited countries and sites for at least 1 and a half years, we went to the Baltics also like Ukraine, there was a site in Riga (Latvia) which we also looked at their resins facility”

Eventually, they focused on Eastern Europe because at around the same time by the end of 2009, they opened a case for acquiring a company in East Germany, and so they thought that:

“being too close to our existing sites doesn’t make sense because what your competitive advantage is then, so we decided we really have to go to the east where you have these global accounts…so what we said is for central Europe that is Czech, and Slovakia, these
kind of countries we said we don’t need a new site because we are near enough and also competition has the same distance from that area” (project manager, case Zeus)

The focus then became on Eastern Europe and they started doing further visits to develop their knowledge:

“We looked at all the import duties, the export possibilities, raw materials availability, cost of personnel, lands, all these things together”

Eventually they were considering Poland and Russia, but their reasoning was:

“Poland is much smaller as a country and one of the things we also consider when we invest in a country, and that’s always the objective is that we want to produce and sell domestically, it’s not intended per say to exporting, you can do it, but for this project we wanted to have a location where there is a huge domestic potential and also some exports, Poland had a potential domestically but the majority would be exports among others to Russia, then we said well if you we are going to export mainly to Russia then we might as well go in Russia because Poland we can serve from Germany and from Holland, and also you have import duties in Russia, so Poland is part of the European union you can import freely while for Russia is very different to bring materials into Russia, it’s not easy to import into Russia, so that makes it a better situation to have a local site in Russia.” (Project manager, case Zeus)

At this point their projection became much more detailed and their activities were still following the scheme that was set up at the beginning of the process. Now the focus was on Russia and they decided that because they still do not have the knowledge about the market and because of the potential risks in the Russian market that they will search for a local partner:

“So we decided because we know too little let’s look for a partner to work with, so that was the initial concept. And then by the end of 2009, so 2010, we located some factories, which are resin factories that were available and we visited them, so we just went there we called them said we want to see your sites and they were all welcoming.” (Project manager, case Zeus)

Initially there were some concerns by other managers in the European subsidiary about the move mostly because of the low standards of safety in Russian production facilities. But these concerns were easily resolved after agreeing that they will make sure to follow the company’s safety rules and that they will invest in the potential joint venture site to bring it up to their standards. To ensure that everyone in the subsidiary was on board, there were constant discussions and debriefing sessions whereby Frank and his team would give updates on their
progress. This knowledge articulation activities helped in refining the proposal by listening to different opinions and sharing knowledge. As the project manager said:

“Because sometimes you are so much involved in Russia that you don’t see the things on the side, so you need someone who looks at it from a different angle”

Throughout the process the actors-in-context were informed either through informal discussions between Julian and the CEO or through the annual planning meeting. These interactions allowed Julian and Frank to get a feeling of their concerns and what objections they might have.

After several field visits, Frank and his team chose a potential JV partner. The choice was not easy but eventually this specific company stood out for three reasons. First, their production facility was in a much better shape compared to state-owned Russian firms. Second, the location of the facility was optimum in terms of proximity to their major clients. Also the location was far from Moscow and Saint Petersburg which both were perceived by the actors as highly corrupted. Finally, the potential partner was well connected with local clients and government officials and was eager to help them understand the market. After choosing this partner, the subsidiary had to go back to ask for authorization from the board and top management to start negotiations, as the regional manager explained:

“So then of course always in these phases, you always go back to the board and write your business plan which is not a strong financial business plan because it is still too much open, but then you have the information about the different potential joint ventures, and so what we did is ask for approval for this cooperation with this company, and that let’s say where the negotiation part started”

The board’s evaluation was based on whether there is a justifiable demand for this move:

“We usually start with the market and then our own customers, and the board knows those customers, because we have been around in this business for a while, we have visited those customers globally, and all our decisions really are based on the market” (Chairperson, case Zeus)

Based on these evaluations the board gave the green-light to start serious negotiations with the JV partner and a memoranda of understanding between Zeus and the partner was signed in 2012. There were some members in the board who raised some concerns:

“Everyone has their own things that hopped up inside of their minds, because people have different risk profiles …but generally we have quite a good process that starts with the market then how, then what, then can we make money.” (Chairperson, case Zeus)
But these concerns were sufficiently addressed by the subsidiary actors as they emphasized that they followed the established assessment frameworks and that the opportunity was in line with the firm’s strategy. In addition, at around the same time, the acquisition of the production facility in East Germany was finalized and the board and management team decided also to sell one of their main business divisions in Australia, these two events encouraged them to support the idea, as the chairperson explains:

“At about the same time also we sold one of our business units. We had already made a decision that our focus would be on resins, and that those businesses were peripheral to the core, someone gave us a good offer to buy it. For us it was much better than we expected we would get, so we sold it. That might be another reason why the Russia investment seemed like a good opportunity because it fitted well with our new strategic direction. In fact one of the things, we said we got a lot of money coming in can we speed up some of the other investments” (Chairperson, case Zeus)

“Probably the buying of the plant in Germany, probably reinforced that Russia was the right place to go because we felt we had central Europe and Eastern Europe covered from that point.” (Chairperson, case Zeus)

After signing the memoranda of understanding, subsidiary actors started to interact more with the potential partner to finalize the JV terms:

“It took us about a half year to visit them quite frequently, and we worked a little bit together with them as a supplier to tell them a little bit and to advise them how they can produce their coatings, and for us the most important part was to understand better if we can work with them, because that’s a big step to work in a joint venture with somebody that you do not know very well.” (Project manager, case Zeus)

Two external events led to changes in the trajectory projection and scheme. As the subsidiary actors were finalizing the JV agreement, a fire took place in their potential partner’s production facility. This accident led them to decide to take a three months pause to reflect on the situation. Because Frank and his team have been investigating and developing their knowledge for a long time, they thought that now they have sufficient understanding of the Russian market. Therefore they decided to propose to acquire the Russian company because they were concerned about the safety standards applied by the management of the Russian company, and so they thought that after this fire the board might not approve. The acquisition involved a small amount of money (7.5 million USD) and the subsidiary actors convinced the board and management team in the HQ that this is a low risk approach to entry and that they were by then very knowledgeable about the market. The board approved the decision based on the detailed risk analysis that was
provided by the subsidiary actors. Another event then happened, which is the war between Ukraine and Russia in the Crimea region. The problem was that the location of the facility was nearby the Ukrainian borders. And so the board had to re-authorize the decision given the recent developments. The regional subsidiary manager flew to Australia and gave them a presentation outlining all the possible risk possibilities:

“we were ready to sign the contract then the war started in Ukraine and that was of course dramatic and we needed to know what to do and it was also a difficult decision to take that also the CEO asked me to be in Australia and present the case, so what is the risk, and that was a very risk related kind of discussion…So of course it has to do with what do you think are the results, and normally these decisions are financially, and safety of course, safety of your people. And what we did is that we started with the financial part, what are our expectations, of course we worked on that for years, so we knew what are our financial expectations are.”

The financial expectations were quite convincing for the board, which were reasonable given the low investment approach that the subsidiary proposed, and also fitted with the overall strategy of the firm.

4.2.7 The FDI outcome: a new subsidiary in Russia

The final implemented decision was a 7.5 million USD acquisition of the Russian company, which the actors were initially considering as a potential JV partner. The decision process was five and half years long, which started at the end of 2008 until the acquisition was finalized in April 2014. As the above discussion shows, the final outcome was different from the initial conception of the FDI trajectory. This was partly attributed to external factors which resulted in interrupting the process such as the war in Ukraine and the fire in the potential JV partner site. But it was also a result of learning and hence change in the actors-in-focus internal structures which shaped their perceptions and knowledge of Russia. Frank, the project manager described this change in their knowledge:

“because we started with having hardly any know how about Russia, but because the negotiation took so long after 3 years, you tend to have much better insights about what Russia is, and the risks which were high at first was certainly reduced so we thought at the end that we could control risk ourselves, also very well and that’s why we decided at the end not to form a joint venture but to go on our own” (Project manager, case Zeus)

However, the outcome was still in line with Zeus strategic focus on emerging markets and their low-risk calculated approach to entry. Even though subsidiary actors believed that they had the
knowledge to take on a big investment, they decided not to, in order to get the board’s approval. Frank, said that:

“I think the way how we got it acceptable for our board is we said well you can think a lot about risks in Russia, and there are risks, but there are also a lot of opportunities in Russia, and the best way to do that is to only invest a small amount of money, you invest something which is not nice to lose but it is bearable.” (Project manager, case Zeus)

This approach resonated with the board’s approach in taking small calculated risks, and with the strategy framework which guided their new market entry. As explained by the Chairperson:

“We decided that the risk was too high because we didn’t understand enough about Russia, we knew a bit about the market because we were selling there but we didn’t know about doing business in Russia, so we wanted to get our own people on the ground to learn really before we make a big step” (Chairperson, case Zeus)

Accordingly, the outcome reinforced the institutionalized practices which guided the actors-in-focus actions. The chairperson revealed this practice when commenting on the way they entered Russia:

“we did the same thing not exactly the same but we went to Vietnam a number of years ago we started with a very small investment and then built on it, and now we have a significant business in Vietnam, but we started by what we considered was a low risk approach by putting a small amount of money in this case in the Russian case 6 million euros, and I think it was 5 million US dollars when we went to Vietnam and now we have 50 million invested in Vietnam and we will probably end up with similar amount in Russia if all goes as planned but it may not.” (Chairperson, case Zeus)

The outcome therefore involved minor adaptations in the MNE’s meaning structures in terms of its institutionalized practices. And also reinforced their strategic focus on emerging markets. It was an adaptive and incremental extension of the firm’s dominant strategy, and largely involving exploiting their existing resources and knowledge in a new market.

4.2.8 Summary of case Zeus

The FDI decision process in case Zeus followed an induced trajectory. The FDI opportunity identified by subsidiary actors was aligned with the MNE’s meaning structures, their understanding of the external structures, and their internal structures. Actors-in-focus and actors-in-context shared the same understanding of the external environment and interpretation of the opportunity, which facilitated the process of embedding the opportunity in the firm’s agenda. Actors-in-focus were enabled by their MNE’s meaning structures, which provided them
with direction in conceptualizing the ostensive trajectory projection and scheme. The performed activities therefore were largely in line with their projection of the trajectory. There were some permutations however resulting from changes in the external environment, in addition to learning that happened during the process that made them reconsider some of their decisions. The outcome however was still in line with Zeus’ meaning structures.

4.3 Case Ra

“There are two things you need to know about Ra, they started more than a 100 years ago and they are whales like really big in the reinsurance industry, very conservative, not risk takers, which is ironic for insurance, but they are not aggressive in the market, on the contrary they are conservative, and we are a small entity we need to be responsive and aggressive in order to grow. So the strategy consider Ra as a whale, it is solid you cannot shake it. It is stable and they take their time, and again they can do that and it works well for them because they capitalize on their size and their position in the market. But we as Amun-Ra to survive we cannot do that, we need to be sharks, we need to be thin and slim and move fast to attack and survive, so we have to live with this within their model. So it is challenging it is not easy.” (Project manager, case Ra)

The above quotation is Ali’s, the project manager, reflection on the challenging relation that their subsidiary (Amun-Ra) had with their parent MNE (Ra). Amun-Ra is a regional subsidiary specializing in health insurance. Specifically, they operate as a third party administrator (TPA), which is a business model in the insurance industry in which the company specializes in processing insurance claims and providing administration services such as underwriting for insurance companies. It is based in Dubai with subsidiaries in several countries in the Middle East and few countries in Europe. Amun-Ra is part of the health insurance and re-insurance division of Ra, and they report to them directly. By operating under the same entity, they combine the benefits of being a TPA with the knowledge of health insurance and re-insurance provided by Ra. Despite these synergies between the business models, there are tensions in the way the different divisions operate as indicated by the project manager. It was within this context that Amun-Ra proposed to open a new subsidiary in Egypt.

4.3.1 Company background

Ra is one of the largest re-insurance companies in the world with an operating revenue of around 4.5 Billion USD. More than 95% of their revenue is generated in foreign markets. They have established subsidiaries in 61 countries and operations with clients from more than 160 countries. Ra has a long history of operating in foreign markets. Few years after its establishment
in Germany, they ventured into neighbouring European countries, followed by further expansion into the UK, Russia, and the US. This growth in foreign operations was hampered during the First and Second World War. But after the Second World War, Ra resumed its internationalization journey by strengthening its position in Europe, and North America, as well as entering into Asia through a subsidiary in Hong Kong, and Africa through a subsidiary in South Africa. By the early 1990s, Ra had established subsidiaries in all six continents. During the 1990s, major strategic and structural changes took place. Strategically, Ra undertook a series of a multi-billion USD acquisitions of large reinsurance and insurance firms in the US and Europe. In addition, Ra also increased their presence in emerging markets in Asia by establishing subsidiaries in China and India in both the insurance and reinsurance sector. To manage these diverse entities, Ra engaged in several structural changes over the last decade. After being initially focusing on the re-insurance sector since its establishment, Ra entered the insurance sector through acquiring several insurance firms. Entering the insurance sector was perceived by top management as providing a complementary business model through combining reinsurance and insurance under the same structure. This allowed them to capitalize and recombine the knowledge derived from each sector to develop innovative products across the insurance value chain. To accommodate these changes the MNE was structured into three divisions, a reinsurance division which represents the main line of activity and generated the largest percentage of profits, an insurance division specializing in different insurance types, and an asset management group to manage the MNE’s investments. Another re-structuring initiative took place in 2009 with the establishment of Ra Health which specialized in health reinsurance and insurance in international markets outside Germany. Ra Germany retained the control over health insurance in Germany and other insurance types in foreign markets. Amun-Ra was established around 15 years ago as a TPA to respond to increasing demand for these TPA services in the Gulf region in the Middle East. After the restructuring in 2009, they operated under the control of Ra Health. While initially Amun-Ra was established with a mandate to serve the Middle East region and specifically the Gulf area, they expanded in subsequent years beyond the Middle East and established subsidiaries in Greece and Cyprus. Managers in Amun-Ra were trying to build on this regional base to further expand into other countries in the region and they had a long term goal of penetrating the African market.

4.3.2 External structures: a changing Middle East

The differentiated structure that was briefly described resulted in actors focusing on different aspects of the external structures. The dominant group of actors in Ra reinsurance for example perceived the opportunities for growth in mature markets through large acquisitions and the
emerging markets in Asia and Eastern Europe. For them the Middle East was too unstable in parts, or a too small market and not sufficiently developed in other countries. Certain parts in Africa were perceived positively as many insurance companies started establishing there, which created a market for their products. Ra Health HQ actors had similar perceptions of the external environment, but they perceived more opportunities in the African market, because of the improvements in the health sector and the emergence of a relatively developed health insurance industry.

Actors-in-focus on the other hand had different perceptions of the potential opportunities in their environment. Actors in Amun-Ra had more positive perception of the Middle-East, especially the northern African part, including Egypt, which was perceived as the initial and important step before expanding into Africa. This northern African area was perceived as the natural extension of their existing operations because these countries share the same language and similar customs to the countries in which they have operations. Egypt specifically was seen as the gate to Africa. This is despite the unstable political situation at that time, because as the project manager explained:

“I know Africa should be the place like our next step, and that Egypt is now unstable so this I thought was the perfect time and place to start, it might sound illogical but I think it is best to invest when it is unstable because competitors won’t be willing to go so you will be at an advantage and when things stabilize which I could see that they were going to in the near future”

The regional underwriter of Amun-Ra, Hussein, shared a similar positive view, but his reasons were different:

“For example South Africa, it is a well-regulated insurance market, for us the margin would be too small and the effort would be huge in order to have a small share into the market, so it could be potentially something we would look at in the future, but if you need to grow profitably as much as margins as you would like to, then heavily regulated or mature markets are not markets to go into, especially when you have the alternative which is unregulated or let’s say not that heavily regulated markets or not mature, where your knowledge and expertise can bring in a lot of value to the market, to the players, and to you as a reinsurer”

But what really pushed the actors in Amun-Ra to look seriously at the opportunity in Egypt was a request by one of their major clients, as Hussein explained:
“Egypt was sort of an opportunistic lead…what singled out Egypt was two things, first the insurance company that we were building the business case with are part of a larger group in the region where we have a lot of opportunities and business with them, and the business model came as a request from their side to support them in growing the health insurance business. So this is a trusted partner, is part of a group where we have over 100 million euros business, and when a partner where you do business with in other markets, comes to you and ask for your support in a new market, at least you have to look at this opportunity very seriously”

Overall, the actors in Amun-Ra had a different perception of the opportunities in the external environment from the actors in HQ, this was a result of the misalignment between Amun-Ra actors’ practices and the dominant meaning structures in Ra group.

4.3.3 Meaning structures: like whales, you can’t shake them

With a history of more than 100 years, Ra has established a leading position in the reinsurance market. Over these years, a strong identity that is centred on innovation in risk assessment models was developed. Risk management is at the heart of what Ra does and therefore their strategy is very much focused on how to identify new risks and how to mitigate them. The identification of new risk types and new models of risk assessment is a major task for Ra, because based on these activities the company then can develop new products and market them to their clients. But as the project manager and the regional subsidiary manager of Amun-Ra mentioned, this focus on risk has led the actors to be overly sensitive to risk-issues when it came to running their own operations. As the project manager described Ra in the opening quote, they are like whales, they move slowly. The regional subsidiary manager described the culture of Ra and the dispositions of reinsurers in general as follows:

“Ra is a very traditional and also a very risk averse company that is all what the company does is try to avoid risk, is very thorough in its market expansion activities…Ra just from the company culture is always looking at the risk side of things, and that means that in a situation like this, they would want to know what they are getting into. I would think it is always difficult to compare because I cannot say how other companies do that in detail, but Ra is very keen to know exactly on what they are getting into. So you have to put in quite a lot of convincing effort into people. If you consider it to be a little bit of a dodgy country you are going to have problems, the more you have to explain to them why this is a safe deal”

Ra’s strategy is centred on three areas: Innovation in risk modelling and the development of new products that respond to newly identified types of risks; enhancing their position in mature
markets in the US and Europe through market penetration and large acquisitions that provide complementary resources to the company; and finally expanding into emerging markets with high growth potential. The emerging markets that Ra’s strategy was focusing on are in the South East Asia region, Eastern Europe, and South America. Ra health focus was also on the same markets but in addition, they wanted to further expand in the Gulf region in the Middle East and the southern part of Africa. The strategy is developed first at the group level by a strategy committee which consists of managers of the business divisions, the CEO, and members from the risk management division who develop consistent tools and instructions for the group to be followed by the different subsidiaries. Some of the acquisitions that Ra had undertaken in the late 2000s failed to meet their performance expectations, and this affected the strategic practices at the HQ, leading them to take a more conservative approach when it came to new investments. This was particularly constraining for the Ra Health division as explained by Jack, the regional subsidiary manager of Amun-Ra:

“The thing is for Ra health, expansion is a desperate need, but the problem is in the last couple of years we really burned our fingers with some really bad decisions, we acquired two big companies in the US and it completely went bad, so we completely sold off our primary insurance business again in the US with big losses, and these kind of bad experience cases do not make the decision making process easier, quite the opposite, but Ra Health is desperately looking for good expansion but they will be very careful in doing it”

As highlighted earlier, Ra have ventured into the insurance sector in the early 2000s, which was followed by several structural changes in order to develop a model that exploits the complementarities between the two sectors, and to be able to enact their strategy. The organizational structure is complex with three main divisions, and several geographical regions within each division. In Ra health, the structure consists of five semi-decentralized regional units. Despite Ra’s venture into the insurance sector, the reinsurance division remained the main focus of the company. All the divisions are embedded in and report to the main Ra reinsurance division in Germany. And the criteria through which strategic decisions are made therefore are often shaped by a reinsurance logic. This complex structure and the dominant focus on reinsurance constrained Amun-Ra’s expansion plans and made them unable to participate in the strategy planning process. The structure and the assigned responsibilities for strategic decisions were described by the regional subsidiary manager as follows:

“If this is now under our primary insurance side or the reinsurance side, these things do not go quickly, we have apart from local activities that you would always in that sense,
we have quite few central functions that always need to be involved. So we have very briefly to describe to you Ra group, Ra group consists of three segments, Ra reinsurance, then the primary insurance parts with a strong focus on Germany, and then Ra Health, we [Amun-Ra] are working here under Ra health, which is Ra health combination of all international primary and reinsurance activities, okay, now if I would now look into market expansion…I would also always have to go back to Ra health in Germany, this is where our board members sit, and there will also have a group of employees and it is called Ra health development, that is let’s say involved in all strategic and business development activities that happen within Ra Health. Apart from Ra health, you also have certain functions on a group level, also in Germany, they also have a group development so we have for the entire Ra group we have a strategy department, and on top of that we also have one more department which is called corporate finance M & A, so that is the finance side and as soon as we talking any kind of financial investments which is automatically always happens, especially also in acquisitions and in a legal sense, they get strongly involved on the legal and financial side. So these are all the stakeholders apart from the board members that you have to manage.”

Being part of Ra group and Ra health had some benefits for Amun-Ra because they can build on the well-established name of the group which helped them in attracting new clients. The combined model of reinsurance, insurance and TPA was also useful in certain aspects. As Jack explained, this enable them to be flexible when they are expanding into a new market:

“The good advantage that we have as Ra group that we are able, and these are also activities here in the region, we are able to play on the full scale of options in terms of utilizing different business models depending on the market sophistication. So we can do anything from reinsurance, to TPA, to primary insurance in the area of health, and that gives us a quite big flexibility, because usually you would always look at where does the market currently stand and depending on the market development, which of the business models we have best applies, you would for example if the market is not very sophisticated always be not very keen on doing any risk taking, because you can’t judge it yet…That’s where the TPA model comes in very nicely, so if you have an underdeveloped health market or also overall economy, you might go in there with a TPA model very lean very small very minimal investment with low risk, it is just pure fee for service, and you sort of test the water”

At the same time however, being embedded in this reinsurance model meant that the goals of the different units can sometimes be misaligned. Because new initiatives by Amun-Ra are
evaluated by the reinsurance group in the HQ, they always assess whether the new initiative will also bring benefits for the reinsurance business. The project manager explained this:

“We here in Amun-Ra we do TPA and Ra Health do the reinsurance, so if we want to get into a market with just TPA without potential for reinsurance they will not be interested at all, even if it is going to be profitable for us, they would say how much it is going to generate a million, it is not worth the hassle. So we are working with a lot of challenges… And really Amun-Ra like the size of Amun-Ra for Ra Health is nothing, like we are not even on the map, so we make around 100 million a year, they make 20 billion, so you know what I mean you play according to your own size, so when you are making 100 million and you ask for 1 million it is a percentage and you have to prove that you are going to bring the money back regardless of how much you are paying, because otherwise you are not going to get it.”

In addition, the organizing practices as mentioned earlier resulted in the sharing of certain functions between divisions. And because the operation size of Ra Health and Ra reinsurance is much larger than Amun-Ra, their requests from the shared functions tend to be delayed which put constraints on their activities. The project manager said that:

“we have the regional finance manager of Ra, and we share these functions with Ra and also other functions like market research and HR but that is like on the regional level, then each subsidiary has its own team, so it is very complicated and of course the people who are officially enrolled as Ra employees usually give priority to Ra’s work and not Amun-Ra.”

The organizing practices therefore made it challenging for Amun-Ra managers to make new initiatives. Although they had a mandate for the Middle East region, they did not have the responsibility and authority to initiate expansion moves without going back to several actors in Germany. The size issue addressed by the project manager also affected the controlling practices in terms of who gets what resources. Jack mentioned that even if the HQ gave them the green-light to make expansions decisions in the region, they won’t be able to do more than one project every couple of years because they do not get enough resources to “systematically go into a market analysis and these kind of things” (Regional subsidiary manager, case Ra).

Finally, due to the embeddedness of the controlling practices in a reinsurance logic, the HQ actors relied on a strict set of templates and instruments to be followed by all subsidiaries, which sometimes were inconsistent with the subsidiaries’ practices. This made it hard for subsidiary actors to issue-sell their initiatives. As explained by Jack:
“The problem that in Ra group they usually take a very strict predefined business case template for you to define your business case. They add to it terminal value calculations and I don’t know what. But the model is built for reinsurance mainly, and it might even work partly for primary insurance but it definitely doesn’t work for TPA, and they try to squeeze us our business case calculations into that tool and it took them a couple of weeks to find out that it doesn’t work.”

The dominant meaning structures in Ra therefore were misaligned with Amun-Ra local practices and the opportunity that they identified in the Egyptian market. The dominant institutionalized practices constrained the subsidiary actors regarding proposing new expansion initiatives. The regional subsidiary manager, again, summarized this misalignment between Amun-Ra and the wider group as follows:

“I believe if you to succeed in a way in aggressive growth …you have to have the right decision-making processes installed for it, but that also means a certain level of corporate culture, it has to be an entrepreneurial culture, if you have people as decision-makers that are always only questioning and trying to save their behinds you will never going to get any aggressive movement going. And that’s essentially where I think it didn’t work, the idea of Ra Health and Amun-Ra itself is good and I think it is completely valid. The execution of it was absolutely not working, you cannot build such an entrepreneurial idea in a corporate environment such as Ra group, because the tradition as I said the reinsurer is risk averse. How do you want to combine an entrepreneurial risk taking approach with risk averse attitude of such group…every single big decision was taken by the reinsurance side.”

4.3.4 Actors’ internal structures: we need to be sharks!

In contrast to the risk averse approach that was evident in Ra’s meaning structures, the actors in Amun-Ra had different dispositions towards risk and engaged in different practices regarding foreign expansion. As highlighted by the project manager in the opening quote, the actors in Amun-Ra shared the view that they need to be like sharks, fast and flexible, if they are to continue to grow and expand in new markets. This different attitude towards risk can be explained by two reasons. First, the business model of Amun-Ra, which operates as a TPA, enabled them to make minimal investments when entering new markets. As explained by the regional underwriter “it is not a risk taking model, and as we can do it rather at a low cost, we have a much lower hurdle than other people would.” Accordingly, the actors thought they need to be aggressive in their foreign market expansion strategy, as the project manager explained:
“If it was up to me, I would go to five markets open offices wherever there are opportunities with a low risk model just to collect market knowledge for three years without caring too much about profitability. What it would cost me one or two million? By that time I will have the knowledge about the markets and we will be able to build our clients networks and we will start making profits, we would be coordinating between the different offices, building on each other’s experiences and by five years we would have a global presence as Amun-Ra. But how can you convince Ra of this strategy, even if we don’t need to request capital from them, we still cannot do it because new market entry needs approval from the headquarters.”

The second reason was because of Amun-Ra actors’ knowledge about the region. Jack has been working in the region for some time and therefore his risk perceptions changed due to the knowledge that he acquired about the Middle East. Ali and Hussein both are Arabs, and being embedded in the region their perceptions of political risk were quite different. They had fairly detailed knowledge of the countries in the region due to the similar language and traditions between the Arab countries. But they were also aware that the countries in the region have their own unique cultures. They have dealt extensively with Egyptians in business contexts and therefore they had a fair amount of knowledge about the market dynamics in Egypt. Although, they recognized that there is a political risk in Egypt, however they thought that it would not be disruptive to their operations. As the project manager said:

“I know Egypt it is not like that they are at war or something, and they are not like going to bomb our buildings or something like that, and we are selling services so there is no much risk, in worst case it will be a delayed profit and that is easy.”

The resource constraints that the actors in Amun-Ra faced also made them adapt their practices to their challenging situations. Instead of engaging systematically in foreign market analysis activities to identify new opportunities, they adopted what Jack and Hussein called an opportunistic approach, whereby they would just follow leads by their clients. Jack said that:

“reflecting on the fact that I don’t have a structured team here to look for market opportunities for business expansion and anything like that, I am looking at these things quite opportunistically, so we talk to clients, we have let’s say one of the other activities throughout the year where we would be at a conference or a fair or something, and you would get indications”

This opportunistic approach led them to adopt more inductive practices and a less structured approach when evaluating new opportunities. The regional underwriter explained:
“As much as we like to tag ourselves as a German company that has specific policies for everything, the process comes as a frame to a relationship that starts without a process so initially we received a phone call and then email from our partners in the region saying we need your support in Egypt, so there was no frame there was no process, there was a couple of visits, there was discussions over the phone, there was some templates that were done unsystematically, and sent around to be filled.”

Actors’ dispositions in Amun-Ra therefore were misaligned with the dominant meaning structures in Ra. They also knew that their practices and their perceptions of the external environment were different from the HQ actors. However their conjuncturally-specific knowledge about the HQ actors detailed interpretative frames were not quite developed, because a new board and a new management team took charge at around the same time when the opportunity in Egypt was identified. Therefore they did not know how exactly they might respond to their initiative.

4.3.5 The conjuncture: the gate to Africa?

As highlighted by Jack and Hussein, the approach that they adopted in entering new markets was opportunistic. Because of the resource constraints, they did not engage in a systematic analysis. Instead they would assign a task for a research associate to do a general analysis of a certain region, with some general indicators about the market size, competition, etc. In some of the strategy meetings, they discussed where the opportunities were for growth, the regional underwriter said that:

“I previously had a presentation where I asked the question so if you go to Africa today where do you start, and I recommended that you start with the Arab league countries, so the Arab league includes the GCC markets, the Levant markets, and countries in North Africa, what bring them together is a common goal and the language”

Egypt therefore was on their radar, as it was considered their gate to further expansion in the African region. But they did not engage in any systematic analysis, until they were approached by one of their biggest clients in the region:

“They have activities almost all across the region, and one of their insurance companies is in Egypt, and we have a long lasting reinsurance relation with them in Kuwait, and on one of these occasions we talked to the CEO of this client in Egypt, and he said I am really interested in taking health more seriously…but I want to do this the right way and I also want to do it with the right party, so I am interested to find a good and suitable partner” (Regional subsidiary manager, case Ra)
Because the client was important and they had a strong relationship with that company. The actors decided to consider the opportunity. The regional underwriter explained this client influence on their decision as follows:

“There is always a planned approach and there is an opportunistic approach. Opportunistic approach is that even if you have something planned and you are going to this market based on this study, but then a business deal sits into your lap you cannot say no. They are just looking for a specific set of expertise from us and they say we need you we need your support”

The actors in Amun-Ra therefore were faced with a decision situation whereby they had to decide whether the opportunity in Egypt was worth pursuing or not, and whether it can be approved by the HQ actors.

4.3.6 The interplay between the ostensive and performative trajectory: knowing when to issue-sell

Following the sensing of the opportunity through the meeting with the CEO of the Egyptian company, the actors in Amun-Ra had to problematize the situation and see what actions they should take. Their problematization was guided by their local practices and their strategic focus on expanding further in the region. Egypt was seen as a market with huge potential as the regional underwriter explained:

“The dynamics of the market itself, the availability of resources, doctors, expertise in health care management, plus the volume of the market, it is a huge market, even though let’s say private health insurance is still in its infancy stage but as a percentage it is still small, but based on the population size the sky is the limit”

Egypt was also interpreted as Amun-Ra’s gate to the North African market and the rest of Africa, which was perceived by them as aligned with Ra’s strategic milestone to penetrate the African market. But they also knew that the idea would be faced with resistance by HQ actors because of the political situation in Egypt, and because HQ actors’ interpretation of how to penetrate Africa can be different. Their interpretation therefore was that such a move was not aligned with Ra’s meaning structures and thus it required them to take actions different from the traditional process that they followed in previous expansion moves. Another issue was that in 2011, the executive team was completely replaced and so the subsidiary actors did not know how the new team might respond to their initiative. So, at the beginning of the process, their ostensive trajectory projection of how they should approach the opportunity was broad as it involved just the idea of establishing in Egypt but without knowing how or the process they should follow to
get HQ’s approval. Therefore, their trajectory scheme was that they would simply follow their
discussion with the client to see how things will go.

“we said okay that sounds interesting and that was 2 and a half years ago [End of 2012],
so we went down to Egypt to look a bit more closely, had a few more discussions, and
we said okay overall not bad, the market sounds interesting.”

After this visit, Jack and Hussein started to work on a more detailed analysis to develop their
knowledge of the Egyptian market. At this stage, the HQ actors were still not informed, because
Jack thought that it was better to develop their knowledge about the opportunity first so that they
would know how to frame it later to HQ actors. The knowledge development process was
inductive at this stage, not guided by a specific trajectory scheme as the regional underwriter
explained:

“I would say before the official process starts, the official work flow of the business case,
there is a phase where you do things intuitively, where you do things out of knowledge
and experience, you ask the questions that needs to be answered before you start a formal
business case. We do have structure definitely, but it doesn’t start with a structure,
structure comes later on to formalize the discussions and the relationships that will
follow through.”

