UPPSALA
UNIVERSITET

Globalization Strategies

Strategic Adaptations and Pathways Ahead for Swedish Multinational Corporations

Katarina Blomkvist, Philip Kappen, Fredrik Nilsson, Alice Schmuck, and Fredrik Tell
Department of Business Studies
Uppsala University

UPPSALA
UNIVERSITET

15 September, 2021
Uppsala University
Department of Business Studies
https://fek.uu.se/
ISBN: 978-91-506-2899-9

UPPSALA
UNIVERSITET

Executive summary

This report sets out to explore possible adaptations in the strategies of Swedish multinational corporations (MNCs) following changes in economic globalization. Specifically, it investigates the possible shifts and future directions of strategies to the global drivers of technology, politics, and sustainability, and how these drivers may impact the future competitiveness of Swedish firms. Using data from 20 in-depth interviews with CEOs, CFOs, and other executive decision-makers, representing 19 Swedish MNCs, the results suggest this is a major question for both concern and opportunity with regards to the future competitiveness of these firms. Specifically, the report highlights the following main conclusions:

A strong global corporate identity coupled with a Swedish moral compass: Swedish MNCs view themselves as global but with strong local embeddedness. Yet, interestingly, a moral compass with a Swedish flavor suggests a 'Swedish way' of conducting business, even in far-away locations.

Parallelism in changing value chains: The political risks of being a global firm are evident. The firms are acutely aware of risks associated with disruptions in their value chains, and some firms have responded by considering their value chain configurations or are even developing several sets of value chains. This parallelism is deemed to facilitate de-coupling of regions and lower the risks stemming from external shocks.

Reshoring to Sweden is not an option: Surprisingly few firms seem to consider reshoring value chain activities to Sweden to be an attractive option. This is despite movement in the locational footprint where the firms are abandoning or considering pulling out of markets due to unfavorable conditions relating to political and sustainability issues.

The big bet on sustainability: Many firms are positioning their businesses based upon a vision of providing sustainable products and services. The big bet on sustainability offers many opportunities and could propel Swedish MNCs to a strong position on the global market for sustainable products, rendering a price premium.

To conclude, the last 18 months have made firms well aware of the strengths and the weaknesses in their strategic orientation. Firm resilience appears as generally high with few firms reporting that the pandemic itself will have significant long-term effects on MNC strategies. Moving forward, Swedish MNCs seem equipped to combine a business strategy of new technology with sustainable solutions. The activity strategy shows indications of becoming increasingly regional, which could prove to be supportive of the often-decentralized strategies adopted by the Swedish MNCs.

Finally, we would like to express our gratitude to all the respondents who volunteered their valuable time so generously.

Contents

List of Figures and Tables

Introduction

The Covid-19 virus that struck the world in 2020 quickly turned into a devastating global pandemic, affecting people and firms all over the globe. In an attempt to manage and limit the spread of the virus, countries have inserted regulations and controls, resulting in differences in terms of lockdowns, business regulations and human behavior. Most likely there will be long-term effects on the strategies and operations of multinational corporations (MNCs). Other worries compounded this uncertainty. For example, during the summer of 2021 Europe and the US experienced major fires and flooding that spread over vast areas. At the same time the UN IPCC report was released, emphasizing that climate change is here, that it is a crisis, and one that is caused by fossil fuel. Apart from human suffering, the climate crises is likely to affect globalization in terms of global value chains and how they are orchestrated by MNCs (WIR, 2020).

Historically, globalization is usually divided into different waves and phases, and even before the pandemic there were drivers such as protectionism and nationalism hinting at a decrease in global interdependence (Arora-Jonsson, Blomkvist, and Schmuck, 2021). A manifestation of this is the global upward trend of policy barriers for international business and the downward trend in facilitating policies (Antrás, 2020). Both the pandemic and climate crises have accentuated the effects of these drivers, forcing actors of the global economy to change rapidly (WIR, 2020). Trade patterns, operations of MNCs, as well as nation-state regulations are changing – resulting in new demands on global interdependence.

MNCs control between one half and two thirds of the world's business research and development (WIR, 2005), making them significant actors on the global arena. Thus, factors co-shaping globalization are the strategies and operations of MNCs, particularly the reconfiguration of value chains. How these firms choose to strategize and orchestrate their business operations with regards to location and connectivity plays a crucial role for nation competitiveness and for the development of value-added activities (Cavusgil, Knight, and Riesenberger, 2020), especially in a small and open country such as Sweden. The disruption of value chains following the pandemic and its vast effect of international trade and investments have exposed serious issues that can possibly affect future globalization orchestration (Lorenzen, Mudambi, and Schotter, 2020).

Looking ahead, several scenarios can be envisioned in terms of the future development and growth of globalization and its co-evolution with the strategies of MNCs. Some argue that a fundamental shift in strategies of MNCs will occur (or is already occurring), which will deal with greater risk aversion, nationalism, and protectionism (Fontaine, 2020). Others suggest that the changes induced by heightened nationalism and protectionism will be marginal rather than fundamental in nature. In accordance with the latter view, the fundamental rationales for globalization have not eroded, and there will be an even greater need and utility for globalization in a post-pandemic world (Contractor, 2021). Taken together, these contrasting views open up for a more complex international arena where there will be multiple drivers, suggesting different strategy solutions for MNCs with regards to their global presence and international activities.

The current study is part of a larger collaborative project between Uppsala University and SEB, where we examine the changing landscape of globalization and how Swedish firms are dealing with these changes. The first report of this collaboration with SEB was a literature review providing an overview and a sorting out of a large number of studies addressing the question of the current changes with respect to economic globalization (Arora-Jonsson, Blomkvist, and Schmuck, 2021).

The second part, this report, continues the analysis provided in Arora-Jonsson, Blomkvist, and Schmuck (2021) by investigating responses by Swedish MNCs to the changing competitive landscape in the wake of current trends in globalization. It does so through a study of 19 Swedish MNC strategies. Taken together, these MNCs are of substantial economic significance, as they employ a total of almost 900,000 people and generate revenues amounting to over SEK 1,500 billion. Most of the employees and the revenues come from operations and sales across the planet. At the same time, these MNCs differ in their strategic approaches and assessments of the current and future situation. Hence, it is important to gain the insight on the firm level that this study provides.

To accomplish an analysis of MNCs strategies, the report is structured accordingly. First, the framing of the report draws upon Arora-Jonsson, Blomkvist, and Schmuck's (2021) categorization of three drivers in globalization – technology, sustainability, and politics – and situates these in the context where MNC strategies are carried out. Second, an analytical framework on strategy is presented, encompassing corporate strategy, activity strategy, and business strategy. These strategic areas are all related to the competitiveness of firms and are used to organize the subsequent findings of the study. Third, the results of the study are presented in sections relating to each strategy. We identify a number of issues pertaining to each and exemplify by providing quotes from interviews with executive managers at the MNCs studied. Finally, the conclusions are presented.

Three drivers of globalization

The World Investment Report (WIR, 2020) identified three current megatrends that serve as drivers of globalization: (1) technology and the new industrial revolution, (2) sustainability, and (3) policy and economic governance. In the first report of this project these three drivers were explored along with their possible effects on globalization in terms of different scenarios such as regionalization, slowbalization and hyper globalization (Arora-Jonsson, Blomkvist, and Schmuck, 2021). While conceptually distinct, the drivers are often intertwined and sometimes mutually reinforcing, yet at other times they are opposing. For example, the paradigm of sustainability is currently heavily driven by regulations and policy implications; hence, there is a clear link between the two drivers of sustainability and politics. Similar relationships apply between technology and politics. Many states are actively supporting their technology-oriented companies, so we have reached what some researchers denote a stage of techno-nationalism (Ostry and Nelson, 2000), where states promote their own firms as market leaders in high-technology sectors. The states are standing behind their firms in the race for the new technology to appropriate the value of future technologies. An example of this is the US ban on using Huawei networking equipment in order to block their development of the new 5G telecom technology (Davis and FitzGerald, 2020).

Indeed, a change in the policy landscape away from an earlier dominant notion of free trade, and a change in the geopolitical situation towards a bi-polar world creates new landscapes for MNCs to identify competitive strategies. Fueled by a rise in populist nationalist rhetoric, historical beliefs in the ideal of free trade have been shaken in many countries by rising inequalities and job losses believed to result from globalization (Rodrik, 2020). The rise of China as an economic superpower has provided a new role model for growth that is not as dependent on free trade and small government, but rather an active state and trade policy (Rodrik, 2015). In contrast to earlier industrial revolutions, the latest technological revolution – Industry 4.0 – does not unambiguously drive globalization (Antras, 2020). Advances in robotics and additive manufacturing now enable firms to manufacture more locally, leaving the choice of manufacturing location more open (WIR, 2020). Our best guess is that the future global economic landscape will be more multidimensional. There is a movement from a unipolar world with a more or less unrivalled ideal of free trade to a bi- or multi-polar world economy with competing ideals for economic development (Arora-Jonsson, Blomkvist, and Schmuck, 2021). Adding to this complexity is an urgent need of establishing a sustainable society and to create green growth (IPCC, 2021; WIR, 2020).

A significant part in this re-evaluation of globalization concerns the future strategies of MNCs and how the three globalization drivers affect such strategies. Particularly interesting is the adaptation by MNCs from small, open economies such as Sweden, given their notable international presence. The interplay between globalization and large international players such as MNCs is significant, since the response and behavior of these global actors will impact the future development of globalization. The experience of the pandemic showed the dependence and vulnerability of value chains, and how orchestrating value chains affects MNCs' success and competitiveness. Particularly, the exposed liability of global interconnectedness when chains were interrupted and value creation halted, forced these global actors to review their international activities. Indeed, the pandemic served as a warning and stress test, emphasizing the force and future possible consequences of the three drivers of globalization. Indeed, it is interesting how these factors may shift international operations and emphasize questions such as where and why some activities and units of multinational organizations are relocated.

Technology

The socio-economic transformation due to rapid technological change in the first, second, third and now latest the fourth industrial revolution – Industry 4.0 or the digital economy – has had a profound impact on business operations (Li, Liang, Tell and Xue, 2021). In particular it has affected globalization and internationalization, since it has opened up new ways for firms to produce and coordinate their activities (Pananond, Gereffi, and Pedersen, 2020; WIR, 2020). The cost of doing transactions is decisive for the location and spread of firm activities (Autio, Mudambi, and Yoo, 2021). These costs have decreased as a consequence of the introduction of digital communication technologies, serving as a driver of globalization and international interconnectivity.

Technology often serves as an enabler, and in the coming years it is possible that the imprint of new technologies and particularly the combination of them will open up for new strategic solutions regarding the organization of industrial production. In light of recent advancements enabling the combination of new technologies – such as AI, robotics-enabled automation, the cloud, augmented and virtual reality (AR and VR), and 3D printing – new global production, consumption and coordination processes have been suggested. This development opens up a possibility for firms to reshore operations, enabling local-for-local production and consumption as well as mass-customization (Antràs, 2020; WIR, 2020). The resulting effects of these developments are difficult to envision but will most likely cause destructive, yet creative, waves as suggested long ago by Schumpeter – establishing new competitive playing fields that threaten the core of existing business operations and solutions. This shift will also influence the business operations of MNCs, opening up for more possibilities in term of international expansion, regionalization, and reshoring of activities.

Sustainability

It seems that every year the calls to act on the ongoing climate crisis becomes louder, and 2021 is no exception. The recent report from the UN together with record high temperatures, wildfires, and flooding happening during the summer of 2021 accentuated the debate this year. Indeed, over the last few decades there has been an increased focus on sustainability among consumers across the planet, as they want to contribute to a better and fairer world. Several consumer trends can be found related to sustainability, with regards to organic food, eco-friendly clothing, fair trade in products, green investments and pension funds savings, all indicating that consumers and users do care about sustainability and are to an increasing degree adapting their lives to make green and responsible choices when possible. If the sustainability paradigm was seen as a choice or a way of being a responsible actor before, this is becoming more pressing as the establishment of a sustainable society is considered a question of survival, driven by laws and regulations. Accordingly, the issue of sustainability, and how this driver will affect future production and consumption, is significant. It will most likely require firms to adapt their international operations. Firms will need to match their value proposition with the demands of their customers. The implications for firms are far-reaching and will possibly alter where firms locate their activities and the subsequent carrying out of activities.

While technology often serves as an enabler for internationalization, sustainability is sometimes perceived as creating obstacles. Some of these obstacles may be seen as very definite, in the sense that flooding and wildfires are difficult for firms to overcome or work around, where in some places, ports and countries, it will be difficult to maintain operations. Firms may also find it difficult to continue producing in certain countries, in which energy production is heavily reliant on coal or other fossil fuels. In making an effort to develop sustainable value chains, some international operations may need to move or be exchanged because production can be performed in a ‘cleaner’ way. These types of decisions are also related to norms and values with regard to work conditions and regulations. The 2030 agenda is just not about zero emissions. It also puts forward the values of equality and the aim to erase poverty. Thus, some countries may be seen as too much in conflict with firms’ core values, making them unfit for business activities.