The questions that were raised at this stage were basically to explore whether the opportunity
was worth pursuing, whether Amun-Ra has the knowledge to make such move, and most
importantly if they can sell the issue to HQ actors:

“The biggest question was about the political stability of the market, at that time it was
still half way calm but you didn’t really know where the country was going. The fact
that they are roughly 90 million inhabitants that makes it easy with very low penetration
on health insurance gives you a sense of the potential lying in that market that was
definitely huge…And then we also said let’s have a look at the TPAs that are in the
market. Also let’s say try to find a little bit more information about regional competitors,
where they are. But they were having problems, I heard very quickly about the fact that
they have problems of building their medical network and they were not really taking
off very nicely. So I said at the time okay, I am not willing to fall into the same trap and
do the same mistake, as we have to see that Egypt is a market that differs quite a lot from
the other existing Middle Eastern markets where we are active.” (Regional subsidiary
manager, case Ra)
Having recognized the differences between their operations and the Egyptian market, and that their knowledge was still not developed, the regional manager thought this idea could be rejected by the HQ actors. He therefore voiced these concerns to their client, who then suggested to put them in contact with a local TBA that was running their accounts.

“Essentially then it came up from the insurance company by the way, it was not our idea, and they brought us together with a local company, a local TBA called [Blue Nile] in Egypt. Brought us together with their general manager and told us okay if you are hesitant about entering Egypt alone, why don’t you talk to them and maybe it is an option for you to team up with them somehow, or to do something together.” (Regional subsidiary manager, case Ra)

Although Ra has established JVs in different parts of the world and the MNE’s meaning structures did not imply a disposition against JVs in general, however a JV was not the preferred option for the regional manager because he thought establishing a JV would require a lot of time and effort to reach an agreement with the potential partner. But when they started the discussion with Blue Nile, they thought that there are many synergies between the two companies. Because Blue Nile has been operating in Egypt for a long time, it developed a strong medial network and possessed the market knowledge. While Amun-Ra will have brought their sophisticated system policies and procedures and their international know-how. Subsidiary actors also thought this move can be accepted by HQ actors because the local partner’s knowledge can mitigate potential risks in the Egyptian market. During the discussions and when they were about to sign a preliminary agreement to submit to HQ actors, the political situation deteriorated in Egypt. The security officer in Germany issued a travel ban on Egypt. Jack then decided to put the project on hold:

“We let it rest, because then it was clear that in the turmoil situation it was not worthwhile doing it, it was way too dangerous we wouldn’t have been even allowed to go there.”

It was important for Jack to choose the right time to bring the issue to HQ actors and therefore he decided not to pursue the opportunity further. But during this time Jack said that they had the idea at the back of their minds. At about the same time, Jack hired a new employee to act as the regional business development manager for Amun-Ra. This was a new position in Amun-Ra, because before that, market expansion, as highlighted by Jack and Hussein, was approached opportunistically rather than systematically. Ali, the business development manager then started to look at potential markets in a more systematic way. As he explained:
the plan was initially to go to Turkey, a big and mature market, but after the second revolution in Egypt and when there were talks about setting a date for the presidential elections, I thought that we should probably go now before things get stable, I mean things were already getting stable, but after the elections things will get even more stable and when things will be stable, everyone else will try to get in the market, so I thought let’s go early on and get the benefits of early entry.” (Project manager, case Ra)

Ali then started to try to embed the opportunity in the regional subsidiary’s agenda, he brought the issue informally with key persons in the subsidiary and three times in formal meetings. But there was resistance from the majority of managers because they thought Egypt was still unstable. Jack was reluctant at first because of his experience during the first time, as the project manager explained:

“Jack in the beginning was reluctant to do it because he tried before and he know that the headquarter wouldn’t approve it because of the situation in Egypt, so everyone was supporting the boss in the meeting… then we discussed it for 7 months in three different meetings, which really meant that don’t talk about it there is no way we are going there, then the client came in August and that was like the reason we started to talk seriously about it and we started the study.”

The same client then approached them again. This time, he wanted them to enter the market through establishing their own subsidiary, because he was not satisfied with the performance of their current TBA, and his company was expanding in the health sector which required a TBA with specific experience in that sector. He also mentioned that upon their entry, he will transfer all their operations to their company. In addition to this, he also told them there are new regulations in Egypt that will be implemented soon which will enact a threshold on the salaries of state-owned financial institutions. He therefore predicted that the performance of state-owned companies, which control a big share of the market, will drop because the experienced top management will leave their companies. Jack then agreed with Ali that this was a perfect timing to open up the business case again. They proposed it in the meeting, and because Jack was supportive, as Ali said, everyone came on-board:

“Of course once Jack was on board everyone followed you know what I mean, this is how things work, when the managing director is supporting the idea, everyone else below him will agree.”

The green-light was given by the management team in the regional subsidiary, and Ali was assigned as a project manager to develop the business case. To give some direction to Ali, Jack
 went to Germany to meet the regional manager of Ra Health and who sits on the executive team board. The purpose of the visit was

“Mainly to start the conversation about Egypt, just to test the water and to see who is going to rally with him and who is going to rally against him. [The regional manager] was supporting the idea so that gave us some sense of security because if our guy is against it then like the person who is representing us, then of course everyone else will not approve it.” (Project manager, case Ra)

But the regional manager also warned them that there might be some resistance from the other top managers. Accordingly, he recommended that the proposal should be as conservative and detailed as possible. So when Ali started working on the proposal, he took that into consideration:

“we knew that people in Germany have a different perception about Egypt, so our market study proposal was really developed in way that it was all about convincing them it is a piece of cake, and this is the money that we are going to need and of course we tried to make this as minimal as possible because otherwise they will reject the proposal” (Project manager, case Ra)

But to be able to frame it in this way, they needed to first develop their knowledge about the opportunity and market. In the beginning, because of the constraints that Amun-Ra faced in terms of resources and the functions that they needed to share with Ra Health, he was initially working on the case by himself. Similar to the first time when Jack was working on the idea, this time they also didn’t have a clear ostensive projective trajectory and scheme. They just knew that they need to frame it in a way that appears as not risky for HQ actors. Therefore, they were building up their knowledge step by step through discussions with the client and country visits. Ali reflecting on his knowledge when he started the case said that:

“Do you know this four quadrant square, which basically classifies knowledge into four categories you know what you know, you know what you don’t know, you don’t know what you know, and you don’t know what you don’t know. The one that is really dangerous and really makes me anxious is when I don’t know what I don’t know. So for Egypt it was kind of a mix, I already knew many things about Egypt like the habits and the culture, because I am from Jordan, and I have dealt with many Egyptians before whether in Jordan or here in Dubai so I know a lot about their business habits”

Ali’s Arabic background allowed him to know that while Egypt is an Arabic country and so it shares the same language with other countries in the region, however like the rest of the Middle
East, it has its unique culture. So to start developing their knowledge and to establish some assumptions to follow, he first met with the Egyptian client to know more about their business and the potential number of accounts that Amun-Ra will handle after establishment. After few rounds of discussions, he pressured the client to give them their most conservative numbers, because he initially felt that the client’s estimates were overly optimistic. As he explained:

“so we built our case on the conservative numbers, and we even lowered some other figures so the case would even be more conservative, and I think this is better than being overly optimistic and then when we send it to the headquarter for review they would say you can never get these numbers in Egypt because of the political situation and then it would be hard to change their mind.”

During these meetings, the client introduced them to a manager of a TBA in Egypt, who was considering leaving his job because of the new regulations on salaries. Jack then offered him a job so that he would assume the new role of country manager if the proposal was approved. This move was perceived by subsidiary actors as important for two reasons. First, because the new manager will provide them with much needed local knowledge to develop the proposal. And second because they can emphasize in the proposal that they hired someone with the local knowledge to facilitate their entry.

At the same time Ali and Jack went for an insurance conference in Egypt where they had the chance to gain more insights about the market and talk to regulators and insurance companies to see their reactions. The response was positive and they made good relations with potential clients which further strengthened their belief in the opportunity. Ali started checking previous cases to give him some direction but the problem was that the Egypt case was unique and so the structure and elements used were not directly applicable. He explained:

“Because the utilization rates in Egypt is different from all the other markets in the Middle East, it is a much bigger market. Also something else that we found as we were developing the case is that there are no e-claims in Egypt like all the other markets in which we operate, in Egypt they use paper claims so that even makes it harder to calculate, so we did all the assessments for each factor and we were very conservative in our assumptions.”

As the case started to become more complex, Ali needed more team members with specific knowledge in certain functions. The new manager started working with him on the proposal and specifically on aspects related to the projected number of employees, and the nature of claims processing process in Egypt. The finance manager of the Jordanian subsidiary also joined to work on the feasibility study. And the regional underwriter also joined to evaluate the product
prices based on utilization rates and other product technical issues. The proposal started to become more structured and their trajectory projection became clearer at this stage. As each person in the team started to add more insights, Ali acted as a coordinator to facilitate knowledge articulation through briefing sessions and meetings, and to facilitate knowledge sharing and transfer between the team members through resolving conflicting assumptions. He explained:

“my job is to make sure that the numbers that I get from those different people are accurate like based on some calculations or sound assumptions…But this is not an easy process, so to reach and agree on that number you need to work on it for a week, phone calls, meetings, you send documents you come up with differences in numbers, you negotiate, what do you think about reducing the number of employees working on the claims, hire someone who would work on claims and something else. So we have to agree on the assumptions which is really hard and at the same time very essential because these are the running costs from day one for us, so it is not a joke it is a break or make for the company… and you can see where everyone is coming from and then you start to negotiate with them to reach a common ground or assumption that we will follow when building our case.”

Throughout this circular process of knowledge development, articulation, and transfer, they developed a first draft of the proposal. The case in the first draft however was very profitable and so they were concerned that their estimations were not correct, and so they started re-visiting some of their calculations, eventually they did 19 revisions:

“By the end we did 19 revisions…because each day we discovered something so we had to go back to recalculate something…also you find that the business case outcome is very profitable so you start to question the assumptions that you made, so we raised the premium just to be more conservative, then you find that now it is not profitable, why change the numbers again and so on. Because you need to find the balance where it is conservative enough to actually be true when it is implemented and also profitable enough to get the green light from the headquarters in Germany” (Project manager, case Ra)

As they were working on the proposal, Jack visited the HQ in Germany twice to start embedding the opportunity in the firm’s agenda. The regional manager of Ra Health informed him informally about the managers who are opposed to the idea, and so he was attempting to try to persuade them. The project manager said that:

“When [Jack] knew who was against the idea, he went again to start to respond to them and to give them some good arguments to convince them, at this stage we already had a
good picture of the market and things were becoming clear, we had [the Egyptian manager] on board and we had an agreement with the client. So [Jack] had some good arguments to put on the table. Then in the last visit he was just informing them that we will send the proposal soon so that they could schedule it in their agenda, because you can imagine a company with the size of Ra how busy its management team can be, so you have sort of like to reserve a spot for yourself.”

Building on the feedback that Jack got from his visits. The team started to frame the proposal in a way that could appeal to HQ actors, and to re-package their knowledge into the templates used by the HQ actors. Jack’s conjuncturally-specific knowledge of the interpretive frames of HQ actors was quite developed after his visits, which gave direction for the team as to how to frame the proposal. This involved framing the entry to Egypt as aligned with Ra’s strategic focus on Africa by arguing that Egypt is the gate to the African market. And being conservative in their estimations to highlight that risk issues were taken into consideration. They also emphasized that they will only offer TPA services during the first two years which is a business model with minimal risk. They emphasized that through establishing a TPA first, they will be able to further develop their market knowledge which will then allow Ra Health and other reinsurance divisions in the group to build on their knowledge to enter the market. This helped in signalling that their interests are aligned. In addition, they reduced the required capital expenditure from 4 to 2 million USD as suggested by the regional finance manager. They emphasized that they have already secured a contract with the Egyptian company which will cover their operations cost during the first two years. Finally, they mentioned that they have already hired an experienced manager to set up and manage the new subsidiary which will help them overcome any potential risks resulting from their lack of knowledge.

The proposal then was sent to the evaluation committee in HQ, which has to sign it off before it goes up to the top management team. The problem however was that the criteria that this committee used to evaluate the proposal was based on a reinsurance logic and not TPA. Ali explained this:

“The problem was that this committee usually evaluate projects from Ra like reinsurance businesses and so they have a certain template that they use and so the criteria that they use to evaluate a project is not suitable for our business model, because we offer reinsurance but we are also a TPA, so that was a problem. Because in the beginning they asked us to make a lot of changes and they thought that there was a problem with the case, but this was not true, they were basically using different criteria, and of course this is because Ra is primarily a reinsurance business and Amun-Ra is really just like a really
small entity so they kind of impose their own process, like they basically evaluated the case as if it was a reinsurance case and not a TPA. So we talked with them we had a conference call with them and we explained in detail that look this is not what we are doing here, and they got it at the end and they approved”

The proposal then was submitted to the executive team, and this where Jack’s visits and issue selling paid off, as they approved it right away. The implementation process then started, and at this stage the new Egyptian manager started to assume a bigger role. Through his connections and knowledge of the market, the implementation process unfolded without any interruptions and the subsidiary was opened in August, 2015.

4.3.7 The FDI outcome: a new subsidiary in Egypt

The final implemented decision was a 2 million USD Greenfield investment in a wholly-owned subsidiary in Egypt. The decision process took almost three years, since the emergence of the opportunity by the end of 2012, until the new subsidiary was established in Egypt in August, 2015. The process however was interrupted for around 8 months when the political situation was unstable in Egypt, which forced the regional subsidiary manager to put the project on hold. The final decision was different from the existing MNE’s focus on mature markets and emerging markets in Asia, Eastern Europe, and South America. Although HQ actors signalled their interest in strategically focusing on Africa, the focus was more on the southern part of Africa and not North Africa which was perceived as unstable. In that sense, subsidiary actors departed from the dominant MNE’s meaning structures and took a more opportunistic and experimental approach in their identification of FDI opportunities. The decision was mostly explorative as it involved exploring new market knowledge and resulted in a new strategic direction for the subsidiary. In terms of exploring new market knowledge, the project manager explained that they have learned new practices through their entry to Egypt:

“Egypt is different so for example they [insurance companies] would take money and then put it in the bank and the interest rates are very high so they get some interest and they might be late for a payment just to get 2 percent more, they take more fees from the hospitals to offer them a faster claiming process, so this is the market in Egypt and this is how it works, and so we had to take that into accounts, so we talked with [Omar] [the Egyptian manager] and we started to understand these stuff and said okay we can do this and that but we can’t do this because it will be against our policies, so the headquarters at first didn’t really get some of these things but we tried to explain that this is how it works in Egypt and eventually they got it”
The regional subsidiary manager also mentioned some of the practices that they needed to learn, he mentioned that:

“There are some things that we have to adapt to, I will give you a very tangible example, because as I mentioned before that we don’t do sales. In Egypt the TPAs are expected to do sales, so this is something we have to adjust to, so yes also an area where we have to adapt our service proposition to some extent and have to see how we deal with it.”

Strategically, the move also changed their strategy as they perceived Egypt to be their gate to the African market. In addition to other planned moves in Europe and Asia, subsidiary actors started to recognize that they started to become more global, and were hoping that this new orientation can change their challenging relationship with Ra:

“[Amun-Ra] was considered regional but now that we added Greece to our portfolio and we are planning to go to Romania and also Asia, we are beginning to become global rather than regional as the way they look at us. So if we can do that I guess we can be more flexible to do things, how flexible they would allow us to be, we will find out.” (Project manager, case Ra)

The outcome also influenced the subsidiary actors’ conjuncturally-specific knowledge of the actors-in-context. Through the interactions that took place during the decision process, subsidiary actors started to understand how HQ actors evaluate and assess initiatives, which is their interpretive and normative ideals. It was hoped that this knowledge can help them in the future when they propose similar initiatives:

“even though I have a few years’ experience now, and even though I have been in similar situations, I again underestimated a little bit the complications that [Ra Health] headquarter in [Germany] brought about, that was a little unfortunate, so but I have to repeat myself here, also difficult for us to assess because the board, we exchanged 90 percent of our board, and with new board members, you never know exactly how they are going to come together, how they are going to behave exactly and what they are looking for. So it was a little bit of a test balloon also with this to see how the board would react in the first place.” (Regional manager, case Ra)

The outcome therefore involved radical changes in the Amun-Ra meaning structures and the subsidiary actors’ internal structures. Whether these changes will feed-back to Ra depends on whether integration can be achieved in the future.
4.3.8 Summary of case Ra

The FDI decision in case Ra followed an autonomous trajectory. The opportunity identified by the regional subsidiary departed from the MNE’s focus on mature markets in Europe and the US and emerging markets in Asia. The actors-in-focus internal structures were misaligned with the MNE’s meaning structures, and they felt that they were constrained by the existing institutionalized practices. This led the actors-in-focus to initially work on the idea without informing the HQ until they were confident that their proposal will be accepted. There was a constant interplay between their projection of the trajectory and their activities, and they relied on a more inductive way in developing their idea.

4.5 Case Osiris

“The idea came through this annual strategy planning session which is usually done after the global strategy is developed, so we were trying to see how we can follow the global strategy, and we thought that there is a good potential for our products in the African markets.” (Project manager, case Osiris)

The above quotation is the project manager’s reflection on how the FDI idea emerged. The FDI idea to invest in a new manufacturing facility in Egypt was proposed by the Egyptian subsidiary managers as part of their effort to penetrate the African market. As the project manager said the idea was largely derived from the global strategy developed by the global team in the HQ. The final FDI outcome was a 2.5 million USD investment in a new Greenfield manufacturing facility in Egypt to serve the central African region markets.

4.5.1 Company background

Osiris is one of the largest MNEs in the power and heavy electrical machinery industry. Headquartered in Switzerland, it operates in around 100 countries with around 120,000 employees. In 2013, the company’s operating revenue was 6 billion USD with more than 95% of it coming from foreign markets. The Egyptian subsidiary is part of the Asia and Middle East region, but it also acts as a regional hub for selected markets in the Middle East and central Africa. The Egyptian subsidiary was established in the 1960s and so it has been a long time contributor for Osiris’ growth. Osiris has a strong and established position in most of the mature markets as well as emerging markets in Asia and South America. In 2012, the global team decided that they should start to pay more attention to the possibilities in the African markets.
4.5.2 External structures: possibilities in Africa

At around 2012, the company was continuing its growth in mature and emerging markets in Asia. The performance of some of the subsidiaries in the Middle East and African regions however alerted the management to the potential possibilities for growth in the African market. The African market was perceived by the global team as an untapped opportunity because competition was weak and governments in many countries in central and southern Africa were engaging in huge infrastructure projects which created a potential market for Osiris products. But actors in the HQ were also concerned about the potential risks in this region. The Middle East was seen as politically unstable, while for central Africa, the institutional infrastructure and the labour workforce were seen as insufficiently developed. Thus while the HQ actors were quite positive about the prospects of growth in Africa, they signalled a preference for a slow approach to entry. Actors in the Middle East had a different perception of their markets. The Egyptian subsidiary in particular did not really see the situation in Egypt as unstable. This is because they were able to manage their operations profitably during tough times such as the 2011 revolution. But they understood why the HQ actors had this perception and they interacted with them accordingly. The Egyptian subsidiary also shared the same view with HQ regarding the African market, but this was seen as an opportunity for them to expand their manufacturing facilities in Egypt and serve the central African market from there, as the subsidiary manager explained:

“it was strategically better to expand in Egypt rather than going through the hassle of establishing a facility in a country in which we don’t have any production, things will be much more complicated, you will have to hire people, which might be a bit challenging in certain African markets, infrastructure is not that developed, while in Egypt we already have a solid base and a big headquarter so it was much easier to expand here rather than go and explore a new market, at least in the meantime”

The external environment therefore in Africa was perceived by both as favourable but the view was that it needed to be approached with care. The subsidiary manager highlighted this shared interpretation, as he said that:

“Africa was a central concern for the global team, there have been a lot of developments in the African market, and even though some markets are still risky and underdeveloped still there is so much potential for growth and especially in our field, the power industry, and it was critical for us to start preparing to cover the demand growth in these countries.”
4.5.3 Meaning structures: engineer everything!

Osiris relied on a highly structured approach for assessing new initiatives. But at the same time subsidiaries were encouraged to propose new ideas and were active contributors to the overall firm strategy. The dominant identity of the firm was a strong engineering way of thinking with strong emphasis on structured processes:

“We have clear rules regarding all these aspects so we just follow them, we check the rules and make sure we comply” (subsidiary manager, case Osiris)

The company was organized into four divisions and three regions. This organization was a result of a restructuring that took place in 2008 to achieve more integration between the global team and subsidiaries, as the project manager explained:

“We have four divisions categorized based on product types and the industry or customers and we also have three regional managers, actually, like 5 years ago, it was eight regions but we had some restructuring and became only three regions to reduce costs and enhance communication across the different regions”

In 2012, a new strategy was put forward and distributed to all subsidiaries to turn it into specific initiatives. This strategy was built on specific pillars along with a focus on growth in the African market, as the project manager explained:

“The plan in 2012 along with the changes in the structure, was focusing on three key drivers; relentless execution which focus on enhancing quality and reducing cost and excelling our processes, profitable growth which focus on organic growth and also growth through targeted acquisitions and a framework of penetration in existing and new markets and the third key is business led collaborations which focus on engaging with our business partners to enhance our R & D capabilities and develop better technological solutions and also engage with our communities. The strategy also discussed some 2020 goals, like sustainability, more spending on R & D and expanding the market with some focus on Africa to develop the power market over there.”

The strategic process in Osiris ensured the participation of all subsidiaries in formulating the strategy. It was based on a bottom-up approach which culminated in a global strategy that was then translated in a top-down fashion into specific initiatives by subsidiaries. This approach enabled the Egyptian subsidiary actors to have a say in the global strategy, as the subsidiary manager explained:

“So what happens is that we have a strategy session each year, so all the country managers come together and meet with their regional global manager, so we have three
global managers responsible for three areas. And then each develop a strategy for the following years with inputs from each country manager with all the issues, all the possible developments and opportunities, and then the global team meet with the other global managers, the global division managers, the global department managers and the CEO and they develop the group’s strategy.”

The strategy is also broad enough to accommodate new ideas that could emerge through bottom-up processes, as the project manager explained:

“...You can see of course that these principles are quite broad like profitable growth, what does that mean? but the idea is that it needs to be like that, I think, because we operate in around 100 countries, so you can’t possibly develop a strategy for each market, so instead you agree on a set of principles to guide each country in setting their strategy and then accordingly you start to evaluate their initiatives, so at this level the strategy needs to be quite broad to give some strategic flexibility for subsidiaries. But the message that you get is that we are in a growth mode, we can put proposals for expansion, but at the same time with reasonable payback period and a good ROI and an acceptable level of risk.”

To enact this strategy, there is a clear organizing framework that specified who is responsible for what and the specific actions that need to be taken to achieve the strategy. As highlighted earlier the firm is divided into four divisions and three regions. Within each region, some subsidiaries might have regional mandates. The Egyptian subsidiary for example was responsible for North Africa, central Africa, and some countries in the Gulf region. This mandate enabled the Egyptian subsidiary to explore potential opportunities for growth in Africa. Within each subsidiary’s mandates and responsibilities, managers start to turn the strategy to specific initiatives and actions. The subsidiary manager explained this process as follows:

“This strategy then is cascaded to all the different divisions and countries and then each division within each country start to work on the different initiatives and action plans that they propose to achieve this strategy, so you might have an initiative to improve quality, to improve safety, to start a new collaboration with a business partner and so on. Each division then discusses the different initiatives and decides which one is suitable in terms of the new strategy and then we have discussions on a country level then on a regional level to decide which initiatives should be implemented.”

Controlling practices were also in place to regulate who can propose new initiatives and how these initiatives will be evaluated. The subsidiary manager said that:
“this is the process that we follow pretty much everywhere when a subsidiary is proposing a new initiative or a new investment that requires an amount of capital more than the delegated authority for the division or country manager, so for example here in Egypt I have a delegated authority to make investments up to 200,000 dollars, more than that, I have to put a proposal for approval by the global team.”

In addition, there are specific templates to follow when proposing a new initiative, and an automated system that specifies all the required information and the table of authority of the managers who need to approve the initiative. The regional manager explained this process as follows:

“So we have a certain process that everyone has to follow in case of capital requests for new investments or new initiatives, and we have a table of authority and very detailed rules on what should be done and who is responsible for what decisions and all that. And we also have an automated system, so after all the discussions take place, an initiator which is usually the country manager or the division manager or the person proposing the initiative in general would start a new initiative and submit all the details on the project into the template on the system and then it goes through all the managers according to the table of authority so they can give their recommendations and all that.”

Overall, the strategic focus of Osiris on penetrating the African market, and the institutionalized strategic and organizing practices enabled the Egyptian subsidiary actors to consider growth opportunities in Africa. The controlling practices also provided them with clear guidelines regarding how initiatives are evaluated and by whom.

4.5.4 Actors’ internal structures: an engineering way of thinking

The actors in the Egyptian subsidiary shared common interpretations with the actors in the HQ, and their way of thinking was also similar. Both emphasized a structured way of thinking when deciding on new initiatives. Their dispositions were relatively aligned, reflecting an engineering way of thinking that emphasized a focus on structure and process. The interactions during the annual strategy session also facilitated the emergence of a shared perspective, because the subsidiary actors felt that they have a say in the overall strategic direction of the firm. There were differences regarding their risk assessments of the situation in Egypt, but subsidiary actors thought that this is a natural result of the HQ actors’ distance from Egypt. They thought that their role is to try to give them an accurate representation of the situation. The subsidiary manager explained:
“We thought that yes there is a certain level of risk, but we are already operating here, we know how to manage this risk. We actually proved that we can manage it, so our role is not to hide it or anything like that, we instead give them the exact picture, the way we see it, because we definitely know better since we are in the market, we just have to provide enough information and a good argument to prove our point.”

The subsidiary actors’ conjuncturally-specific knowledge of the actors in HQ was also well developed due to their interactions during the strategy planning sessions. These sessions enabled them to know how managers in the HQ perceived their subsidiary and how they can possibly react and evaluate new initiatives. In addition the detailed process that was used in evaluating new initiatives allowed the subsidiary actors to know in advance who is going to be evaluating their initiatives. The subsidiary manager explained this:

“so we have the table of authority so we knew who has to approve this which is important because you start to think accordingly, so for a new facility for example you have to get the security and health and safety approval, this might not be the case for other initiatives so knowing who is going to be assessing and approving the proposal gave us some direction as well.”

Overall, the actors in the subsidiary shared the same way of thinking with HQ actors and a relatively similar view of the growth potential in the African market.

4.5.5 The conjuncture: how can we penetrate the African market

The situation then facing the subsidiary actors following the new strategy that was communicated in 2012 was how to turn this strategy into concrete actions. This was accomplished during the annual strategy planning session that takes place at the subsidiary level. Initially, the focus was to develop a strategy with specific action plans. This strategy is then submitted again to the regional manager who has to approve it. One of the components of this strategy was an initiative called “1000 days Africa” which was basically a broad strategy of how the subsidiary can expand in Africa in the next three years. The strategy highlighted the increased demand in the African market and that this represented a lucrative opportunity for expansion. The proposed strategy was approved by the regional manager and then:

“The question was how to meet that demand, so we in the first meeting we started on working on this question, and we said we will look into the demand figures that we got from our different markets and our capacity levels here in Egypt and see what should be done.” (Subsidiary manager, case Osiris)
4.5.6 The interplay between the ostensive and performative trajectory: follow the system

During the strategy planning session, the subsidiary actors started problematizing the situation they were facing. Guided by the strategic focus on Africa and also their past decisions and their existing position in the region, their interpretation was that the opportunity should be approached through investing in a new facility in Egypt. Initially some managers in the Egyptian subsidiary were concerned that the initiative can be rejected by the HQ, as the project manager explained:

“we decided that we should build a new facility because according to the numbers that we had, expanding the existing ones would be insufficient, it would have been much easier of course because we can just do it within our delegated authority without having to get the approval of the global team but that would be a short term solution, so we had to build new facilities and that meant that we have to put in a capital request for the global team. This was a bit tricky, and we had some arguments about it initially. Because at that time it was 2012 just one year after the revolution, we managed to go through tough time, but the market was still unstable and we were not really sure if the global team will approve such investments, I mean it wasn’t really a huge amount but still…So this was our initial concern if it was a good timing to actually propose this, the controller and other people from finance and also the OHS, the health and safety thought it was not a good timing, not that they thought it was risky or anything but they thought that the global team will think so, so why propose something that it is going to be rejected”

An alternative that was proposed by someone in the meeting was to consider establishing the facility in another country in North or Central Africa, but this was immediately discarded as an option, because as explained by the project manager:

“Someone said instead we can do this somewhere else like in Algeria or someplace in central Africa but that was a long shot for many reasons. First cost wise it is not feasible, I don’t claim that we did a detailed feasibility study or anything but we know that labour cost in Egypt and also the skill level in our sector is better than other countries in this region …also in terms of infrastructure central Africa is not as developed as Egypt, and we have a base here, Egypt is the hub so in terms of implementation costs it was going to be much cheaper…Also this is actually how we operate in this division and in others as well we just don’t go and open a facility in each country, it is not feasible, what we do is we establish one or few production hubs in each region…And this was actually the orientation of the group like it wasn’t really logical to see the global team restructuring the company and removing layers of management…and then we go and propose establishing a new manufacturing base in a new country while we can actually cover it
from the existing one, it wasn’t really logical, remember the relentless execution and
profitable growth pillars of the global strategy that was completely against it”

Therefore, eventually they decided to go on with the idea of establishing a new facility in Egypt,
as they thought it was aligned with the global strategy and the external market conditions:

“we saw that the market was getting more stable, our numbers were getting back to
normal not normal but were getting better, we actually also started covering the gulf so
we felt that the global team saw some strategic importance for Egypt. We also secured
few important contracts with the Egyptian government, and we had people from the
global team visiting Egypt and meeting with the ambassador and Egyptian government
and they said that we are committed to the Egyptian market and that it is not only a key
market but also a hub for the region and things like that. And the importance of Africa
was stressed in the global strategy and that the group will focus on developing the
African market, so it was really logical to propose this since the two main hubs in Africa
are Egypt and South Africa, so all the signs pointed out that this could be a good idea.”
(Subsidiary manager, case Osiris)

At this stage, it became clear what the trajectory projection is and the scheme they need to follow
to accomplish the project. The trajectory projection was to establish a new manufacturing
facility in Egypt according to their understanding of the existing strategy and their current
position in the region. As mentioned earlier alternative locations were only briefly discussed but
they were not considered through a detailed analysis because they thought this approach was
not aligned with the firm’s strategy. But they also had to include an argument in the proposal of
why they chose Egypt, but it was more of a strategic argument rather than a detailed financial
analysis. They also decided to do this through a Greenfield investment. In fact, there was no
consideration of alternative entry modes. The subsidiary manager explained this as follows:

“What we do is very specific and we have our own production processes so it is highly
unlikely to find a facility to buy that could be suitable for us. We do of course acquire
companies but this is usually done by the global team…The same thing for joint ventures
or strategic alliances this is also done at the global level and according to a very strict
criteria…But other than that we own our own subsidiaries 100 percent…So for that
investment we didn’t really even consider the idea, we are already established in the
market so there is no need for joint ventures for that specific type of investment.”

The scheme used to enact this trajectory involved two moves, an initial proposal to test the idea
with the country manager (who is responsible for Egypt and several other countries in the
region), and then developing a team to work on the detailed proposal, if the idea was approved
by the country manager. An initial proposal was developed which outlined the rationale for the idea and then it was sent to the regional manager to informally take his opinion about the idea in principle. The project manager explained this:

“we decided to put a proposal and discuss this with the country manager, he is actually the country manager of not just Egypt but also Lebanon Jordan and central Africa…so the idea is to see what he thinks and ask him to test the idea with the global team to see what they think. So, this wasn’t a detailed study, it was mainly explaining the reason behind the investment, how it relates to the 1000 days Africa initiative and how it relates to the global strategy and of course a rough estimate of the capital request and some data about the markets in Africa. And usually this is something that everyone does when they propose a new initiative. I mean before proposing a detailed proposal, it is very common that you kind of discuss the idea informally with the regional or the global team just to get a feeling if the idea can be considered in principle regardless of its financial feasibility, because it was very likely that they would say no Egypt is an important market and everything but now is not a good time, or maybe they don’t think that we should be investing in this particular division, or they might have a different view about how we should approach Africa, they might have been referring to southern Africa for example and not central Africa, remember I said that the global strategy tends to be broad so it was possible that we understood it differently, I mean we saw it that we should pay more attention to central Africa because it is within our region, I am sure the South African division also thought that they should focus on the southern part”

The country manager was supportive of the idea as it was fitting with the firm’s strategy, and he took the proposal and approached the regional manager to see if he would also be supportive. The regional manager also supported the idea as he saw the connection between the initiative and the firm’s strategy, as he explained:

“our discussion at that stage was mainly about these strategic issues and he made a good argument that they are trying to implement the global strategy through profitable growth and relentless execution which are the pillars of the global strategy and that the natural path of growth for Egypt is to start now focusing more on African markets, since they have already secured the demand from the gulf markets and also North Africa, so that was like the natural evolution of the subsidiary”  (Regional manager, case Osiris)

But the regional manager also advised them that there might be some resistance from other managers in the HQ, this is because:
“not everyone really understand the situation in Egypt so me I know how it is because I went few times to sign the contracts with the Egyptian government so I know that things are relatively stable and the protests and all these things don’t really affect us, because our facilities are located in an industrial zone so we are quite isolated...But others maybe they might have a different image, a different perception, so it was going to be challenging to convince them. So I told him that in principle, strategically, the idea is good and they should start working on the proposal but they have to make sure that they communicate the right image and highlight their performance and explain in detail any potential risks and all the measures they will take.” (Regional manager, case Osiris)

Having embedded the idea in the firm’s agenda through informal discussions with the country and regional managers, the subsidiary actors started working on developing the detailed proposal, which involved knowledge and evaluation activities. These activities were structured by the institutionalized controlling practices which allowed them to develop a detailed trajectory scheme to guide their actions. A team was developed including people from different functions. The team also had previous experience in working on similar initiatives as explained by the subsidiary manager:

“We did that in the past it wasn’t really something new for us, and many of the team members also worked on similar initiatives before, maybe like 3 years before when we expanded one of the facilities to cover the gulf market, and many other initiatives, so we were familiar with the process and how it is done”

To start developing their knowledge, the team members relied on two methods to guide their activities. First they started looking at previous proposals, as the project manager explained:

“We have access to these documents and it was useful of course to see how it was done also for the ones who did not work on similar projects before”

In addition, they also started looking at the template that is used for developing new proposals. This provided each team member with a clear guideline of what was exactly expected of them, as the project manager said:

“What we did was to show everyone the structure of the proposal on the system. So, we have a structure to follow, and specific issues that need to be addressed. So, the proposal should mirror this structure because at the end we submit it through the system, so this includes everything, the financial aspects, the feasibility study, the payback period, all the financial details and before that of course the strategic objectives and the rationale of the project. How it is related to the strategy, and then an assessment of the market,
competitors, political issues, technical issues, and of course HR and OHS related issues to ensure that we can do this while complying with all the group’s rules regarding health, safety and employment standards.”

Having established a clear scheme to follow, the team members then started knowledge development activities according to their respective fields, followed by knowledge articulation between the team members to coordinate their knowledge through discussions and briefing sessions. These processes of knowledge transfer between the members were facilitated by the template which acted as coordinative mechanism between the members and didn’t unfold in a linear way. The project manager described these processes as follows:

“Of course, when we are developing the proposal we didn’t follow the same order, it doesn’t work like that, you divide the tasks, some people are working on the financial study, others on the technical aspects, others on the political assessment at the same time, and then we meet, and discuss all that, and we change our analysis accordingly because these things are related. So, the technical aspects will influence the financial stuff and vice versa. But as a start we started with this template so we can exactly know what are the issues that we need to include in our proposal, then we start to bring in all the rules and regulations that we need to follow, so all the quality standards, the safety and health standards, the way the ROI and payback period are calculated, these things are not negotiable. If you don’t follow them the proposal won’t get approved it is as simple as that. Then each group start to work as I said on their tasks, we start to collect data from the market on the expected growth rates, on the current actual demand, on the cost of materials and all the components that we need to consider. And we keep on debating to kind of decide on the assumptions on which the financial analysis will be based, and this is critical because you don’t want to sound overoptimistic and you also don’t want to put in low figures and end up getting a long payback period. So, it takes time”

In developing their knowledge about these aspects, the team members relied on their existing understanding of the market. As the subsidiary manager explained:

“So, we started by doing that we already had the data about the market demand, we already had some numbers about the cost elements, we just needed to update them, and this was not that hard since we have a good understanding of the market, it is not that you are starting something in a new market, we already have our suppliers and everything so that wasn’t really a problem”

But these activities were also challenging due to two reasons. First, as highlighted earlier by the project manager, agreeing on the financial assumptions was hard because of the changes in the
market and also because they needed to decide whether to construct their demand estimates based on the central African markets only or whether to include possible demand from Egypt. The second challenge was how to account for the political risk in their assessments. This was explained by the subsidiary manager:

“What maybe took us sometime is to agree on the demand and the expected market growth rate, we had of course data to begin with but then again when you are estimating future demand, you have to make some assumptions. So for Egypt for example, because the new facility was not going to exclusively serve central Africa, it was a bit hard to estimate the growth rate, because the market was changing all the time, and you have to find this sort of an optimum estimation where you are not overly optimistic neither too pessimistic that you end up with an unacceptable payback. So we kept on running down the numbers and having discussions until we finally agreed on certain assumptions that sounded reasonable. Another key issue was how to assess the political environment and whether we should actually discount the ROI and add some political risk factor in our analysis, and we decided not to, because at the end political risk is subjective and you can’t really quantify it, and in the past proposals we found that we didn’t really have to account for it, what we did however was a detailed explanation of the situation of the country and the measures that we can take in case of any unexpected events.”

Eventually the proposal was finalized, and the team members made sure that they addressed the risk issue as suggested by the regional manager. This was done by explaining their understanding of the situation, and also highlighting their consistent performance in the last few years. The project manager explained:

“This was important especially the political aspect because you don’t want to overpaint things, you can’t really say that everything is stable and fine, maybe it is for us but we knew that this was not the image that they have, so the idea was to acknowledge those risks but also highlight the importance of the move and we made a point that the perfect time for investment is when the risk is actually high because the costs were really good. We also mentioned that we have secured many projects with the state and this gives us a good and stable position and that throughout the last two years since the revolution we managed to operate in a positive way.”

The proposal was then submitted to the global team, which is an essential step before submitting the final proposal on the system for approval. During this stage, the global managers provided their comments and asked for modifications in the analysis. The feedback was positive but they asked for some changes but nothing major as the subsidiary manager mentioned:
“We didn’t have any major issues or major disagreements, it was mainly them asking for more explanations, some changes to the financial estimations, and things like that but nothing major really. So sometimes we would change things, sometimes we explain things in more details and you try to understand their perspective and revise the proposal accordingly.”

After few rounds of discussions, the global team gave them the green light to submit the proposal on the system for the final approval. The political situation in Egypt however was getting unstable and so the managers in the Egyptian subsidiary were worried that something might happen during the final reviewing process. Therefore, they decided to put the proposal on hold.

The project manager described the situation as follows:

“At that time we started to get a bit concerned about the political situation, things were getting a bit tense and there were calls for protests and things like that, we were not really concerned ourselves I mean we managed to get through harder times during the revolution and we made sure that we followed all the safety requirements in our proposal, but we were worried that if we put the proposal at that time, the global team who might not be very familiar with what is happening or in other words getting a different image from the media they would probably reject it, especially that we have a part on the system where it asks about the political environment and any political risks in the country of investment so we couldn’t really pretend that everything was fine, it was all over the news and our role is to give them the right picture, so we agreed with the country manager that we should just wait and see what will happen, and it was actually a good decision because of what happened on the 30th of June.”

The decision to put the proposal on hold was a good call by the subsidiary manager, who decided to wait until things get stable again. The subsidiary manager explained that in around November, he thought it was a good timing:

“we waited until things got stable again around November, the country manager then had some discussion with the global team and we actually had some of them visiting because we were signing new projects with the government, so some of them saw by themselves that things went back to normal, so we thought it was a good time to submit the proposal formally on the system, and we did and it was approved three months later in January 2014.”

7 There were popular demonstrations in Egypt on the 30th of June 2013, which eventually led to removing the elected president through a coup d’états by the army.
The regional manager explained that the subsidiary’s decision to postpone the submission of the proposal was a good move, because it made the global team trust their assessment of the situation:

“I guess everyone really trusted them when they put the project on hold. It showed that they are very credible about the situation and so when they said this is a good time, everyone was supportive.”

The initiative was therefore finally approved by the global team because it was seen as fitting with the firm’s global strategy and that the subsidiary actors followed the required process for proposing new initiatives. The implementation phase unfolded without any issues and it was aligned with the initial projection of the subsidiary actors. This was partly attributed to their in-depth knowledge of the Egyptian market and their previous experience in implementing similar initiatives in the past.

4.5.7 The FDI outcome: a new facility in Egypt

The final implemented decision was a 2.5 million USD Greenfield investment in a wholly-owned manufacturing facility in Egypt. The decision process, since the initiative was first proposed in the subsidiary strategy meeting until the final approval by the global team, was around two years long. As the above discussion shows, the decision process was structured and the outcome was similar to the initial conception of the FDI trajectory. With the exception of the political events that happened towards the end of the process which forced the actors to put the project on hold, the decision process unfolded according to the projected trajectory with little permutations. The outcome was largely in line with Osiris global strategy and their focus on growth in the African market. This resonated with the HQ actors’ understandings and hence they approved the initiative, as the regional manager explained:

“our position in Egypt is solid despite the political issues we have managed to secure many contracts, actually quite big ones with the government, and they even covered the demand from the gulf market, so the natural step was the expansion process to start strengthening our position in the African markets, and to do that, Egypt was considered to be the strategic door especially for the central part, because we have another Hub in South Africa which covers southern Africa.”

The outcome therefore reinforced the MNE’s meaning structures and its focus on growth in Africa. It involved an exploitation of their current capabilities in Egypt to help them in penetrating the African market through a low risk approach. Instead of establishing right away
in central Africa, the decision was taken to capitalize on their existing knowledge base in Egypt and slowly increase their presence in central Africa through the Egyptian subsidiary.

4.5.8 Summary of case Osiris

The FDI decision in case Osiris followed an induced trajectory. The idea was in line with the firm’s strategic focus on developing the African market. The institutionalized firm practices enabled the actors-in-focus to pursue the opportunity that they identified. The MNE’s strategic practices enabled the Egyptian subsidiary to participate and have a say in the strategy, and they were assigned with mandates to explore opportunities in the African market. Actors’ trajectory projection was clear and they had a detailed scheme to follow in performing their activities which culminated in accepting their proposal without objections from the HQ actors.

4.4 Case Horus

“I think it was a well-structured process and clear, we have clear guidelines on how to develop a business case and what are the steps that they should follow, the rules and guidelines for the financial aspects. So the managing director mentioned it to me I told him to go on, they did investigate and developed a proposal, we raised some concerns so they revised it, we did a final round of evaluations and then it was approved.” (Regional subsidiary manager, case Horus)

“I would say it is a long one, and it is like a game really, you first need to start winning people on your side to buy in the idea and to get them to start discussing it, if the idea is good enough then you have a case and you start investigating… I mean I would have really preferred to go there and start with more than just this product category, but I learned from the managing director that the regional office will not approve it so we have to start small, so this is what I mean things change as you go into more details, and you have to be flexible and try to take people’s opinion into consideration because otherwise they won’t support the idea.” (Marketing manager, case Horus)

The above two quotations are referring to the same decision process. A decision that was proposed by the Egyptian subsidiary of case Horus, which has a mandate to serve the Levant region and Sudan, to establish a new facility in Sudan in response to changes in tariffs. The decision had to be approved by the regional subsidiary in Dubai which is responsible for the whole Middle East region. As the two quotes show, the actors-in-focus experienced the process differently from the actors-in-context.
4.4.1 Company background

Horus is one of the largest MNEs in the world with an operating revenue of around 7.5 billion USD. The MNE specializes in consumer products and was established more than 70 years ago. The company runs operations in more than 160 countries and employs around 150,000 employees. The huge number of subsidiaries that the MNE owns and operates and the large number of markets in which it operates, make their organization structure extremely complex. Over the last decade, the top management team has engaged in several restructuring efforts to streamline communication and knowledge sharing between subsidiaries. While these efforts and other initiatives were successful in promoting a shared and strong organizational identity, however actors’ embeddedness in different divisional, functional, and geographical areas resulted in several challenges for the MNE’s actors.

4.4.2 External structures: a change in tariffs

The Egyptian subsidiary focus in recent years has been on further penetrating the Egyptian market, in which it already had a solid position. The Egyptian subsidiary is responsible for the Levant region (Lebanon, Syria, Iraq, Jordan, and Palestine) in addition to Libya and Sudan. In most of these countries, there were extreme political turmoil, which made the actors in Egypt to focus on investments in the Egyptian market. It was not that those actors thought that these countries were risky but rather they saw more growth opportunities in Egypt in terms of market size. A change in tariffs on certain product categories in Sudan, however alerted the marketing manager to the potential difficulties they might face in the Sudanese market. This was because all the manufacturing facilities in this region were located in Egypt, and the Sudanese and other markets in the Levant region were served through exports from Egypt. The marketing manager however knew that the actors in HQ will not share the same perceptions of the external environment in Sudan. He thought that they will think that the political situation is risky, which was true according to recent events. Despite it being rich in natural resources, a long history of internal conflicts since the country’s independence has resulted in an underdeveloped institutional and market environments. Conflict between the northern and southern states have ended in the secession of South Sudan forming the Republic of South Sudan in 2011, after 99% of South Sudanese voted in favour of separation. Conflict in the western region of Darfur which erupted in 2003 has relatively subsided but continues till today. The International Criminal Court has issued two warrants of arrests in 2009 and 2010 for Sudan’s President Al-Bashir for war crimes. Comprehensive trade sanctions were imposed by the US, first in 1997 based on allegations for harbouring terrorists, and in 2006 in response to the Sudanese government actions
in the Darfur conflict, and Sudan has been listed as “a state sponsor of terror” by the US\(^8\). So it does sound like an unstable place, but surprisingly the actors in the Egyptian subsidiary did not share the same perception. These divergent interpretations can be attributed to the differences in the actors’ internal structures.

4.4.3 Meaning structures: focus on coordination

As one of the largest MNEs worldwide, Horus over the years has developed a strong organizational identity. The company is well known as an attractive employer and they have developed an expertise in integrating and socializing new employees into the firm’s culture through different programmes. However, the size and the complexity of Horus’ organizational structure also meant that differences resulting from divisional, functional, and geographical areas were inescapable.

In 2009, the company developed a new strategy with a focus on four key dimensions: continuous improvements in manufacturing process, a strong focus on innovation and empowering employees to develop new product initiatives, a focus on market growth through penetrating existing markets, as well as venturing into new markets. The expansion process however is guided by a focus on economies of scale. Therefore the preferred approach for Horus is to establish regional manufacturing hubs whenever it is possible, instead of duplicating their manufacturing sites in all their markets.

To enact this strategy, the company engaged in a new restructuring process which involved re-organizing the geographical divisions at the global level, and adding an additional layer of regional HQs to act as a coordinator between local subsidiaries and the global team. In the Middle East, this new regional HQ was established in 2007 in Dubai to coordinate between the four different business units in the region. One of these business units is located in Egypt, and is responsible for Sudan, Palestine, Lebanon, Syria, and Iraq. The regional HQ role as explained by the regional manager:

“Our role really is to develop long terms plans for the region that fit with the global plan of Horus and with each of the business units in the region, and to ensure that operations are consistent with the company’s rules and policies.” (Regional manager, case Horus)

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\(^8\) Most of these sanctions have been eased in January 2017, and now permitting trade and financial transactions between US and Sudanese entities. Sudan however remains listed as “a state sponsor of terror” according to the US, along with North Korea, Iran, and Syria.
When one of the subsidiaries proposes a certain initiative that requires resources beyond their delegated authority, then the regional HQ needs to review the proposal. To control how resources are to be distributed among subsidiaries, the initiative is evaluated on whether it is aligned with the firm’s strategy and rules, as the regional manager explained:

“We have here a regional manager for each function like marketing, sales, supply chain and so on, and so when we get a proposal for a new investment or a new project, each manager would get a copy, evaluate it and write down any comments, and then we meet to see whether we will approve it or not, usually we ask for clarifications, revisions, more information…we have clear rules for these issues, so for example the payback period should be like that, the ROI should be whatever and so on, the CAPEX shouldn’t exceed a certain amount and so on, so if a business case doesn’t really fit they won’t go after it in the first place.”

Overall, the meaning structures in Horus were not aligned with the opportunity to establish a new facility in Sudan, because of the firm’s focus on establishing regional manufacturing hubs. Also, the organizing practices were relatively constraining for the Egyptian subsidiary actors who although they have a mandate to serve the Sudanese market, they had to seek approval from the regional HQ in case of investments. This was problematic for them because the regional HQ actors had a different perception of the external environment in Sudan.

4.4.4 Actors’ internal structures: we don’t see any risks

As highlighted earlier, the actors in Horus shared a common organizational identity. However, their dispositions were different due to their embeddedness in different divisions, functions and geographical areas. So for example the actors in the Egyptian subsidiary shared a more pro-active approach to political risk compared to the risk sensitive attitude of the regional HQ actors. This is because of the actors’ embeddedness in the Egyptian subsidiary and the events in Egypt that they passed through in the last 6 years. The actors in the Egyptian subsidiary were also responsible for extremely unstable countries like Iraq, Palestine, and Syria, and so for them political risk is just a routine activity. However, there were also differences between the actors in the Egyptian subsidiary due to their different functional and divisional roles, which resulted in them adopting different interest and goals. But their common national identity was useful in resolving their different interpretations. The Egyptian subsidiary actors’ conjuncturally-specific knowledge of the regional HQ actors was well developed because they have intense interactions during the annual strategy meetings. But at this specific conjuncture, the subsidiary actors didn’t know how the regional HQ might respond because the situation was new to them.
4.4.5 The conjuncture: should we leave or stay?

The change in tariffs in the Sudanese market presented the marketing manager with a complex decision situation. The complexity of the situation is a result of the misalignment between the changes in the external environment and the MNE’s strategic focus on cost reduction through the establishment of regional manufacturing hubs. In addition, the Egyptian subsidiary since its establishment more than 50 years ago have been serving their neighbouring countries through manufacturing facilities located in Egypt. He recognized that it would be challenging to convince them to consider establishing a facility outside Egypt, especially that such decision would not be aligned with the MNE’s strategic practices. Another challenge was that he knew that actors in the Egyptian subsidiary might not share the same assessment regarding the Sudanese market. There were diverse functional and divisional communities in the Egyptian subsidiary and the wider MNE context. Although actors in the Egyptian subsidiary shared the same MNE identity and also similar interpretation frames due to their embeddedness in the Egyptian market, however they were also embedded in different divisions and different functions and were pursuing and interested in other projects that were underway in Egypt at the same time. The marketing manager also knew that a decision with this magnitude would require the involvement of the regional subsidiary of the Middle East, and he knew that the regional HQ actors’ perceptions of their region in terms of risk potential was not positive. In addition, proposing to invest in a production facility outside Egypt was something that they have never done before and therefore he was not sure how the regional HQ actors might respond. The marketing manager therefore had to think of how to bring the issue first to the Egyptian subsidiary managers, and it was a question around whether they should stay and hence invest in a new production facility or leave the Sudanese market.

4.4.6 The interplay between the ostensive and performative trajectory: follow the regional HQ demands

The marketing manager sensed this issue when he was preparing for the end of year review session of 2011, which took place in January 2012. As his responsibility is to look at the profit & losses (P & L) of the subsidiary’s markets and products, he noticed that the numbers in Sudan decreased and so he contacted the Country manager of Sudan to understand the reason of this drop. The country manager informed him that tariffs on certain product categories increased from 21% to around 50% which made their prices extremely uncompetitive compared to local competition. The marketing manager then reached an interpretation of the situation. The interpretation was quite simple as he describe it “you either leave the market or you start to manufacture in Sudan.” (Marketing manager, Case, Horus). He then talked again to the country
manager and told him about the idea and the country manager was very supportive because as the marketing manager explained:

“he can see the opportunities, Sudan is a big market with a population of around 35 million and yeah it is unstable but we have been selling there for a long time and so he understands the market and can see there are a lot of opportunities for growth, you can see all these Chinese and even European multinationals now investing in Africa, it is really the next big thing” (Marketing manager, Case, Horus)

The marketing manager however felt that the idea will face resistance by the managers in the Egyptian subsidiary. He knew that proposing to leave the market was not an option. This is because as the project manager explained:

“The idea that we leave the market was not really going to work because it is not in our policy, I mean our culture there is no written rule that says so but it is just a cultural thing, for example there are some products that we sell with a very low margin that might be more profitable to drop them but we don’t, market share is more important that the margin here.”

The marketing manager said that this was partly because in the past, the company left some markets which they then later on struggled to enter back. At the same time he knew that proposing to establish a facility in Sudan was going to face resistance by actors in the Egyptian subsidiary, because:

“Our office here in Egypt is probably the oldest in the region, and we have been manufacturing in Egypt for so long, we don’t have any facilities in our other markets. So it wasn’t an easy job to convince people in Egypt that we should establish a factory in Sudan, it was just something that we have never done before, and it was quite obvious that even the Sudan country manager didn’t even propose the idea when I talked with him, because probably he thought that it will never get approved.” (Marketing manager, case Horus)

But the marketing manager decided to bring up the issue and to try to embed the idea in the firm’s agenda. He didn’t have a precise projection of the trajectory at this time, neither a detailed scheme of what he should do to reach his desired outcome. As he expected “it wasn’t taken seriously” (marketing manager, case Horus). Managers from different functions started questioning the idea asking:

“How we are going to monitor the supply chain, what about the suppliers, the safety requirements, and so on… it was also kind of worrying for some departments to have
some of their tasks getting shifted to somewhere else, so questions like who is going to be responsible for the new facility and stuff like that, also this meant that the quantity that used to be shipped to Sudan from Egypt will now have to be sold somewhere else or they have to reduce their output or whatever, so yeah of course at the end we are one company but also each unit is trying to achieve their numbers, right.” (Marketing manager, case Horus)

At the same time, there were other big projects being developed in Egypt such as establishing a new manufacturing facility, and so actors thought that there were more important things to focus on. The project manager said, this was because at that time, the losses did not reach double figures yet, which appears to be a commonly shared signal that action is required. Eventually during this meeting, the other actors agreed that this can potentially wait until they have a clearer picture of the problems in Sudan.

The marketing manager tried to bring back the issue several times however the outcome was similar. Eventually, he decided along with the sales manager and the Sudan country manager to:

“Follow the case and see what’s happening so I kept the talks with the country manager going and that was like business as usual just to be aware of how things are developing, and at the same time I had some discussions with the sales manager on how we can solve this problem or like put the business case in a way that would appeal to everyone else, but this was really like informal discussion there was no like formal meetings and we didn’t like assign a team to work on it or anything like that, just some brainstorming on how we can go there with like minimum investments, what would be better whether to build our own facility or like buy an existing one or maybe lease something, which products we would manufacture there are we going to start with everything or just few products, so very general questions just to try to come up with sort of an idea based on the reports that we have and also based on the discussions with the country manager” (Marketing manager, case Horus)

In the following end of year review in 2013, the marketing manager had already prepared a presentation on the Sudan case. And knowing that leaving the market was not an option, he framed it strongly that they do not have any other alternatives than investing in a new facility. Because the numbers were double digit losses, the subsidiary manager gave them the green-light to visit the market and start a business case but informally. A team from supply chain visited the market to develop an informal draft based on very rough estimations. The report came back but the numbers were not promising. The subsidiary manager told them with these
numbers the regional manager will not approve the case and so he decided to put the case on hold.

Despite the decision of the subsidiary manager, the marketing manager started to project what are the critical issues in this case. He thought that:

“the key point was really the risk issue, I had to find a way to make it look less risky, for the reasons that I have mentioned before, so I thought that the two key factors here were the CAPEX and to try to start small just to make them feel safe and that in case anything went wrong we can just stop manufacturing there without having so much losses.”

(Marketing manager, case Horus)

Accordingly, he decided to propose focusing only on one product category, the one in which they were making the largest losses, and so this meant that they can start by acquiring an existing facility rather than building a new one, which will take more time and effort. The marketing manager then brought the issue again in 2014, and stressed on the drop in their performance. So the subsidiary manager gave them the green light to start a formal business case. Their trajectory projection at this stage was revolving around the idea of acquiring a facility in Sudan, but the scheme was not detailed as they didn’t reach an agreement during the meeting on the assumptions they should follow in developing the proposal. To develop the proposal, they decided that they have to do more market visits. And different teams from different departments started visiting the market to search for suppliers and potential manufacturing facilities, and also to get more data about the market. When the teams came back with some numbers,

“We started to work with finance on the ROI and the payback period, so we estimated demand to be 20% percent less than the quantity we used to export to Sudan, but that doesn’t mean that we didn’t expect to sell as much but it was more about trying to be conservative in our estimations. So we estimated the payback period to be around 3.2 years which was fine because usually here in Horus the payback period shouldn’t be more than 3.4 to get accepted, so we had a meeting with the managing director and with the management team in Egypt, but he said that the numbers are not good enough, and that the case won’t get approved by the regional office because the payback period is long and it is risky over there, and he decided to put the business case on hold again”

(Marketing manager, case Horus)

The marketing manager then disagreed and he asked to re-evaluate the numbers, his argument was that their estimations were over conservative because:
“If we operate there we will definitely sell more than what we used to sell before, because your price will be cheaper because of the customs, you will do promotions and marketing campaigns more effectively”

The subsidiary manager told them to re-evaluate but the payback period needs to be no more than 2.8 years. Eventually through these knowledge development activities about the market, and articulating and transferring this knowledge between the different functions, the team agreed on a set of assumptions and they were able to reach a payback of 2.8 years. The subsidiary manager approved the case and then it needed to be submitted to the regional office. The regional subsidiary manager had some concerns with their estimations, as the marketing manager explained:

“I guess there was some division among them on whether it was a good case or not, I mean the regional manager already knew about this from the managing director, and he didn’t mind the idea, but they thought that we didn’t account for political risk in our estimations, some of them thought it was not worth it because it was going to take a lot of effort on our and their behalf in terms of ensuring that we are following the quality and safety standards of Horus and they thought this would be hard in Sudan since it is not that developed in terms of manufacturing, so they thought we should just lower our exports to the market at the moment and wait till things become clear”

Whereas the regional manager said that:

“We thought here from the beginning that the situation in Sudan is risky I mean politically, and to go there and establish a manufacturing facility is not going to be an easy job, it will take time and effort, I mean the amount that they wanted to invest was not that big but still it’s more about the move itself you are going to manufacture in a new country… but we felt that the political risk factor was not given any weight in their estimations, which didn’t make sense to us, I mean Sudan is politically unstable that is something that everyone knows, so you have to take that into account, how it is going to influence your operations and what you are going to do or the precautions that you are going to take.”

These different perceptions of risk were explained by the project manager as follows:

“This is of course because we operate out of Egypt, we have been exposed to a very turbulent environment in the last 4 years so we didn’t really see Sudan as a risky environment, also maybe because we have been dealing with Sudan and we have a sales office over there so we didn’t really see it as risky.” (Project manager, case Horus)
Several rounds of discussions, debates and negotiations took place between the subsidiary actors and the regional HQ actors. Actors in the Egyptian subsidiary however knew that if they did not comply with the regional HQ assessments the case will not be approved. They also thought that it was not possible to translate to them their knowledge of the Sudanese market or to convince them that they know enough about the market. This is because subsidiary actors knew that the regional HQ actors have a very different perception of Sudan, and for them because they operate out of Dubai, which is a completely different environment, they could be more risk sensitive. So the subsidiary actors decided to follow the instructions and try to repackage their calculations to fit with the regional HQ demands. As the project manager explained:

“that was a bit tricky because if you add a risk component in your assessment it will make the payback period longer and reduce the ROI, so we had to include the risk factor in our assessment as recommended by the regional manager and at the same time maintain the payback period and the ROI so the investment would still be appealing. So we started to reduce the CAPEX as much as we can, and we were able to do it to account for the risk and at the same time even reduced the payback period for 2.4.”

After updating the required changes, the regional manager approved the investment which he then forwarded to the CEO for mere signing. This step is more of a formal routine, because the investment size was not significant. During the implementation process, several challenges faced the team, mostly related with recruiting and training workers, and working with suppliers to reach the requirements of Horus. The role of the Sudan country manager was important as he was able to capitalize on his local market knowledge to facilitate the establishment process. The new facility was opened in early 2015.

**4.4.7 The FDI outcome: a new production facility in Sudan**

The final FDI outcome was a 3 million USD acquisition of a wholly-owned manufacturing facility in Sudan. The outcome departed significantly from the existing practices of the Egyptian subsidiary, which since its establishment have been manufacturing their products in Egypt. Although, the subsidiary had a regional mandate for the Levant region and Egypt and Sudan, however this mandate was enacted through serving these countries through large subsidiaries specialized in marketing, sales and distribution outside Egypt, while keeping manufacturing in Egypt in line with the MNE’s focus on cost reduction and economies of scale. The decision process took around 3 years, because of initial resistance to the idea, first at the Egyptian subsidiary then later from the regional HQ. The decision was mostly explorative in nature as it involved a new way of organizing their production capabilities, as well as learning how to exploit their existing manufacturing capabilities in a new market. The outcome was also radical.
as it departed from the existing practices of the Egyptian subsidiary and the strategic focus of
the MNE. The Egyptian subsidiary actors expanded their knowledge of the Sudanese market as
well as their conjuncturally-specific knowledge of the regional HQ actors, as this was the first
time they proposed an initiative to establish a manufacturing facility outside Egypt.

4.4.8 Summary of case Horus
The FDI decision in case Horus followed an autonomous trajectory. Changes in the external
environment of the subsidiary in Egypt forced them to make a decision regarding staying or
leaving the Sudanese market. The decision was hard to make because initially there was
disagreement among subsidiary actors regarding the appropriate action. Furthermore, their
understanding of the external environment diverged from the regional subsidiary’s assessment
of the situation. The dominant meaning structures in the firm were not aligned with the actors-
in-focus internal structures and the opportunity that they identified. The process therefore
involved issue selling activities to convince the regional HQ actors of the potential of the idea.
The trajectory that the actors-in-focus followed was largely experimental because the idea
departed from the existing ways of doing.

4.7 Case Thor

“I think it was well planned in the sense that we said yes we should consider an offshore
manufacturing facility, we thought about the possibilities for a year and started thinking
why we might want to do it, and then we said yes we do want to seriously consider this.
So we gathered information to check viability, then yes it is viable and let’s get more
information on our most favourite country which is Mexico, got detailed information on
that, and then began serious planning, so it was pretty much according to a logical
sequence of steps” (CEO, case Thor)

The above quotation is the CEO’s reflection on how the FDI decision process unfolded in case
Thor. Similar comments were given by the project manager and a board member. For all the
actors, their experience of the process was that it was a very ordered and sequential one. The
decision was a result of a series of external and internal events that were fitting with the actors’
perceptions and the MNE’s meaning structures, which eventually led to the investment of a 15
million USD in a wholly-owned Greenfield production facility in Mexico.

4.7.1 Company background
Thor is one of the largest New Zealand MNEs with an operating revenue of 170 million USD
and around 3000 employees based in 21 countries and sales in more than 110 countries.
Established around 50 years ago, Thor specializes in the manufacturing of medical devices, and
is considered as one of the main global players in their product categories. The CEO of Thor, highlighted their dominant global position, saying that:

“We have been quite successful in the medical device we offer, so much so that for some of the medical devices we offer we have quite a large market share globally, perhaps more than 50 percent, maybe more than 70 percent market share globally in some cases”

Thor is headquartered in New Zealand and is considered as one of the most successful New Zealand firms in foreign markets, with more than 95% of their profits derived from foreign sales. Thor’s biggest market is North America and specifically the US, which constituted around 50% of their sales, followed by Europe with 30% and Asia-Pacific with 20%. Despite this global presence, the company since establishment had continued to manufacture their products in New Zealand with no manufacturing facilities abroad. Foreign presence took the form of marketing, sales and distribution centres and warehouses to generate deeper insights about their consumers’ demands. Since the early 2000s, the company had continued to achieve a high growth annual rate of around 15%. To accommodate this large annual growth rate, the company had to double their manufacturing capacity every five years.

4.7.2 External structures: currency fluctuations and natural disasters

Despite the high annual growth rates that Thor was achieving each year, there were also several challenges in the external environment. The main challenge was the NZ-US dollar exchange rate which severely affected their revenue. Because all the company’s products were manufactured in New Zealand and more than 95% of their sales are from foreign markets, the NZ-US dollar conversion rate was affecting their operations. A board member explained:

“we are very dependent on the US dollar-kiwi cross rate, and obviously as the Kiwi got stronger and the US weakened, we just got a very very very heavy hit wind against our profitability, so a key driver was to try and move our operations into an area where there would be effectively a natural hedge because the pays are pretty much, it is not explicitly but implicitly tied to the US dollar, so we could create a natural hedge and preserve our margin rather than.”