Although it can be argued that, so far, the transition to a more sustainable society has to a large extent be driven by laws and regulations (i.e. politics), firms are also active in this transition for other reasons. For example, Business Roundtable has issued a statement outlining the purpose of the corporation. In this statement, signed by 181 American CEOs of large corporations, they make several commitments, one being ‘supporting the communities in which we work. We respect the people in our communities and protect the environment by embracing sustainable practices across our businesses’ (Business Roundtable, 2019). There are also many more tangible changes taking place in which whole industries are going through a transformation that are a result of business-development activities and strategic renewal driven by expected shifts in consumer demands. These tendencies are especially apparent in industries that have a significant impact on the environment, e.g. vehicle manufacturing, transportation, power generation and metalworks. Since these industries are also in the public 'spotlight' they are, needless to say, also affected by politics.

Politics

In shaping globalization, the interplay between national policy, regulations and MNCs is particularly strong. National policy shapes firm decisions by local laws and economic policy and by participation in bilateral and multilateral trade agreements (Cuervo-Cazurra, Doz, and Gaur, 2020; Meyer and Peng, 2016). The relationship between policy and firms is not one-way, however; the decisions that firms make with respect to globalization affect the citizens of nations, who vote for politicians. There is thus a complex relationship between the policies that shape globalization, the perceived effects of globalization, and the political systems that determine who gets to shape policy (Arora-Jonsson, Blomkvist, and Schmuck, 2021). During the last couple of decades, the world has witnessed a shift in the global arena, where China has become a leading actor, substantially increasing its outward foreign direct investments and impact on the global arena (Blomkvist and Drogendijk, 2013). There has also been an increase in instances of protectionism and heightened interest in hindering free trade, a development being driven by several countries such as China, the US, the UK, and other countries (Cuervo-Cazurra, Mudambi, and Pedersen, 2017; Kobrin, 2017). The bi-furcation of the global arena with China and US possibly on different sides is also opening up for a more complex and regional world (Rodrik, 2020), where European and Swedish firms migh find themselves operating in several regional systems instead of one united world. On the other hand, Contractor (2021) claims that the changes induced by heightened nationalism and protectionism will be marginal rather than fundamental in nature. According to him, the fundamental rationales for globalization have not eroded, and he foresees that there will be an even greater need and utility for globalization in a post-pandemic world. He states that the basic efficiency, comparative advantage, and rationalization arguments for global investment and trade will remain irresistible. Either direction, the debate is ongoing and multinational firms will have to choose a strategy in a more multidimensional context, where the current global paradigm of 'one world' may be broken up into more regional clusters. In these clusters different regulations and policies may be present, indeed putting pressure on MNCs to adhere to several systems. Even though some would argue that this may be the case also today, the paradigm has still been seen as 'one globe,' where meta-organizations such as the WTO and World Bank have set the outer boundaries. Any development in which this paradigm is challenged will have a solid impact on international business operations, strategis, and possibilites of being an MNC.

An analytical framework

Strategy is a firm's plan to achieve its goals in a specific context. An effective strategy serves as a blueprint for the different aspects of running the firm and includes everything from the nurturing of a corporate culture, designing the planning and follow-up systems, to establishing an appropriate organizational structure. Together these structures and processes are instrumental in both the formulation and implementation of strategies (see e.g. Malmi and Brown, 2008).

When the strategy matches the firm's long-term vision, it helps to ensure goal congruence. All this contributes to the creation of competitiveness, now and in the future. For example, the German vehicle-manufacturer Daimler is basing its corporate strategy, as well as their business strategies, on sustainability. One of their divisions – Mercedes Benz Cars – has the goal 'To build the world´s most desirable cars' (Daimler, 2020, p. 28). In the quote below the fundamentals of the business strategy to reach that goal is described:

> The Mercedes-Benz strategy encompasses six pillars. The core aim is to increase structural profitability and enable us to out-pace our competitors in the transformation to electric mobility and comprehensive digitalization. Sustainability is a key guiding principle of the Mercedes-Benz strategy and an integral part of it. Our highly qualified and motivated team forms the basis for our new strategy's success. (Ibid, p. 28)

However, the future almost always leads to changes in the firm's environment (i.e. society at large), and this typically requires some degree of adaptation of the overall strategy. Sometimes these adaptations can be substantial and clearly related to specific drivers of change as discussed in the preceding section and extensively elaborated on in the report by Arora-Jonsson, Blomkvist, and Schmuck (2021).

Daimler is also a good example in this respect of how a very large and highly competitive MNC has chosen to adapt its strategies to the drivers identified above. In its annual report it is discussed how sustainability, technology, global trade and the pandemic affect the strategies of the group and its divisions. A short excerpt from that discussion can be found in the following quote.

> For more than 130 years we have been moving people and goods all over the world — safely, efficiently and with innovative technologies. Our industry is currently in the midst of its biggest transformation in history. Sustainability (especially climate protection) as well as digitalization, shifts in global trade, and the impact of the covid-19 pandemic are changing our business and our firm. As the inventor of the automobile, it is in our DNA to repeatedly take the lead in automotive engineering with new technologies. In addition, we will strive to set standards for sustainable mobility and transport in the future. (Daimler, 2020, Annual Report, p. 26)

These two examples highlight that a number of strategies often co-exist as well as build on each other, which is a significant element for creating congruence, implementation, and result. In this report, we have chosen to decompose strategy into corporate strategy, activity strategy and business strategy. By doing so we acknowledge that these strategies should have a profound effect on the firm as a whole and that they are typically formulated, coordinated, and evaluated at the top management level. It should be noted that these strategies, while being distinct also are interrelated and somewhat fluid. In any context, a completely separated or disjointed strategy is difficult to achieve and hence also to analyze. In fact, congruence between the different strategies is desirable, almost without exception.

Corporate strategy

For large, international firms, corporate strategy applies to the whole corporation and the value it generates to stakeholders such as shareholders, customers, employees, and society at large. Traditionally, corporate strategy defines the overall business of such large and oftentimes diversified companies. Thereby corporate strategy serves as the ground for top management to make decisions regarding what business to be in and how the composition of businesses makes the sum of the organization larger than its parts (Porter, 1987). The practice of developing and nurturing a corporate strategy therefore involves decisions with respect to scope and the degree of diversification among all business in terms of e.g. products, services, and markets served. A distinction is usually made here between related and unrelated diversification. The rationale for operating in related businesses may stem from headquarters' ability to utilize synergies and complementarities between resources and competences, by means of sharing or integrating these across businesses. On the other hand, unrelated diversification utilizes opportunities for managing overall risk and decentralization of decision-making to a portfolio of fairly independent business units and local subsidiaries, situated close to markets and customers. Top management at the corporate level focus on allocation of resources and cash flows. Accordingly, corporate strategy involves plans and actions pertaining to the coordination of a complex organization. It deals with outlining overall organizational design and provision of incentives for operations in business units and subsidiaries.

Corporate strategy also often includes an ambition for growth. With corporate growth follows opportunities for stronger market positions, utilization of scarce or fixed common resources, and attractiveness with investors. Deciding about how a corporate scope deemed conducive for growth of businesses is going to be attained is therefore another important part of corporate strategy. For example, this could imply decisions whether new businesses should be developed utilizing current resources and capabilities through organic growth or if these or similar businesses should be obtained through mergers and acquisitions involving transactions with other companies. Changing the corporate scope may also mean that businesses are divested or discontinued.

In the global setting where Swedish MNCs operate, different facets of corporate strategy thus cut into important decisions and plans regarding the location of businesses that the firm seeks to compete in. The scope and growth dimensions of corporate strategy is closely related to global coverage of units, both which markets to serve and which industries to compete in globally. Moreover, an important aspect of corporate strategy in a global setting concerns coordination of geographically dispersed units and specialized functions of the MNC (Andersson and Forsgren, 2000).

In trying to understand how these global firms strategize and make decisions that reach across the planet, we turn to the seminal work of Bartlett and Ghoshal (1989) who some 30 years ago speculated on the future of the types of firms active on the global arena. Their typology combines the dimensions of local responsiveness and global integration which represents the ever-present trade-off for any international firm: How to maximize sales and market share by being highly responsive to local needs and maximize the efficiency of their business units and local subsidiaries on a worldwide scale? Figure 1 depicts the typology with the most advanced firm found in the upper right corner, the so-called transnational solution, that is, a firm being able to maximize local responsiveness and at the same time gain benefits from global integration. More specifically, they suggested that "in the future, a firm's ability to develop a transnational organizational capability will be the key factor that separates the winners from the mere survivors in the international competitive environment (Bartlett and Ghoshal, 1989, p. 212).

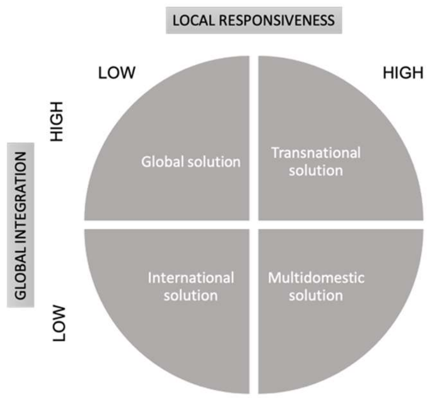

Figure 1: Bartlett and Ghoshal's Typology of Multinational Companies: Global, Transnational, International and Multidomestic Strategy. *Source:* Adapted from Bartlett and Ghoshal (1989).

Since Bartlett and Goshal's book was published, many large MNCs have tried to become increasingly transnational, where the national identities of firms have become less important. MNC competitiveness is often ascribed to their ability to search the globe for new ideas and inventions. Through their dispersed international network of foreign subsidiaries, MNCs are able to facilitate transfer of knowledge in order to generate innovations, speed up processes, and ensure the reliability, quality, and efficiency of production activities.

Activity strategy

In order to implement the corporate strategy, the firm needs to make decisions regarding a wide range of activities that are necessary to deliver products and services that users find valuable and that stay competitive in a (global) marketplace or industry. Such activities can be described from the vantage point of upstream (early in the process) or downstream (close to end use) activities. Activities may be directly related to production and distribution, or be of an indirect kind as e.g. legal services, human resources or general R&D. The strategy developed regarding the organization of activities in value chains is what we here denote activity strategy.

A key concern in any activity strategy is to understand the linkages among activities and how they separately, or together, generate value. This understanding enables management to make decision regarding where such activities are to take place. 'Where', in the context here discussed, applies to both the geographical location of the activity as well as the organizational set up and governance arrangements. The latter refer to decisions regarding whether activities should be carried out in-house ('make'), by acquiring it from an outside party ('buy'), or in cooperation with other organizations ('collaborate'). The geographical dimension puts another layer on these decisions as the last decade has witnessed an increasing emphasis on the geographical location of value-adding activities and an increasing disaggregation of value chain activities.

In the global competitive environment where Swedish MNCs operate, the concept of global value chains is therefore becoming increasingly relevant. Activities that constitute a global value chain are carried out in inter-firm networks on a global scale. Global value chain analyses focus local and global dimensions of such value chains. Global dimensions include input-output structures, describing the process of transforming raw materials into final products; geographic scope, delineating how the industry is globally dispersed and where different value chain activities are carried out; and governance structure, outlining how the value chain is controlled by firms. Local dimensions include explaining the dynamic movement within the value chain by examining how producers shift between different stages of the chain; the institutional context in which the industry value chain is embedded locally; and industry stakeholders, e.g. how different local actors of the value chain interact (Gereffi and Fernandez-Stark, 2016).

Business strategy

Ultimately, the tangible outputs of companies are the products and services that are delivered to users and customers. If these outputs deliver value, customers will be willing to pay a price premium (or at least substantially more than the cost of producing the good), which, in turn, will attract competitors that seek opportunities for profits. The objective of a business strategy is to identify the competitive dynamics underlying markets and industries to generate a competitive position for the firm and the products it supplies. In short, business strategy seeks to generate competitive advantage in relation to current and potential competitors (Porter, 1980).

Attaining a competitive advantage can be achieved by keeping costs minimal, ensuring a lowest cost position that prevents competing firms from generating profits if they lower prices. Competing on cost therefore implies that the strategy of the firm must constantly consider the most cost-efficient way of producing. Hence a business strategy needs to be related to the corporate and activity strategies, as the firm needs to consider all available means to organize production and utilize the opportunities provided by the corporation (e.g. in terms of synergies, bargaining power with suppliers, location of manufacturing, etc.). Another way of gaining competitive advantage is by differentiating the product in such a way that the customer is willing to pay a premium in relation to competing products. Generating such willingness can be ensured by e.g., providing outstanding service, specific technological features or brand recognition. As with a low-cost strategy, a differentiation strategy also spills over to corporate and activity strategy, when companies make decisions regarding e.g., acquisitions of companies associated with valuable brands, development of centers of excellence in R&D, or establishment of a worldwide after sales organization (Porter, 1985).

In the global landscape in which Swedish MNCs are operating, competitive forces influencing business strategy are fierce. In most industries, they face both local and global competition. Accordingly, in order to attain profitable market positions there is a range of dimensions to consider. For example, in tying the product to the marketplace, companies will have to consider whether to develop, produce and sell relatively standardized products across the world or if local adaptation is the key to success.