In addition to the currency issue, the increasing demand for Thor’s products and its status as a global supplier of medical equipment alerted the actors to the issue of securing their supplies to meet their demands. The risk of natural disasters in New Zealand was seen as something that can potentially disrupt their operations and put their security of supply at risk. As the board member explained:
“maintenance of supply is very very important, I mean we don’t have credibility as a business if we can’t supply new masks, new ventilating tubes, and everything operations need. And what was becoming apparent was that this truly global business and everything was being produced at NZ. I don’t think we don’t see it quite as something that is unlikely scenario for Auckland, but we do know volcanoes are a possibility in this city, even if they are 10 or 20 years apart”

All these factors, in addition to increasing demand from their clients in North America, and competitors increasingly diversifying their production base, were perceived by several actors as important reasons to consider establishing a foreign production facility. Both the actors-in-focus and the actors-in-context (the board) shared the same interpretations of the external environment.

4.7.3 Meaning structures: a global NZ MNE

The company’s success in foreign markets has led actors to develop a belief and a shared identity that Thor is a global company. Following this consistent growth, the management team developed a strategy that was focused on two dimensions. Continuous innovation through spending a considerable amount of profits on R & D activities and developing a culture that motivates innovation in terms of new product development. The company employs a large number of scientists and engineers and so there is a shared identity that encouraged innovation but at the same time structured thinking. The other dimension was focused on increasing their presence in emerging markets because they thought that improved health infrastructure in these regions would create a market for their products.

The company’s organizing practices were based around enabling wide participation in the strategy process and continuous communication with board members through strategy days and similar activities. The project manager explained this process as follows:

“so we have four strategy meetings quarterly during which the management team along with the head of departments and other senior managers meet to discuss operational issues and strategy related issues, to make sure we are meeting our targets, monitor our performance and discuss any other important matters. Of course before that, each department would have their own meetings to prepare the reports that will be submitted and decide on the issues that will be discussed during the meeting. So you might have a request to increase our manufacturing capacity, a request by the sales and marketing to establish a sales office in a new country, a request for R & D for developing a new product and so on. We then have a yearly session in which we update our 5 years plan
fairly detailed and 10 years less detailed, so that includes proposals and other initiatives by departments, capital requests, which we all discuss and decide on”

Controlling practices to regulate how resources are to be distributed among the different initiatives were also in place. The top management developed clear guidelines and templates for everyone to follow when proposing new initiatives. Overall the meaning structures in case Thor were aligned with the opportunities identified in the external environment. The opportunity was in line with the company’s global identity and its focus on further expansion into new markets. And the actors were enabled by a participatory approach to strategy making which enabled all actors to have a say in the strategy. There were also clear rules and guidelines for actors to follow when considering and developing new initiatives.

4.7.4 Actors’ internal structures: a global identity with a New Zealand flavour

As highlighted earlier, actors-in-context and actors-in-focus shared the same interpretation of the external structures. They both shared the same belief and identity of being part of a global company. The sustained growth mode made actors disposed to explore more opportunities in foreign markets. The actors also shared an emphasis on structured thinking for two possible reasons. First, because many of the actors have a science or an engineering background. Second, the industry in which the company operates is heavily regulated, and therefore actors in their everyday activities need to make sure that they comply with different rules. This led top management to develop detailed processes and documentation of the regulations that need to be followed, which might explain the emphasis followed by actors on structured thinking. Finally, all the top management team and the board are embedded in the same New Zealand culture and institutional environment which can possibly explain the existence of a relatively homogenous community in Thor. Actors’ conjuncturally specific knowledge was also well developed due to the participatory approach to strategy making, which was mentioned earlier. These strategic sessions and meetings allowed the actors-in-focus and actors-in-context to engage in intense interactions and therefore their knowledge of each other’s norms and interpretative frames was detailed.

4.7.5 The conjuncture: are we really a global firm?

The events in the external environment and the firm’s strategic focus on growth in foreign markets, their identity as a global firm, and their conviction that they have a responsibility of maintaining their product supply levels, led to the emergence of a decision situation during the annual planning session in 2006. The board member and the CEO mentioned that the idea was already in “the air” even before that, and that the management team and the board had some
brief discussions about the prospects of establishing foreign manufacturing facilities. For example, the board member when asked when did the board get involved, he said that:

“It would be interesting to see what the management say, the management probably will say it was all their idea, but I think the board were also pushing in some way for this and were keen to see it happen”

The CEO and project manager also mentioned that there were some informal discussions with the board before they started to consider the idea formally in any of the strategy meetings. So it appears that “management was getting to the same thinking at the same time maybe” (Board member, Case Thor). The NZ-USD currency rate, fear of potential natural disasters, in addition to increasing demand from North America were all pressing forces that made the actors reach the conclusion that they need to consider this issue. In the 2006 strategy planning meeting, in which the management team update their 5 years detailed plan and 10 years less detailed plan, the team discussed the need to double their manufacturing capacity to accommodate their annual growth rate. Few managers in this meeting then proposed the idea of establishing a foreign manufacturing facility, arguing that if they are really a global company then they need to diversify their production base locations.

4.7.6 The interplay between the ostensive and performative: a series of linear steps

During the strategy meeting, actors were discussing the need to expand their manufacturing capacity. The marketing and sales vice president proposed the idea of establishing a foreign facility. Few other managers initially disagreed, safety and quality managers said that it will be hard to operate with the same standards and controlled environments in an emerging market. Production managers were concerned about the idea of moving production abroad because this can potentially lead to reduction in manufacturing capacity in New Zealand in the future. This resistance as explained by the project manager was due to:

“Usually the first that comes to your mind when you think of an offshore location is usually one in China or south east Asia with low costs, right, so that gives also a sense that quality won’t be good and safety measures would be hard to follow.”

The arguments that were put forward by those who supported the foreign facility were strong. First, they emphasized that as a global company with more than 90% of profits coming from abroad, they need to have foreign facilities, just like their competitors. Second, they highlighted the issue of the currency fluctuations and that this move can be like a neutral hedge for them against fluctuations. Third, they said that security of supply was an important issue and that New Zealand has a high risk of natural disasters. Therefore, diversifying their production location is
important. Eventually, they all agreed that this is something that they need to consider instead of focusing exclusively on manufacturing in New Zealand.

Following this meeting then, the strategy session meeting with the board took place, in which they also discussed the capacity issue. And the board members asked them which locations they are considering. The CEO then said that they are open to all alternatives at the moment. And the board was “really keen to see us looking abroad I mean they kind of reached the same conclusions from a strategic perspective” (Project manager, case Thor). This is because, as mentioned earlier, few of the board members sit on other boards where their companies started to move their manufacturing facilities abroad. The board had some informal discussions about this issue before and they were convinced that this can be a good move for Thor. The project manager said that this discussion with the board during the strategy meeting was important for the following reasons:

“First we felt that the board is actually very open to the idea, so this kind a gave us the feeling that the idea was not deviant in that sense and that if we decided that this is a good move we won’t face objections from the board because after all we knew that was going to be a big investment so we knew that we will have to get the board’s approval. Second it was something I mean a decision or an issue on the board’s agenda, so we knew that we have to decide because in the next meeting they will ask us what we decided, so that was kind of a not pressure but like something that we need to resolve or work on. I don’t know maybe if we didn’t have this conversation, things might have been much slower or even end up doing it in NZ, this happens sometimes ideas get thrown in meetings and then fade away for no apparent reason specially in big companies like ours.” (Project manager, case Thor)

After this meeting then, the management team decided to develop their knowledge about the opportunity. But at this stage, they just wanted to decide whether they should actually consider an offshore location or not. As the project manager explained:

“we decided that each department should start looking into this issue basically trying to come up with the pros and cons of each decision, why we should or shouldn’t do it… Now I don’t think that we did any extensive analysis I mean financial analysis or detailed analysis about the different locations or anything like that, at that stage I mean of course, so the discussion was more strategic in a way… So the sales and marketing department would get figures on our growth rates in the US and Asia for example to make the point that a facility in a close location can have potential in increasing the demand and shortening the lead time and even costs. They also had some figures on our global
competitors and how they have facilities all over the world. And the main key point actually two key things first was the security issue, security of supply I mean in case of any natural disaster and the second one I guess that it was well aligned with our strategy and where we saw the company heading as a truly global firm with a global value chain but that’s a long term vision of course but we started to see this as a first step in that road.” (Project manager, case Thor)

Other departments were also involved. Finance managers were supportive because they saw a possibility of cost reduction and a way to overcome the currency fluctuations. Safety people were concerned about how this new facility can comply with the FDA regulations. Consensus was shaping up slowly between the actors that a foreign facility can be a good opportunity for Thor. Eventually “towards the end of that year the idea started to take shape and we decided that we should start a business case and assign a team to look at different locations.” (Project manager, case Thor). So, during all this time, there was no systematic knowledge development activities, but rather discussions between the actors based on some preliminary information in order to embed the idea in the firm’s agenda.

Top management then notified the board in the following meeting, who were very supportive. And a team of five people from different functional backgrounds was assigned with the task of developing a proposal. The team had earlier experience in either establishing sales and distribution centres abroad or in establishing manufacturing facilities in New Zealand. This previous experience provided them with a guideline to work with. Also throughout the discussions with the management team, they developed clear criteria to follow in their evaluation of the different locations. The ostensive trajectory projection therefore was clear and they had a detailed scheme to follow in performing their activities. Some of the criteria were as follows:

“Obviously we needed some parameters to guide us. So the reasoning behind thinking about an offshore location in the first place served that purpose, so for example one of the concerns was security of supplies so obviously we needed a location that is relatively stable both in terms of politics and also natural disasters, another factor was cost so again that ruled out developed countries like NZ, and of course a place where we can operate according to our own safety and quality procedures. So those were kind of the main issues that we considered at the beginning. So obviously when you think about an offshore facility you think of China, and the south-east Asia region like Thailand Malaysia, Vietnam, you also think about other emerging markets like you hear about BRICS so brazil, Russia, China, India. Some eastern European countries and from our
experience Mexico because we knew some of our suppliers and also competitors have facilities there, and in fact some of us have even visited these facilities in the past. Of course that was too many to consider so we did two things we started by looking at our sales, where do we sell the most and where do we have sales offices so that we can have some knowledge about the market and like a base where people can help in getting information about costs etc.” (Project manager, case Thor)

The team spent around a year looking at different locations like China, Thailand, and Mexico, and they also very briefly considered Russia but was discarded because of their perception of political risks. Based on their evaluations they decided that Mexico was the best alternative for the following reasons:

“So strategically speaking we thought that Mexico was perfectly suitable for our future strategic growth, because North America is our biggest market and we are growing there more than any other markets, and Mexico geographically is in a perfect location, you also have the NAFTA so it was really well located, and Mexico was really becoming like a hub for medical devices manufacturers… Financially also Mexico turned out to be better, first the geographic location was more cost efficient in terms of logistical aspects, also what the finance people were quite right about was the future cost increases in China, although China was cheaper at that time but cost was rising by around a 15% a year, while in Mexico it was much less something around 8 maybe, so that meant that in few years in the long run I mean Mexico was going to be cheaper and it actually is now.” (Project manager, case Thor)

After deciding on Mexico and having all the information, the team then started developing the final proposal in which they had clear templates to follow. Although this was the first foreign facility, however they adapted the templates which are used for local expansion. The proposal was then approved by the top management which then submitted it to the board for final authorization. Because the board was supportive from the beginning, there were no major issues, as the project manager explained:

“I guess this is because they actually thought that this was a good idea form the very beginning so they were keen to see it happening, and also they were really involved through the different stages, like when we decided to look offshore, and when we decided to look at Mexico, so any concerns that they had was taken into consideration when we were developing the proposal so by the time we submitted the proposal I guess any potential issues were already resolved.” (Project manager, case Thor)
Once the decision was approved, the team started the implementation process. To facilitate this process, the top management hired a Mexican manager with experience in the medical equipment industry, and who was also involved in setting up manufacturing facilities. The knowledge and connections provided by the local manager were instrumental in ensuring a smooth implementation process.

4.7.7 The FDI outcome: a new production facility in Mexico

The final FDI outcome was a 15 Million USD investment in a wholly-owned Greenfield manufacturing facility in Mexico. The decision process from the time the idea was first proposed until the new facility was established, took three and a half years. The process unfolded without interruption and as mentioned by the actors it followed a relatively linear trajectory. The outcome was mostly exploitative as it involved exploiting the firm’s existing production knowledge and their advanced controlling processes in a new geographic location. It involved a duplication of their already existing manufacturing processes. It was not a totally exploitative outcome however, because it also changed the way their supply chain is configured. Because this was their first offshore manufacturing facility, and so during the process actors were exposed to different kinds of challenges that enhanced their knowledge base. The decision however was in line with the firm’s identity as a global company and their strategic focus on internationalization and operational efficiency. The decision therefore was seen as a natural step in the firm’s internationalization process.

4.7.8 Summary of case Thor

The FDI decision in case Thor followed an induced trajectory. It was as indicated by interviewees an overdue step because of their status as a global MNE. Changes in the external environment in terms of currency fluctuations, as well as discussions with clients in the US who proposed the idea, encouraged the VP for marketing to bring out the idea in the strategy session. The idea was in line with the firm’s identity as a global player and their strategy of achieving further growth in foreign markets. The actors in their activities followed a more deductive approach, guided by their trajectory projection and scheme. The initiative was well received by the board because it was aligned with their vision of the future of the firm.

4.6 Case Aura

“So during the coffee break I had a chat with [James], who at that time was responsible for business development and a year later became the CEO, and we both had an interest in the model of Islamic finance and the idea of Islamic reinsurance and so decided that we should consider expanding into Islamic reinsurance but in a very focused and
professional manner, we didn’t want to do it half-heartedly, we wanted to understand the dynamics and then if we are satisfied with the dynamics we would do it.”

The above quotation is Joseph’s, the regional subsidiary manager, reflection on how the FDI idea emerged in case Aura. Aura is one of the largest reinsurance companies in the world. When the idea first emerged, Joseph was the manager of Aura’s subsidiary in South Africa, and earlier he started an initiative to test on a small scale of operations the model of Islamic insurance (Takaful). James, who at that time was responsible for business development in emerging markets, was exploring the potential for developing a model of Islamic reinsurance, and so approached Joseph during the annual strategy meeting. The idea was quite new as it departed from Aura’s focus on traditional reinsurance. It was in this context that the FDI idea emerged and was developed by James and Joseph. The final FDI decision was a 2.5 Million USD investment in a wholly-owned subsidiary in Bahrain.

4.6.1 Company background

Aura was established in 1960s which is relatively recent compared to its main global competitors. Despite this late start, the company has achieved a solid position in the reinsurance industry with an operating revenue of around 1.5 Billion USD. The MNE’s HQ is located in Germany, and they have established 36 subsidiaries in 21 countries, employing around 3000 employees. With more than 85% of their revenue generated from foreign markets, Aura’s management put strong emphasis on enhancing their positions in existing markets and expanding to new ones.

4.6.2 External structures: the rise of Islamic finance

A turning point in the firm’s internationalization process was the year 2005, during which as the business development manager explained:

“So in 2005 as you probably remember it was a year of natural disasters, hurricanes and so on, so we had some significant losses in some markets, so we started to think that we need more international diversification and we needed stronger presence in international markets.”

These external events led Aura to start actively monitoring growth in emerging markets to further diversify their investments and to tap into a bigger market potential. Growth in emerging markets was seen as the future of the company as the business development manager explained:

“We were looking at expanding more into emerging markets, it was an obvious and important part of our strategy that this is where the rates of growth are”
HQ actors’ perceptions of the external structures were focused on the increasing demand for reinsurance and insurance products in emerging markets, and specifically the emerging markets of Asia and South America. That is in addition to their perception of the future potential growth in the reinsurance sector in general. The actors-in-focus, who are in this case the business development manager and the manager of the South African subsidiary had a different assessment of the external environment. Both actors identified an opportunity in the Islamic reinsurance and insurance sector, and Islamic finance more generally, as explained by Joseph:

“It was clear that Islamic finance and by definition would be banks and financial institutions insurance or takaful companies was seen as a growing area worldwide, so much so that various financial centres are vying to become the hub or centre for Islamic finance whether you take it the east Indonesia, Malaysia, or middle east like Dubai, Abu Dhabi, Qatar, and Bahrain, and also in the west London they are also trying to attract international Islamic finance to be in London as the hub, so clearly we saw this as an area of development…the growth of Islamic finance which obviously have many reasons among which the population growth of Muslims worldwide and also the development of the financial industry in many Muslim countries like the GCC countries, Malaysia, Indonesia and others.”

Thus while the actors-context saw the growth opportunities of the company in the traditional reinsurance sector and the emerging markets of Asia and South America. The actors-in-focus had a divergent assessment of the external environment, which was based on observed opportunities in the Islamic finance sector and Muslim countries whether in the Gulf area or South-East Asia. Actors-in-focus perception of the external environment was therefore relatively misaligned with the MNE’s meaning structures.

4.6.3 Meaning structures: focus on diversification

The meaning structures in Aura were embedded in a strong reinsurance professional identity which emphasized a structured approach and detailed assessments of risk when approaching new strategic decisions. As Joseph said:

“For a company such as ours, we are a German based company, and we understand the need for rigorous regulation, robust and rigorous regulation so the criteria, so of course firstly the decision would be taken based on whether we think about the viability of the business.”

The reinsurance identity also reflects a disposition to diversification as explained by Joseph:
“To be a real player of substance you need to have international diversification, losses in one region compensated by revenues in others and so forth to balance your overall book.”

In enacting this identity, the company focused their strategy on three areas. First, they emphasized the need to further penetrate their existing markets, especially mature markets in Europe and the US. Second, they focused on increasing their presence in emerging markets, especially in Asia and South America. The business development manager said:

“So our strategy focused on expanding to emerging markets, also around the same time these markets have been doing very well economically, so China, India and other South East Asian markets, and also some Latin American markets.”

Finally, they encouraged innovation and new initiatives by subsidiaries to develop new products or to propose new opportunities for growth. New initiatives however needed to be aligned to some extent with the company’s strategic focus, as explained by James:

“I mean we have a strategy and so new initiatives or new proposals have to be in line somehow with this strategy, I mean we are not very rigid in that sense, we are quite accommodating actually to new ideas but at the same time, a new idea has to make sense or have some synergy with our long term goals”

When entering new markets, Aura prefers to wholly-own their subsidiaries. They do engage in certain acquisitions and joint ventures, but only if they provide access to resources that Aura do not possess. There are also clear organizing practices which specifies who can propose initiatives and who will evaluate them. Subsidiaries are encouraged to propose new initiatives, and they take an active role in the strategy development process. As Joseph said:

“So ideas get developed all the time whether ideas for expansions, for new services or products, for entering new markets and so on. And so there must be some sort of mechanism to regulate this, one of which obviously comes from the strategy sessions where we as Aura develop a long term strategy to kind of set the main directions for the company that I think is one of the ways through which you can decide or test whether your idea fits or not so you can think of this as a two way process, through the strategy sessions we develop a long term strategy that acts as a guide for us as senior or country managers to guide us when we are developing our ideas and so on. But this also happens the other way around because during the sessions the strategy is not developed from void right, it is developed when all these people from the different parts of Aura come together and pitch their ideas and their proposals…so this is what I mean that it is a two way
process, we are not a rigid organization in that sense, the strategy is not developed exclusively by the executive board and then sent down to everyone else.”

There are also clear controlling practices to evaluate new initiatives. There are several templates and rules to be followed by actors in developing their business cases. And there is an independent evaluation committee which has to evaluate the proposal and provide comments and suggestions before the final proposal is submitted to the top management team. The dominant meaning structures in Aura therefore were relatively misaligned with the opportunity identified by the actors-in-focus. Although the institutionalized organizing practices enabled the actors-in-focus to participate in the strategy planning process and to propose new initiatives. However, the strategic focus of Aura on the traditional reinsurance industry and on growth in mature markets and the emerging markets of Asia and South America was misaligned with the opportunity in the Islamic reinsurance sector. The controlling practices were also relatively constraining to the actors-in-focus because the criteria through which actors-in-context evaluate new initiatives were developed in line with Aura’s dominant strategic focus.

4.6.4 Actors’ internal structures: explore new ideas

The actors-in-focus and actors-in-context shared a common identity as they were both socialized into the profession of reinsurance. As highlighted earlier, there was a relatively homogenous community centred on the values and interpretations of the reinsurance profession. There were differences between actors belonging to different functions or different geographical locations but these differences were embraced by the top management as reflected in the participatory approach to strategy development. However, the actors-in-focus also had their unique dispositions which were relatively misaligned with the dominant practices and strategic focus of Aura. James, partly because of his functional role as a business development manager, had a disposition for exploring and experimenting with new ideas beyond the traditional focus on reinsurance. This disposition was evident in his actions whereby he consistently monitored reports on new trends in the reinsurance and insurance industry, and attended reinsurance conference events that discussed recent innovations in the industry. This was explained by the regional subsidiary manager as follows:

“James, who was responsible for developing business across the world, and in his view felt that there is a need for establishing Islamic insurance, it was his job at that time to look at how our subsidiaries are performing to identify where we should invest further, where are the emerging markets, what are the emerging or innovative services in the reinsurance industry and per his job description his role is basically to keep looking for innovations and growth opportunities.”

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These activities eventually led him to explore the concept of Islamic reinsurance. Because of his regional responsibility for the Middle East among other regions, he also had a fairly detailed knowledge about the potential opportunities in the Gulf area, unlike the actors-in-context who were predominantly focusing on mature markets in Europe and the US and the emerging markets in Asia. This knowledge shaped his interpretations of the situation in the Gulf area and so he saw a potential for Aura in these markets, which were served through small teams in the HQ in Germany. Joseph also had a disposition for experimenting with new ideas as evidenced by his development of a new product offering based on Islamic insurance in the South African market. His success in getting his initiative approved by the HQ made him more disposed for developing new initiatives. He was also knowledgeable about the Islamic finance principles because of his religious background which made him saw the potential in pursuing this opportunity. He said that:

“I was in South Africa and I had established through Aura, a takaful company in South Africa preceding this one so we had the experience of a direct takaful company already within the group which I had established a few years before that albeit a very small one but the footprint of understanding how it works we had already, of course the dynamics of Islamic insurance and reinsurance are different just like insurance and reinsurance are different but what I mean is that we started at a very small scale basically myself and my small team to understand the principles of Islamic finance which basically governs and explicate the rules of financial transactions in general and so from that understanding we can then build and develop assumptions about how reinsurance can work in that model and whether it can be profitable and also suitable for us as Aura.”

Both actors as mentioned earlier were also socialized in Aura’s dominant identity. This dual embeddedness in two different ways of thinking allowed them to recognize the opportunity in Islamic reinsurance, while at the same time recognizing that the idea might face resistance by the actors-in-context. Although the actors-in-focus at the beginning of the process did not know how the actors-in-context might respond to their initiative, however they had a fairly detailed knowledge of the actors-in-context norms and interpretative frames. This conjuncturally-specific knowledge was developed through interactions with actors-in-context during strategy sessions. James because of his position as a member of the executive team had detailed knowledge about the other top managers’ ways of thinking. And Joseph because he was involved in developing the Islamic insurance initiative also had interacted frequently with the actors-in-context.
4.6.5 The conjuncture: islamic re-insurance?

Following the MNE’s focus on emerging markets and their push towards more diversification both in terms of portfolio investments and establishing operations in new markets, the business development manager started to reflect upon the possible opportunities in the Islamic re-insurance sector. However, he also knew that this model might not be perceived as aligned with the firm’s practices by the management team in HQ since it conflicts with their long-time focus on traditional re-insurance and growth in mature markets and the emerging markets of Asia and South America. Nevertheless, his assessment of the external environment, and his disposition as a business development manager to look at new opportunities encouraged him to pursue the idea. He knew that Joseph developed and was offering a ‘takaful’ insurance service in the South African subsidiary, and he thought that this was a good opportunity, as he said:

“I also knew that [Joseph] actually was offering a takaful service in South Africa, which is Islamic insurance, so that for me was a good start, even though the dynamics might be different but at least we had someone with an understanding of the Islamic finance principles so something that we can start with so to speak.”

James then arranged a meeting with Joseph during the annual planning session by the end of 2008, in which:

“We had a chat and I told him about the idea and he told me about his experience with the takaful model in South Africa and he was very interested in starting this and so we agreed that we will start to look more into it”

The question then that was facing James and Joseph was whether this potential opportunity in Islamic re-insurance can be exploited within their business model, and whether they would be able to convince HQ actors of the opportunity despite it being not in line with the current MNE’s practices.

4.6.6 The interplay between the ostensive and performative trajectory: search for the synergies!

Following their meeting and their sensing of the opportunity, James and Joseph started working on problematizing the idea to interpret how it fitted with the MNE’s meaning structures. Their understanding of the existing strategic focus of Aura on traditional reinsurance led to the interpretation that this move departed from the existing practices of the MNE. They therefore anticipated resistance to the idea and decided that they need first to engage in knowledge development activities to develop their knowledge about the opportunity before they approach the management team. Both started collecting more information about the Islamic reinsurance
model but their inquiry at that stage was informal. Their ostensive trajectory projection was quite broad, simply focusing on the idea of establishing a new entity that offers Islamic reinsurance. And their trajectory scheme was not detailed, as they decided to just start developing their knowledge and see how the process will unfold. The regional subsidiary manager explained this process as follows:

“It was not really formal, the idea was to understand more about the dynamics of this market, how this business model works and which countries would be suitable, so it was mainly to sort of test the idea and to get a better understanding of the market, that took us two months.”

These knowledge development activities were performed through “reading a lot of industry reports, talking to clients, looking up for our potential competitors, discussing our ideas and so on” (Business development manager, case Aura). After developing sufficient knowledge about the opportunity, their interpretation was that the idea can be promising, as the business development manager explained:

“Is it likely to be approved, and we thought yes because it was in line with the group’s orientation towards emerging markets, and as a business model it is still reinsurance just different dynamics and one that have potential growth in the future.”

During these knowledge development activities, James also approached some of his colleagues in the top management team to notify them that they will start a formal business case:

“I told them in one of the meetings that I am working with Joseph on this idea and that we are going to start a feasibility study, so it was good to hear their comments and also to know that they initially didn’t mind and the main issue that came from these discussions is that it should be consistent with our core strategy. Of course, that was not a formal approval or anything we didn’t have at that time any concrete plan or figures, so it was just testing the idea and them giving a green light to start a business case…there were some concerns about how this would fit with our current business model, if it is going to be based on completely different dynamics or it might have some synergistic effects that we might build on when we setup and also in the future. This in fact helped us when we were developing the proposal later on because we highlighted the idea that this subsidiary can be later on used as a platform to setup our traditional reinsurance model in the Middle East” (Business development manager, case Aura)

Through the discussions between James and Joseph, and the informal discussions that James had with the top management team, some criteria to follow started to emerge. First, they
recognized that the proposal need to emphasize the link between the Islamic reinsurance model and the MNE’s current strategy. They also decided that their preference is for a wholly owned subsidiary. This decision however did not involve a detailed assessment, rather it was just to be in line with the dominant approach to entry in Aura. Third, they decided that they need to focus on Muslim countries and locations that could potentially be ideal for the new subsidiary to act as a regional hub:

“So we have decided on that early on, me and James not on the location as such but rather the idea that we want to locate ourselves in a location that has the potential to be the centre of Islamic insurance and so basically our idea of the subsidiary was one that will serve as a regional centre for Islamic reinsurance in the future and from there we can then serve other nearby markets” (Regional subsidiary manager, case Aura)

Although James initially suggested London as a potential location, however Joseph argued that the growth rate in the reinsurance Muslim countries is much higher. The regulatory environment was a major factor in choosing the potential location. Finally, they decided that when choosing a location they would always be comparing it to the cost of operating from Germany. This is because they knew that Aura had a preference to serve foreign markets through a small number of subsidiaries, as Joseph explained:

“This really came from the way we operate here in Aura, the idea that we should locate our subsidiaries in the most efficient manner so we don’t atomize our capital.”

So at this stage, they had a fairly detailed trajectory projection and a clear scheme to follow:

“we had a somewhat rough idea about what it should look like and so at that stage we decided to start a formal process and we sat down and we had a group of people to do now the real feasibility, so the idea is germinated, it is an idea you know, it is thinking doesn’t mean that it will materialize, what we will do then we bring in experts.” (Regional subsidiary manager, case Aura)

The team then, which was led by what they called a project champion, started developing the proposal. Few of the team members already had some experience in the Middle East, because they had clients in this region.

“We had experience in the Middle East reinsurance market because we were dealing with this market already from Germany, so we had people who have been dealing with the market already under James anyway. So we had the experience what we now needed to do is to transfer or translate this experience into the Islamic area, and make further assumptions, of course I have to stress remember this was at that time greenfield
operations so there lots of assumptions to make, but not guesswork” (Regional subsidiary manager, case Aura)

Initially, following the criteria that were developed by James and Joseph, they developed a list of potential countries. The list included Indonesia, Malaysia, and countries in the Gulf region:

“we wanted to establish in a country that had a clear framework and guidelines about Islamic insurance and reinsurance and from that process, the GCC countries came as the best candidates both in terms of profitability and regulations, specifically Dubai, Qatar and Bahrain” (Regional subsidiary manager, case Aura)

At this stage, they started to visit these markets to further develop their knowledge. Market visits were important so that they can meet regulators and ask more specific questions about rules and permits. They also visited their clients to get more insights about the dynamics of the market. Eventually they decided that Bahrain was the place to go. As explained by Joseph:

“We approach the regulators, because they are an important player, we have to tell them our idea and see what they think, we would have people in the market, especially our clients with which we have a longstanding relationship, we ask them what would happen if we establish, how do they see it, and we hear their views, and we consolidate it with ours, and overall this is how we take it to the next step. The measurement would always be could we do it effectively and efficiently from our current position in Germany or should we establish an additional subsidiary with additional cost, salaries, office rentals, etc. that has to be measured because there is an upfront cost which might not be evident in an organization already established, and all the time the efficiency of these cost should far outweigh the cost that it be in the organization” (Regional subsidiary manager, case Aura)

Having developed their knowledge about the market and the specifics of the new reinsurance model, the team then guided by Joseph and James started to develop a business plan with a detailed feasibility study. At this stage knowledge articulation and transfer started to take place whereby members from different functional background would meet and share their specific knowledge about the case, and then the project manager would recombine this knowledge in a single document. Joseph described this phase as the translation of all the thinking that they have done since they started the process, he said that:

“The business plan is purely and simply the edification of what is simply in the mind of people, the thought processes, etc. and then you concretize that into the business plan, but before the business plan there is a lot of pre-planning, and by pre-planning I mean a
lot of discussions with individuals, people, governments, to try to understand the dynamics, okay which then you pull on the common threads together and you put it in the business plan, so the business plan would reflect a summary of the various thought processes that took place prior.” (Regional subsidiary manager, case Aura)

In developing the business plan, the team started to look at earlier proposals to learn which one got rejected and why. They were also advised by James and Joseph to make clear the link with Aura’s strategy and to highlight the synergies between the business models. This is because as James explained:

“We always referred to our strategy and justified throughout the proposal and made links with our strategic objectives. Because otherwise it wouldn’t get approved you can’t propose something that is totally radical or totally different from the firm’s strategy, you can’t just go to the board and say well I know that we agreed on going in this direction but I think we should go in a completely different way, especially in a big company like ours where everyone is proposing new ideas and at the end of the day you just can’t do everything so you choose the ones that will help in achieving your strategy.”

To embed the proposal within the firm’s strategy, the team relied on framing the proposal in certain ways. First, they made clear references to emerging markets and highlighted the growth rates and the stability in the Gulf region. Second, in line with the traditional reinsurance focus on diversification, they highlighted that the initiative will allow them not only to diversify geographically, but also in terms of offering a new product. Finally, they made the link to traditional reinsurance by arguing that this new investment can open up investment possibilities for traditional reinsurance in the Gulf region.

After developing the final proposal, it was then formally submitted to the evaluation committee which is responsible for conducting an independent assessment, which is then submitted to the top management team. The process is structured in this way to ensure that the top management would get a balanced opinion of the pros and cons of the investment. Some discussions took place at this stage, because the evaluation committee needed more clarifications as they did not have knowledge of the specifics of Islamic reinsurance. This was managed by James and Joseph who engaged in detailed conversations to clarify any concerns. The proposal was then sent to the top management team, which before they decided, Joseph delivered a presentation to them about the project. He explained this as follows:

“I presented the main points of the documents which they have read already and then we had a debate on this issue for 3 or 4 hours, this is of course very challenging because as I said before the proposal is just a summary of all the thought processes and pre-planning
that took place throughout the process and it is challenging to put all this in the proposal, you are trying to summarize what happened over the course of a year in a document, all these discussions with clients, governments, colleagues and so on, you have to decide what matters and what are the main points that should be included and there are some aspects that you can’t simply include you know your intuitions and thoughts that you developed are not always easily articulated into numbers and so on, and you also need to understand that the board was not part of that process, so sometimes you feel that the idea is so good because you were part of that process, you have seen how the government reacted you have seen how clients reacted, you have visited the market and so on, but you have to remember that the board didn’t see that, and so the way they will assess this is different and you have to take that into account when you are developing the proposal and also in my presentation, so this is a very critical part of the process translating all these ideas, numbers and so on that we have built into a concrete proposal that can make sense to the board.”