Linking the drivers of globalization to strategy

At present, the hitherto almost unidirectional pattern of increasing globalization is being questioned. Technological, sustainability, and political trends are pushing and pulling companies in an increasingly complex trajectory which is difficult to foresee. Hence, strategizing on multiple levels may be crucial for sustainable competitive advantage. Figure 2 summarizes how these different concepts may be linked as well as the relationship to the firm's control systems and its competitiveness. The figure is the analytical framework we have applied and shows the focus of the present study (i.e. study 2), and the literature review on globalization, mentioned earlier, that was used as our starting point (i.e. study 1 by Arora-Jonsson, Blomkvist, and Schmuck, 2021).

Figure 2 is based on an open system view on strategy formulation and implementation. By applying such a view, the firm is supposed to be affected by the environment in which it operates (i.e. society at large) and vice versa. Hence the strategies adopted (e.g. corporate strategy, activity strategy and business strategy) can be expected to fit the environment, for example the competitive arenas of the firm as well as its resources. The strategies will also affect the design and use of the control systems of the firm as well as other important structures and processes, e.g. organizational structures.[1] In short it is assumed that if the firm can reach a high level of alignment between the environment, strategies and control systems, competitiveness will increase compared to a situation with a low degree of alignment.

[1] In Figure 2 we have only included the control systems and not the organizational structure.

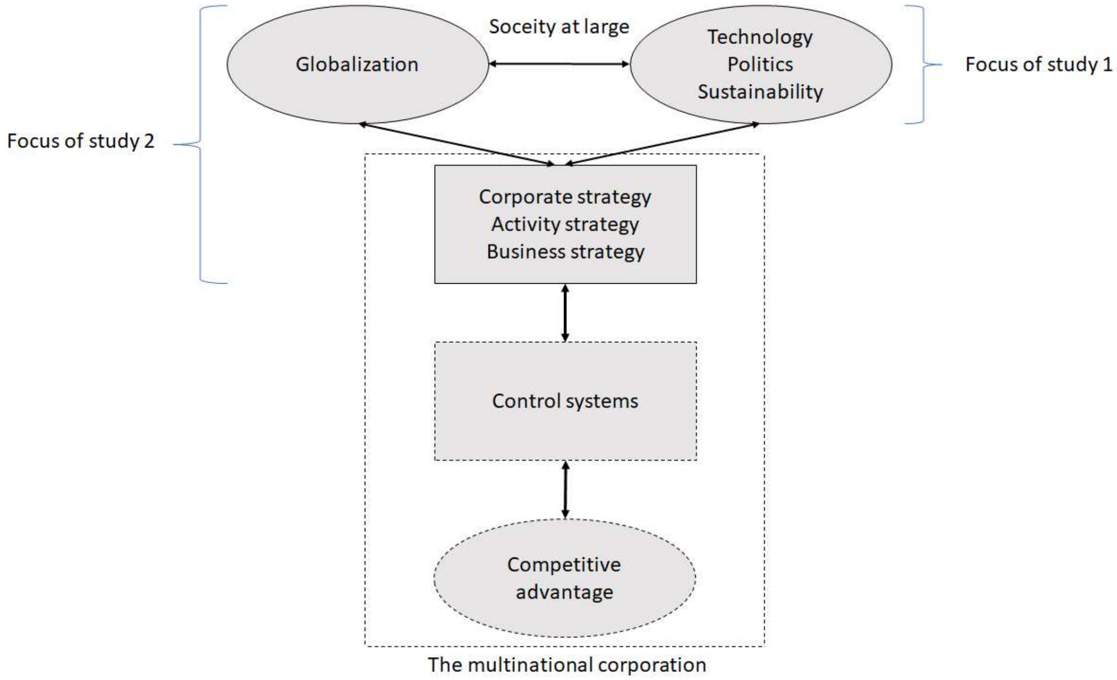

Figure 2: The analytical framework.

Different versions of the analytical framework in Figure 2 are well known in the literature (see for example Galbraith and Nathanson, 1978; Hrebiniak, Joyce, and Snow, 1989; Nilsson and Rapp, 2005). In a Swedish context it has been used, for example, to study how strategic congruence (coordinated strategies) and integrated control (coherent planning and follow-up) affect competitive advantage and value creation in complex MNCs (Jannesson, Nilsson, and Rapp, 2014). In an international context there are many examples of studies, such as Goold, Campbell, and Alexander (1994).

We have used the analytical framework in Figure 2 to link the results from study 1 (Arora-Jonsson, Blomkvist, and Schmuck, 2021) to the present study (study 2). As described in Appendix A 'A brief note about methods', it has also been used as a starting point for the design of the questionnaire used in the interviews and to structure the data analysis as well as the presentation of the results. The focus has been on how firms respond to changes in the globalization landscape and especially the drivers of technology, politics, and sustainability. The responses are seen through the lens of the strategies chosen and how they together may affect the competitiveness of Swedish firms. Due to time and resource constraints, we have not studied in any detail how control systems affect the formulation and implementation of strategies. The performance and competitiveness of individual firms are also outside the scope of the study.

Strategic pathways ahead for Swedish MNCs

Sweden has long been a country with a strong tradition of inventive activity as evidenced by an impressive track record of product innovations and patent holdings. While the majority of firms in Sweden are small or medium sized, there is a disproportionate number of large MNCs. These Swedish MNCs play a significant role for Sweden in terms of competitiveness and prosperity. It is essential for Sweden as a country that these international firms remain world leading. Together they account for a substantial part of Swedish labor force and investments in research and development (R&D). Indeed, their global market leading positions make them important contributors in terms of high value-added activities. They are also part of global value chains. Compared to small and medium sized Swedish firms these global actors have more of a position and orchestration role in their value chains, making them a significant part on the global arena.

To probe the question of strategic responses to the drivers of globalization the report uses some of the largest Swedish MNCs as the data source. Specifically, broadly using the OMX30 as the sample frame, 19 firms were ultimately included in the analysis. Thus, the data and findings in this report represents a large share of Swedish firms on the OMX30 index. To put the firms in perspective, they employed almost 900,000 individuals (average per firm 46,821) in 2020, with 235,711 working in Sweden (average per firm 13,095). Together, the firms accounted for revenues amounting to more than 1,500 billion SEK in 2020. All in all, the sampled firms pose a fertile testing ground for strategic responses and directions among Sweden's large MNCs. In the following, we illustrate our findings by using anonymized quotes from respondents representing the firms studied. We also report some results from a short questionnaire that respondents answered. For additional information on the sample, data, and data collection, see Appendix – A brief note about methods.

Corporate Strategy

Identity – Local, global, and in-between

For the first time in a long while, the evolution or next phase of globalization is up for debate. From the 1980s up to the financial crises in 2008 the paradigm can best be described as some sort of hyper globalization, where most drivers affecting globalization supported a more interconnected world. Recently, however, the world has broadly witnessed a swing towards increased protectionism in issues ranging from economics, politics to public opinion (Cuervo-Cazurra, Doz and Gaur, 2020). In the new and somewhat more multiregional or multidomestic context several scenarios, driven by different factors, found at different levels, can be envisioned. Some of these scenarios suggest a trend towards deglobalization, slowbalization, and/or regionalization.

The shift in globalization is often measured and referred to as changes in trade policy and regulations. Underlying these rather definite measurements are the attitudes in terms of norms and values of individual citizens that on an aggregate level serves as the ground for political decision-making. Increasingly, a *Janus* face of globalization in terms of providing 'winners' and 'losers' has been emphasized, stirring more negative attitudes towards globalization.

In trying to understand the shift in sentiments, Cuervo-Cazurra, Doz and Gaur (2020) identified inequality, identity, and influence as the prime drivers of skepticism to globalization (see Table 1 below for a summary). Specifically, they propose how each of the three drivers are related to perceived economic vulnerability in the case of inequality (the sense that wealth created is not fairly distributed, both among individuals in a country and across countries). Their analysis also points to sociocultural vulnerability in the case of identity (practices and cultural traits are increasingly similar across countries, replacing many of the distinct characteristics of locations and nations, threatening identity). Finally, they direct attention to political vulnerability in the case of influence (the rise of multinationals that have accompanied globalization, have led to a sense of greater external influence and individual vulnerability to decisions taken in faraway places). Taken together, these vulnerabilities reflect underlying economic, sociological, and political approaches to globalization highly affecting country-level regulations.

Table 1: Drivers of skepticism of globalization: Inequality, identity, and influence. *Source:* Cuervo-Cazurra, Doz and Gaur (2020, p. 8).

Drivers of Skepticism of globalization	Definition	Mechanism of influence
Inequality	Vulnerability to future relative poverty from the uneven growth in wealth and its distribution among individuals and across countries	Comparison of increases in absolute wealth and relative wealth gap with others
Identity	Vulnerability to the loss of a clear identity from the replacement of local cultural norms with foreign cultural norms	Replacement of traditional cultural patterns with foreign practices and norms
Influence	Vulnerability to the inability to control decisions from the external influence of multilateral institutions and multinational companies	Modification of laws and implementation of new laws or regulations following external norms

Indeed, changing attitudes towards globalization in terms of becoming more complex and negative, may also shift the self-image and strategies of MNCs. The shift in globalization attitudes has forced politicians and leaders to embrace more of a protectionist charter in terms of policy and regulations. In parallel, this development may also spill over on MNCs, fostering more of a regional or national identity. Customer preferences for buying locally produced products may emphasize the ‘made in’ country label again, promoting production closer to end-users, as well as a concentration of production processes. Such shifts in attitudes towards globalization may over time change the identity and self-image of MNCs, and even drive strategic changes in international operations and activities. The global identity of the Swedish MNCs interviewed and included in this report does come out strongly (see Figure 3 below). A large share of the firms view themselves as global.

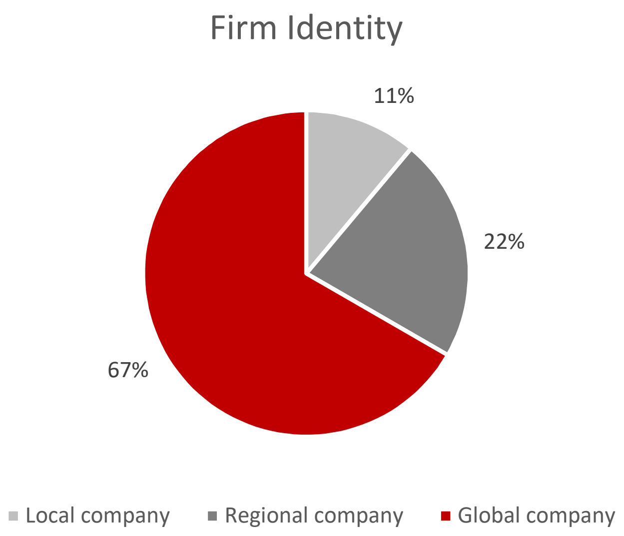

Figure 3: Firm identity of Swedish MNCs.

Many view the entire world as their market and a place where they offer premium products. The main center is still headquarters, playing a rather dominant role, while subsidiaries are more implementers of headquarters directions. This finding is somewhat in line with the characteristics of the transnational solution, specifically the strive to reap economies of scale upstream in the value chain, whereas being flexible and locally responsive in downstream activities. Below are some examples of firm identity related to globalization found in this study:

> *We identify ourselves as a global firm.*
>
> *We definitely think of us as a global firm.*
>
> *After all, we are a firm that try to sell and produce our products in a global market.*
>
> *We have no operations and no customers either in China or in South America. We stay in Europe and yet we are completely affected by these markets. So globalization for us means, above all, that the market for our products is completely globalized.*

When discussing the topic of globalization further with our respondents, they brought up the concept of multi-regional. Multi-regional firms could be understood as a type of hybrid between a domestic-centered and global firm, having an identity of a global firm, but with strong local embeddedness. This was particularly evident when discussing decentralization of decision-making and being responsive with regards to activities further down in the value chain. Being multi-regional thus seemed related to how MNCs carried out their international operations, where local responsiveness in terms of the interface with customers and suppliers was highlighted. Perhaps this is a development that follows the increasing dispersion and disaggregation of headquarters activities. In other words, not only regular value chain activities, but also headquarter activities, are becoming increasingly disaggregated and dispersed along both organizational and geographical boundaries (Nell, Kappen and Laamanen, 2017). The interviews provided us with several examples of multi-regional firms as shown below:

> *We are a local firm in the US and we are a local firm in Sweden, that is how we are viewed.*
>
> *You can't do this too globally because it's too hard. There will simply be too many compromises.*
>
> *We're global. So we try to extract benefits from being large in certain segments, but our business is still local.*
>
> *One is sometimes amazed how locally we do business, even within regions customers act differently, therefore one cannot say that the customer base is global in that way. But we are still trying to act as a global company.*

Related to firm identity and the corporate strategy being pursued is also the challenge of creating and realizing synergies within the firm. The transnational solution is seen as being very effective in terms of coordination and orchestrating business operations, where the whole MNC network of dispersed foreign subsidiaries is used. Even though synergies were seen as somewhat important (4.3 out of 7 on average) we also found that they are not always fully utilized. This was explained by the expense in implementing synergies as well as identifying synergies and ultimately exploiting synergies. One competitive MNC not focusing on fully utilizing their synergy potential serves as an example of this type of reasoning:

> *We call ourselves decentralized and all that, but the foundation is really.... we even have an expression for it... We say 'speed before synergy' as well as that we would rather have our employees take quick action rather than milk out the last synergy.*

National identity – Context matters

One identity expected to come out strong was that of Sweden. Home to several world-leading firms, Sweden is often acknowledged as being in the forefront of both the digital transformation and the sustainability shift. Such views could provide a common identity and pride among the large, established MNCs. Adding to that the infrastructure of Sweden is also well developed with regards to broadband, transportation networks, and IPR protection. Hence, in terms of international business theory one could speak of a comparative advantage with regards to Swedish uniqueness. Yet, the Swedish identity or the importance of originating in Sweden was only generally emphasized across the firms when discussing ownership. Two examples are found in the quotes below:

> *But we are a Swedish firm originally. This is where we're regulated and listed and all that.*

> *We have no business connection to Sweden. The only reason is that the people who hired me in Sweden chose to list the firm on the Stockholm Stock Exchange and then we became a Swedish firm.*

However, when connecting identity, strategy and international operations and activities, we could see clear indications of a Swedish identity in terms of behavior. Several firms provided illustrations of how they did not enter certain countries or regions or had withdrawn business operations because of conflicts between local business behavior and Swedish values and norms. As one respondent concluded: *'If you don't feel in your stomach that what you're doing is right, then you shouldn't be doing it.'* Although having a global self-image and strategic outlook, often adapted to the local context with regards to lower value-added activities, the majority of firms seem to have a mission and vision similar to that of Swedish norms and values informing their internationalization patterns and identity. Two respondents explain the importance of Swedish norms and values and possible effects if they are not adhered to:

> *Of course, compliance can cost us a lot in various countries, but it is very damaging to us if it turns out that we have been involved in corruption in one country. It is a total disaster for the firm, for the value of the firm. Even if you lose cash immediately, the real value lost resides in other items.*

> *We as a firm matured and developed, and they didn't, and in the end they found themselves on a collision course with respect to values and then it was impossible to continue.*

Differences were also found among the companies studied regarding corporate strategy and identity. Some Swedish MNCs, exemplified by two quotes found below, expressed more of a multidomestic solution, where following local regulations and policy in each country was the essential, leaving room for different identities in terms of values and norms:

> *But it's not like we are saying 'no, but then we'll turn down all the business in China because they haven't got there yet'. I suppose, it's more of a – that we live by the countries we operate in as well. We have to say that.*

> *We will not 'discontinue' everything that we have sold in the past because we have found a better environmental product. And then that is what we are selling, regardless of what the customer wants. And then we lose half of our world sales and then we have to start over and wait for the other countries to come to the same EU regulation. We're not going to do that. Clearly.*

Industry identity – To be at the forefront

Another strong identity that came out was that of industry. All firms identified strongly with their core industries, and the uniqueness of it. As many of the firms are present in highly concentrated and competitive industries, this is no surprise. Here we could observe strong positions in terms of premium products and the importance of being in the forefront. The CEO of one of these MNCs describes such an identity and position in some detail:

> *I mean we are an incredibly small [...] firm in the global world, but we are darn good at the niches we are spearheading. We have kind of carved out a number of niches for many, many years, where we are globally leading [...] Now we are number 42 or 43 in the world so I usually say that we are [...] insignificant but we are darn good in the markets and segments we have concentrated on. I think that is also an important lesson.*

We could also see signs of how some industries observe possible future changes in their business model as a result of globalization, and how this can cause a shift in performing international activates spanning industry boundaries. One respondent reflects on the driving forces of this development and if it is sustainable in the long run:

> *I think it is as for all industries that globalization has been important for us since it has been possible to enjoy growth at the same time as low inflation because one has kind of exported the producing business to countries with lower and lower costs all the time. And that equation doesn't last long, that goes without saying. But somehow all the world's companies are facing the same thing, I think.*

Presence – Hot spots and challenging locations

Alan Rugman's controversial argumentation, suggesting that globalization is a myth, insisting that it is regional, has stirred debate ever since it was launched some 16 years ago (Rugman, 2005). The evidence to support this assertion suggests that even MNCs that are considered global were (and still are) in fact concentrating their sales to their home regions (Rosa, Gugler and Verbeke, 2020), further suggesting that a true global and transnational presence is enjoyed by only a select few MNCs. For many firms, the crisis has triggered a response of more regionalization thoughts and strategies. MNCs have been forced to consider the geographic spread of their international operations (WIR, 2020), striving for higher resilience and strengthening regional production networks, as well as reshoring production to the domestic economy (Antràs, 2020).

Shifts in international operations were supported in our data, where several firms have been forced to become aware of their presence in terms of location as a result of handling the logistic challenges caused in the aftermath of the pandemic. We could also see signs of building resilience, where some firms opted for developing either two sets of value chains or more 'whole' regional solutions for Europe, the US and Asia, where possible. Some examples of that type of corporate strategies are provided by three respondents:

> *We are very large in the US and we notice that the large customers who have previously shipped materials from China to manufacture, have 'manufacturing' in North America, that is not really enough anymore. Now you also want, for a number of reasons, regional value chains. We see that very clearly and this has accelerated during the pandemic. It was already underway, but it has accelerated during the pandemic.*

> *What we had already done, and continue to do, as we have taken the major steps, is to create what we call regional value chains. That is, North America should be 'on its own' so to speak. We have a minor inflow from Europe, mainly the purchase of some stuff that goes into North America. Pretty small. We have Europe as our own value chain, we have Latin America as our own value chain. After all, we're not that big in Asia, really. We're big there on one product in which we have our own value chain [...] in China. But this product is quite small in Europe. So far. It is highly conceivable that we will be doing something there too, as time goes by. So, we have*

already regionalized the value chains. We have set up sourcing close to factories and so on.

After all, with China it is both the case that we have not been there for a long time, but it is also because we need to set up a production structure for that part of the world. Logistics time and cost will be too expensive in the end. And that's how you can make a capital budget for such a capacity step rather than finding a new market in China. Because we're still going with our global product.

The reshuffling discussion above was also in many cases connected to political risk. The risk of being global is supported in the study. In fact, political risk is present with a mean of 4.5, median 5 (on a scale ranging from 1 to 7), when the firms in the sample where asked if they perceived political risk in their international markets. In many countries the swing towards more protectionism, especially made public in China and the US, has led to more regulations and restrictions of international affairs (Cuervo-Cazurra, Doz, and Gaur, 2020). Noteworthy with regards to the evolving US–China economic relationship is that is has moved from a sort of symbiosis towards increasingly competitive and is believed to significantly impact global affairs (Wang and Zeng, 2020). However, the political risk is not only restricted to China and the US. Most firms interviewed believed there to be major risks also in their core international markets, something that should serve as a reminder of the extra pressure in which MNCs perform its business operations. Accordingly, full-blown globalization is perhaps more of a dream, as expressed by one of the respondents.

Through a kind of magnifying glass, this comes along that didn't start with the pandemic, but additional fuel was provided. Suddenly you see that China can be excluded from certain purchases from the US and vice versa. Yes, but of course it's kind of like creating a physical barrier that wasn't there when we dreamt of total globalization.

Generally, the political risk factor can be analyzed from multiple perspectives. Some firms have chosen not to be present in markets posing higher degrees of political risk, focusing on Europe and the US. Some of these firms have also withdrawn from activities in markets being 'too far away' from their core values. Other firms are present on these markets, experiencing high degrees of political risk. Finally, some firms do not experience high degrees of political risk, often having a European market focus, and not soon looking to expand internationally. This plethora of different viewpoints is evidenced by the views expressed by respondents:

Then there may be pure, what to say, other geopolitical reasons that affect you, depending on how countries behave, how companies behave, how different types of trade organizations view different countries and there it affects us 100%.

But there is also a veiled protectionism that is happening. That is, the leaders [...] have decided that certain things we should have. We're not going to depend on a third power, we're going to do this ourselves. For example, we see that very clearly on our product.

We will give Asia 'priority' in that respect. And it doesn't necessarily have to be China because China is a bit geopolitically risky as also showed during the pandemic. So here we look at other parts of Asia as well, so as not to put all the eggs in the same basket.

Activity Strategy

De-internationalization and reshoring to Sweden – Not planned

The largest Swedish MNCs have been on an internationalization journey for decades, some for over a century. Originating from a small open economy meant that many of these firms had to explore international markets relatively early due to home market saturation. Alternatively, some of these firms simply had business ideas that were scalable on an international level and continued with increased internationalization with the two great wars as anomalies.

The three drivers of globalization, technology, sustainability and politics, have also led to a questioning of the internationalization patterns of MNCs. One example is the call for de-internationalization and reshoring[2] of previously international activities back to the home country. For instance, in the US, the former administration heavily encouraged reshoring starting in 2016 which largely has continued with the new administration.

The Covid-19 crisis made firms, and nations, brutally aware that ownership is no guarantee for decision rights. We witnessed medical supplies and vaccines 'stuck' in countries to secure the interest of the host market first. Closer to home, we observed a Chinese boycott of H&M after the firm entered the debate on the labor conditions of Chinese cotton farmers. Surely, other large Swedish MNCs took note of this adverse event.

New technologies may also open for the reshoring of business operations, i.e., bringing back home operations that have earlier been outsourced and offshored, leading to a lower pace of globalization or even a de-globalization of business activities. More specifically, scalable digital technologies enable the concentration of both low and high knowledge-intensive activities, strengthening the centralization of activities to fewer points. To the extent that globalization is driven by a search for cheaper labor (Ghemawat, 2018), robotic development can reduce globalization as robots can be cost competitive with cheaper labor and therefore reduce offshoring for cost reasons. The coming years will also show further development towards 'white collar' robots, opening up for the centralization of both low and high knowledge-intensive activities, and the possibility of re-bundling activities (WIR, 2020). Future automation solutions may thus reduce rather than increase the profitability of breaking up production processes, thus making the nature of firm activity central for deciding on the net effect of digitalization on organizational form (Antràs, 2020).

Taken together, these trends should have produced food for thought for the decision-makers of some of the largest Swedish MNCs. Yet, surprisingly, most of the respondents indicated that there were no short term to medium term plans to reshore activities from host countries back to Sweden. When asked the standardized question 'In our firm we plan to reshore activities that currently are international to a higher degree than we aim to internationalize activities based in Sweden,' only 11 % of the companies gave an answer that was close to strong agreement. Figure 4 shows the distribution of answers, with very few giving support for reshoring to Sweden.

---

[2] Reshoring is defined as the return of manufacturing and service operations from previously offshored location to the headquarters country.

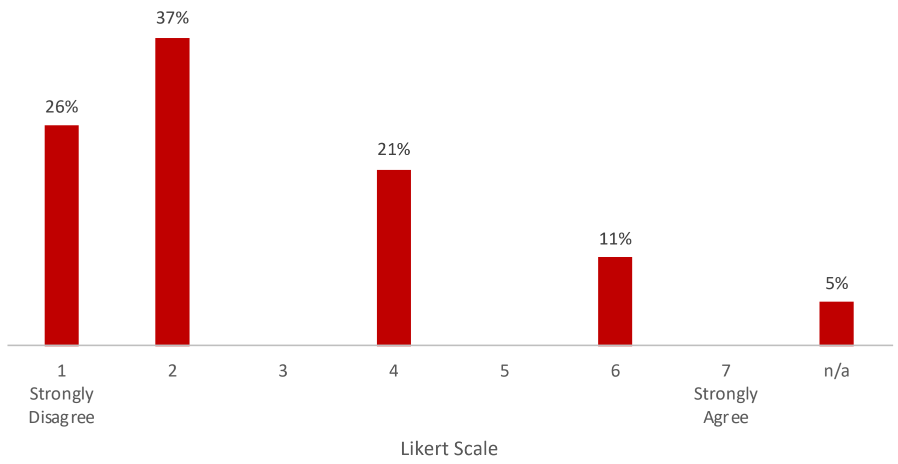

Figure 4: Plans to reshore activities.

As one respondent noted '*It's almost a non-issue for us when you say Sweden anyway*.' It would thus seem that these firms are still on an internationalization trajectory. Another respondent suggested that '*we need to become even more global or have an even stronger presence in that market, the 80+ countries. This means that we are investing and will continue to invest in our own business [...] we will establish ourselves in more parts of the world.'* Further, one MNC with substantial manufacturing presence in Sweden explained:

> *I think we're going to have to move out. And that's good because we learn things but you're also going to get a cost increase because countries are forcing us to produce using local content. It's not just material today, but it's research content as well.*

This assessment was further substantiated as respondents considered the statement 'our firm's value chain is expected to become more geographically dispersed in the future as a result of: a) technological developments (red); b) sustainability (light gray); and c) politics/policy (dark gray)' on a 7-point Likert scale. As seen in Figure 5 below, technological advancement comes out lowest.