The board approved the decision with no remarks, as it was seen fitting with Aura’s strategy. Implementation then was followed, and Joseph assumed the role of regional subsidiary manager. The team members who were involved in the market visits took charge of the implementation process. Due to the nature of their business, unlike manufacturing firms, the establishment process was relatively simple. The paperwork for the application for permits and insurance license was already discussed with the Bahraini authorities during the market visits, and therefore they officially submitted the application which was approved without any issues.

4.6.7 The FDI outcome: a new regional subsidiary in Bahrain

The final FDI outcome was a 2.5 million USD investment in a Greenfield subsidiary in Bahrain. The new subsidiary had a regional mandate to offer Islamic re-insurance to countries in the Middle-East as well as Muslim majority countries in South East Asia. In subsequent years, the regional subsidiary established offices in other countries in the region. The decision process was about two years long, and although the idea departed from the MNE’s dominant meaning structures, the actors-in-focus were able to minimize resistance from actors-in-context through framing and aligning the opportunity with certain elements in the firm’s strategy and the external environment. The FDI outcome was explorative as it involved exploring a new knowledge domain, Islamic re-insurance, which was totally new to the MNE. The geographical location was also new as the MNE did not have any local presence in the Middle East prior to this investment. The outcome therefore was radical as it involved a new business model which the actors-in-focus were able to align with the traditional re-insurance model of the MNE. This
involved a radical extension of the MNE’s strategy from their traditional focus on re-insurance as well as opening up new opportunities in hitherto unexploited geographical region. This provided the MNE with the opportunity to increase their knowledge of the region which was later on exploited to complement the Islamic re-insurance products with their traditional re-insurance offering.

4.6.8 Summary of case Aura

The FDI decision in case Aura followed an autonomous trajectory. The idea was proposed by the regional business development manager along with the South African subsidiary manager, and it departed greatly from the firm’s existing strategy and activities. The idea of offering Islamic re-insurance was something that managers did not consider before. Because the idea was quite new, the actors-in-focus initially did not have a clear trajectory to follow, rather they followed a more experimental approach and the idea became clearer as the process unfolded. There was no strong resistance to the idea from top management, which could be because the idea was backed by the regional business development manager who relied on his connections with management team to test their reactions early in the process. Still, the actors-in-focus found it hard at some stages to get through their proposal because the actors-in-context were relying on instruments that did not fit with the new idea. But through a mixture of knowledge translation and negotiation, they managed to resolve these issues and get an approval for their initiative.

4.8 Summary of chapter 4

In this chapter, I presented the findings of six case studies in the form of case narratives. The narratives were organized based on the framework that emerged from the data analysis. Specifically, in each case after providing a brief background of the MNE, I presented the findings on the actors’ perceptions of the external structures, the MNE’s meaning structures, and the actors’ internal structures. This was followed by discussing the interrelations between these elements at a certain conjuncture which result in a decision situation faced by actors. Based on how the structures were configured at the conjuncture, the interplay between the ostensive and the performative trajectory took different forms, and therefore the activities and interactions performed by actors were different. The cases presented in this chapter followed two different trajectory types; an induced and autonomous trajectory. Three cases followed an autonomous trajectory whereby the structures were misaligned and therefore the FDI idea departed from the MNE’s institutionalized practices. Another three cases followed an induced trajectory whereby the structures were aligned and therefore the FDI idea was in line with the MNE’s existing practices. In the next chapter, I discuss and compare in more details these two different
trajectories and develop a general model of the FDI decision process. Table 4.1 provides a summary of the findings of the cases presented in this chapter.
<table>
<thead>
<tr>
<th>Case name</th>
<th>Zeus</th>
<th>Ra</th>
<th>Horus</th>
<th>Osiris</th>
<th>Aura</th>
<th>Thor</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Industry</strong></td>
<td><strong>Manufacturing</strong> (Chemical products)</td>
<td>Reinsurance</td>
<td>Manufacturing (consumer goods)</td>
<td>Manufacturing (industrial power products)</td>
<td>Reinsurance</td>
<td>Manufacturing (Healthcare equipment)</td>
</tr>
<tr>
<td><strong>Pre-tax operating revenue</strong></td>
<td>125 Million USD</td>
<td>4.4 Billion USD</td>
<td>7.5 Billion USD</td>
<td>6 Billion USD</td>
<td>1.2 Billion USD</td>
<td>170 Million USD</td>
</tr>
<tr>
<td><strong>FDI location</strong></td>
<td>Russia</td>
<td>Egypt</td>
<td>Sudan</td>
<td>Egypt</td>
<td>Bahrain</td>
<td>Mexico</td>
</tr>
<tr>
<td><strong>Entry mode/ establishment mode</strong></td>
<td>Wholly owned-acquisition</td>
<td>Wholly owned-greenfield</td>
<td>Wholly owned-acquisition</td>
<td>Wholly owned-greenfield</td>
<td>Wholly owned-greenfield</td>
<td>Wholly owned-greenfield</td>
</tr>
<tr>
<td><strong>Investment amount</strong></td>
<td>7.5 Million USD</td>
<td>2 Million USD</td>
<td>3 Million USD</td>
<td>2.5 Million USD</td>
<td>2.5 Million USD</td>
<td>15 Million USD</td>
</tr>
<tr>
<td><strong>Previous experience in target country</strong></td>
<td>Only exporting</td>
<td>No</td>
<td>Yes- sales, marketing, and Yes- fully fledged subsidiary</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td><strong>Location of actors who proposed the FDI idea</strong></td>
<td>European subsidiary in Netherlands</td>
<td>Regional subsidiary in Dubai</td>
<td>Regional (Egypt and the Levant region) subsidiary in Egypt</td>
<td>Egyptian subsidiary (with mandates for specific markets in the Middle East and central Africa)</td>
<td>HQ in Germany along with subsidiary manager in South Africa</td>
<td>HQ in New Zealand</td>
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</tr>
<tr>
<td><strong>Actors-in-focus</strong></td>
<td>Actors in the European subsidiary</td>
<td>Actors in the regional subsidiary in Dubai</td>
<td>Actors in the regional subsidiary in Egypt</td>
<td>Actors in the Egyptian subsidiary</td>
<td>The business development manager, the south African subsidiary manager, and a team of middle managers in HQ</td>
<td>Top management and middle management in the HQ in New Zealand</td>
</tr>
<tr>
<td><strong>Actors-in-context</strong></td>
<td>Top management and board members</td>
<td>Top management in HQ (Germany)</td>
<td>Regional subsidiary in Dubai (MENA region)</td>
<td>Top management in HQ (Switzerland)</td>
<td>Top management and board in HQ (Germany)</td>
<td>Board members and top</td>
</tr>
<tr>
<td>Consideration of alternative locations</td>
<td>Yes- detailed assessment</td>
<td>No</td>
<td>No- only brief discussion at the beginning of the process</td>
<td>Yes- detailed assessment of selected (Muslim majority) countries in the Gulf region and South East Asia</td>
<td>Yes- detailed assessment.</td>
<td></td>
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</tr>
<tr>
<td>Consideration of alternative entry modes</td>
<td>Yes- within the framework adopted by the MNE, with preference for low-risk entry modes</td>
<td>Yes but very briefly without a detailed assessment.</td>
<td>No- preference for owning their own facilities either through acquisitions or greenfield investments.</td>
<td>No- preference for greenfield investments to suit their unique processes. Acquisitions and JV are done by global managers.</td>
<td>No- preference for wholly owned subsidiaries.</td>
<td></td>
</tr>
<tr>
<td>MNE context</td>
<td>Relatively homogenous</td>
<td>Diverse communities</td>
<td>Diverse communities</td>
<td>Relatively homogenous</td>
<td>Relatively homogenous</td>
<td></td>
</tr>
</tbody>
</table>

management in HQ (New Zealand)
| Difference in perceptions of external structures between actors-context and actors-in-focus | Community (shared professional identity (chemistry)). Strong integration between subsidiaries. | (Differences between business divisions in terms of their risk dispositions. Reinsurers vs insurers). Also differences between geographical locations. | (Differences between business divisions in terms of interests and goals). Also differences between geographical locations. But there is also a common strong organizational identity. | Community (shared professional identity (engineering)). Strong integration between subsidiaries. | Community (shared professional identity (reinsurers)). But the actors-in-focus had a disposition to explore new ideas. | Community (embeddedness in NZ culture and a shared identity of being a global MNE). |

<p>| Shared interpretations | Divergent interpretations | Divergent interpretations | Shared interpretations | Relatively divergent interpretations | Shared interpretations |</p>
<table>
<thead>
<tr>
<th>Actors-in-focus relation to their MNE’s meaning structures</th>
<th>Enabling</th>
<th>Constraining</th>
<th>Constraining</th>
<th>Enabling</th>
<th>Relatively constraining</th>
<th>Enabling</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actors-in-focus dispositions</td>
<td>Largely overlapping with the MNE’s dominant meaning structures</td>
<td>Incongruent with the MNE’s dominant meaning structures, yet actors are familiar with the institutionalized practices due to asymmetrical communication with the HQ.</td>
<td>Incongruent with the MNE’s dominant meaning structures, yet actors are familiar with the institutionalized practices due to asymmetrical communication with the HQ.</td>
<td>Largely overlapping with the MNE’s dominant meaning structures</td>
<td>Incongruent with the MNE’s dominant meaning structures, yet actors are familiar with the institutionalized practices because they were socialized into the same meaning structures.</td>
<td>Largely overlapping with the MNE’s dominant meaning structures</td>
</tr>
<tr>
<td>Actors-in-focus conjunctural</td>
<td>Detailed and informed by the institutionalized</td>
<td>Emerged overtime through acts of projection and</td>
<td>Emerged overtime through acts of projection and</td>
<td>Detailed and informed by the institutionalized</td>
<td>Emerged overtime through acts of projection and</td>
<td>Detailed and informed by the institutionalized</td>
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<td>Knowledge about the MNE context</td>
<td>Organizational practices</td>
<td>Interactions during the embedding process</td>
<td>Interactions during the embedding process</td>
<td>Organizational practices</td>
<td>Interactions during the embedding process. But the actors-in-focus had detailed knowledge about the actors-in-context dispositions due to their position and previous interactions with actors-in-context.</td>
<td>Organizational practices</td>
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<td>Alignment between structures at the conjuncture</td>
<td>Aligned</td>
<td>Misaligned</td>
<td>Misaligned</td>
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<td>Interactions between actors-in-</td>
<td>Formal and ordered following</td>
<td>Experimental and sporadic initially. But following</td>
<td>Experimental and sporadic initially. But following</td>
<td>Formal and ordered following</td>
<td>Mixture of formal and informal interactions.</td>
<td>Formal and ordered following</td>
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<td>focus and actors-in-context</td>
<td>institutionalized practices</td>
<td>institutionalized practices in later stages</td>
<td>institutionalized practices in later stages</td>
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<td>Sensing the opportunity</td>
<td>Problematization through assimilating the opportunity to existing strategy</td>
<td>Problematization through imagining alternative possibilities</td>
<td>Problematization through imagining alternative possibilities</td>
<td>Problematization through assimilating the opportunity to existing strategy</td>
<td>Problematization through assimilating the opportunity to existing firm identity</td>
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<tr>
<td>Embedding the opportunity</td>
<td>Testing the idea first informally, then through the formal process of strategic planning</td>
<td>Issue selling tactics and framing the opportunity by drawing opportunistically on the MNE’s meaning structures and extra-organizational elements.</td>
<td>Issue selling tactics and framing the opportunity by drawing opportunistically on the MNE’s meaning structures and extra-organizational elements.</td>
<td>Testing the idea first informally, then through the formal process of strategic planning</td>
<td>Testing the idea first informally, then through the formal process of strategic planning</td>
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<td>Evaluation and choice</td>
<td>Knowledge development, articulation, and transfer and translation followed the organizational instruments and templates.</td>
<td>Knowledge development, articulation, and translation performed initially at the subsidiary level. And in later stages re-packaged and transformed into the organizational instruments and templates.</td>
<td>Knowledge development, articulation, and translation performed initially at the subsidiary level. And in later stages re-packaged and transformed into the organizational instruments and templates.</td>
<td>Knowledge development, articulation, and transfer and translation performed initially at the team level. And in later stages re-packaged and transformed into the organizational instruments and templates.</td>
<td>Knowledge development, articulation, and translation followed the organizational elements.</td>
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<tr>
<td>Implementation</td>
<td>Contingency management</td>
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<tr>
<th>Action pattern</th>
<th>Deductive: relying on institutionalized practices to develop a trajectory projection and scheme which guide actors’ actions</th>
<th>Inductive: selectively picking up certain institutionalized practices, experimenting with ideas, testing the water through informal encounters.</th>
<th>Deductive: relying on institutionalized practices to develop a trajectory projection and scheme which guide actors’ actions</th>
<th>Inductive: selectively picking up certain institutionalized practices, experimenting with ideas, testing the water through informal encounters.</th>
<th>Deductive: relying on institutionalized practices to develop a trajectory projection and scheme which guide actors’ actions</th>
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<tbody>
<tr>
<td>FDI outcome</td>
<td>Mostly Exploitative: adapting and refining existing resources in</td>
<td>Mostly explorative: exploring new resources and knowledge and recombining existing</td>
<td>Mostly explorative: exploring new resources and knowledge and recombining existing</td>
<td>Mostly Exploitative: adapting and refining existing resources in</td>
<td>Mostly Exploitative: adapting and refining existing resources in</td>
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<td>response to opportunities in a new market and extending the MNE’s dominant strategy</td>
<td>resources in response to opportunities in a new market.</td>
<td>resources in response to opportunities in an existing market.</td>
<td>response to opportunities in new markets and extending the MNE’s dominant strategy</td>
<td>resources in response to opportunities in new markets.</td>
<td>response to opportunities in a new market and extending the MNE’s dominant strategy</td>
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Chapter 5. Explaining the FDI decision process: a cross-case analysis

5.1 Introduction

The aim of this chapter is to build on the findings presented in Chapter 4 to, first, provide a systematic analytic discussion of the similarities and differences between the cases, second, develop a model of the FDI decision process and, finally, relate the findings to the IB literature. The previous chapter presented the findings of six case studies in the form of narratives to elucidate the FDI decision process and its trajectory in each MNE. In constructing the narratives, I focused on highlighting the actors involved in the process, the different roles they played at different temporal points, their activities and interactions, and the structures implicated in actions and their constraining and enabling roles. The narratives were also organized based on four sub-processes which were commonly identified across the cases. The sub-processes are: sensing the opportunity, embedding the opportunity, evaluation and choice, and implementation, which roughly match up with the basic structure of a story: beginning, middle, and end. The sub-processes however did not unfold in a linear fashion; there were iterations and simultaneity. Also the temporal ordering and the longevity of each sub-process differed among the cases.

As showed in chapter 4, the cases were categorized in terms of whether the FDI host target country was a new or existing market and whether the actors who identified and proposed the FDI opportunity were located in the HQ or subsidiary. The categorization used in a two-by-two matrix bears similarity to Regner’s (2003) distinction between central and peripheral actors. I opted however for the simpler distinction between HQ and subsidiary actors because a subsidiary actor can still be central or peripheral depending on their structural position in the MNE. The same is true for an HQ actor, they can be central or peripheral based on the issue at stake and their structural position in the HQ. Figure 5.1 shows the categorization of the cases in the matrix.

The findings presented in Chapter 4 showed that the FDI decision process was highly idiosyncratic to each case. Different actors were involved, interactions differed in each case, the structures implicated in action were different, and the activities performed by actors in the cases also varied. However, the FDI decision process in all the cases was constituted by four interrelated and intertwined sub-processes as shown in the findings. Each sub-process consisted of distinct activities and interactions performed by actors. The temporal ordering and the content of each sub-process were different in each case and were shaped by the interrelation between the MNE’s meaning structures, the external structures, actors’ internal structures, and actors’
activities and interactions. The interrelation between these elements shaped the way the MNE’s actors related to the ostensive trajectory and the way they managed the trajectory of the FDI (the performative aspect).

**Figure 5-1: Case Categorization by Location of Opportunity Identification, Newness of Market and Trajectory Type**

<table>
<thead>
<tr>
<th>FDI target host country</th>
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<tbody>
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<td>New Market</td>
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<tr>
<td>Induced</td>
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<tr>
<td>Thor</td>
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<tr>
<td>Cronos</td>
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<td>Aura</td>
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<td>Autonomous</td>
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<td>Induced</td>
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<td>Zeus</td>
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<td>Iris</td>
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<td>Osiris</td>
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<td>Hera</td>
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<td>Autonomous</td>
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<td>Ra</td>
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<td>Horus</td>
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<td>Odin</td>
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</table>

* Boxes in solid lines are the cases presented in Chapter 4.

Depending on how these elements were configured at a certain conjuncture, the FDI decision process followed different trajectories. Two FDI trajectory types were identified in the sampled cases; an induced trajectory and an autonomous trajectory (Burgelman, 1983). In the induced trajectory, the FDI opportunities identified by the actors-in-focus were in line with their MNE’s meaning structures – strategic, organizing, controlling and other taken-for-granted norms constituted by the MNE’s identity and dominant interpretations. On the other hand, in the autonomous trajectory, the FDI opportunity identified by actors-in-focus departed and/or were
misaligned with some aspects of their MNE’s meaning structures. The two trajectories therefore differed in terms of the configuration of the different structures which led actors to engage in different activities and interactions. I organize my discussion in this chapter on the distinction between the induced and autonomous trajectories. I develop a general model of the FDI decision process based on the findings of the study. The model specifies the general relations between the different concepts put forward in the research. How the process will unfold and the trajectory it will follow in each MNE depends on the specific configuration of the elements at any given conjuncture. Specifically the chapter has the following objectives:

1- To explicate the two FDI trajectories which were identified in the cases.
2- Based on the findings, to develop a general model of the FDI decision process which shows the basic relations between the concepts identified in the research.
3- To relate the findings to the IB literature and summarize the differences between the two FDI trajectories

5.2 A general model of the FDI decision process

Based on the findings of the study and informed by the SST framework and selected OT and IB literature, in this section I develop a general model of the FDI decision process which explains how FDI decisions were made in the sampled MNEs. The findings suggest that there are common elements and processes present across the cases. The aim of the model therefore is to build on these common elements and theorize their interrelations based on the findings, which necessarily requires abstracting from the specificities of each case. The components of each element varied across the cases, for example in some cases the actors were located in subsidiaries, and in other cases they were located in HQs. The interactions between actors took different forms across the cases. And the structures, both internal and external, which were relevant in each case also differed. These different ways in which the basic elements of the framework were configured and related give form and shape to the FDI decision process. The proposed model therefore is abstract to accommodate the basic interrelations between the elements, which can take different forms and lead to distinct trajectories in different MNEs. In what follows, I unpack each element of the model and discuss how they relate to each other. The model is graphically illustrated in Figure 5.2.
Figure 5-2: A General Model of The FDI Decision Process

Conjecture

- External structures
- MNE’s meaning structures
- Actors’ internal structures

The FDI extensive trajectory: Trajectory projection and trajectory scheme

- Seizing the opportunity
- Embedding the opportunity
- Evaluation and choice
- Implementation

The FDI performative trajectory: coordinative and cooperative activities

FDI Outcome
5.2.1 External structures

External structures represent forces and recurrent patterns beyond the boundaries of the MNE. These range from societal level factors in the external environment such as competition, institutional rules, norms and traditions, and external market and non-market networks. These elements represent the structural context of action for MNE actors along with the internal MNE context which I will discuss next. The external structures at T1 in conjunction with the MNE’s meaning structures and actors’ internal structures co-constitute the conjuncture- the combination of events which face the actors-in-focus. The external structures also represent the elements in the target host country which the actors-in-focus need to take into consideration when making the FDI decision. Changes in the external environment sometimes take place as the process unfolds which introduce permutations in the required actions performed by actors. There were many examples of such events such as the war between Russia and Ukraine in case Zeus, and the revolution in Egypt in case Ra. Actors’ relation to external structures are channelled by the MNE’s meaning structures and their own internal structures. External structures are grouped by Stones (2005) into two types: situations which posit independent causal influences over the actors and hence they have no control over them. These external structures in the cases were related to societal level factors such as a change in tariffs in Sudan in case Horus, foreign exchange rate in case Thor and Cronos, and political instability in case Osiris and Ra. These changes can provide either opportunities or threats, the project manager of case Ra explained how a change in the banking regulations in Egypt was perceived as an opportunity:

“he saw an opportunity that in Egypt they changed the law of the banking and finance industry and they put a cap on the governmental salaries, so all the state owned companies like national banks and insurance companies will have a cap on their employees’ salaries, so he anticipated that the service and performance of the state owned financial companies will drop because all the good people or the calibres in those companies will leave to seek private employment, like private business, multinationals or will even leave the country and go work in the Gulf countries.”

The other type of external structures are irresistible causal forces which the actors-in-focus can have a degree of control over but phenomenologically feel that they cannot resist it. These kind of influences were commonly observed when external market networks asked MNE’s actors to invest in a certain location. This kind of influence was described by the regional manager of case Cronos:
“I believe [a large US MNE] played a major role in that they kind of pulled us because you can’t really afford losing a client this big”

Business networks played a big role as an influence over actors in identifying FDI opportunities (Ellis, 2000; Johanson & Vahlne, 2009). Business networks were also enlisted by actors specially those who followed an autonomous trajectory to legitimize their proposals to HQ actors, which I will discuss later. External structures however do not manifest uniformly over all the actors in the MNE. The structure of MNEs makes actors exposed to different facets of the environment. What is an important external influence for one actor can differ to another actor depending on their functional background and managerial level. The marketing and sales manager in case Horus for example was the first to bring to other functional managers in the subsidiary the issue of the change in tariffs. Initially, they did not really care because it was not affecting their functional performance indicators. In the MNE context, this differentiation is more pronounced as actors in subsidiaries face external influences in their local environment which can be ignored or not understood by HQ actors (Kostova & Roth, 2002). The same is true for the external business networks. A client might be important for subsidiary actors but not so important for HQ actors. This was evident in case Ra for example. Actors relate to the external environment through their internal structures which consist of dispositions and conjuncturally-specific knowledge of the structural context of action, and therefore their understanding of the external environment can be different. When the actors’ internal structures are relatively aligned with their MNE’s meaning structures, these differences are eased out or they could be resolved through the institutionalized practices that facilitate knowledge transfer. When the actors’ internal structures are not aligned with the MNE’s dominant meaning structures these differences become more problematic and lead to different understandings between the actors-in-focus and actors-in-context which often need to be resolved through internal politics. This was pointed out by the regional manager of case Ra:

“Of course I am in the meantime have different views about a lot of countries here in the region, I mean if you have told me that I would have a branch in northern Iraq, I would have thought you are absolutely nuts, so of course my perception is different, but I am not the decision-maker at these kind of decisions, so that is sort of irrelevant for the decision-makers in [HQ], I had to convince them that I am convinced that this is a safe choice”

Thus actors’ understanding of the external environment and their perceptions of opportunities and threats which cannot be ignored were not homogenous within the MNE and they were a
result of the interrelations between the MNE’s meaning structures and the actors’ internal structures.

5.2.2 MNE’s meaning structures

MNE’s meaning structures are conceived here as the institutionalized ways of doing things along with the MNE’s existing stocks of resources and knowledge. Meaning structures represent institutionalized practices, which Regner (2008, p. 567) defines as “general and shared organizational-level routines or capabilities that actors draw on (Whittington, 2006) and employ (e.g. strategic planning, intelligence gathering)”. Organizational level routines emerge in a path-dependent way and reflect learning from previous experiences which over time get institutionalized in the form of codified rules and/or taken-for granted norms and shared interpretations (Nelson & Winter, 1982). Those include:

Forms, rules, procedures, conventions, strategies, and technologies around which organizations are constructed and through which they operate. It also includes the structure of beliefs, frameworks, paradigms, codes, cultures, and knowledge that buttress, elaborate, and contradict the formal routines (Levitt & March, 1988, p. 320).

Meaning structures manifest themselves in the form of institutionalized practices. These practices can be grouped into strategic practices, organizing practices, and controlling practices (Mantere, 2005). Strategic practices specifies how actors understand the MNE’s strategy and how it is related to their activities (Mantere, 2005). Organizing practices refers to “what is agreed as the proper way of acting according to strategy, how the tasks of individuals and units correspond to strategy, who is obligated and who is allowed to act and so on.” (ibid, p. 166). And finally controlling practices determine how resources are distributed in MNEs. These institutionalized practices enable and constrain actors’ activities when sensing FDI opportunities. Meaning structures are not homogenously shared by all actors in the MNE. Because of actors’ embeddedness in different functions, managerial levels, sub-units, and institutional and cultural contexts, they interpret and enact these meaning structures in different ways. In MNEs, a dominant meaning structure, or as Regner and Zander (2011) called it a common corporate social-identity frame, promotes consistency of action and knowledge sharing between subsidiaries. But because actors are also embedded in distinct local settings they develop their own meaning structures which tend to be more consistent with their own internal structures. Therefore, MNE’s meaning structures can act both as an enabler or constraint for actors’ actions. When the dominant meaning structures were aligned with the actors’ internal structures, actors’ understanding of the external environment and framing of the opportunity were shared across the MNE, which led to the FDI following an induced trajectory. In case Iris
for example, the regional manager said that they shared the same understanding with the HQ in NZ:

“as a company we are trying to be more global so I don’t really think that the management team compares any potential market with NZ, it doesn’t work that way, we have certain standards whether legal or financial and certain values and we see if we can actually operate without breaking these rules or not.”

On the other hand, when the dominant meaning structures were not aligned with the actors’ internal structures and their understanding of the external environment, the meaning structures represented a constraint on actors in pushing forward their initiatives. This was underscored by the marketing manager of the Egyptian subsidiary of Case Horus referring to the regional HQ:

“So the kind of information that they have about the markets is kind of different, they have more like general information about the markets in the region while the business units like us are more involved in like daily stuff and so we have this kind of detailed knowledge. So for example and this is my opinion that what they know about the Sudanese market is…through the media they know that there are lots of political instability and demonstrations going on, so of course they will see it as risky. Now for us it is quite different…we have been exposed to these political stuff before and we kind know how to deal with them...Also we are operating out of Egypt which was not that stable in the last few years, actually it might have been less stable than Sudan at sometimes so maybe this is why I didn’t really see the political risk thing, and we are also responsible for Iraq and Syria so really [laughs] those probably now the most two unstable countries in the region…And then you have the regional office operating out of Dubai where everything is running smoothly, everything is clear so of course for them investing in Sudan has to sound risky.”

The quotation shows how the interplay between the actors’ internal structures come into play and shape the actors’ understanding of the external environment and the MNE’s meaning structures.

5.2.3 Actors’ internal structures

Actors’ internal structures are categorized into dispositional structures and conjuncturally specific structures. Dispositional structures are the transposable skills and dispositions which actors develop through their socialization in different contexts and include habits of actions, generalized views, schemas, etc (Stones, 2005). While conjuncturally-specific structures are related to the actors’ knowledge of the specific structural context of action and the possible
reactions of the actors-in-context based on their perceived interpretations and norms (Stones, 2005). An example of this conjuncturally-specific structures was captured when the project manager of case Ra was referring to HQ actors’ interpretations of the FDI opportunity in Egypt:

“we knew that people in [HQ] have a different perception about Egypt, so our market study proposal was really developed in a way that it was all about convincing them it is a piece of cake, and this is the money that we are going to need and of course we tried to make this as minimal as possible because otherwise they might have rejected the proposal”

The conjuncturally-specific structures are particularly relevant in shaping the interactions between actors-in-focus and actors-in-context. Based on how actors-in-focus understand the interpretive frames and norms adopted by actors-in-context, they take actions that can advance their projects. As mentioned earlier the actors’ dispositional structures can be more or less aligned with the MNE’s meaning structures. This was highlighted earlier in case Horus for example whereby subsidiary actors had different dispositions towards risk than the actors in the regional HQ. The different dispositions were also underscored by the project manager of case Ra when he compared their subsidiary to sharks to point out that they are more entrepreneurial and the HQ to whales to point out that they are slow and risk averse. The interrelations between the actors’ internal structures and MNE’s dominant meaning structure lead to different or similar interpretation of the external environment which determine the trajectory of the FDI process.

5.2.4 The conjuncture

The conjuncture is a combination of events (Stones, 2005). In this study, the conjuncture is the combination of events which start with a situation actors find themselves in through their usual acts of practical coping (Chia & Holt, 2006). The interest here was on the combination of events which constituted the FDI decision process. The notion of conjuncture is used to stress that structures do not exist in abstract time and space, they gain salience in specific events. And therefore different structures can be implicated in different conjunctures. For example, the structures which get enacted in a staffing decision will be very different from the ones which get enacted in an FDI decision. The conjuncture therefore constitutes the temporal-spatial arena within which the different structures and actors come into play. Regner (2008) proposes a similar concept; activity configurations which he defines as:

A unit of analysis that consists of events which involve a synthesis of activities by actors in organizations and of the status of product and/or factor markets in terms of industry and resource structures (and in terms of societal regulations). It involves interactions
between organizations and among actors on different levels, including the potential for creative and chance impetus. (Regner, 2008, p.581)

It is therefore at the conjuncture that the interplay between structure and agency takes place. These events were usually referred to by actors through narrating the events that surrounded the FDI decision and involved interrelations between the different structures which constitutes together a problematic situation. For example, a board member in case Thor explained some aspects of the events as follows:

“At the time the NZ dollar which have been trading around to 50-60 cents US to the kiwi was really really really sort of starting to weaken post the GFC and we went progressively you know from 60 to 70 and ultimately right into the 80s, [Thor] is about 95% of its business production is sold offshore, it might be more, it might be 98%, it is in the very high 90s, anyway, it is a true global medical device maker, and its biggest market is America…So we are very dependent on the US dollar-kiwi cross rate, and obviously as the Kiwi got stronger and the US weakened, we just got a very very very heavy hit wind against our profitability, so a key driver was to try and move our operations into an area where there would be effectively a natural hedge because the pays are pretty much, it is not explicitly but implicitly tied to the US dollar”

The situation for the CFO of case Hera was a different one:

“So at that point I think really the issue that was facing us more than anything is all of our plants were coming up of hitting their capacity, they were not at a 100 percent utilization but they were all…much above 80 percent utilization that is practically speaking about as far as you can push them because there is natural need to take things down for ongoing maintenance and repairs etc. so it is unrealistic to think that you can run equipment like that at 100 percent. So fundamentally I think the choice that we faced is do we want to continue to grow in Asia or do we not”

The conjuncture therefore represents a decision situation which the actors have to face, or in some cases they constructed the situation themselves by observing aspects of the external and internal environment. The situation might emerge through the routinized process of strategic planning which was the scenario in the cases that followed an induced trajectory. Alternatively, in the autonomous trajectory it emerged through encounters with clients like in case Ra, or informal encounters between internal actors who through their discussions an idea emerged like in case Aura, when the regional business development manager and a regional subsidiary manager met during a strategy session and started discussing the rise of Islamic re-insurance. Through the interplay between the different structures, actors started sensing and interpreting
the opportunity. The interrelations between the structures and their degree of alignment then shaped the form and content of the process and the trajectory it took.