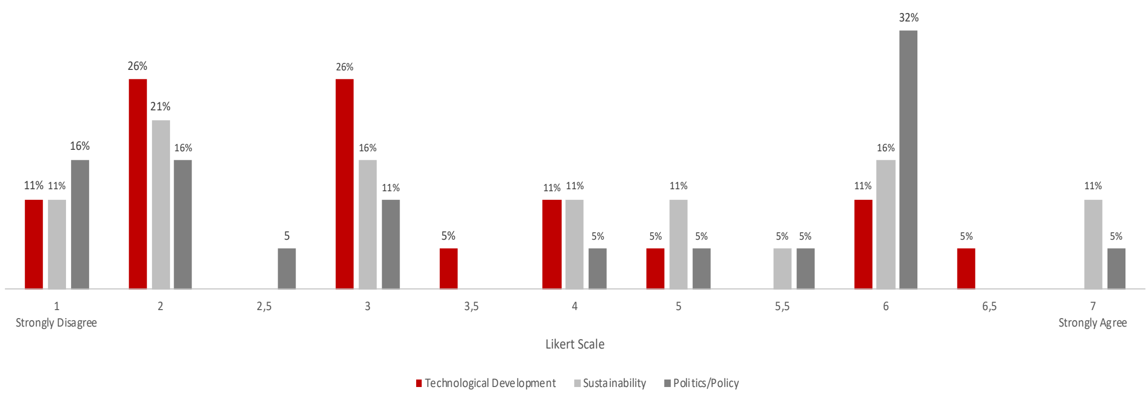

Figure 5: Dispersion of value chains.

Some of the respondents also stressed that their value chains would not be more geographically dispersed in the future. Reasons for that could be the type of the technologies used but also negative experiences of strategies build on geographical expansion as discussed in the quotes below:

> *New technologies will change the industry, but it won't change our locations. Quite the opposite. There is an opportunity for us to spread and sell this technology or establish ourselves with this technology internationally should we like to.*

> *We have reversed that strategy today. We have said we don't have to be much larger. We might grow a little bigger and can we spread some fixed technology costs [...] but we don't have to be that much bigger. We are large enough for customers to take us seriously and to think that we are a strong supplier and we really have this kind of 'sticking to your knitting' strategy. It's about taking care of what we have in every way. Everything from caring for the staff to taking care of the environment to taking care of the costs to taking care of the business. We are going to take care of everything.*

Obviously, such developments carry important implications. For Swedish policy makers, it should be deemed positive if these firms can maintain their competitiveness while having a larger share of activities located in the home country. The positive effects of spillovers are known and often sought after by countries. Moreover, spillover effects do not end with manufacturing. Firms move up the value chain and thus contribute to national economic growth and technological development.

Value chain evolution – Where will value be created?

Dynamics associated with centrifugal or centripetal forces capture important aspects of digitalization and globalization in relation to global value chains (Autio, Mudambi, and Yoo, 2021). That is, if global value chains will enlarge in terms of depth and scope (centrifugal) or if we will see more of a concentration of activities (centripetal). On the one hand, digitalization strengthens centrifugal forces through digital communication technologies opening up for geographically dispersed high knowledge activities (Autio, Mudambi, and Yoo, 2021). Digital communication technologies decrease the cost of coordination, enabling more complex governance and coordination through superior value chains including a greater number of collaborating actors and processes (Awate, Larsen, and Mudambi, 2015). On the other hand, scalable digital technologies enable a more efficient concentration of low-knowledge activities, which arguably strengthen centripetal forces. In addition, new technologies recently introduced might reduce rather than increase the profitability of breaking up production processes. Further improvement in automation may also foster reshoring (Antràs, 2020) thus making specific features of firm activity central for deciding on the net effect of digitalization on organizational form. In Table 2 the input-output model suggested by Autio, Mudambi, and Yoo (2021) illustrates the relation between digitalization and the geographic concentration of firm activity. Depending on the nature of the activity and the customer value proposition tangibility, either centrifugal or centripetal forces will dominate.

Table 2: Digitalization and the geographic concentration of MNC activities. Input-output model. *Source:* Autio, Mudambi, and Yoo (2021, p. 10).

		INPUTS – Nature of activity	
		Routine: Low knowledge, repetitive	**Specialized: High knowledge, nonrepetitive**
OUTPUT – customer value proposition tangibility	**Intangible**	Centripetal forces dominate, but are moderated by institutional barriers	Centrifugal forces dominate
	Tangible	Centripetal forces dominate, but are moderated by location dependence	Centrifugal forces dominate, and are accentuated by product modularity

Taken together, the choices of location and control in combination with new technology will probably lead firms to increase the geographical space of some of their operations whereas other activities might be more concentrated (Antràs, 2020; Rugman, Verbeke, and Yuan, 2011).

Indeed, one such shift is MNC positioning in value chains, where boundaries of industries have become imprecise due to technological advancements and the migration to a more service-oriented architecture. At the same time, the existence and importance of value chains have become increasingly significant during the last decades. Through the use of new technology these chains have become widely stretched across the globe and very sophisticated in term of integration of processes and managerial facilitation. As illustrated in the quote below, the positioning in, and power over, many respondents view these value chains as the future competitive advantage of firms and even nations:

> *How do you defend your place in the value chain where the largest accumulation of value creation is taking place? I find it hard to come up with a general answer. But from our company's point of view, I think that's what drives us as well as letting activities remain here. It sounds wrong to say control, but the presence and insight of what actually creates value for the user of our products. If we still have it, then I think we can continue to defend our place in the value chain.*

Connecting presence to value-added activities, we see few signs of significant change in our interviews. Most firms seem to be inclined to keep their current presence regarding their value-added activities. More specifically, major R&D investments and introduction of upgrades follow existing location patterns, where Europe and the US are pointed to as core locations. Investments in digital technologies are mainly allocated to these markets. Several larger markets surface as interesting in terms of sales opportunities. At the same time, in terms of future presence of R&D, headquarters, and value-adding, the most advanced existing units within the organization seem to be the winners of future allocation and investments' – enforcing existing presence rather than calling for a shift in advanced activities. Three respondents exemplify:

> *After all, globalization has been driven a lot by wage arbitrage, at least in the first instance. What I mean is that it's like saying assembly is a lot of pay and it's close to the market. But we have capital. So those machines that are required to do more complex components and so on, they cost the same all over the world. There are basically one or a few suppliers of these robots or whatever. And then the difference won't be so great where you install this equipment. Because the labor force share is fairly limited. But then there will be more issues such as proximity to the large production hubs, the assembly hubs where you have processing. And then enters risks in general, political risks, risks of disruption and so on.*

> *When you place robots instead of humans in the production lines, the cost is pretty much the same, in any part of the world as making it in the West, and if you make that investment in the West, you're closer to your end customer.*

> *We can trade products from all over the world from Stockholm, we don't have to have a local presence for that. We simply need to have access to analyses [...] even though the view is very global, the physical production is still completely local, or can be local, at least.*

This development is also supported by increased protectionism concerning, for instance, techno-wars and cyber security. The trend is not only found in developed regions. Clusters of semiconductors and display panels are found in China and the Republic of Korea, and IT services in India, indicating that both developed economies and emerging markets are looking for global leadership in high-tech industries (WIR, 2020). Accordingly, Chinese technological absorption and its *quid pro quo* policy – a policy that makes technology transfer a precondition for foreign firms to be able to operate in China – has generated criticism and calls for better IPR protection (Antràs, 2020). Concerns regarding protectionism are expressed in the following observations by respondents:

> *I think that one of the more difficult factors with protectionism is that you have 'Made in the United States.' You have 'Made in China,' and there is 'Made in India'. Then of course, there is also 'Made in Brazil' and 'Made in Russia' and stuff like that, too. I definitely think it will affect competition in that it creates unfair domestic advantages.*

> *After all, national borders make you think wrong. There has been a breakthrough for that idea in so far as how to set up planning systems, distribution and everything. Focus on the center of gravity instead of countries and we will get an effective distribution set up. I believe that we need to have that functionality going forward, but more and more countries are coming back to us saying that 'we want you to have*

> *stock in our country.' 'It's very good if you're going to serve us.' 'It gives bonus points.'*
>
> *What we are seeing is, as and has seen for some time, is this protectionism and the fact that production chains get a little vulnerable, and various types of external threats linked to information, for example, in the field of energy. Therefore, digitalization is also interesting, as is automation that makes research, production and distribution more efficient.*

One far-reaching interpretation is that as more states compete against each other in a technological race, firms are drawn into this mode of competition. An example of this is the US ban on using Huawei networking equipment in order to block their development of the new 5G telecom technology (Davis and FitzGerald, 2020). Another example is the antitrust battles that some of the world's largest tech companies like Google, Amazon, and Facebook are undertaking with US and EU regulators (Nicas, Weise, and Isaac, 2019). The bottom line is that the emerging digital economy and new platform-oriented value chains are formed in an interplay between many legitimate actors from lead firms and their top suppliers to states and government bodies. One needs to understand the actions and strategies of each individual actor as well as the overall context in which they operate. Below follows a couple of commentaries by respondents affected:

> *Europe... we react a little bit to what China and the US are doing, but it contributes to more protectionism and that is fundamentally not a good thing according to me. I believe in a level playing field, with the same conditions for competition everywhere, that is what I would like. But I think it's naïve to think that's going to happen. There's not much to suggest that right now, anyway.*
>
> *This covert agenda, it is underneath, hiding somewhere. You can sense it pretty clearly. When you talk to the Chinese, they are pretty open about that; yes, that is the case.*
>
> *It must not affect us because geopolitics is changing and punitive tariffs are coming and going, but we have to keep the long-term agenda.*

However, a few firms went further than just acknowledging the larger developing markets, particularly in Asia, for sale opportunities. Indeed, arguing that the slow growth in Europe will eventually cause them to move more advanced parts of their value chains to where the main customer segment is to be found. As exemplified by one respondent:

> *There are other growth markets, and there is value in being there in the long term. Yes, it is also basically a problem that Europe is growing so much more slowly than the US and China, so it is naturally a much less attractive market. So you have to make a choice.*

Activity strategy – What matters?

It seems like sustainability and political contexts matter more than technological advancements for activity strategies. Several factors may explain these findings. Generally, we found that many of the MNCs interviewed have initiated comprehensive sustainability programs during the last three years, promoting sustainable business activities and a real shift in operations. During recent decades, the world has also witnessed a swing towards protectionism in terms of economic policy, politics, and public opinion (Cuervo-Cazurra, Doz, and Gaur, 2020). New regulations are in many cases subject to diverging interpretations and implementation, inducing additional uncertainty for firms, and in some cases consumers behave in ways not predicted (Ambos, Cesinger, Eggers, and Kraus, 2020). Another source of change with regards to physical value chains is real changes in the natural environment making certain locations unfit for reaping location specific advantages such as natural resources or labor resources. Respondents highlight the rapid pace of including sustainability issues in strategic assessments. They bring up several important implications for general management and value chains more specifically:

> *We also see a clear trend where customers start looking at the carbon footprint throughout the value chain, including transportation. And then you also start looking at 'scope 2' and above all 'scope 3' as well and look at how much. How sustainable are the suppliers we have in our own operations as well? How do they work with sustainability issues in a broad perspective, and then you start to pick out this idea of globalization that you can buy anything, anywhere, in any place, made anywhere. This will not be the case in our industry. Rather, there will be more regional markets, less flows between regions and much more focus on how things are produced.*

> *Above all, we look at our logistics network. How can we obtain economies of scale as we drive full vehicles closer to the customer and then shorter distances where you have more frequent and smaller vehicles etc. You look at both the time dimension, the cost dimension and the environmental dimension. This affects the whole logistics chain. Therefore, instead of having a large central distribution center, as we had a number of years ago, we see increasingly local distribution centers opening.*

> *There has been an enormous change in boardrooms and in management teams over the last three years if you ask me. Of course, things happened 30 years ago, and things happened 10 years ago, but the last two or three years there has been a huge change. There are very few companies that don't honestly say that if we don't have sustainability as an integral part of the strategy, then 'forget it'. That was not just the case four or five years ago. Then it was 'yes, yes, yes but we are also very good citizens. Look here at our sustainability report and what we do' etc. but now it's integrated as well and it's kind of worn out to say that 'now it is for real' but still there is a little bit of that feeling anyway.*

The firms are aware of possible long-term shifts in comparative advantages of countries and regions as a result of climate changes. In the media and elsewhere, the effects of these changes are reported, such as rising sea levels but also the increasing number of occasions during the last decade with extreme weather, damaging infrastructure and even the availability of soil usage and production capacity. Extreme weather may also make transportation more difficult and costly. One example of this is the negative effects on maritime shipping, which stands for 80 percent of global trade volume, due to extreme weather incidents causing frequent port closures (WIR, 2020).

Indeed, the volatile environment affecting physical value chains is also a concern from investors, banks, insurers, and financial market regulators as risk levels increase. There are pressing concerns regarding increased crisis resilience of firm's value chains as these need to be able to cope with disruptions and mitigate risk. According to the IPCC (2014), climate change will affect all forms of transport relevant for international trade, including seaborne transportation, land-based transport modes, and aviation. Thus, changes in climate change are likely to not only be driven by nature itself but also by investors seeking asset control. In some markets firms already have to disclose the physical risk from climate change when assessing their financial situation. An example is stranded assets in the oil industry, or from extreme weather conditions (WIR, 2020).

Effects of the pandemic – A pressure test

During the pandemic organizations and firms have responded with a diverse set of strategies. In health care for instance, nurses have developed and secured their own protective equipment and within a short span of time together with management introduced new operational routines. In the service industries, restaurants have had to quickly accommodate a shift of demand toward online ordering and home delivery. Hotels and travel agencies have been forced to respond to and build customer interest toward domestic destinations and attractions. Indeed, the past period has underlined the significant role of strategic renewal. At the heart of this renewal process has been the configuration of value chain activities. Previously mentioned disruptions and subsequent test of resilience have put the MNCs value chain strategies to the test. Overall, the firms interviewed have been made more aware of strengths and weaknesses in their strategic orientation (especially their activity strategies). This strategic awareness has created an even greater boost for the sustainability transformation that the majority of the firms in the sample had initiated before the crisis. Several of the firms confessed that before the pandemic they were not conscious of specific activities in their value chains, gaps that they needed to fill in order to manage the impasses of the pandemic. Progressing towards making value chains more 'green' and sustainable requires knowledge of the current flows for changes to materialize. In this vein, respondents emphasized how the pandemic acted as an impetus in terms of pressing MNCs to become aware of and transform their value chains towards sustainability aims:

> *We have been working with risk analysis for several years and recently quite structured too. But there was no, pandemic chapter, in the risk plan to pull out.*
>
> *We have had to think a lot about Covid-19. Often there is a bit of a fast forward regarding some trends because you feel you have the opportunity to take these bigger steps. You can't wait any longer.*
>
> *It was such a brutal awakening that all this free trade stuff, it disappeared for a moment just like that. So what we were doing at the time was trying to find remedies for the situation and we have changed our flows a lot, fortunately we had just reviewed the process of setting up new flows, which we are very happy about. [...] We just gaped, you don't believe this to be true in 2020 that any country even does this, it's like… You can imagine Prague in 1968 or the tendencies in those times, but no this was… totally brutal. But then we also understood the effects and the first questions we had to ask ourselves were like, where can we produce?*
>
> *A direct implication for us was, from Covid-19, that our firm had to build an extremely efficiency-driven supply-chain situation in order to be able to afford to be so small in the dust of the big companies.*

In general, it seems Swedish MNCs have a high degree of inbuilt resilience in their existing value chains and production networks. Almost without exception, the firms studied have performed well throughout the pandemic. Perhaps this achievement is partly a result stemming from the rather high level of decentralized decision-making that seems to characterize many Swedish MNCs. In the following, respondents elaborate on the role of decentralized management practices in organizational set-ups:

> *Each of the business units have to, within the framework of their own strategies, develop their own strategies in order to achieve the overall group strategy.*
>
> *We will never be centralized. After all, we want to maintain our decentralized business model with strong local ownership, be close to customers and really understand the business. But that we still identify a large number of areas where there is value in cooperating.*
>
> *In this respect, I think Swedish companies have done very well. You kind of find a way to work that is not too bureaucratic and is not too formal, which allows you to still*

> *manage this balance between short term and long term. I still think it works well. But of course we adapt all the time and we try to learn how we can make things better.*

A high degree of resilience could also be seen as a testament to a long experience from operating on the global arena under periods of high uncertainty. Some MNCs mentioned their well-honed value chain networks evidenced by being viewed as a loyal and important customer. Being held in high esteem led to a position where they were prioritized during difficult times – as in the start of the pandemic – enabling them to carry out business operations without major disruptions.

Business Strategy

The big bet on sustainability – More than riding the wave

> *I often say that we have a brutal tailwind. It is so strong that if we put up too large a sail, the wind will just blow it to pieces. So it becomes very important how many and which sails we set up and how we monitor them.*

Sustainability as it appears in contemporary discourse can be traced back to 1992 when the so-called Agenda 21 was adopted by 178 countries. From this time and onwards new sustainable initiatives have been introduced ending up in the latest and most comprehensive iteration – the 2030 Agenda for Sustainable Development adopted by all United Nations Member States in 2015. At its heart are the 17 Sustainable Development Goals (SDGs), aiming at ending poverty and other deprivations, improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests.

The policies and regulations following the SDGs, in conjunction with a higher degree of sustainability awareness, drive changes in products and processes. In order for firms to live up to these new standards, business operations have to change and evolve, leading to better and more sustainable ways to produce products and services. Market-driven changes from consumers, demanding higher transparency and sustainability regarding products and processes are also foreseen. In the past such changes appeared as more of a tendency. Today consumer preferences for responsibly produced goods and services in mature markets have long outgrown their niche status (WIR, 2020). The increased focus on sustainability is also being recognized by respondents in this study:

> *Our driving force is to provide sustainable products in some way, and it is very much a brand issue and a business issue to be able to have that to offer to our customers.*

The sustainability trend is also spreading to emerging markets. In tandem with a more direct climate threat the awareness of sustainability is putting high pressure on firm operations to fulfill their obligations:

> *We have assessed this major trend, the sustainability trend, or not really viewing it as a trend but as a firm belief that there is a big business opportunity here and zoomed in on it. But we also said that we cannot only do this in Sweden and then ship materials all over the world, but we have to do it at all our facilities.*

The significance of sustainability will affect customer preferences and behavior. Just as it may not be legitimate to shoot wild animals just for sport, consumers may frown upon buying a dress manufactured and transported under non-sustainable circumstances to be a part in the next fashion. During the last few decades, several consumer trends related to sustainability have appeared, for instance with regards to organic food, eco-friendly clothes, fair trade of products, green investments and pension funds savings. This range of products indicates that consumers and users do care about sustainability. Provided opportunity to choose affordable sustainable products, consumer awareness and purchasing behavior are changing. Hence, there is room for a market position as a green corporation, offering high-quality products and services that leave a smaller footprint when being produced, delivered, and used. Even though the poor state of the planet blatantly appeared with the UN climate report and the extreme weathers experienced during 2021, not all MNCs stand ready to claim this position. Generally, Sweden is ahead of many other countries with regard to the environment, and many Swedish firms are world leaders in terms of premium products and excel in quality. If Swedish MNCs can maintain yet add the sustainable stamp on products and services offered, this would be in line with the growing global paradigm of international business.

Indeed, sustainability permeates business strategies in the firms interviewed. Swedish MNCs are seriously concerned with different items on the sustainability agenda, such as environmental footprint, diversity and inclusion, as well as compliance with human rights, with the majority of them aiming to hold a competitive edge in this area. There is a clear business strategy response with regard to sustainability. Respondents indicate that sustainability issues are literally always on the agenda in executive meetings and seen as a future business strategy adding to competitiveness in terms of positioning of both products and the firm as a whole. As illustrated by two quotes:

> *If we can find this fossil-free, circular business model, I believe this to be an excellent way for us to stand out from the crowd.*

> *I think one can argue that the starting point for the strong development in Europe is the Green Deal. The formulation of the Green Deal also coincides with the ambition to make Europe less vulnerable to global supply chains – a 'Make Europe Great Again' ambition. Together it makes the European market very attractive for companies that can deliver on the energy transition. Our view is that we possess the technologies and skills required for making the transition happen – and we have the credibility through our actions over several years.*

Further evidence of the importance of sustainability is provided in Figure 6. It shows the distribution of responses to the statement 'In our firm, sustainability issues are constantly on the agenda at our management meetings'. As seen in the figure, sustainability seem to be of strategic importance to most Swedish MNCs as it is a recurrent topic on the agenda:

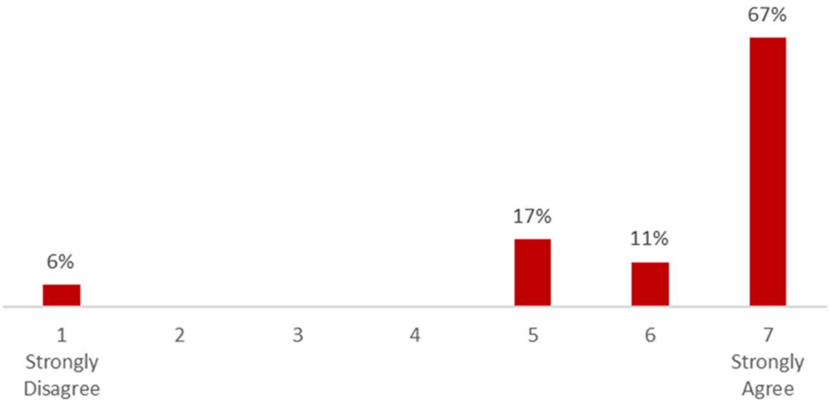

Figure 6: Sustainability issues at the agenda of management meetings.

The high attention sustainability issues receive is noteworthy from a viewpoint of strategic management. Attention implies the focus of the mind of the managers on one of several possible stimuli, which implies withdrawing concentration from certain issues to more effectively address others (Ocasio, Laamanen, and Vaara, 2018). In the Swedish MNC context, the attention given to sustainability by headquarters generates a strategic agenda, which, in turn, guides headquarters' resource allocations. In that sense, the Swedish MNCs seem well positioned should the importance of sustainability increase even further in the future. Apparently, the sustainability paradigm has been on the rise in strategic thinking of Swedish managers during the last 3 to 5 years. Moreover, many of the respondents view sustainability as a strategic paradigm shift rather than a managerial fad:

> *I get a little bit skeptical, especially when you use sustainability as a kind of Business Area, or separate area. We have already said that this is no longer the case but rather that sustainability in the long run – conceived in this way – is almost synonymous with being a prosperous, financially growing company. I am absolutely convinced that you cannot treat customers, suppliers or your employees badly and believe that you will be a financially growing, profitable company decade after decade after decade. Instead, you must be sustainable based on diversity and inclusion, ethics, environmental thinking and... it's just like that.*

> *Our aim is that no matter how globalization goes, whichever way it goes and wherever product prices go, we are going to work on being competitive. In the same way – how far will this debate on sustainability go? How far will it go? Yes, our ambition is, of course, to be competitive no matter how far it goes.*

With respect to the environmental dimension of sustainability, observations regarding decreased air pollution and the threatened prosperity of wildlife during the pandemic, provide inspiration and caution. Observers could detect a direct link between human behavior and the well-being of the earth, as a result of a decrease in production, transportation, and travelling. An increase in sustainability funds has been recognized, even though mostly in social bonds. In the first quarter of 2020, social bonds related to Covid-19 crisis relief raised USD55 billion, exceeding the total value of social bonds issued in all of 2019 (WIR, 2020).

Indeed, the increased risk in terms of physical value chains is also a concern for investors, banks, insurers, and financial market regulators. Capital-market actors press for increased resilience of firms' value chains to be able cope with disruptions in production networks and to leverage risk. In some industries, firms already must disclose the physical risk from climate change when assessing their financial situation. One example is stranded assets in the oil industry, or more generally assessing impact due to extreme weather conditions (WIR, 2020). Hence, investors seeking asset control also may affect climate change, which the following quote illustrates:

> *I saw that one of the major financial investors in Europe buying our bonds, they came back with questions 'how do you reduce your CO2-emissions at your site in Malaysia? What do you do about it?' We see that investors ask questions and customers ask even more advanced questions, sometimes without knowing themselves what they are asking for. There is a clear shift here which has increased now in connection with the pandemic.*

Yet, some firms take a somewhat more cautionary and piecemeal strategic approach to sustainability. One argument for proceeding more slowly is to avoid the risk of being accused of greenwashing. There are concerns that strategic statements must correspond to real actions to be plausible. In their view, thoroughgoing strategic redirection towards sustainability thus require a systematic approach. This will take some time. First, basic requirements need to be met by firms and their stakeholders, as vindicated by two respondents:

> *To some extent it is a hygiene factor, but at the same time we have raised our ambitions going forward also in terms of CO2 impact from our suppliers so this will be strengthened even further.*

> *Unfortunately, many companies paint everything a little green and everyone thinks it's cool and then the share price goes up but they actually don't do anything about the real issue.*

The firm and one global green world – Who is taking the lead?