5.2.5 Sub-processes

The sub-processes which were commonly identified across the cases were: sensing the opportunity, embedding the opportunity, evaluation and choice, and implementation. There is overlap between these sub-processes and Teece’s (2007) framework of sensing, seizing, and reconfiguring, and also Johanson and Vahlne’s emphasis on opportunity identification (2009) and knowledge development processes (2017). But the findings of this study show that actors are not only required to sense opportunities but they also need to embed these opportunities in their firms’ agenda and convince other actors of the legitimacy of these opportunities. These activities capture the social and interactive aspects of the process which are relatively taken-for-granted in the capabilities literature (see Regner, 2008). These sub-processes were interrelated and intertwined. Iterations were also observed. Each sub-process consisted of distinct set of activities. Therefore to make sense of these activities I grouped the ones which served a similar purpose under the same sub-process. I decided to call these processes rather than say stages because they extended temporally in time and they did not constitute a well-defined boundary in the way they manifested. The sub-processes did not unfold in a linear fashion and therefore they are better conceived as processes rather than stages. Sensing the opportunity is the process related to identifying and interpreting a situation in the external and/or internal environment. This is the first process in all the cases, although in some cases the opportunity interpretation was revisited to accommodate for changes that emerged in the other sub-process. Embedding the opportunity refers to activities related to inscribing the issue in the MNE’s agenda. The activities involved in this sub-process differed across the cases, but the contrast was highly observable between the induced and autonomous trajectories, which I will discuss in the performative trajectory section. Evaluation and choice processes refer to activities related to knowledge development, articulation, transfer and translation, and final evaluative activities by decision-makers which lead to choice. I decided to include activities related to knowledge development under the evaluative process because it is hard to distinguish between developing knowledge and making evaluative judgments as both take place simultaneously. As actors-in-focus were developing their knowledge and articulating it to other actors they eliminated certain alternatives and revised their understanding of the opportunity. The final evaluative activities were undertaken by actors-in-context who are the top management and board of directors in some cases depending on the practices in each MNE. This choice process is markedly distinct from the evaluative activities undertaken by actors-in-focus in the sense that their evaluation
often followed a more detached mode of engagement (Tsoukas, 2010). Finally, the implementation process refers to activities related to establishing the new subsidiary such as contingency management, negotiating with host country local authorities, staffing decisions, etc. Sometimes during the implementation process unexpected events took place and/or actors realized something which they did not account for, which required going back to top management for authorization. This was highlighted by a board member of case Hera:

“All at that point it is likely that the process wouldn’t be finalized, because the management wouldn’t have done a final negotiation at that point in time say with the government, purchasing land and other stuff that actually need our authorization so they can start spending money, so the board would usually give an approval within an investment range, and say if you can do the deal on that we may or may not, and we put our conditions on it, that would outline what they are doing, but then it might come back to the board merely for signing off, but it would be only signing off if the deal is completed”

A parallel was observed in case Zeus where the board authorized the decision several times and then events in the external environment, such as a fire accident in the proposed JV partner’s factory and war breaking out between Russia and Ukraine, led to management re-thinking some of their decisions and hence going back for approval. The longevity of each process differed among the cases. In the autonomous trajectory cases, embedding the opportunity took longer. In other cases such as case Zeus the evaluation and choice process took a long time despite having a shared agreement between actors about the importance of the opportunity. The temporal ordering of the process also differed, in the induced trajectory cases, the process unfolded through sensing the opportunity, embedding the opportunity, evaluating and choice, and implementation. In the autonomous trajectory, the general pattern started by sensing the opportunity, but followed by evaluating processes, and then attempting to embed the opportunity. This is because the opportunities in these cases were not aligned with the MNE’s dominant strategy and therefore actors-in-focus preferred to keep actors-in-context out of the picture until they had a clear idea of the opportunity. The temporal ordering of the sub-processes and their content in terms of the activities performed by actors were a result of the interplay between the ostensive and the performative aspects of the FDI trajectory.

5.2.6 The FDI ostensive trajectory (trajectory projection and trajectory scheme)

Following Obstfeld (2012) and Strauss (1993) I relied on the concept of trajectory defined as “a sequence of interdependent actions involving multiple actors” (Obstfeld, 2012, p. 1574) to describe the FDI decision process. Based on Feldman and Pentland’s (2003) distinction between the ostensive aspect of a routine and its performative dimension, Obstfeld argued that a project
trajectory (Strauss, 1993) can similarly be conceptualized along the ostensive and performative dimensions to accommodate both the routine and creative aspects of a project. In the current study, the ostensive aspect of a trajectory is the abstract and generalized idea (Feldman & Pentland, 2003) of the FDI decision and how the process should unfold. Many accounts in the IB literature describe the FDI process in ostensive ways, for example saying that MNEs first develop a list of alternative locations, then evaluate the locations based on specific dimensions, and finally choose a location and an appropriate entry mode. MNE’s actors also develop, over time, ideal forms of how an FDI decision should be taken. This ostensive aspect of the FDI decision process as shown in Figure 5.2 is shaped by the MNE’s meaning structures – the institutionalized practices and ways of doing things. The ostensive aspect can be codified in the form of organizational artefacts, as the findings show, in the form of routines to be followed, templates for initiatives (what many respondents called business case template), and specific organizational processes for proposing new ideas. In case Osiris, for example, the subsidiary manager had to input the initiative into a software that the MNE used for proposing new ideas. The software specified the actions that should be taken before proposing a new initiative, the information that needs to be collected, and the persons who had to approve the initiative. In case Zeus, there was a framework that was communicated in annual meetings and strategic events that specified how the firm should enter a new market; starting with exporting, then sales and distribution offices, followed by greenfield operations. In case Hera, there was a clear process for actors to follow when proposing new investments, which specified when new investments can be proposed and who needed to approve them and then the proposal was submitted to a review committee which provided recommendation for the executive team and the board of directors before final approval.

The ostensive aspect did not only exist in the form of codified artefacts but also as taken-for-granted norms and interpretations or shared narratives. These usually figured in actors’ responses as “this is the way we do things here”, such as a preference for a specific entry mode, methods for knowledge development about the host market, and focus on certain aspects of the host market. In all the cases therefore there was an ostensive aspect which shaped actors’ understanding of how an FDI should be pursued. These aspects reflected the MNE’s meaning structures – the strategizing, organizing, and controlling institutionalized practices. As the CEO of case Cronos mentioned for example:

“from the beginning really we had in mind that opening our own entity was the best way to do it because of our previous experience with distributors, so it wasn’t really related to where we are going to open, it was more about realizing that having our own operations is the way to go forward at that time.”
Similar comments were provided by the COO of case Iris:

“we did in the past use partnership and distributors but it didn’t work as we expected, so it was just experience suggests that in general that is the best way to go for us in our industry.”

It was also clear that the ostensive aspect was not perceived uniformly by all the actors. As Feldman and Pentland (2003) noted, the ostensive aspect of a routine is not uniformly understood by all actors in the firm, rather the knowledge of the ostensive aspect is likely to be distributed. Actors’ understanding of the ostensive aspect of the FDI trajectory varied by their functional background and managerial level. The difference between how board members and top management differed in their understanding about how an FDI decision should be approached in case Odin is explained by the CEO as follows:

“So the investment process…the fundamental question that the board asks is what is the return on investment that you are proposing to make, who are the teams that are going to make it happen, how much confidence we have in the likelihood of success, that’s it. So it doesn’t matter if the investment is in Vietnam or if it is a distribution centre in Nebraska because the board does not necessarily have the technical knowledge that would make them able to go into details, so they will tend to focus on more general aspects like the ROI for example. So these technical details are our job as management, we need to look at these issues, does this investment helps in achieving our strategy, which location, how to do it, and all these specific details”

This divergent understanding is even more pronounced in the cases whereby subsidiary actors proposed the idea, because they were embedded in different institutional and cultural environments and local contexts of action which introduced variations in their practices. The involvement of multiple actors in the FDI decision process meant that there were diverse interpretations and goals which reflected the different knowledge structures that actors brought to the situation. This is why, as shown in Figure 5.1, the ostensive aspect is shaped by the interrelations between the external structures, MNE’s meaning structures, and actors’ internal structures at a specific conjuncture. To the extent that the actors’ internal structures, the MNE’s meaning structures, and the external structures were relatively aligned, and hence the FDI trajectory was induced, there was a shared understanding among actors regarding the appropriate course of action. In these cases, the ostensive trajectory acted as an enabling force providing guidance and direction for actors with regard to the actions that need to be taken. On the other hand, when the structures were not aligned, and hence the FDI trajectory was autonomous, the ostensive trajectory was fuzzy as actors recognized that the existing meaning
structures were not aligned with the opportunity that they identified. The dominant ostensive aspect acted as a constraint on actors’ activities, which they had to overcome by thinking projectively of different ways to pass their proposals. The ostensive aspect of the trajectory can be broken down into two components to capture this dynamic; \textit{trajectory projection} and \textit{trajectory scheme} (Obstfeld, 2012). Trajectory projection is “a vision of an expected or desired outcome and an associated course of interaction to achieve it” (ibid, p. 1578). This projection can be “consistent with past iterations” (ibid, p. 1578) as it is the case with the induced trajectory, or “that guides and motivates markedly new action” (ibid, p. 1578) as it is the case with the autonomous trajectory. The second component, trajectory scheme refers to “the plan designed to guide interactions consistent with the trajectory projection” (ibid, p.1578). In the induced trajectory, the trajectory projection was relatively clear because it was consistent with the MNE’s existing strategy. Similarly, the trajectory scheme was detailed because the actors relied on the existing institutionalized practices which specified in codified or taken-for-granted form the specific actions that actors need to take during the process. In case Hera for example which followed an induced trajectory, the CFO (Regional Strategy and development manager at the time of investment) of case Hera explained this scheme as follows:

“We had a division management team and we ran that process with the Asian management team and it was a very defined process in terms of involving sales, involving marketing, involving operation, our strategy people…and we had a set of objectives and criteria we said these are the things we need to look for in terms of cities you know if we are going to decide where to locate and you are looking at wage rates, you are looking at transportation links, you are looking at availability of land, you are looking at availability of skilled labour you need, and you know many things like that”

In the autonomous trajectory, the trajectory projection involved ‘new action’ which didn’t fit with the MNE’s existing strategy and therefore it was more uncertain and involved several changes as the process unfolded in order to frame the opportunity in a way that could be accepted by HQ actors. Similarly, the trajectory scheme developed in a more inductive way in the absence of a clear process to follow to advance their proposals, because the actors knew that if they followed the routinized process their proposal would not be accepted.

\textbf{5.2.7 Actors’ activities and interactions (The FDI performative trajectory)}

Activities refer to the actual actions performed by specific organizational actors at specific times (Feldman & Pentland, 2003). These activities represent the performative aspect of the FDI trajectory. Regner defines activities as “particular individual- level actions; what actors actually do and work with when making strategy (e.g. making strategic plans, gathering intelligence,
Distinct set of activities were identified across the cases which were grouped under different sub-processes. The activities can be generally categorized with regard to their function in the process as; coordinative and cooperative activities. Coordination can be defined as “the deliberate and orderly alignment or adjustment of partners’ actions to achieve jointly determined goals.” (Gulati, Wohlgezogen & Zhelyazkov, 2012, p. 7, italics in original).

Here the actors’ focus is on developing and transferring and translating knowledge across functional, managerial, and organizational boundaries to ensure that there is a shared understanding about the FDI opportunity. While cooperation refers to “to joint work performed by persons who share a common goal, where the alignment of interest is central in qualifying the act of working together” (Salvato, Reuer, & Battigalli, 2017, p. 963). The focus here is on making sure that the involved actors have common interests and goals. In the context of the FDI decision process, actors-in-focus who proposed the idea need to convince actors-in-context that the opportunity was aligned with the MNE’s overall interests and goals. But as alluded to earlier in some cases, actors’ embeddedness in different local settings led them to develop distinct internal structures which made their interpretations of issues and their interests sometimes not aligned. As a result, actors-in-focus when proposing new ideas, they found themselves in situations where the actors-in-context did not perceive the opportunity as aligned with the MNE’s meaning structures. In these cases, the actors-in-focus engaged in cooperative activities to convince the actors-in-context that their idea was worthwhile. Thus when the FDI trajectory was induced, the activities performed by actors were mostly focused on coordinative issues because the idea was aligned with their MNE’s meaning structure. When differences in perspectives emerged because of different functional backgrounds, they were resolved through dialogue because the actors shared the same identity and relatively similar internal structures. Actors relied on the existing instruments to transfer their knowledge to other actors because the instruments fitted with their activities. Because actors’ projective trajectory enacted the MNE’s meaning structures, their actions were enabled by clear institutionalized practices and so they knew in advance the process through which the actors-in-context will use to evaluate their proposals and therefore they relied on the instruments that facilitated knowledge sharing.

The activities performed by actors who followed an induced trajectory typically began with sensing the opportunity. This involved a problematization of the particular situation that was facing the actor. It is the recognition by an actor “that the concrete particular situation at hand is somehow ambiguous, unsettled, or unresolved” (Emirbayer & Mische, 1998, p. 998). This was followed by interpretation to characterize the current situation. Internal structures and MNE’s meanings structures entered the process here in the form of schemas and typifications from past experiences. The resulting interpretation represented the ostensive aspect of the
trajectory and provided a guide for actors’ subsequent actions. At this stage, actors developed a fairly clear idea, but not with detailed numbers, and evaluations of the FDI decision. There were therefore knowledge development activities simultaneously performed at this point albeit not in a systematic way. Actors then started to engage in activities to embed the opportunity in the MNE’s agenda. This involved drawing on their internal structures and MNE’s meaning structures represented by the ostensive trajectory scheme to figure out how to further align their idea with the normative and strategic ideals through which actors-in-context evaluate proposals. The institutionalized organizational practices here provided them with clear directions regarding who will be involved and how they will evaluate their proposals. In all the induced trajectory cases, actors approached someone in the top management to test the idea before submitting the initial draft of the proposal. Then the idea was subsequently brought forward typically in strategy planning sessions. After getting a green light from the top management, actors started evaluative activities which included knowledge development through desk research, discussions with networks, and host country visits. The CFO of case Hera summarize this process as follows:

“You are doing a lot of internal work and looking at your internal data and applying it to the new business case, you are also buying access to data and reports, you are going to the market and talking to the people and you are pulling data from many places….You talk to other companies like our network in this market and ask what it is like to be here, how have you found wage inflation, how have you found local government to deal with, do you know this person, can you give us an introduction and it worked really well”

The knowledge developed then needed to be articulated and translated by actors across functional and managerial boundaries. Knowledge articulation involved making the implicit knowledge that was collected explicit to other actors (Zollo & Winter, 2002). This process was facilitated through discussions and debriefing sessions conducted by the project coordinator. These collective discussions allowed actors to reach a shared understanding because:

By sharing their individual experiences and comparing their opinions with those of their colleagues, organizations members can achieve an improved level of understanding of the causal mechanisms intervening between the actions required to execute a certain task and the performance outcomes produced (Zollo & Winter, 2002, p. 341-342).

Because the opportunity was defined within the confines of the existing institutionalized practices, actors relied on existing templates and instruments which fitted with their practices and acted as boundary objects that facilitated knowledge transfer between actors. Boundaries in this scenario were of the syntactic type (Carlile, 2004) because differences between actors were known and existing artefacts facilitated the transfer of knowledge. This was relatively harder
when subsidiaries actors were introducing the idea because of the existence of different interpretations. Boundaries in this scenario were of the semantic type (Carlile, 2004) which means that different interpretations exist, but the existence of a relatively homogenous community within these MNEs facilitated the process of knowledge translation by relying on shared meaning structures (Carlile, 2004; Dougherty, 1992). Also these subsidiaries were all operating in important markets for the MNE and their performances was well perceived by HQ actors. This added more weight to their initiatives. Actors in these cases relied mostly on internal legitimacy —that is the fit between the initiative and the MNE’s meaning structures. Finally, the top management and board made the final authorization decision which, as most of the actors highlighted, is unlikely to be rejected at this stage. Implementation activities included contingency management, and negotiations with governmental bodies to facilitate and speed up the entry process. In some cases, actors hired local managers to help with the establishment process.

The interplay between the ostensive and the performative trajectory was therefore stable and they mostly converged. The ostensive trajectory acted as a guide for actors’ activities and interactions. Actors’ activities were temporally oriented towards the past, looking at existing structures to guide their actions. This is explained by the regional manager of case Iris:

“So what we did is that we started looking at what we did in other markets like Singapore and Thailand, Spain, Dubai like the countries where we recently opened an office and started to look for a pattern like how big was the contract and of course we found that we entered these countries because the contract was quite big and covering a long period like in Singapore for example it was a huge contract, same in Dubai, in other countries when the contract was not that big we tended to fly in people to take care of operations.”

The decision to invest in Philippines was as he said, “consistent with our strategy in south east Asia to try to penetrate the market and be more geographically diversified instead of focusing entirely on the US”.

The induced FDI decision trajectory is graphically illustrated in Figure 5.3. As the figure shows the ostensive and the performative trajectory are overlapping to highlight that actors’ activities and interactions were largely guided by the ostensive trajectory which reflected the MNE’s institutionalized meaning structures. It is not complete overlap however because as the actors learn during the process their ostensive trajectory projection changed, but the changes did not involve a radical departure from the institutionalized practices. The external environment also introduced permutations in actors’ activities, especially during the implementation process.
which called for contingency management activities and negotiations with governmental actors to get permits and other bureaucratic activities.

The activities performed in the autonomous trajectory on the other hand were quite different especially when it came to embedding the opportunity. The process, similar to the induced trajectory, started with actors sensing an opportunity or a threat through problematizing and noticing changes in the external environment. But their acts of interpretation were shaped by alternative schemes which were derived from their local context of action.
Figure 5-3: The Induced FDI Decision Trajectory

- Conjecture
  - External structures
  - MNE’s meaning structures
  - Actors’ internal structures

The FDI ostensive trajectory: Trajectory projection and trajectory scheme
- Sensing the opportunity
- Embedding the opportunity
- Evaluation and choice
- Implementation

The FDI performative trajectory: coordinative and cooperative activities

FDI Outcome
Actors’ in these cases characterized the situation as new and not aligned with their MNE’s existing strategy. They realized that they cannot start embedding the idea without developing detailed knowledge about the opportunity. Their initial ostensive trajectory projection was therefore fuzzy and open-ended because they did not know how the HQ actors will respond and evaluate their proposal. They just knew that HQ actors do not know what they know and therefore assumed (correctly) that HQ actors will have different perceptions about the opportunity. This also led to disagreements initially between subsidiary actors regarding whether to follow the opportunity or not. Many subsidiary actors expressed concerns that the proposal would not pass. But eventually these disagreements were resolved because they all shared the same interest of expanding the subsidiary’s position in the market.

Lacking a well-defined ostensive trajectory to follow, their activities were following a more inductive logic- positing an idea and experimenting with the data and discussing how it could be framed to the HQ actors. Knowledge development activities were not very different from the induced trajectory in terms of the methods used, for example, desk research, meeting with clients, and country visits. However, unlike the induced trajectory cases, these cases did not have clear criteria to begin their search with, the criteria emerged over time as the idea started to crystallize. The regional underwriter of Case Ra explained it as follows:

“I would say before the official process starts, the official work flow of the business case, there is a phase where you do things intuitively, where you do things out of knowledge and experience, you ask the questions that needs to be answered before you start a formal business case.”

Knowledge articulation mostly took place between actors within the subsidiary, but when it came to translating the knowledge to HQ actors, it was more of a re-packaging their knowledge into the standardized instruments and tools rather than a truly dialogical transfer of knowledge (Tsoukas, 2009). Boundaries between actors-in-focus and actors-in-context were of the pragmatic type, because the novelty of the FDI initiative generated different interests between actors which made it hard to assess the knowledge of the opportunity (Carlile, 2004). Actors-in-focus had to re-package and transform their knowledge to fit with the actors-in-context evaluative practices. The challenge facing those actors is that they initially lacked the conjuncturally-specific knowledge about how the actors-in-context will interpret the opportunity. And so considerable effort was spent by trying to project how the HQ will respond by engaging in contextual sensemaking through looking for cues about which actors might be
supportive, what kind of concerns they might have, what are the criteria they use to evaluate initiatives, and how they can align the initiative with the MNE’s strategic goals. At this stage, actors started performing activities to embed the opportunity. And their conjuncturally-specific knowledge started to emerge gradually. Some actors were very important in answering these questions. The regional manager of case Ra for example said that:

“it [his experience in the Middle-East] also helped me in getting a better idea about the market there, and therefore what I have to combine in these situations is my German conservative thinking with the experience that I have gained here in the market in order to assess okay, how would the guys in [HQ] potentially think, and how I can maybe convince them. I mean one thing I didn’t mention yet and that is from a strategic point of view, an important one, is that we consider Egypt the doorstep into Africa, because of its geographic location, because of also its development stage in the health and insurance market, and so we were quite optimistic that we can also use that sort of bridging over to Africa.”

The quotation also points out to how actors relied on framing to embed the opportunity through external legitimization by framing Egypt as the “doorstep to Africa”. Framing also involved opportunistically drawing on institutionalized organizational discourse and extra-organizational discourse to legitimize the proposal. These activities involved issue selling tactics to ensure that their proposal will be accepted. Another tactic involved highlighting that the proposal was supported by important clients. Timing the proposal was another important tactic. For example, in case Ra, subsidiary actors kept on evaluating the Egyptian market without informing the HQ until the political situation was relatively stable. After getting the initial approval to pursue the initiative. Subsidiary actors focused on translating their knowledge into the standardized instruments used by the HQ. In all the cases, the subsidiary actors followed the institutionalized process, even when they thought that the requirements did not fit with the specifics of their investments. In case Horus, this involved changing the required Capex and the payback period calculations to abide by the regional HQ requirements. The required capital and even the entry mode choice were managed strategically by subsidiary actors to minimize the HQ actors’ risk perceptions.

The autonomous FDI decision trajectory is graphically illustrated in Figure 5.4. As the figure shows there is an interplay between the ostensive and performative trajectory which shapes how the process unfolds. When the structures are misaligned, actors-in-focus started acting inductively and constructed a relatively open-ended conception of the trajectory which then guided their subsequent actions. The figure also shows that the evaluation processes took place
before actors started embedding the opportunity, which was then followed by further rounds of
evaluation and finally choice by HQ actors. Although in case Aura, the process followed a
similar trajectory, however issue selling activities were far less compared to the two other cases.
This is because the idea was initially proposed by the MNE regional business development
manager and then developed by a subsidiary manager and therefore there was a relative top
management support from the beginning. They still however had to go through the normal
process and they followed the same autonomous trajectory because the idea departed greatly
from the MNE’s existing strategy.
Figure 5-4: The Autonomous FDI Decision Trajectory

Conjuncture

External structures
Misaligned
MNE’s meaning structures
Misaligned
Actors’ internal structures

The FDI ostensive trajectory: Trajectory projection and trajectory scheme

sensing the opportunity
Evaluation
Embedding the opportunity
Evaluation and choice
Implementation

The FDI performative trajectory: coordinative and cooperative activities

FDI Outcome
5.2.8 FDI outcome

The FDI outcome is the final implemented FDI decision which in the sampled cases ranged from establishing new subsidiaries in new markets or existing markets. There were also differences in the chosen entry mode and establishment mode ranging from wholly-owned to JVs, and establishing through acquisitions and Greenfield investments, depending on the particularities of each case. In all the cases, as shown in the findings, the final implemented decision can be better described as emerging from the actions and interactions of actors during the process. The decision is emergent in two ways, first it cannot be reduced to any specific actor’s subjective evaluation, and second, it differed, in varying degrees, from the initial trajectory projection conceived by the actors. This difference between the initial projection and the final outcome was attributed to: learning by actors during the process which change their knowledge about the opportunity, interactions between actors, and uncontrollable events in the external environment. The learning during the process was described by the CFO of case Hera as follows:

“You are doing a lot of internal work and looking at your internal data and applying it to the new business case, you are also buying access to data and reports, you are going to the market and talking to the people and you are pulling data from many places. So, our knowledge during the process was always evolving. I think some of the fundamentals and some of the core research doesn’t change necessarily but you are always learning something about and particularly about locations. There are lots of things that you don’t know and there is no one right answer really. You can’t put it all into a computer program and it says this is exactly where you should locate”

Whereas the project manager of case Zeus referring to the interactions between actors inside the MNE:

“I don’t know how it happened but at a certain point, something pops up, and from that scenario, then you start discussing with your colleagues and they go na na, you can’t do that because of so and so, so then you start to brainstorm and then you take certain options and leave them out, and then from these amount of options that you are considering you end up with a small amount, and then you say okay we have done our homework, this where we will concentrate on and from that you have to decide. “

This confirms Aharoni’s (1966) argument that the decision is emergent and cannot be reduced to a point-in-time, and Argyres et al., (2007, p. 4) insight that the decision is not “a once-and-for-all activity”. The interplay between the ostensive and performative trajectory shaped the extent to which the outcome departed from the initial trajectory projection. The two trajectory
types identified in this study resulted in two types of outcomes which can be contrasted based on the extent to which they departed from the MNE’s existing strategy. In the induced trajectory, the outcome tended to be adaptive (Regner, 2003) and involved mostly exploitation (March, 1991) of existing knowledge and resources in new or existing markets. It therefore involved an adaptive extension of the MNE’s current strategy to cope with demands in the external or internal environment which were in line with the institutionalized MNE’s practices. Examples of this pattern included, case Zeus establishing in Russia in accordance with their strategic focus on emerging markets, case Osiris’ new greenfield investment in Egypt to realize their MNE wide initiative of penetrating the African market, and case Thor’s decision to establish a manufacturing subsidiary in Mexico to realize their identity as a global player in the healthcare manufacturing industry. On the other hand in the autonomous trajectory the outcome tended to be creative (Regner, 2003) and involved mostly exploration (March, 1991) of new knowledge and resources in tandem with re-configuring existing knowledge to pursue the new opportunity. It therefore involved departing from the dominant MNE’s strategy in response to external demands which were perceived by actors to be divergent from the institutionalized MNE’s practices. Examples of this pattern included, case Ra establishing a subsidiary in Egypt which was perceived as a no-go by HQ actors. Also case Horus which established a regional subsidiary in a new market with a new market offering (Islamic re-insurance) which departed greatly from the MNE’s focus on traditional re-insurance in mature markets and emerging markets in the Asia and South America regions.

The link between the FDI outcome and the different forms of structures is drawn in dotted line to point out that the feedback does not necessarily lead to changes in the MNE’s structures. The current study did not investigate the long-term implications in terms of the changes in the MNE’s structure as a result of the FDI outcome. But few conjectures can be put forward based on the collected evidence. In the induced trajectory, the FDI outcome leads to an incremental adaptation to the existing MNE’s meaning structures similar to the pattern postulated by the Uppsala model (Johanson & Vahlne, 1977). Because the decision is largely in line with the MNE’s institutionalized practices and the actors’ actual activities enacted the existing meaning structures, therefore the meaning structures will be reproduced with minor adaptations which resulted from the permutations that actors faced during the process. For example based on his experience of the process, the CFO of case Hera, who then was the regional development and strategy manger, decided along with the new CEO (who was the chief executive of the division during the FDI decision) to make changes to the process, because as he explained:

“So the executive committee all of them report to the CEO, so we have 5 divisional Chief Executives and then the functional people so CFO, CIO, legal counsellor, head of HR,
all the functional people so we have in total 12 people. So those are people who
obviously come from different background and specialization and also the divisional
CEs [chief executives] have their own divisions to run you know, so I mean there is
always kind of conflicts not in a bad sense but like different perspectives and there was
probably more of that in the past where there was probably less discipline around, let’s
face it, we were more of an acquisitive company, there was more cases to buy businesses
and do acquisitions than do big projects like we have had recently. So I think it could
create a bit of conflicts and this is why we didn’t want the executive committee voting
on it and we changed that because you don’t want someone saying well I am not going
to vote for it because I want capital and I know that if I give it to him I won’t get it, so
you would like to think executives don’t do that, they are doing the right thing for the
business but people are also human and you know that could potentially influence their
voting, whereas I think if they know they are not going to have a vote you know you can
still try to influence it but if your argument doesn’t have merit well then the CEO will
just ignore it and make a decision”

Actors’ internal structures also are reproduced and further integrated with the MNE’s meaning
structures, because these structures enabled them to perform their activities and achieve their
desired outcome. The external structures are changed because now the MNE is active in a new
market or have a new subsidiary in an existing market which change the kinds of external
influences that the MNE has to face. The change is not radical however because the new external
structures are relatively similar to the existing ones. On the other hand, in the autonomous
trajectory, the FDI outcome can lead to changes in structures under specific conditions. The
internal structures of the actors who proposed and pursued the opportunity incur changes as their
knowledge about the new market increase and also their conjunctural knowledge about the
internal MNE context and how to sell their ideas to HQ actors. This was clear in case “Ra” when
the regional subsidiary manager was reflecting on the FDI decision to invest in Egypt:

“I think the [MENA subsidiaries] were not very much under expansion mode in the last
almost 5 to 10 years, so we have also entered with [HQ] in a different era now, and the
fact that we now underwent this exercise with Egypt, gives me for [MENA subsidiaries]
a big learning curve in case I shall have to repeat that…. I was underestimating the fact
of how many people again want to be a part of the communication, and I even asked my
board member [at HQ] who do you want me to communicate with and he said nobody
it’s fine, you just sent it to me, I did that and it felt completely back on my feet, because
people told even my board member at the end of the day you can’t do it that way, but
that shows you that we were at a difficult stage in terms of our corporate alignment with
the headquarter and I hope that’s better next time.”

Changes in the MNE’s meaning structures specifically in terms of the routines implicated in
assessing FDI decisions also took place. To continue with case Ra, the same manager explained
that the HQ was forcing them to use a business case template that was designed for a certain
market offering, which is the main line of offering for the MNE, which didn’t fit with the nature
of the proposed investment. Internal politics then took place as he explained “you need to talk
to ten million people in [HQ] to get them to agree to the fact that no let’s face it, it is not the
right tool, we have to do this differently”. The outcome was that through negotiation with HQ
actors, they understood that the tool didn’t fit with the proposed investment, and so he explained
that it was “at least decided now we won’t have this discussion again”. But this was not the
situation in case Horus for example, whereby the subsidiary actors’ fitted their evaluations into
the existing MNE’s standardized tools to pass on the proposal. In this case, the standardized
tools were not challenged and hence reproduced as the dominant way of doing things.

To summarize this section, through the cross-case analysis, I proposed a general framework to
explain the FDI decision process which captures the basic interrelations between the concepts
observed in the cases. Based on how the different elements of the model are configured, I found
two different trajectories of FDI decisions; an induced and an autonomous trajectory, each
representing distinct relations between the elements. Table 5.1 summarizes and contrasts the
two trajectories that were identified in the study.

Table 5-1 Summary of Differences between the Induced and Autonomous Trajectory

<table>
<thead>
<tr>
<th></th>
<th>Induced Trajectory</th>
<th>Autonomous Trajectory</th>
</tr>
</thead>
<tbody>
<tr>
<td>MNE’s context</td>
<td>Relatively homogenous community</td>
<td>Diverse communities</td>
</tr>
</tbody>
</table>
| Actors-in-focus
dispositions | Largely overlapping with the MNE’s dominant meaning structures | Incongruent with the MNE’s dominant meaning structures, yet actors are familiar with the institutionalized practices due to asymmetrical communication with the center. |
<table>
<thead>
<tr>
<th><strong>Actors-in-focus conjunctural knowledge about the MNE context</strong></th>
<th>Detailed and informed by the institutionalized organizational practices</th>
<th>Emerged overtime through acts of projection and interactions during the embedding process</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Alignment between structures</strong></td>
<td>Aligned</td>
<td>Misaligned</td>
</tr>
<tr>
<td><strong>Sensing the opportunity</strong></td>
<td>Problematization through assimilating the opportunity to past patterns and experiences</td>
<td>Problematization through imagining alternative possibilities</td>
</tr>
<tr>
<td><strong>Embedding the opportunity</strong></td>
<td>Testing the idea first informally, then through the formal process of strategic planning.</td>
<td>Issue selling tactics and framing the opportunity by drawing opportunistically on the MNE’s meaning structures and extra-organizational elements.</td>
</tr>
<tr>
<td><strong>Evaluation and choice</strong></td>
<td>Knowledge development, articulation, and transfer and translation followed the organizational instruments and templates.</td>
<td>Knowledge development, articulation, and translation performed initially at the subsidiary level. And in later stages re-packaged and transformed into the organizational instruments and templates.</td>
</tr>
<tr>
<td><strong>Implementation</strong></td>
<td>Contingency management activities and negotiations with governmental actors.</td>
<td>Contingency management activities and negotiations with governmental actors.</td>
</tr>
<tr>
<td><strong>Action focus</strong></td>
<td>Mostly focusing on coordinative activities.</td>
<td>Mostly focusing on cooperative activities directed at actors-in-context,</td>
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5.3 Discussion

In this section, I provide a brief discussion on how the findings of the study relate to the IB literature and specifically to internationalization research and I propose a model informed by the findings which can explain MNEs internationalization process while taking into account the interplay between structure and agency.

5.3.1 Incremental and dynamic change: Path dependency and path (re) creation

Traditional theories of FDI and internationalization process models have provided two divergent images of MNEs decisions. On the one hand, economic FDI theories based on TCE logic provide a stylized image of a decision-maker who rationally evaluate the FDI decision in terms of
transactions costs and choose the mode and location which minimize these costs. Each decision therefore is appraised on its own, and there is no place for learning and experience. The Uppsala model on the other hand provides a different story, in which actors incrementally learn about foreign markets which increase their commitments and experiential knowledge leading to further rounds of internationalization (Johanson & Vahlne, 1977). In this story the past plays a role in constraining and enabling MNEs activities. Specifically, the Uppsala model aims to examine:

“the interactions between decisions, resource bundles, and also positions over time, e.g., how accumulation of resources, i.e., knowledge gained through experience (Penrose, 1959), affects the continued decision-making process itself.” (Vahlne & Johanson, 2017, p. 1088).