Related to sustainability is the notion of 'one world,' i.e., we all breathe the same air and are dependent on the same oceans and forests. A recent example of this is the International Union for Conservation of Nature's Red List of Threatened Species stating that more than 38,500 species are threatened with extinction worldwide. Sweden is seldom the major problem, often being at the forefront concerning many sustainability indices and measures. Indeed, some Swedish MNCs boast global solutions that if implemented could significantly positively affect the climate crises. A respondent also emphasizes the importance of the developed world in pushing for a sustainable shift:

> *You can think of this as some kind of maturity curve on electrified and autonomous versus what you have to keep even fossil fuels for a transitional period. [...] At the same time, we are going to have parts of the world where this is going to go faster. I think industrialized countries will be a little faster.*

More R&D – In support of a premium position

An important observation of the early twenty-first century is the surge in the number of emerging markets as actors in existing international R&D networks. Emerging markets and regions serve as centers for development of novel business models, and as sources of groundbreaking yet 'frugal' innovations (Mudambi, 2011). This evolution towards increasingly sophisticated activities has not come about in isolation. In fact, established MNCs, Swedish ones included, could be considered facilitators of the upgrading of emerging economies R&D activities (Lopez-Vega and Tell, 2021). The original driver for these firms was the need to respond to competitors, who by disentangling their value chains were able to increase profitability. These strategies accelerated the diffusion of new technologies to local firms via subsidiaries and spillovers (e.g. through labor turnover, imitation, or other channels). This shift of knowledge-intensive investments to emerging economies illustrates a changing competitive landscape where advancements in local, emerging, markets now serve as a disruptive threat to Swedish MNCs.

One way of retaliation by the Swedish MNCs could be through the home markets of the emerging market firms. Since income distribution show more variance in many of these economies, the major market is typically the lucrative mid-market, with 'good enough' products and services. Competing in that space, however, requires investments in R&D that may not always be cutting edge. The firms studied had, in general, little interest in conducting such R&D. No respondent indicated a radical shift in R&D strategy. The following quotes illustrate a focus on R&D support to maintain a position consisting in delivering premium products and services.

> *We have decided not to try to go down the value chain and produce more simple products. Or lighter products. Instead, we let the market come to us if you say so. [...] But we understand that if you have a toolbox that is simple and cost efficient for its purpose, you attain a certain level. If you have a toolbox for more quality products, robust products and so on, you try to build it upstream. When you meet the one who comes from below, then you almost always are at a cost disadvantage.*

> *But we still believe that we have both – which you have to pay homage to – a huge engineering knowledge and firm that understands how to develop and understand what a premium product is. It is just as inhibiting when you say to our engineers 'now we're going to have a low-cost product' and of course we have looked at it over the years but it cuts into our hearts, should we design something that doesn't last? You can't do that, or something that has less power or something like that. I think you should probably still carry your heritage and your corporate culture with you in these ranks.*

> *That doesn't mean that we are going to change products and really change what we are the best in the world at doing, which are the products we manufacture today. The only difference is that they will be completely fossil-free, and we are 100% sure that we will get a premium for that too.*

Indeed, the maintenance of global leadership and development of premium high-quality products is a business strategy that comes out strongly in the following accounts:

> *Well, our firm always, or always as long as someone who is now alive can remember, I almost had to say, has had an ambition to be a global leader in certain specific niches that we choose to be in.*

> *New innovations are everything. That is what our entire existence is based on.*

> *Our strategy [...] is to be the best in everything. That, unfortunately, it's going to be quite expensive. We have to be at the forefront.*

Many Swedish MNCs express concerns about global leadership and technology. They express strong beliefs in innovation and radical technology investments. Maintaining an advanced technology position is seen as paramount, but respondents also indicate that it is impossible to be best in class in everything:

> *That's a really hard question. We're really good at existing technology. But are we good enough at creating technology, not least in the digital field? Actually, I don't know. I don't think we have been very good at that so far.*

In brief, you might say, you must maintain a larger base of R&D. We see that we need to invest in R&D to be at the forefront. We have very strong positions, indeed, but at the same time we are probably also quite paranoid. It is important to be at the very forefront, and go all in.

Yes, we have just conducted one of those customer surveys during the last six months. What comes out clearly, in line with our expectations, is that we are technology relevant. Then you can ask whether we are the best at everything or not. Some things you are probably the best at, some things you are not the best at, but we are considered technology relevant by our customers.

In line with existing research (Blomkvist, Kappen, and Zander, 2014), there is recognition by the firms studied that future competitiveness deriving from technological advancement will require R&D collaborations and acquisitions:

Collaborations with other high-tech companies are becoming increasingly important, and we have some joint ventures, with a range of technology suppliers, as well as on the sales side, when we develop this new type of products. We recognize that we cannot be best at every step of this, and that help is possible through acquisitions.

Focus and customer loyalty – Enabled by technology

Technology issues are also deeply intertwined with creating customer loyalty. The relationship with customers also comes out as a major business strategy for sustained competitiveness in the firms interviewed. The trust customers put in the brand and products, and reliability when it comes to business operations and delivery, stands out. Respondents indicate a response to 'servitization' (Tronvoll, Sklyar, Sörhammar, and Kowalkowski, 2020) and new technologies e.g., AI and robotics:

It is not the infrastructure as such and our services that explain the difference compared to competitors. Is it price? Not really, either, we have come to the conclusion that it's not. No, it's a lot of other things. It is our activity, how good we are at being there when customers get in touch, how active we are when we contact them, how we treat them, how long waiting times are [...] So this particular meeting with the customer, the work towards the customer is of huge importance even though we provide the same products and services, it is a lasting impression – it makes a big difference.

There are huge technological developments such as 'the internet of things.' After all, it is precisely these issues that become core as well. Can suddenly a new business model change the value chain completely for us? I guess that is the way we try to work. The value created by the customer due to the fact that we have contributed with our expertise, whether it is a physical product or insights from data generated by the product, or whatever it is, tells us that you can reduce your costs in this way or another. It is not only the physical product itself, but it is also, the knowledge of it, etc. I think that our main focus is never to let it go there and therefore we don't want to become a company that says that 'We can dramatically reduce our costs by distributing our knowledge and products in a completely different way.'

Wish for big policy and regulations – Towards a level playing field

Firms express concerns regarding policy and regulations in relation to sustainability, carrying implications for business strategy and competitiveness. There is a wish and need of support from the EU, as well as Swedish legislation, to demand high sustainability standards. Since Swedish firms conceive of themselves as being at the sustainability forefront, this is framed by some MNCs as a neglected competitive advantage. Swedish MNCs seem ready to answer up to harsher regulations, asking politicians to do their job in terms of closing out less green global firms from winning contracts. More specifically, there seems to be a wish for the EU to assume responsibility in terms of policy and legislation in an attempt to live up the UN SDGs. If introduced wisely, this could, create a competitive advantage for Swedish and European firms when facing competition from larger developing markets.

This is real. This is going to happen. Now you [...] get to work. Because we want to do this now. Avoiding this talk that we are waiting for commercial industry, yes, but we are waiting for the politicians. With activity you also show what you want to achieve and what you are willing to spend money on. Because then somehow it becomes a little more real. But one can get very worried indeed [...] Will the infrastructure be there?

We are enormously concerned regarding the expansion of green energy production.

In general, we as a firm have for several decades tried to promote increased regulation for our business. Perhaps in contrast to other industries where you want less regulation.

I think we have a unique opportunity to strive towards green procurement. I think that would actually benefit European companies that are a little less protectionist... it is kind of the same for everyone, but it still provides very good conditions for European companies. I think the existing ambition, that it should be implemented by 2030, is simply too weak. It should be speeded up. It is more of an add-on factor, a nice-to-have. Not a must. I think you could really set the bar quite high and say this is a must in order for you to be involved at all. We really have a chance to influence things in the right direction. Both for the planet but also for the competitiveness of European firms.

There is also a related issue with respect to the question of globalization and a polarized world in terms of standards and policy. Here, the world does not seem to be as global as one might think, with the EU and the US having far more regulations and continue moving more in that direction. This is a delicate question, which if handled properly by politicians could potentially lead to a comparative advantage for Swedish and Western MNCs. If not addressed, it could result in a disadvantage as Swedish MNCs often having their main markets in the US or the EU suffer from multiple regulations and adaptations. Several respondents wish for a development in the direction of a level playing field:

We had the idea that if, as in some way, industries are forced to change, which we thought was absolutely right, then the industries will change when they see the business opportunities. But then you also have to give the industries peace and quiet to change. If you put requirements or costs on carbon dioxide in this case, you also have to make sure that neither Chinese industry nor Russian industry slay European industry because they operate under completely different requirements.

The driving forces are a little different. Europe is at the forefront. Then the U.S. is catching up pretty quickly. And it is driven pretty much by [...] They're coming pretty fast, and here a number of actors are investing… That is the downside of Europe that it consists of so many different states, whereas in the United States they are just saying: We are doing this!

Then it turns out that our Chinese competitors don't care. 'Europe is making it up'… as well and then it is clear that then we have to deal with not being able to sell. To get so in-depth on development costs that it is completely impossible to compete in other parts of the world that do not happen to have the same regulation. But for me, that's a bit of a timing to deal with as long as the world is developing, probably, in the same direction. I say that we welcome any new regulation in China in that direction because it only makes the level playing field a little better.

After all, we have put a great deal of effort in recent years to address, as has the number of new laws, in the EU, for example, in the field of health and security. And in one of the European countries, I guess there are thousands of laws, there are huge quantities implemented every year and a sizable share of them have some kind of protectionist spirit in them. This is an environment that is a little trickier to navigate. It has become very rule-driven throughout the world and I think that is very dangerous.

Summary and conclusions

The landscape of globalization is changing. Significant drivers of these changes are technology, politics, and sustainability, as pointed out in the first report from the collaborative research project between Uppsala University and SEB (Arora-Jonsson, Blomkvist, and Schmuck, 2021). The present report builds on the findings from the first report and sets out to explore possible adaptations in the strategies of MNCs following changes in economic globalization. Specifically, it investigates the possible shifts and future directions of strategies among Swedish MNCs due to the global drivers of technology, politics, and sustainability, and how these drivers may impact future competitiveness of Swedish firms. The report presents the results and conclusions from 20 in-depth interviews with CEOs, CFOs, and other executive decision-makers, representing 19 Swedish MNCs. In addition to the interviews, annual reports from the 19 corporations have been studied. The findings of the study can be summarized in the following main conclusions, sorted under six main headings.

A strong global corporate identity

A majority of the MNCs view themselves as global firms but with a strong local embeddedness. On the other hand, if being a Swedish firm is important or not in nurturing a corporate identity is not very clear. However, some firms emphasize the importance of Sweden, as well as the EU, in creating and maintaining competitiveness. During the interviews, it also surfaced that business acumen as well as business moral encompassed a certain Swedish flavor. Doing business 'the Swedish way' involves extensive degrees of decentralization and a compass with respect to which local contexts that are appropriate for conducting business. All firms base their identity on the industry in which they compete and less so on their position in a global value chain.

There are many risks of being global

The political risks of being a global firm is evident. For example, the relationships between the US, the EU and China has developed from being symbiotic to become more competitive. There is also evidence that firms are acutely aware of risks associated with disruptions in their value chains. Hence, resilience is considered important and firms seem to be well prepared through their long tradition of decentralized decision-making. It is therefore not that surprising that the importance of synergy realization seems to be de-emphasized in some firms. Instead, in some cases, firms consider developing several sets of value chains. Such parallelism is deemed to facilitate de-coupling of regions and lower the risks stemming from external shocks.

Reshoring to Sweden is not an option

Recent developments in the area of technology, sustainability, and politics have put reshoring back on the strategic agenda for MNCs. Still, surprisingly few firms seem to consider reshoring to Sweden to be an attractive option. Most Swedish MNCs are still on an internationalization trajectory and strive to keep their global presence. Investments in R&D, ICT etc. are expected to follow patterns already established. However, there are firms that consider abandoning markets due to unfavorable conditions relating to politics and sustainability issues, which may cause them to bring activities back to Sweden.

Managing future global value chains

In a long-term perspective, there are reasons to believe that political and sustainability issues will affect value chain strategies. Firms are, for example, concerned about extreme weather, water shortages and how transportation affects the environment. Future technological development may also alter where in the value chain value is created, but that is not on the agenda of the firms at this point in time. In addition, firms express an ambition to maintain close contact with customers in order to be able to provide competitive products and services. The ambition to maintain close contact with customers can also affect location and management of value chains. There seems to be an ambition to keep key technologies related to products and services and not to share knowledge outside the firm. At the same time, interviews reveal that they also envisage future collaborations with outside parties to ensure technological leadership despite not being at the edge of every specialized technology included in product and service offerings.

The big bet on sustainability
Many firms are positioning their businesses based upon a vision of providing sustainable products and services. They consider themselves global leaders in their industry based on a long history of successful development of new technologies. The big bet on sustainability offers many opportunities and could propel Swedish MNCs to a strong position on the global market for sustainable products, rendering a price premium. This opportunity is based on the assumption that this trend continues to be strong and increase in the main regions where these firms conduct business. Firms believe that politics could facilitate this development both at the national and international level, by providing pressure through the implementation of regulations. However, there are concerns that the necessary infrastructural investments will not be made or made too late. Sluggish pace with respect to investments in large technical systems, networks, and infrastructure support is a threat to the success of strategies based on a sustainability agenda.

The pandemic is a pressure test of MNC resilience
Firms have been substantially affected by the pandemic inasmuch as their activity strategies have been put to the test. The last 18 months have made firms acutely aware of the strengths and the weaknesses in their strategic orientation – especially their activity strategies. At the same time, firm resilience appears to be generally high. There are reasons to believe that the high level of decentralized decision-making that characterizes many firms supported strong performance. Few firms report that the pandemic in itself will have significant long-term effects on MNC strategies. Instead, we can expect that the three drivers of economic globalization – technology, sustainability, and politics – will affect strategic adaptations and pathways ahead for Swedish MNCs. This report shows that these drivers can have a significant impact on how MNC competitiveness will develop in the years to come.