In their most recent conceptualization, Vahlne and Johanson (2017) place the Uppsala model squarely in a process ontology, and in a dynamic capability-based view of the firm and the evolutionary perspective (Nelson & Winter, 1982). They follow Augier and Teece (2008) argument that the organizational processes underlying firm’s evolutionary process are partly shaped by managers and also by the environment. They emphasize that managers often rely on effectual logic and therefore they argue for history dependence (Cyert & March, 1963) rather than a deterministic path-dependence. The recent re-conceptualization of the Uppsala model comes close to the dynamic capabilities view of Teece (2012) emphasizing the role of management in sensing, seizing, and reconfiguring organizational capabilities. They both emphasize the important role of learning and knowledge codified in the form of organizational level routines. They highlight the importance of knowledge sharing, and the role of management in shaping the internationalization process of the firm. Yet they both frame their discussion at the firm level and therefore ignore the actions and interactions between actors which underlie the organizational processes which they discuss. Without providing a micro-foundational explanations of these high-level constructs, the explanation can easily fall into a deterministic account that does not take into consideration the heterogeneity in actors’ practices (Buckley et al., 2016). It is exactly, therefore, what Vahlne & Johanson (2017) call the mille-micro level, what can provide an explanation of how actors’ practices can lead to changes in internationalization patterns at the firm level. These practices do not take place in a vacuum, actors are embedded in organisational and institutional contexts which shape their understanding of the appropriate practices to be followed. It is this interaction between structures and agents that needs to be accounted for when explaining MNEs internationalization process
Steen and Liesch (2007) addressed this issue of structure and agency by building on Penrose (1959) and Barley and Tolbert (1997) to re-arrange the Uppsala components into a path of agency and a path of structure which are recursively related. The path of agency represents the commitment decisions taken by actors and the path of structure represents the rules, resources, and network position. Steen and Liesch (2007) propose building on structuration models to further our understanding of internationalization processes. What is missing in Steen and Liesch (2007) model is the heterogeneity at the actor level and interactions between actors. Structures do not manifest uniformly on actors, especially in MNEs where actors are dispersed in different locations and they are enabled and constrained by different structures. Furthermore, the internationalization process involves multiple actors at different managerial levels and different locations, and therefore interactions between actors will shape how the process will unfold. Thus to provide a micro-foundational explanation of internationalization we need to account for the heterogeneity of actors’ practices and the different forms of interactions that take place inside the MNE between actors.

Several scholars have recently proposed different explanations to capture the micro-foundations of organizational constructs such as dynamic capabilities and routines. Buckley et al., (2016) proposed relying on Coleman’s (1990) bathtub model to account for the interrelation between the micro and macro. Felin et al., (2012) proposed methodological individualism as a possible solution. While others have proposed the practice theories of Bourdieu and Giddens (Chia & Holt, 2006; Regner, 2008). In this thesis, I have followed structuration thinking which I believe can provide a useful framework to account for the interaction between structure and agency in MNEs actions. In figure 5.5 I propose a model that can explain internationalization process over time while taking into account the actions and interactions between embedded actors. The model builds on the elements that were identified in the current study. Although I did not study the internationalization process of the sampled MNEs. However the trajectories and the basic elements of the model that I identified can provide insights into how the internationalization process can unfold.

As the model shows, structures at the institutional, industrial, and organizational level interact with actors’ internal structures at a specific conjuncture. The conjuncture provides the contextual situation in which the relation between structure and agency plays out. Actors at the top and middle levels and also in HQs and subsidiaries bring their diverse internal structures which can be aligned or misaligned with the external structures. And this divergence or convergence between structures is negotiated between actors through interactional processes. Based on the findings, the way these structures are configured at a certain conjuncture can lead to an autonomous or induced FDI decision, which reflects a radical or incremental change,
respectively. The implemented FDI decision then lead to changes in the MNE’s internationalization process in terms of new markets, new resources, and new commitments. These changes can then feedback to change the structures that faces the MNE and also actors’ internal structures through processes of learning new practices or reproducing existing ones.
Figure 5-5: A Model Of MNEs’ Internationalization Process

Structure (institutional, industrial, organizational, etc.)

Conjuncture

Induced (incremental change) / Autonomous (radical change) FDI decision

Change in MNE’s internationalization process (new markets, new resources, new commitments)

Actors’ internal structures (top, middle and operational management at HQ and subsidiaries)
5.4 Summary of chapter 5

In this chapter, I conducted a cross-cases analysis to develop a general model of the FDI decision process and explicate its elements and their interrelations. Based on how these elements were configured, two FDI decision trajectories were identified; induced and autonomous. Each trajectory followed different patterns and consisted of different activities performed by actors. Building on this cross-case analysis, I proposed a model that seeks to explain internationalization process by taking account of the co-constitutive nature of structure and agency.
Chapter 6. Conclusions, contributions, and implications

In this chapter, I provide a summary of the findings, analyses, and discussions presented in Chapters 4 and 5. I discuss the contributions of the thesis to the IB literature, followed by a discussion of the theoretical and methodological implications for IB research and practical implications for MNE managers and policy makers. A good research study is one which not only closes “gaps” in the literature but that also opens-up new ones. I discuss some of these “openings” which arise from the findings of the current study. Finally, I highlight the limitations of the study.

6.1 Conclusions

The aim of this research was to provide a detailed understanding of the FDI decision process in MNEs. To achieve this aim, I built on Aharoni’s (1966) insights regarding the social and political nature of the FDI decision process, and took SST as a point of departure, as an approach that takes seriously the co-constitutive nature of structure and agency and the processual nature of organizational life (Stones, 2005). I set this in the context of recent contributions in the strategy process and practice literature (Burgelman et al., 2018; Regner, 2008, Regner & Zander, 2011) and the micro-political perspective in IB (Dörrenbächer & Geppert, 2011; Geppert & Dörrenbächer, 2014). Specifically, the thesis addressed the following research questions:

How do embedded-embodied organizational actors make FDI decisions?

a- Who are the actors-in-context and actors-in-focus in the decision process?

b- How do their interactions and social relations shape the activities performed during the FDI decision-making process?

c- In light of the external structures of actions, which elements of the internal structures do organizational actors draw on in performing the different activities during the FDI decision-making process?

In summary, the research developed a model of the FDI decision process which is constituted by four interrelated and interwoven sub-processes, each consisting of distinct activities carried out by different actors in light of their internal structures, their MNE’s meaning structures and their external structural context of action. The sub-processes identified in this research are: sensing the opportunity, embedding the opportunity, evaluation and choice, and implementation. It is important to stress that these sub-processes are not discrete stages, rather they are intertwined and co-constitutive. For example, evaluative activities did not start after getting initial approval for the proposed FDI idea, rather actors started evaluative activities,
albeit unsystematically, as soon as they sensed the opportunity. And to embed the opportunity in their MNE’s agenda required actors to perform evaluative activities to be able to articulate their knowledge of the opportunity to the MNE’s decision-makers. In some cases when the FDI opportunity departed from the MNE’s existing strategies, and was sensed by the subsidiary actors, they skipped the embedding process and kept decision-makers at HQ in the dark until they were confident that they had sufficient knowledge of the opportunity which they generated through evaluative activities. Timing when to start selling the issue to decision-makers and who to inform initially was an important issue selling tactic performed by subsidiary actors (Dutton, et al., 2001).

Retrospectively, it was possible to identify these processes, but for actors acting from within the flow of activities and interactions, they do not necessarily experience the process in an orderly manner. From within the process, there is a looking-forward understanding-backward dialectic (Tsoukas, 2017) that keeps actors going. The future is uncertain and relatively open, yet actors feel constrained by existing structural arrangements, previous actions and interactions, and anticipation of others’ reactions (Shotter, 2011). The process therefore, despite uncertainty, is not directionless; actors acted based on a projective conception of the process and a desired outcome, informed either by the past and established way of doing things or an alternative desired future (Emirbayer & Mische, 1998; Kaplan & Orlikowski, 2013; Obstfeld, 2012; Strauss, 1993). How this projection takes place differed based on actors’ internal structures and their relations to their firm’s meaning structures and the structural context of action, and it shaped the way the process unfolded.

An FDI decision process can be viewed as a trajectory, which Strauss (1993, p.5) defines as:

a course of action, but also embraces the interaction of multiple actors and contingencies that may be unanticipated and not entirely manageable.

When actors sensed an opportunity, they devised, habitually or deliberately, a trajectory projection (Obstfeld, 2012) which is a conception of the desired FDI outcome and the required actions and interactions to achieve this outcome, and a trajectory scheme which is a plan that guides the actions and interactions to realize the desired outcome (Obstfeld, 2012). The trajectory projection and scheme represent the ostensive aspect of the process (Feldman & Pentland, 2003; Obstfeld, 2012). This is the generalized idea held by actors of what and how actions should be carried out (Feldman & Pentland, 2003). Therefore the ostensive aspect is shaped by actors’ internal structures and the structural context of action. On the other hand, the performative trajectory is the actual actions and interactions undertaken by actors to enact the trajectory scheme (Obstfeld, 2012). Actors’ activities and interactions represent the
performative aspect of the process, which is “the specific actions taken by specific people at specific time” (Feldman & Pentland, 2003, p. 101). The interplay between the ostensive and performative aspects gives form to the FDI decision process and shapes the order and content of the four sub-processes identified in this study.

The activities performed in each sub-process were geared towards two interrelated goals; coordination and cooperation. Coordination is concerned with the development, articulation, and translation of knowledge of the opportunity to other actors in the MNE, while cooperation has to do with the alignment of interests and therefore it can involve internal political activities to convince others to endorse the FDI opportunity. The extent to which the activities in the process were predominantly geared towards achieving coordination or cooperation was a function of whether the FDI opportunity was in line with the MNE’s meaning structures, or departed from it (respectively). Based on this distinction two types of FDI trajectories were identified in the sampled cases; an induced trajectory and an autonomous trajectory (Burgelman, 1983), and within each type, actors engaged in different activities. The differences between the two types were explained based on the interrelations between the actors’ internal structures, the MNE’s meaning structures, the interaction between the actors-in-context and actors-in-focus, and the external structures.

In the induced trajectory, the sensing of the FDI opportunity was guided by the MNE’s existing meaning structures—the institutionalized strategizing, organizing, and controlling practices (Mantere, 2005). Actors’ internal structures were in fit with the dominant MNE’s meaning structures and therefore their understanding and assessment of the external environment did not depart from the existing ways of doing things. Their activities therefore were temporally oriented towards the past by enacting established and shared organizational practices. The interpretation of the FDI opportunity was aligned with the MNE’s strategy, for example in case Zeus (in accordance with the MNE’s strategic focus on emerging markets) the European subsidiary identified an opportunity in the Russian market. Because the FDI opportunity was interpreted within the confines of existing structures, the actors who proposed the idea relied on existing routines to project the trajectory of the process and the required scheme to achieve the desired outcome. The performative trajectory—that is, the actual activities and interactions undertaken by actors, were mostly in line with the trajectory projection and scheme, with the exception of some permutations that resulted from contingencies in the external environment, and/or changes in actors’ evaluations based on the additional knowledge they derived as the process unfolded. However these permutations were not big enough to require a radical change in the FDI trajectory. The activities therefore were mostly focused on coordinating issues—that is on knowledge development, articulation, and translation between actors-in-context and
actors-in-focus, because of the fit between the FDI opportunity and the MNE’s shared meaning structures. That does not mean however that there was a homogenous view among actors regarding the FDI opportunity. There was disagreement among actors belonging to different functional backgrounds and different managerial levels, but they were easily resolved because of the existence of shared coordinative mechanisms which facilitated knowledge transfer and translation between actors. The FDI outcome was mostly exploitative (March, 1991) and adaptive (Regner, 2003) involving exploiting and building on current resources and capabilities. The sensing, embedding, evaluating, and implementing followed a more deductive logic because they were guided by the existing institutionalized organizational practices. Similarly the interaction between the actors-in-context and actors-in-focus was ordered and followed the existing organizing and controlling practices. Actors-in-focus had detailed knowledge about the possible reactions and perspectives of actors-in-context because of the existence of a strong identity and a relatively homogenous community which facilitated knowledge articulation and translation (Kogut & Zander, 1992).

In the autonomous trajectory, the sensing of the FDI opportunity emerged through acts of practical coping with demands from the external environment (Chia & Holt, 2006). These demands led actors to problematize their existing practices and thus took a reflective stance towards the MNE’s meaning structures. Because the FDI opportunity was found not to fit with the existing meaning structures, actors needed to engage in projective thinking to determine how they can embed the idea in the firm’s agenda. The ostensive trajectory therefore was more open-ended and fuzzy because actors-in-focus knew that the idea did not fit with the firm’s existing strategy and so if they followed the routinized process the idea would have been rejected. The performative trajectory was more inductive and the interplay between the ostensive and performative trajectory was more intense as actors kept re-framing the opportunity as a result of their ongoing actions. Cooperative activities were therefore more observable –that is selling and convincing the actors-in-context of the potential of the FDI opportunity. Political activities such as issue selling and framing constituted an important part of the process because the actors-in-focus and actors-in-context did not share the same goals and interests (Balogun et al., 2011; Conroy & Collings, 2016; Dörrenbächer & Gammelgaard, 2016). The communities in these MNEs were more diverse and so it was challenging to translate the knowledge of the FDI opportunity because of the absence of a shared meaning structure to facilitate knowledge translation. To gain endorsement for their initiatives, the actors-in-focus had to rely on a mixture of external and internal legitimizing techniques. The knowledge on the part of the actors-in-focus about the possible reaction of actors-in-context was not very detailed and it emerged overtime because there were no precedents to probe to deduce how the actors-in-context could
react. Therefore, the process unfolded through iteration between political activities to make sense of the actors-in-context possible reactions followed by re-framing of the opportunity to fit their expectations. I now discuss the contributions of the current study.

6.2 Contributions

The main contribution of this study is to enhance our understanding of how MNE actors make FDI decisions, a topic, which despite of its importance and centrality in the IB field and the consistent calls by scholars for FDI decision process research (Aharoni et al., 2011; Benito et al., 2009; Brouthers & Hennart, 2007; Buckley et al., 2007; Hennart & Slangen, 2015; Hutzschenreuter et al., 2007), has been addressed by only few scholars (e.g. Aharoni, 1966; Larimo, 1995; Maitland & Sammartino, 2015). The study builds on and expands on Aharoni’s findings in several ways. The findings confirm Aharoni’s argument that the FDI decision process is both social and political. The study further extends his ideas by explicating additional political activities such as issue selling and framing, and through providing an explanation of how social interactions between actors-in-focus – (those who propose the idea) - and actors-in-context – (those who evaluate the idea) - shape the trajectory of the FDI decision process. Aharoni’s original study focused mainly on FDI decisions which emerged and were pursued by HQ actors, probably reflecting the empirical reality of his time. The current study brings attention to the role of MNE subsidiaries in sensing and proposing new FDI opportunities, an issue that was hinted at in the Uppsala model but whose underlying processes were not explicated. The distributed and situated nature of knowledge and action (Tsoukas, 1996), and hence the potential misalignment of interests between HQ and subsidiaries (Geppert & Dörlenbächer, 2014) can make the FDI process to take particular trajectories, and the making of those trajectories is an important topic to be investigated because it touches upon how new knowledge gets created in the MNE (Regner & Zander, 2011). The current study contributes to this line of thinking by identifying two types of FDI trajectories; induced and autonomous, (following Burgelman, 1983), with each consisting of distinct types of activities and different interactions between actors in the MNE. This further contributes to the FDI and internationalization literatures by highlighting that decisions are not always incremental and path-dependent as suggested by the Uppsala model (Johanson & Vahlne, 1977). Instead, tensions between the actors’ internal structures, the MNE’s meaning structures, and the external environment can lead actors to take a more reflective and critical stance against the existing ways of doing things and thus depart from the MNE’s existing internationalization strategy. This offers a more expansive view of actors’ agency which accommodates both evolutionary and
managerially active perspectives (Regner, 2008; Steen & Liesch, 2007). Structuration thinking was particularly relevant to examine these co-constitutive processes.

The study also contributes to IB and can be used to show the potential application of structuration thinking and specifically of SST (Stones, 2005) to explain MNE’s actors conduct. The application of SST in the current study was in the context of FDI decision processes, but the SST framework has potential to be applied to explain other IB phenomena such as internationalization processes over long periods of times, HQ-subsidiary relations, strategic and organizational change in MNEs, and strategy process and practices, among other issues. SST provides a much needed approach in IB to overcome the disposition towards deterministic and structural-functionalist perspectives which overlook the role played by MNE actors’ agency (Geppert & Dörrenbächer, 2014; Hutzschenreuter et al., 2007; Piekkari & Welch, 2010). I now discuss in more details the theoretical implications of the findings

6.3 Theoretical implications and direction for future research

In the previous section, I discussed the general empirical and theoretical contributions of the thesis to the extant IB literature. In this section and building on the thesis findings and conclusions, I highlight some additional contributions with a focus on providing implications for three of the central constructs in FDI research; distance, entry mode, and location choice to indicate possible directions for future research.

6.3.1 Distance in IB research

Neglecting the processes through which FDI decisions are made in MNEs has implications for the way we conceptualize many of the central concepts in the IB literature. One of these concepts is the notion of distance (see Hutzschenreuter Kleindienst, & Lange, 2016 for a recent review), a concept so central to the extent that Zaheer, Schomaker and Nachum (2012) argue that “[e]ssentially, international management is management of distance” (p. 19), and yet many scholars have raised concerns about the way distance is conceptualized and measured in the IB literature (Shenkar, 2012; Zaheer et al., 2012). Distance simply refers to differences between two countries (Hutzschenreuter et al., 2016) such as cultural distance (Kogut & Singh, 1988) economic distance (Ghemawat, 2001), institutional distance (Kostova, 1999; Kostova & Zaheer, 1999; Xu & Shenkar, 2002), and psychic distance (Johanson & Vahlne, 1977; Johanson & Wiedersheim-Paul, 1975) which arguably posit obstacles for the flow of knowledge between the MNE and the foreign market (Johanson & Wiedersheim-Paul, 1975). These obstacles makes the establishment and management of cross-border activities challenging (Johanson & Vahlne, 1977; Vermeulen & Barkema, 2002).
IB scholars have investigated the effect of distance on several phenomena related to MNEs such as entry mode decisions, location choice, and knowledge transfer (Kostova & Roth, 2002; Tihanyi et al., 2005). Besides the challenges and divergent approaches in operationalizing and measuring the different dimensions of distance, two issues are particularly problematic in the distance literature. The first is the disagreement regarding the appropriate level of analysis. The majority of studies rely on objective country-level distance measures (Kogut & Singh, 1988). On the other hand, others argue that relying on subjective measures is more accurate since managers make decisions based on their perceptions of distance not based on objective country differences (Child et al., 2002; Sousa & Bradley, 2008). The work of Aharoni (1966) and subsequent contributions from the Uppsala school (Johanson & Vahlne, 1977) support the latter argument. But still there are also difficulties in this approach. As Hutzschenreuter et al., (2016) note, and as the findings of the current research shows, perceptions are not homogenous within the MNE, and they differ based on actors’ background, location, and role. The decision process is distributed and therefore it is hard to rely on a single manager as a source for subjective perceptions. Not only that, perceptions are also not stable, they change over time and also during the decision process. Evaluations and perceptions build up over time and are the result of various activities and interactions between actors situated in different places and levels within the MNE and therefore it is hard to reduce these processes to a specific individual or a point-in-time decision.

The second issue that is particularly relevant for research on FDI decision-making is which country should be taken as the reference point in the analysis (Hutzschenreuter et al., 2016). In FDI research it is easy to decide on one of the country pairs, which is the target host country, although that this does not take into consideration the alternatives which were considered by MNE’s actors. The other country of the pair is more problematic in the context of IB research, should it be the home country of the MNE or the last country which the MNE has entered, or maybe go one level down and focus on the firm level instead? Underlying these debates are divergent assumptions about the impact of the home and host institutional environment on MNEs’ structures and practices, the role of HQ in decision-making, and the knowledge structure of the MNE.

The majority of the studies on distance take the home country of the MNE as their point of departure. But as I showed in the findings, FDI ideas do not necessarily emerge in the HQ, in the majority of the cases the idea emerged in subsidiaries and even though the final authorization decision is made by the HQ, it cannot be reduced to HQ actors’ perceptions as it is a result of a long process of interrelated activities and interactions by diverse actors at HQ and subsidiaries. Another group of scholars have suggested that distance should be assessed based on the last
country the MNE has entered, others argued that it should be calculated relative to all the countries in which the MNE is embedded (Clark & Pugh, 2001). Hutzschenreuter and Voll (2008) proposed the idea of the closest neighbour approach, in which distance should be measured between the closest neighbour to the target host country. In all these approaches however, it is assumed that knowledge flows perfectly from subsidiaries to HQ and other subsidiary actors. Or that subsidiary actors who acquired new knowledge are the ones making the investment decision. Both assumptions have been questioned by previous studies and by the findings of the current research.

I argue that we need more qualitative research that investigates how distance is enacted by organizational actors during the decision process. As I showed in the discussion of findings in Chapter 5, distance and perceptions of the external environment of the target host-country were enacted differently by the different actors in each MNE. Perceptions of distance were not homogenous within the MNE and each group of actors focused their attention on different dimensions of distance. Perceptions of distance are socially constructed as a result of the actors’ embeddedness in specific institutional, organizational, and intra-organizational contexts. Because of this embeddedness, actors within the same MNE develop different knowledge through engaging in distinct practices and by being constrained and enabled by different structures, they relate to the external context of action, of which distance is an element, in different ways. An example is case “Horus” in which the Egyptian subsidiary actors considered the risky environment in Sudan as an everyday routine because of their experiences during the Egyptian revolution and also because they are responsible for the Iraqi and Syrian market. But actors in the regional HQ in Dubai didn’t share the same view which complicated the process. Thus it could be argued that distance does not manifest uniformly on MNE’s actors rather it could be said that it is negotiated in practice.

From the findings, the negotiation of distance took two forms according to the two different trajectories of FDI process identified in the study. When the FDI decision was induced and adaptive there was less disagreement over perceptions of distance but that still does not mean that the actors had a homogenous view of distance rather that gaps in perceptions were bridged more easily because of the existence of certain structural elements that acted as boundary objects for knowledge translation. Negotiation of distance in that sense was driven by coordination of meaning that is it involved activities of knowledge articulation and translation. Two scenarios were found in the case studies. The first, when the FDI idea was induced and emerged in the HQ, actors diverged in their perceptions based on their functional roles and their managerial level. Functional differences led to actors focusing on different dimensions of distance. These were relatively easily resolved because actors were embedded in the same institutional
environment, they shared the same organizational identity, and their knowledge of each other’s perspectives were enhanced due to consistent face-to-face interactions. Finally, the establishment of a cross-functional team which worked on the FDI decision helped in translating knowledge through utilizing common project structures and tools. The second scenario was when the FDI idea was also induced but emerged in the MNE subsidiary. In this case, gaps in perceptions were bridged by subsidiary actors by first framing the FDI idea within the confines of the existing strategy. And by relying on the existing organizational practices in assessing the target market. Finally in both scenarios, middle managers and other actors who sensed and worked on collecting knowledge about the potential host market translated their tacit understanding of distance related dimensions to top managers using standardized methods, templates, and procedures for analysis to fit the evaluative practices of top management.

In the second trajectory, when an FDI idea was autonomous and emerged in the MNE’s subsidiary, negotiation of distance was geared towards cooperation that is subsidiary actors’ goal was to convince HQ actors to endorse their idea. But the perception gap was big because not only the two groups of actors were embedded in different locations and have different knowledge, but also the FDI idea departed in some way from the MNE’s strategy and existing ways of doing things. Subsidiary actors in this scenario were more political in their activities. Subsidiary actors knew that HQ actors do not know what subsidiary actors know. Not only that but that also they do not know that they do not know it (Ciabuschi et al., 2011; Forsgren & Holm, 2010). They simply do not see what they see. One approach that subsidiary actors did was to downplay their knowledge and align their perceptions with HQ actors’ perceptions because they knew that otherwise their proposal will not be accepted. These findings provide an interesting avenue for future research to further investigate through in-depth qualitative studies how these interaction dynamics aggregate to shape FDI decisions.

6.3.2 Entry mode and location decisions

Extant literature on FDI entry mode and location decisions has advanced our understanding of the determinants, at different levels of analysis, which shape MNE choices. But studying the underlying decision process has been neglected and calls for process research into these issues have been a ceremonial practice which rarely materializes. This neglect has been attributed to the difficulty of getting access to MNEs (Maitland & Sammartino, 2015). But it also has to do with a disposition in IB research towards variance thinking and hence quantitative methods (Delios, 2017).

The overarching emphasis in entry mode and location choice research has been on trying to discover law-like relations between specific factors and specific entry mode choices and location
decisions. This approach has certainly provided great insights about these decisions. For example, reacting against the tendency to lump different types of resources together and examining their influence on establishment mode choice, Klier et al., (2017) proposed a framework that differentiates between the effect of different knowledge-based resources such as technological and marketing resources, and experience-based resources such as international experience, host-country experience and establishment mode experience, on an MNE’s establishment mode choice. Building on institutional theory, Ang, Benischke and Doh (2015) show how MNEs imitate ownership modes in foreign market entry and how such imitation is interactively shaped by the other regulative and normative pillars of the institutional environment, and therefore they go beyond earlier studies which examined the impact of the institutional pillars on entry mode choices in isolation. In addition to these theoretical advances, scholars also started to reflect upon how to conceptualize the foreign market entry decision (Brouthers & Hennart, 2007; Hennart & Slangen, 2015; Slangen & Hennart, 2007). Despite the important contributions of this approach, it also led to neglecting process issues related to temporality and the detailed description of managerial activities and interactions which underlie these decisions. Hennart and Slangen (2015) proposed an inductive approach “where the decision of what to include in the choice set is driven by managerial practice” which is particularly appropriate “if one aims to explain actual managerial behaviour as precisely as possible” (p. 119). It is this inductive, and I propose qualitative, approach that I argue is needed to further advance our understanding of entry mode and location decisions. The detailed descriptions of the decision process can help quantitative researchers who rely on deductive approaches to reflect on many of the taken-for-granted assumptions that underlie their theories. The first implication of my research, and the reason why I discuss entry mode and location decision under the same heading before I turn to each one separately, is that for MNE actors these two decisions are part and parcel of the same decision situation. Yes sometimes they are made sequentially, but also sometimes they are made simultaneously, and in other times entry mode decisions do not involve an explicit rational assessment but instead are enacted in a habitual fashion as a result of a routinization of a certain entry mode (Benito et al., 2009). Previous research on entry mode starts with the assumption that MNEs choose the location first and then the appropriate entry mode and then MNEs choosing equity-based modes then decide on the ownership mode and the establishment mode, but as Hennart & Slangen, (2015) argue these are unsubstantiated assumptions. The findings of the current research suggests that we need more qualitative studies that examine the relation and sequentiality of the two decisions. Some of the patterns observed in the findings are as follow. In some cases, MNEs actors decided on the entry mode first, for example that they wanted to establish a fully-owned production
facility abroad and then started considering possible locations. In this case, the location choice was shaped by the preferred entry mode. In other cases, the location was chosen first and then entry mode considerations later. Yet in other cases, there were iterations between both decisions as the process unfolded due to actors’ activities and interactions and changes in the structural context of action.

**Entry mode research**

Regarding the entry mode decision, the findings suggest the following. When the FDI decision was induced, the entry mode choice was largely shaped by the MNE’s existing practices. Overtime, MNEs developed preferences for certain entry modes through their previous international experience (positive and negative) and these preferences became embedded in the form of organizational meaning structures (e.g routines) which influenced actors’ dispositions and practices towards certain modes over others. Because the FDI idea was largely in line with the existing strategy and the prevailing organizational practices, the choice was habitual and guided by past decisions and dominant practices. This was clear in the cases where the actors said that they did not even consider alternative modes because this was the way they do things. Some respondents referred to industry standards which required them having full control over their subsidiaries to ensure compliance and therefore alternative modes were not even discussed, others referred to negative experiences with specific modes such as JVs and so overtime they decided to only rely on fully-owned modes. This does not mean however that these choices are taken automatically, rather there were situations when these practices conflicted with the specificities of the external structural context of the FDI decision and therefore actors had to take a reflective stance and evaluate whether they need to change their mode choice. In this case, changes in the external environment forced the actors to reconsider their routinized entry mode. In case “Zeus” for example, the MNE had a routine model they follow which start with exporting, establishing sales and subsidiaries, then after gaining experience in the market they progress through a JV, acquisition or a greenfield investment. A fire at their potential JV partner site made them reflect on this choice, and because they have been investigating the decision for a long time, they thought they already know enough about the Russian market which allowed them to skip the JV routine.

When the FDI idea was autonomous, actors were more reflective of the entry mode choice because they knew that their FDI idea did not fit with the existing strategy and the prevailing organizational practices, and therefore they needed to think about how to choose a mode which fits with the emerging opportunity that they identified and at the same time satisfies the demands of the decision-makers in order to approve their proposals. The entry mode choice in this case
was not only evaluated in terms of its efficiency requirements but also as a political tool in its own right which actors used to legitimize their ideas’ fit with the MNE’s structure. This distinction between induced and autonomous FDI decisions adds more depth to the model of mode choice proposed by Benito et al., (2009). The habitual dimension in the induced FDI is consistent with their emphasis on learning dynamics and path dependency. While the autonomous FDI provides a view of a more reflective approach to the entry mode decision. Finally, it is also clear that the entry mode decision is not a point-in-time decision as it is often portrayed in extant research, nor is it “a once-and-for-all activity” as portrayed by TCE perspectives (Argyres et al., 2007, p. 4). Rather there are changes that take place in the external environment over time that shape actors’ assessments. And actors themselves learn about the foreign market as the process unfolds. This process of within decision process learning has been ignored in the FDI literature, which traditionally use proxies for learning and experience based on previous decisions, but this does not capture what actors learn as they are evaluating the investment. In OT, Lumineau et al., (2011) have studied the learning that takes place during the contracting process rather than just learning that happens between contracts. Future studies can follow this approach in the context of entry mode choice to further our understanding of different processes of learning during the decision process.

**FDI location choice**

FDI location choice research has experienced a surge of scholarly interest since the influential call by Dunning (1998) to pay more attention to the spatial distribution of MNEs activities. There are many theoretical perspectives which aim to explain location decisions, and researchers have identified numerous determinants at the managerial, firm, industry, host-country and regional levels that affect FDI location choices (see for recent reviews Jain et al., 2016; Kim & Aguilera, 2015; Nielsen et al., 2017). As these reviews suggest, the findings are not conclusive, and many scholars have reported inconsistent findings. This points out to the methodological challenges and differences between researchers’ practices, and also that the location choice is highly contextual and MNEs are heterogeneous in their evaluations of FDI locations. My aim in this research was not to identify the influence of specific location determinants, but rather to examine how managers approach and construct the decision situation in light of their embeddedness in different social structures. The implication of the findings of this research is that actors hold different perceptions of the different locations and focus on different dimensions of the potential host country based on their internal knowledge structures which is shaped by their embeddedness in different intra-organizational, organizational, and institutional fields. Different MNEs and different actors within the same MNE therefore saw different opportunities in different locations. This is consistent with Zaheer and Nachum (2011) argument that
“locations are more than physical places and have identities that evoke distinctive meanings to different observers” (p. 97). Thus the value of a specific location to an MNE emerges from the capability of the MNE actors through their cognition and action to recognize the potential opportunities in a location. This suggests that location values are (partly) endogenously created by actors rather than (fully) exogenously given to firms (Zaheer & Nachum, 2011).

The findings also highlight implications for the process of FDI location decision. As Buckley et al., (2007) note, extant FDI location research do not take into account the alternative locations which MNEs’ actors take into consideration, or whether they do actually develop alternatives or not. I found that there were different approaches in MNEs’ decision processes. In some cases there was no consideration of alternative locations, rather actors focused on the location in which an opportunity was identified. In other cases, actors actively developed different alternatives and engaged in evaluative practices in light of their internal and external structures. Yet in other cases, alternative locations were included in the proposal as a rationalization of the choice and to legitimize their choice to top management, knowing that their evaluative practices require the existence of a comparative evaluation between locations. When the FDI idea was induced, actors developed and evaluated different locations, and they worked deductively guided by their organizational strategy and the external environment to settle on a location. When the FDI was autonomous, in most of the cases the focus was on a specific location in response to the opportunity that they identified in this market. In some of the cases, evaluation of possible alternative location was added in the final stages of the proposal to legitimize and rationalize their decision. Thus the findings suggest that the process of location choice is far from being a straightforward process of developing and evaluating alternatives as implied by extant research. Future studies can delve deeper into these processes through qualitative research, and/or can examine the performance effects of the different approaches to location choice identified in the research.

6.4 Methodological implications

The research design used in this study is not novel or ground-breaking. The multiple case study approach is a well-established design that is commonly used in qualitative studies in the IB literature (Welch et al., 2011). However, the findings of this research have several methodological implications for both quantitative and qualitative research. For quantitative research, the detailed description of how FDI processes unfold in MNEs can provide important insights for research design. For example, it is widely assumed in FDI research that the decision is made by the HQs (Buckley & Casson, 1976, Buckley et al., 2016), with the home country taken as the point of departure for several constructs such as cultural and institutional distance.
But as this research shows, in many cases the FDI idea was developed, and the organizational work undertaken to make sense and evaluate the different dimensions of the environment were performed by subsidiary actors. Also, the distributed nature of organisational action can pose challenges for researchers who rely on surveys using subjective measures. Many researchers for example send their surveys for single respondents in each case firm, usually CEOs, CFOs, or another high ranked manager (e.g. Brouthers 2002; Ji & Dimitratos 2013), this assumes that those key informants can provide accurate information on the key dimensions upon which the decision was made. But this is a very simplified image of how decision-making takes place in MNEs. As I showed in the findings, most of the work was done by middle managers and often the proposals, based on which top management take their decisions, are rationalizations of what was in fact a messy process. Thus, top managers might be able to provide a justificatory account of why the decision was made but the process through which the different factors emerged and how the evaluative work unfolded will be lost from the analysis. These arguments point to two crucial issues regarding research design: methodological separatism (Marschan-Piekkari et al., 2004; Yeung, 1995) and the focus on “elite” and top managers’ vs middle managers (Welch, et al., 2002).

Methodological separatism refers to the practice of collecting data from a group of actors in one unit (department, subsidiary, etc.) and/or one level (top management, middle management, operational managers), and not others despite them being a constitutive force of the phenomena under study. The former is especially problematic for IB researchers since it obscures the complexity of the MNE terrain, that is a space where knowledge and action are distributed and where actors’ practices can differ because of their embeddedness in different structural contexts of action. If Regner (2003) had focused for example only on central actors or peripheral actors in the MNEs he studied and not both, the strategy practices that he reported would have been one-sided. Similarly, in the current study a focus on only HQ or subsidiary actors would have led to a very different story from the ones reported. Thus, for both quantitative and qualitative researchers reflecting upon who are the actors involved in the phenomena of interest prior to data collection is important. This is not only because as Marschan-Piekkari et al., (2004, p. 254) highlight that, when studying certain MNEs activities, HQ managers can be “mistaken about the ‘reality on the ground’” but also because the differences in perspectives can tell us many things about the heterogeneity of actors’ practices, structures, and contexts of action within the same MNE and the interactional dynamics which result from these differences. Marschan-Piekkari et al., (2004) suggest unit triangulation by collecting data from several sites, of course when the phenomena under study is constituted by actors in different units. Whether triangulation here means coalescing on a unified account of the phenomena or is taken to enrich the account and
provide a polyphonic view of the MNE will depend upon the researcher’s onto-epistemological assumptions and the purpose of their study.

The same arguments also apply regarding the managerial level that we should focus on in our research. IB research on FDI which relies on surveys and qualitative research which relies on interviews have often focused on top management as their main source of data. This reflects some deep-seated assumptions about the role of top management in running the MNE (Forsgren & Holm, 2010). It presumes that top management, especially those in the HQ, possesses a god’s eye view of the firm’s operations (Ciabuschi et al., 2011). As valuable as these perspectives are, especially when the purpose of the research is to examine the influence of top management such as Upper Echelons theory (e.g. Nielsen, 2010), still however when the purpose is to explain decision process issues the focus on top management exclusively can be problematic. As the findings of this thesis show middle management (whether at HQ or in subsidiaries) plays a central role in the FDI process. These findings are also supported by research in strategy process and practice (Burgelman et al., 2018) which demonstrates how middle managers can shape the firm’s strategic agenda in different ways (Balogun & Johnson, 2004; Dutton et al., 2001; Floyd & Wooldridge, 1992; Mantere, 2008; Regner, 2003). Thus, focusing on actors at different levels in the MNE and their interactions can enhance our understanding of MNE’s actions.

There are also some implications for qualitative research which aims to examine process phenomena. Important in this endeavour to ensure that the onto-epistemological assumptions are aligned with our methodical practices (Thompson, 2011). Adopting a process ontology requires a similar epistemological shift in terms of the concepts that we seek to construct and employing methods that allow us to capture notions of emergence, indeterminacy, temporality, and relationality that are basic to process thinking (Tsoukas, 2017). This often requires an immersion in the field and relying on ethnographic methods. But ethnography is challenging for IB scholars who often study distributed processes that might take place in different countries and phenomena such as FDI which are hard to identify when it will occur except retrospectively. As I argued in detail in Chapter 3, narrative interviews can provide a solution for this dilemma as it allows respondents to re-live past experiences and so narratives come close to observations (Czarniawska, 1998). Several scholars have highlighted the importance of narratives both as an interview style (Czarniawska, 1998; Gertsen & Søderberg, 2011) and as an organizing device employed by organizational actors in the social construction of organizations (Czarniawska, 1998; Gabriel, 2000). Middleton et al., (2011) investigated how managers organize time in their internationalization narratives. Haley & Boje (2014) focused on how MNEs create narratives of internationalization to manage the risks arising in foreign locations. Vaara & Tienari (2011) showed how narratives can be mobilized as a legitimation device during a cross-border merger.
In the current study I relied on narratives as an interview technique, which I argue is particularly useful when the goal is to examine process issues. Compared to the question-response interview method, the narrative interview gives respondents the chance to re-enact their own experiences of the events rather than imposing an *a priori* framework in a way that circumscribes what was unique for them in the flow of events. Thus in the absence of access for observation, narrative interviews can be useful in getting at a reconstruction of how actors experienced the process.

Reflecting on the interviews that I have conducted, I also find some support for the remarks made by several scholars that age plays an important role in shaping the dynamics of the interview (Welch et al., 2002). Reflecting on his interviews, Parker (2000) noted that he was treated as a junior researcher by older interviewees and as a “confidante” (cited in Alvesson, 2003, p. 19) by interviewees closer to his age. I noticed that in interviews where there was a seniority gap, many respondents tended to take a “paternal attitude” (Welch, et al. 2002, p. 621), specifically three of the respondents were very helpful in terms of helping me accessing other respondents in their firms, and even offered to help me in contacting other firms. On the other hand, two of the interviewees who were about my age were dealing with me very informally and were more open to sharing detailed interactions with other actors during the process. Overall, this supports Alvesson (2003) argument that interviews are not only instruments, as it is assumed in neo-positivist perspectives, for collecting factual data about the respondents’ perspectives, but rather they are sites for knowledge production, and therefore the researcher need to be reflective of issues of interaction dynamics with interviewees.

### 6.5 Managerial implications

The relevance gap between theory and practice is a central concern in both the OT (see Kieser, Nicolai & Seidl, 2015 for a review) and IB (Buckley, Doh & Benischke, 2017; Delios, 2017) fields. Some scholars argue that researchers and practitioners are embedded in different systems of science and practice respectively and operate under different logics and therefore the relevance gap is unbridgeable, but the interactions create provocations that could be useful to both theory and practice (Keiser & Leiner, 2009). Others suggest relying on collaborative research and different forms of action research (Van de Ven & Johnson, 2006).

Positivistic views of the relevance gap issue consider the problem to be either a failure of theory or failure of practitioners’ use of theory and suggest better communication between researchers and practitioners. But several scholars have argued that the relevance gap is a result of the dominant way of theorizing and the underlying onto-epistemological assumptions of traditional perspectives in which researchers aim to abstract from the complexity of practice in the search for generalities and law-like explanations (Shotter & Tsoukas, 2011; Tsoukas, 2017).
Numagami argues that many scholars in this camp seem to be “playing a game of nomothetic research procedures without believing in the existence and dominance of invariant laws.” (1998, p. 4). In doing so, traditional perspectives are forced “to dispense with the contingent experience of empirical diversity to identify, under controlled conditions, universal principles” (Tsoukas & Dooley, 2011, p. 730). And as Numagami shows through his game experiment due to people’s ability to reflect on their own and others conduct, most law-like regularities are perishable. But what is more problematic is that this approach fails to capture the “understanding backwards-living forward” (Tsoukas, 2017, p.134) dialectic that practitioners experience in their daily lives. As people who are thrown in organizations, the view prospectively from within the situation is qualitatively different from the explanations that we provide after the fact (Shotter, 2011). After the fact explanations offered by traditional perspectives fails to capture the uncertainty, the interactions, and the open ended nature of events that practitioners experience when they act prospectively (Shotter & Tsoukas, 2011).

The aim of process approaches is to capture this complexity and seek to “restore the past to its own present with all its incoherence, complications and “might have beens”” (Weick, 2007, p. 17). Thus, rather than portraying organizational phenomena as a fait accompli, it tries to capture how it was like for practitioners to experience the event for the first time (Tsoukas & Chia, 2002). Shotter and Tsoukas (2011) call this approach theory-as-therapy as it seeks to make agency more visible to actors. Reflective theorizing provides an opportunity for actors to reflect on their own practices and therefore help them notice what in the flow of every-day life they might otherwise take-for-granted.

An example of such theorizing in IB is Lamb et al., (2011) study of small-business internationalization through phenomenography, in which they do not provide law-like explanations of firm’s internationalization but rather they show managers that their understanding matters in the way their firms’ internationalization unfold. By showing that the way managers understand and enact their international environment is recursively related to their internationalization activities, they bring to managers’ attention the agentic role that they play and hence enhance their reflective capacities. Weick captures this process by his concept of enactment and therefore he reminds actors of the implications of the work that they do, he writes:

There is not some impersonal “they” who puts these environments in front of passive people. Instead, the “they” is people who are more active. All too often people in organizations forget this. They fall victim to this blind spot because of an innocent sounding phrase, “the environment”. The word the suggests something that is singular
and fixed; the word environment suggests that this singular, fixed something is set apart from the individual. Both implications are nonsense (Weick, 1995, p. 31–32).

Similarly, in the current study, my purpose was to provide a detailed description and explanation of how FDI decisions are made in MNEs. By explicating the activities and interactions which take place during the process, and the structures which enable and constrain MNE’s actors’ actions to take different relations to their structural context of actions, this study offers practitioners an opportunity to be reflexive of their own activities, and to take stock of the agentic role that they play in shaping the trajectory of their firms’ actions. The heterogeneous contexts which actors have faced in the sampled cases offer opportunities for practitioners to relate to those managers’ experiences and reflect on their own practices. I show for example how FDI ideas can sometimes face resistance by HQ actors. Also, ideas sometimes emerge through encounters between subsidiary actors with actors from the HQ. These encounters can be systematized by MNE’s actors to recombine the knowledge possessed by subsidiaries and explore opportunities that might go unnoticed by decision-makers at the centre of the MNE.

6.6 Policy implications

The thesis also provides several practical implications for policy-makers. Under the assumption that FDI can have positive impacts on national economies, governments started to engage in structural reforms to attract MNEs investments. Tax incentives, for example, seems to be a popular choice, which often lead to a bidding war among nations to attract FDI. But previous research has provided mixed findings regarding the effectiveness of such scheme. Indeed, it was the ineffectiveness of these tools that stimulated Aharoni’s (1966) interest in studying the FDI decision process. According to the dominant classical theory of capital investment at his time, tax incentives should make investments more attractive because they promise a higher rate of return. This was not what he found in the cases that he studied, and he found it difficult “to reduce these decisions to a neat mathematical explanation and very difficult to portray a simple description of the way decisions were reached” (Aharoni, 1966, p. viii). It was instead a process that is shaped by the social structure of the firm, the characteristics of decision-makers, and their interactions which form an entangled whole that shapes how they search for information, and develop and evaluate alternative locations for their FDI. Similarly, in the current study, tax related issues tended to surface in later stages of the FDI decision process and was considered as a routine aspect of a standard due diligence activity. This is not to say that tax incentives and structure do not matter, but in the sampled cases the initial impulse was strategic whether in terms of continuing or departing from the MNE’s strategic direction.
Aharoni suggested that governments should develop a marketing strategy, and to consider their countries as a product to be marketed for investors, an idea that was later developed by marketing scholars (Kotler & Gertner, 2002) under the notion of place and nation branding (Jacobsen, 2009). Aharoni (1966) suggested that governments should create a good country image, and that rather than passively wait for investors, they should actively pursue MNEs and suggest projects for them. This is because as he argued MNE’s decision-makers often engage in problemistic search- they search for solutions in the vicinities of already known familiar parts of experience (Cyert & March, 1963), and as such, governments should make investment opportunities known to them. He also suggested that governments should reduce the cost of information search for MNEs, and he is among early scholars who advocated for the establishment of investment promotion agencies (IPAs) and one-stop shops to help MNEs in their search and evaluation processes. The establishment of IPAs is by now a common practice. By 2001, UNCTAD reported that there was more than 160 national and more than 250 subnational IPAs. Young, Hood & Wilson (1994) and Wells & Wint (1990) argued that IPAs should engage in image-building activities, investment generation, provide assistance to investors, grant incentives schemes, and possibly participate with governments in developing FDI policies. The literature has provided mixed findings regarding the effectiveness of IPAs, while some scholars have found that IPAs lead to more FDI inflows through reducing MNEs transaction costs during entry (Lim, 2008; Wells & Wint, 1990), others did not find a significant relationship (Kindra, Strizzi & Mansor 1998; Wint & Williams, 2002). The findings suggest that IPAs played a role in the process, however they were not a major reason for the investment nor did they provide a trigger for the initial sensing of the opportunity. Rather their role was mainly to provide general information regarding the institutional environment, and later in the process they helped some MNEs in speeding up the establishment process. Thus, their role was mostly focused on helping MNEs. It should also be noted that MNE actors do not rely solely on IPAs to understand the host market, they also talk to their business networks, their embassies and home IPAs, and they do site visits to get a feel of the country. It sounds logical therefore that IPAs should not oversell their country’s potential as this can potentially lead to negative results.

I would argue that for IPAs to be effective, their activities need to be developed based on observed rather than assumed MNE behaviour (Aharoni, 1966). Much of the literature on IPAs is built around the view that MNEs’ FDI decisions are a rational, linear process in which decision-makers first develop a list of possible locations, then rationally evaluate all the alternatives (e.g. Harding & Javoric, 2011). It is assumed that decision-makers go through the same process, and they conduct their search and evaluation activities in a uniform way. A far
more nuanced strategy could be developed by IPAs if we understand the heterogeneous practices that MNEs actors undertake when they consider an FDI, how they enact and slice up the host nation environment, how they search for information, who do they talk to, and the internal dynamics between the actors within the MNEs. For example, several IPAs target CEOs in their promotional activities, but it is usually middle managers who develop opportunities, search for information and provide recommendations for top management, so it could be argued that it is more cost efficient and probably also effective to target middle managers. It is also assumed for example that FDI decisions are solely made by HQs, thus for example if a country wants to attract investments from US MNEs, their promotional efforts should be directed towards the US market. But as my findings show, in many cases the FDI idea emerged and was pursued by MNEs subsidiaries that wanted to expand into nearby countries. Thus, it can be more effective for IPAs to target those subsidiaries because they are embedded in less institutionally and culturally distant environments which makes their perception of the host nation more favourable. Targeting foreign subsidiaries in nearby countries therefore might provide a shortcut for IPAs in their efforts to attract FDI. To conclude, as Aharoni (2010, p.94) suggested “policies should be tailored to influence actual as opposed to an assumed behavior”.

6.7 Limitations

Like any study, there are several limitations in this thesis. The qualitative case study approach adopted here limits the generalization of the findings. The purpose of the research was to provide a detailed understanding of the FDI process with attention to the practices and activities of MNE managers in a specific context. In this approach therefore emphasis was placed on contextualization and rich descriptions rather than generality and simplicity. Moving from the substantive theorizing that is provided here to general theory therefore should be approached cautiously. Nevertheless, the framework developed in this study is based on the similarities and differences between the MNE cases regarding the unfolding of the FDI process. Future studies therefore can build on the proposed framework while remaining sensitive to the contextual specificities of their research questions and context.

It could be argued that the sampled MNEs are too heterogeneous and therefore offer a poor basis for a cross-case comparison. This would be true of course if the purpose of the study was to offer a variance explanation of the phenomena. There are different approaches regarding case selection. One approach suggests selecting similar cases in terms of institutional, industrial, and organizational factors to account for the variation in context. Others argue that having extreme cases, or a more heterogeneous sample can allow researchers to observe similarities and differences in practices and activities across heterogeneous contexts (Molloy & Whittington,
2005; Pettigrew, 1990). I have opted for the latter approach because it was more in line with the exploratory purpose of the research, and so I have included MNEs from different industries, with different size and international experience, and with different target FDI host countries. Although this approach limited the generalizability of the findings, it fitted with the purpose of the study in providing a rich account of managers’ activities in different structural contexts of action. Future studies can rely on a more homogenous sample to investigate the influence of institutional, industrial, organizational, and/or investment-specific factors on the generality and variation of processes and practices of FDI decisions.

An alternative design is to rely on a single embedded case study. But for the reasons that I have discussed in chapter 3, this approach was not possible. Still however I believe that such design can be very useful in furthering our understanding of the FDI process in MNEs. Examining several FDI decision processes in a single MNE over time will allow us to see how the same group of actors at HQ might respond to different FDI ideas differently for example, and how actors within the same MNE but who are embedded in different locations and roles can develop different FDI opportunities and rely on different practices to embed their ideas into the MNE’s agenda. Adopting this design can be further enriched through using ethnography which leads me to another limitation in the current study.

The narrative interview technique adopted in this study allowed me to collect a rich account of the FDI process in the sampled MNEs. But this approach also has limitations. First, the narrative approach is limited in terms of capturing the temporal interplay between the past, present, and future in the unfolding of actors’ activities. Although, the stories provided by respondents showed how actors related to the past and the future in conducting their present activities, still these accounts were provided after the fact and therefore they were inescapably reconstructions of what have already happened. Second, as it is the case with any retrospective account, biases resulting from actors’ rationalization of their actions and memory issues are inescapable. I have tried to minimize these issues by relying on multiple respondents to enrich the case story and provide different perspectives. Observation can overcome these issues and certainly provide a very rich account of the FDI process. There are certain activities which are hard to capture through in-depth interviews such as how actors make the calculations in their assessments of FDI, the detailed practices of collecting information, the host country visits, the interaction in strategy meetings (Jarzabkowski & Seidl, 2008), turn taking in strategy conversations (Samra-Fredericks, 2003), and the use of material objects in discussions (Molloy & Whittington, 2005).

Practice perspectives have made great contributions in these areas through immersing themselves in the field and conducting rich ethnographic work (Vaara & Whittington, 2012), an approach that is rarely adopted in IB studies on internationalization and FDI decision-making.
The challenge facing IB scholars is getting access to MNEs as several scholars have pointed out, since in many countries rules around disclosure make it hard for MNE managers to give access to researchers.

Another important limitation is about the focus on implemented FDI decisions and not including failed FDI proposals, specifically FDI ideas that were proposed and evaluated and MNE’s actors ended up not approving them for any reason. There is a tendency in the internationalization literature to investigate implemented internationalization moves as opposed to failed or the ones that MNE’s actors did not approve. Larimo (1995) also investigated only implemented FDI decisions, and previous studies on strategic decision-making have mostly focused on actual decisions as opposed to failed decisions or instances of indecision (e.g. Mintzberg et al., 1976).

Many scholars however have argued that focusing on both successful and failed initiatives can provide a more complete picture of organizational action. In addition, focusing on both successful and failed decisions can prevent ‘survivor bias’ (Singleton & Straits, 2005) which refers to “an overrepresentation of successful projects in a sample” (Kijkuit & Van den Ende, 2007, p. 876). Comparing a successful and a failed FDI initiative within the same MNE can lead to detecting patterns, which explain variations in actors’ structures and practices and the structural contexts of action in each case. Birkinshaw & Ridderstrale (1999) for example in their study on subsidiary initiatives and the corporate immune system, examined both successful and failed initiatives and were able to discern certain patterns in the process and context of each initiative.

There are however several challenges stemming from the nature of FDI decisions that makes it hard to follow this approach. Research relying on retrospective data start the data collection process by identifying the case firms that fit the theoretical interest of the study. As I described in chapter 3, I relied on secondary sources to identify MNEs which engaged in FDI in the last 5 years. It was not possible to identify FDI proposals that were turned down from the secondary sources. Birkinshaw (1997) addressed the same methodological challenge, he was able to identify subsidiaries that engaged in initiatives from secondary data but was only able to identify failed initiatives after entering the field and after building strong rapport with respondents. It then becomes a matter of chance of whether the researcher will find instances of failed initiatives in the chosen cases. This is because it is not common for MNEs to inform shareholders or stakeholders in general about the proposals that were turned down or the ideas which they decided not to pursue. It is suggested that a real-time study can overcome this challenge (Birkinshaw, 1997; Kijkuit & Ende, 2007) but for the reasons that I have discussed earlier this was not possible and even then it will also be a matter of luck of whether researchers will be able to observe during their time at the firm a failed FDI initiative.
The alternative then was to ask the respondents in the sampled case firms of whether they recall any FDI proposals that were rejected. Therefore, in each interview after collecting the story of the FDI decision that I was investigating, I asked the respondents if they know of any FDI proposal that was turned down in their firm. I made sure that I asked all the respondents across the different organizational levels, because arguably their knowledge of failed proposals might differ. As Bower (1970) showed in his study, middle managers act as gatekeepers and they sometimes block proposals from lower levels, and therefore top managers might not be aware of all the ideas which emerge in their firms.

In all the case firms however the respondents said that they do not recall such incidents. Board members for example said that by the time an FDI proposal is submitted for review by the board, it is very unlikely to be rejected. Several middle managers said that if an FDI idea was perceived as likely to be rejected, it would be “killed” long before it makes it to the firm’s agenda; it would involve just a brief discussion whether in formal or informal meetings. It would be interesting to study such incidents and why they fail to make it through to the firm’s agenda, but I was not able to collect any data on such incidents. However, it should be made clear that the fact that respondents were not able to identify any failed proposals does not mean that there were not any in the case firms. It is possible that the interviewees simply did not have knowledge of this issue given the distributed nature of knowledge in MNEs, or that some proposals “died out before they took off… [and thus failed to] register as important in the minds of respondents” (Birkinshaw, 1997, p. 226) and organizational records. Therefore, this study suffers from lack of evidence of what Birkinshaw & Ridderstrale (1999) called “early casualty” initiatives.

From the cases in which there was initial resistance to the idea we can conjecture that the failure of an FDI idea at this early stage can be boiled down to a failure of knowledge articulation, that is the proponents of the idea were not able to translate their knowledge of the FDI opportunity to other organizational members and failed to embed it within the organizational meaning structures. Or alternatively that the actors’ conjecturally-specific knowledge structures constrained, in a phenomenological sense, their perception of the possibility of a positive reception of their FDI idea. Examining in more details the reasons for such failures can be a promising avenue for future research because these untried options can very well be an unrealized source of MNEs competitive advantages. Another interesting avenue would be to look beyond those early casualty initiatives and to look at FDI initiatives which failed at later stages in the process and contrast the reasons for failure with the early casualty initiatives to elucidate how actors’ practices and structures can play different roles in blocking initiatives at different temporal points in the process. This leads to the final limitation that I want to highlight which is the lack of the link between processes, activities, structures and performance.
As I have emphasized earlier, the approach adopted in the study did not have a normative focus. The purpose was to understand and explain how managers make FDI decisions in the sampled MNEs. It was not possible based on my findings, nor was it intended, to examine the relationship between specific activities, processes, structures, and contexts and better economic performance. The link between processes and practices and performance have been largely neglected by both strategy process and practice researchers (Whittington, 2017). The focus is instead on elucidating the interrelations between processes and structures and actors’ activities and interactions, and how these lead to a specific outcome of an initiative for example. There is room therefore for future studies to build on the findings of the current study to examine the performance effects of the different FDI trajectories identified here through large-scale quantitative analysis. Researchers can look for example at the performance effects of the two trajectories of FDI decisions, induced and autonomous or those proposed through bottom-up process by subsidiary actors’ vs those which were developed by HQ actors. Another avenue which is more consistent with the theoretical approach adopted here is to examine through an in-depth qualitative analysis highly performing MNEs (Whittington, 2017) or an FDI decision that has proved to be central to an MNE’s performance, and to examine in detail how this specific decision came about. In this approach, researchers can also go beyond the traditional limited focus on economic performance and consider other performance criteria established by the organization under study (Whittington, 2017).
Appendices

Appendix 1. Interview guideline

Interview Guideline

1- Can you tell me the story of your recent foreign direct investment?

Take notes of significant events that require further clarifications. Follow up with probing questions when the interviewee seems to be pausing. Ask probing questions such as what happened next? Can you tell me more about this? And who did what, when and where?

After the interviewee finish telling the story, use the notes to ask about issues that need clarifications.

Ask the following questions to enrich the narrative, if they were not already covered by the interviewee:

1- Why did you consider engaging in FDI? How did you detect the need to engage in FDI? Who initially proposed the idea?

2- How did you collect information about the FDI issue? Who was responsible for this task?

3- How did you interpret this information? Who was involved in the interpretation process?

4- Did you develop a list of potential host countries, and a preferable entry mode? What criteria did you use when you developed such preferences?

5- What actions did you take to collect more information about potential host countries?

6- Based on what criteria did you evaluate the different alternatives? Did these criteria change along the process?

7- Who was involved in the decision-making process? Did you have different opinions about the opportunity?

8- How long did it take to reach a final decision? Was the process interrupted by any other internal or external issues?
Appendix 2. Ethics documentation

Participant information sheet for CEOs of MNEs

DEPARTMENT OF MANAGEMENT AND
INTERNATIONAL BUSINESS

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Research Project: Making Sense of foreign direct investment: Towards a process model of MNE decision-making

To: The chief executive officer (Or most senior equivalent) of selected New Zealand multinational enterprises (MNEs) and Overseas Organizations.

My name is Ziad Elsahn and I am working towards a doctoral degree in the Department of Management and International Business (MIB) at the University of Auckland Business School. My research is on how MNEs make decisions about Foreign Direct Investment (FDI). I am being supported in this research project by my supervisors Dr. Maureen Benson-Rea and Dr. Brent Burmester.

Organisational scholars have long argued that a better understanding of firm behaviour is more likely to emerge through studying decision-making processes. However, international business research that investigates the actual decision-making processes underlying FDI is still limited. Therefore, this research seeks to understand how MNEs understand their environment, and construct a shared organisational interpretation that guides further actions and choices around FDI, especially how they select locations and their strategies to enter them. The study also aims to understand the role of external stakeholders (particularly governments) in the FDI decision-making process. The current study uses a multiple case study approach on MNEs which have recently engaged in FDI activities. For this reason, your organisation has been identified as an MNE ideal for this kind of research and we invite you to take part in this study.

Our study will collect data from different MNEs. Interviews will be conducted with employees who were involved in a recent FDI decision. Your participation in this study is fully voluntary and we need to be assured that no-one will be advantaged or disadvantaged based on their choice to participate or not in the study. The interview will be about an hour and will consist of open-ended
questions. The interviews will be set at a time and place convenient to participants. In order to ensure the accuracy of data transcription, interviews will be audio-recorded. However, recording is subject to participants’ consent, and they can ask to turn off the recorder at any point of time during the interview. They can also choose not to answer any questions during the interview, and to withdraw from the study at any point during the interview. They can also withdraw their data no later than a month from the interview date. The information that they will provide will not be exposed to any other person in your organisation.

The data which will be collected will only be processed by the researchers, and it will not be available to any other external parties. The researcher ensures confidentiality of the data, and the names of individual participants and organisations will be anonymous in our final reports. However, due to the small size of the New Zealand market, there is a small possibility that someone might identify your organisation based on the information in the final thesis or any research papers. To minimise the potential occurrence of this possibility, all the names will be disguised in our reports, and we ask you not to disclose any highly commercially sensitive matters.

All the information will be stored for six years in a secure place on university premises, and only researchers will have access to such information. After this period, all paper documents will be shredded, and all digital documents will be permanently deleted. Your organisation will have the opportunity to receive a copy of the research results. Please provide us with contact information if you wish to receive a report of the research results.

Thank you very much for your time, and for considering participation of this study. If you have any enquiries please do not hesitate to contact me or my supervisors:

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APPROVED BY THE UNIVERSITY OF AUCKLAND HUMAN PARTICIPANTS ETHICS COMMITTEE ON (16-9-2014) FOR (3) YEARS. REFERENCE NUMBER 012423
Research Project: Making sense of foreign direct investment: Towards a process model of MNE decision-making

To: Employees of selected New Zealand multinational enterprises (MNEs) and Overseas Organizations

My name is Ziad Elsahin and I am working towards a doctoral degree in the Department of Management and International Business (MIB) at the University of Auckland Business School. My research is on how MNEs make decisions about Foreign Direct Investment (FDI). I am being supported in this research project by my supervisors Dr. Maureen Benson-Rea and Dr. Brent Burmester.

Organisational scholars have long argued that a better understanding of firm behaviour is more likely to emerge through studying decision-making processes. However, international business research that investigates the actual decision-making processes underlying FDI is still limited. Therefore, this research seeks to understand how MNEs understand their environment, and construct a shared organisational interpretation that guides further actions and choices around FDI, especially how they select locations and their strategies to enter them. The study also aims to understand the role of external stakeholders (particularly governments) in the FDI decision-making process. The current study uses a multiple case study approach on MNEs which have recently engaged in FDI activities. For this reason, your organisation has been identified as an MNE ideal for this kind of research and we invite you to take part in this study.

Our study will collect data from different MNEs. Interviews will be conducted with employees who were involved in a recent FDI decision. Your participation in this study is fully voluntary. Your employer has given full consent to the organisation’s participation in this study and has given an assurance that no-one will be advantaged or disadvantaged based on their choice to participate or not in the study. The interview will be about an hour and will consist of open-ended questions. The interviews will be set at a time and place convenient to you. In order to ensure the accuracy of data...
transcription, interviews will be audio-recorded. However, recording is subject to your consent, and you can ask to turn off the recorder at any point of time during the interview. You can also choose not to answer any questions during the interview, and to withdraw from the study at any point during the interview. You can also withdraw your data no later than a month from the interview date. The information that you will provide will not be exposed to any other person in your organisation.

The data which will be collected will only be processed by the researchers, and it will not be available to any other external parties. The researcher ensures confidentiality of the data, and the names of individual participants and organisations will be anonymous in our final reports. However, due to the small size of the New Zealand market, there is a small possibility that someone might identify your organisation based on the information in the final thesis or any research papers. To minimise the potential occurrence of this possibility, all the names will be disguised in our reports, and we ask you not to disclose any highly commercially sensitive matters.

All the information will be stored for six years in a secure place on university premises, and only researchers will have access to such information. After this period, all paper documents will be shredded, and all digital documents will be permanently deleted. Your organisation will have the opportunity to receive a copy of the research results. Please provide us with contact information if you wish to receive a report of the research results.

Thank you very much for your time, and for considering participation of this study. If you have any enquiries please do not hesitate to contact me or my supervisors:

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APPROVED BY THE UNIVERSITY OF AUCKLAND HUMAN PARTICIPANTS ETHICS COMMITTEE ON (16-9-2014) FOR (3) YEARS. REFERENCE NUMBER 012423
Consent form (CEO)

This form will be held for a period of six years

Research Project: Making sense of foreign direct investment: Towards a process model of MNE decision-making.

Names of Researchers: Mr. Ziad Elsahn, Dr. Maureen Benson-Rea, and Dr. Brent Burmester.

I have read the Participant Information Sheet, have understood the purpose and nature of the research, and why I have been selected to participate in the study. I have had the opportunity to ask questions and have them answered to my satisfaction. I understand that participation in this study is fully voluntary and no employee will be advantaged/disadvantaged based on his/her participation decision.

- I agree to take part in this research.
- I understand that I have the right to refuse to answer any question during the interview.
- I understand that I have the right to withdraw from the interview at any point, and to withdraw my data up to a month after the date of the interview.
- I understand that all the information which I will provide will only be accessed by the researchers.
- I understand that the names of participants and organizations will be disguised in all forms of reports.
- I understand that there is a possibility that someone might be able to identify the participating
organization due to the small size of the New Zealand market.
- I agree/do not agree to be audio recorded.
- I wish/do not wish to receive a copy of my recordings and transcripts.
- I wish/do not wish to receive a summary of final results.
- I understand that data will be kept for six years, after which they will be destroyed.

Name _____________________________________________________

Signature ___________________________________________________

Date ____________________

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APPROVED BY THE UNIVERSITY OF AUCKLAND HUMAN PARTICIPANTS ETHICS COMMITTEE ON (16-9-2014) FOR (3) YEARS. REFERENCE NUMBER 012423
Consent form (Employee)

This form will be held for a period of six years

Research Project: Making sense of foreign direct investment: Towards a process model of MNE decision-making.

Names of Researchers: Mr. Ziad Elsahn, Dr. Maureen Benson-Rea, and Dr. Brent Burmester.

I have read the Participant Information Sheet, have understood the purpose and nature of the research, and why I have been selected to participate in the study. I have had the opportunity to ask questions and have them answered to my satisfaction. I understand that participation in this study is fully voluntary and no employee will be advantaged/disadvantaged based on his/her participation decision.

- I agree to take part in this research.
- I understand that I have the right to refuse to answer any question during the interview.
- I understand that I have the right to withdraw from the interview at any point, and to withdraw my data up to a month after the date of the interview.
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