Final remarks
This report takes it departure from the overarching and highly relevant question – what is happening to globalization? – discussed in detail by Arora-Jonsson, Blomkvist, and Schmuck (2021). The study of 19 Swedish MNCs has given several new, and sometimes rather surprising, insights into how the firms adapt their strategies to the drivers of economic globalization. One example of such an insight is that the firms do not foresee a reshoring to Sweden. Another example is that the importance of contributing to a sustainable society, which is not by any means a new concern, came out as a significant driver of how MNCS are renewing their strategies. It can also be concluded that Swedish MNCs still strongly believe in the advantages of globalization and that their corporate identity is to a large extent built on such a vantage point. At the same time, there are concerns about how globalization will develop in the future and the risk of being global.

Nevertheless, the MNCs have an optimistic outlook on the future and the competitiveness of Swedish industry. We believe that the present report can serve as a starting point for a continuing discussion of the pathways ahead, among both executives and researchers. The report has explored different types of strategic adaptions among MNCs and discussed them as corporate, activity, and business strategies. The results show that the relationship between these strategies can be ambiguous, and, at the same time, they need to be coordinated. We believe that future research could discuss theses complex relationships in more detail but also zoom in on the different strategy levels. For example, what challenges threatens the 'big bet on sustainability' and how will technology affect the organization of global value chains in the future? Research endeavors and practical deliberations should preferably take into account how strategies are formulated and implemented, in particular the governance and organization of MNCs and global value chains to ensure competitive advantages today and in the future.

References

Ambos, T. C., Cesinger, B., Eggers, F., and Kraus, S. (2020). How does de-globalization affect location decisions? A study of managerial perceptions of risk and return. Global Strategy Journal, 10(1), 210-236.

Andersson, U., and Forsgren, M. (2000). In search of centre of excellence: Network embeddedness and subsidiary roles in multinational corporations. Management International Review, 12(1), 329-350.

Antràs, P. (2020). De-globalisation? Global value chains in the post-COVID-19 Age. Working Paper: National Bureau of Economic Research.

Arora-Jonsson, S., Blomkvist, K., and Schmuck, A. (2021). Trumpism, Brexit, Industry 4.0, and COVID-19: What is happening to globalization? A review of the literature on economic globalization. Uppsala University, Department of Business Studies.

Autio, E., Mudambi, R., and Yoo, Y. (2021). Digitalization and globalization in a turbulent world: Centrifugal and centripetal forces. Global Strategy Journal, 11(1), 3-16.

Awate, S., Larsen, M. M., and Mudambi, R. (2015). Accessing vs sourcing knowledge: A comparative study of R&D internationalization between emerging and advanced economy firms. Journal of International Business Studies, 46(1), 63-86.

Bartlett, C., and Ghoshal, S. (1989). Managing across borders. Cambridge: Harvard Business Press.

Blomkvist, K., and Drogendijk, R. (2013). The impact of psychic distance on Chinese outward foreign direct investments. Management International Review, 53(5), 659-686.

Blomkvist, K., Kappen, P., and Zander, I. (2014). Win, place, or show? How foreign investment strategies contribute to the technological growth of the multinational corporation. Long Range Planning, 47(1–2), 16-31.

Business Roundtable (2019). Statement on the purpose of a corporation. Retrieved from: https://s3.amazonaws.com/brt.org/BRT-StatementonthePurposeofaCorporationJuly2021.pdf.

Cavusgil, S. T., Knight, G. A., and Riesenberger, J. R. (2020). International business: The new realities, Global edition. Pearson education limited.

Contractor, F. J. (2021). The world economy will need even more globalization in the post-pandemic 2021 decade. Journal of International Business Studies, https://doi.org/10.1057/s41267-020-00394-y.

Cuervo-Cazurra, A., Mudambi, R., and Pedersen, T. (2017). Globalization: rising skepticism. Global Strategy Journal, 7(2), 155-158.

Cuervo-Cazurra, A., Doz, Y., and Gaur, A. (2020). Skepticism of globalization and global strategy: Increasing regulations and countervailing strategies. Global Strategy Journal, 10(1), 3-31.

Daimler (2020). Annual Report 2020.

Davis, B., and FitzGerald, D. (2020). US pushing effort to develop 5G alternative to Huawei. Wall Street Journal. Retrieved from https://www.wsj.com/articles/u-s-pushing-effort-to-develop-5g-alternative-to-huawei-11580831592.

Fontaine, R. (2020). Globalization will look very different after the coronavirus pandemic. Foreign Policy, 17, 2020.

Galbraith, J. R., and Nathanson, D. A. (1978). Strategy implementation: The role of structure and process. St. Paul: West Publishing Company.

Gereffi, G., and Fernandez-Stark, K. (2018). Global Value Chain Analysis: A Primer Second Edition. In Gary Gereffi (Ed.), Global Value Chains and Development: Redefining the Contours of 21st Century Capitalism (pp. 305-342). Cambridge: Cambridge University Press.

Ghemawat, P. (2018). The new global road map: Enduring strategies for turbulent times. Cambridge: Harvard Business Press.

Goold, M., Campbell, A. A., and Alexander, M. (1994). Corporate-level strategy: Creating value in the multibusiness company. New York: Wiley.

Hrebiniak, L. G., Joyce, W. F. and Snow, C. C. (1989). Strategy, structure and performance: Past and future research. In C. C. Snow (Ed.). Strategy, organization design and human resource management (pp. 3-54). Greenwich: Jai Press.

IPCC (2014). Fifth Assessment Report: Climate Change - Impacts, Adaptation, and Vulnerability. Geneva: Intergovernmental Panel on Climate Change.

IPCC (2021). Sixth Assessment Report: Climate Change 2021 - The Physical Science Basis. Geneva: Intergovernmental Panel on Climate Change.

Jannesson, E., Nilsson, F., and Rapp, B. (2014). Strategy, Control and Competitive Advantage: Case Study Evidence. Berlin, Heidelberg: Springer Science & Business Media.

Kobrin, S. J. (2017). Bricks and mortar in a borderless world: Globalization, the backlash, and the multinational enterprise. Global Strategy Journal, 7(2), 159-171.

Li, D., Liang, Z., Tell, F., and Xue, L. (2021). Sectoral systems of innovation in the era of the fourth industrial revolution: An introduction to the special section. Industrial and Corporate Change, 30(1), 123-135.

Lopez-Vega, H., and Tell, F. (2021). Technology strategy and MNE subsidiary upgrading in emerging markets. Technological Forecasting & Social change, 166. https://doi.org/10.1016/j.techfore.2021.120709.

Lorenzen, M., Mudambi, R., and Schotter, A. (2020). International connectedness and local disconnectedness: MNE strategy, city-regions and disruption. Journal of International Business Studies, 51(8), 1199-1222.

Malmi, T., and Brown, D. A. (2008). Management control systems as a package—Opportunities, challenges and research directions. Management Accounting Research, 19(4), 287-300.

Meyer, K. E., and Peng, M. W. (2016). Theoretical foundations of emerging economy business research. Journal of International Business Studies, 47(1), 3-22.

Mudambi, R. (2011). Hierarchy, coordination, and innovation in the multinational enterprise. Global Strategy Journal, 1(3-4), 317-323.

Nell, P. C., Kappen, P., and Laamanen, T. (2017). Reconceptualising hierarchies: The disaggregation and dispersion of headquarters in multinational corporations. Journal of Management Studies, 54(8), 1121-1143.

Nicas, J., Weise, K., and Isaac, M. (2019). How each big tech company may be targeted by regulators. New York Times. Retrieved from https://www.nytimes.com/2019/09/08/technology/antitrust-amazon-apple-facebook-google.html

Nilsson, F., and Rapp, B. (2005). Understanding competitive advantage: The importance of strategic congruence and integrated control. Berlin, Heidelberg: Springer Science & Business Media.

Ocasio, W., Laamanen, T., and Vaara, E. (2018). Communication and attention dynamics: An attention-based view of strategic change. Strategic Management Journal, 39(1), 155-167.

Ostry, S., and Nelson, R. R. (2000). Techno-nationalism and techno-globalism: Conflict and cooperation. Brookings Institution Press.

Pananond, P., Gereffi, G., and Pedersen, T. (2020). An integrative typology of global strategy and global value chains: The management and organization of cross-border activities. Global Strategy Journal, 10(3), 421-443.

Porter, M. E. (1980). Competitive strategy: Techniques for analyzing industries and competitors. New York: The Free Press.

Porter, M. E. (1985). Competitive advantage: Creating and sustaining superior performance. New York: The Free Press.

Porter, M. E. (1987). From competitive advantage to corporate strategy. Harvard Business Review, 65, 43-59.

Rodrik, D. (2015). The globalization paradox: Democracy and the future of the world economy (2011). In J. Timmons Roberts, Amy Bellone Hite, and Nitsan Chorev (Eds.), The globalization and development reader: Perspectives on development and global change (pp. 417 - 439). Wiley Blackwell.

Rodrik, D. (2020). Why does globalization fuel populism? Economics, culture, and the rise of right-wing populism. Working Paper: National Bureau of Economic Research.

Rosa, B., Gugler, P., and Verbeke, A. (2020). Regional and global strategies of MNEs: Revisiting Rugman and Verbeke (2004). Journal of International Business Studies, 51(7), 1045-1053. doi:10.1057/s41267-020-00347-5.

Rugman, A., Verbeke, A., and Yuan, W. (2011). Re-conceptualizing Bartlett and Ghoshal's classification of national subsidiary roles in the multinational enterprise. Journal of Management Studies, 48(2), 253-277.

Rugman, A. M. (2005). The regional multinationals: MNEs and 'global' strategic management: Cambridge University Press.

Tillväxtanalys (2014). Myndigheten för tillväxtpolitiska utvärderingar och analyser (2014). Sverige i globala värdekedjor - Förändringar av företagens roll i en alltmer sammanflätad världsekonomi. Rapport 2014:12.

Tronvoll, B., Sklyar, A., Sörhammar, D., and Kowalkowski, C. (2020). Transformational shifts through digital servitization. Industrial Marketing Management, 89, 293-305.

Wang, Z., and Zeng, J. (2020). From economic cooperation to strategic competition: Understanding the US-China trade disputes through the transformed relations. Journal of Chinese Political Science, 25(1), 49-69.

WIR (2005).World Investment Report 2005: Transnational Corporations and the Internationalization of R&D. New York and Geneva: UNCTAD, United Nations.

WIR (2020). World Investment Report 2020: International Production beyond the Pandemic. New York and Geneve: UNCTAD, United Nations.

Appendix – A brief note about methods

This report is the second installment of a two-part report series on globalization and the implications for Swedish firms in collaboration with SEB. This second report is based on 20 in-depth, face-to-face online interviews with top managers of Swedish multinational corporations. Broadly using the OMX30 as the sample frame, 19 firms were ultimately included in the analysis. Specifically, 17 companies are listed on the OMX30. The other two firms would be large cap if publicly listed. Thus, the data and findings in this report represents a large share of Swedish firms on the OMX30 index. To put the firms in perspective, they offered employment to almost 900,000 individuals (average per firm 46,821) in 2020, with 235,711 working in Sweden (average per firm 13,095). Together, the firms accounted for revenues amounting to approximately 1,500 billion SEK in 2020. All in all, the sampled firms pose a fertile testing ground for strategic responses and directions among Sweden's large MNCs.

To learn more about the perceptions of the development of globalization and the possible strategic implications for Swedish companies, we interviewed the Chief Executive Officer (CEO), the Chief Financial Officer (CFO), or another member of the top executive team working with strategic development from a broad spectrum of industries. Thereby, a majority of the most internationalized industries in Sweden are represented in the sample (cf. Tillväxtanalys, 2014).

The interview questions were generally broad, and open-ended to encourage respondents to elaborate on their answers. In the beginning of every interview, the research topic and the purpose of the interviews were explained. This was followed by a quick overview of the findings of a previous report. The interviews lasted for an hour on average and followed a pre-defined interview guide that was developed as a result from the first part of this report series, in combination with additional literature. Moreover, every interview was followed by a short questionnaire that consists of nine short statements measured on a seven-point Likert scale ranging from Strongly Disagree to Strongly Agree. The interview guide, as well as the short questionnaire covered three main areas: corporate strategy, activity strategy, and business strategy. All three areas covered questions about the influence of previously identified drivers of globalization: technology, sustainability, and politics. However, the interview guide also ensured space for personal reflections of the respondent and additional views.

All interviews were conducted by two researchers of the research team and audio recorded with the respondent's consent. The anonymity of respondents was emphasized to encourage openness and candidness of their answers. The transcribed interviews were coded and analyzed by the whole research team in an iterative manner, moving between data, literature, and theory to refine the findings, while relating them to existing theories. Archival sources, such as annual reports, sustainability reports, and press releases were used to build up background knowledge about previous strategic decisions of the firms. They were also used to corroborate the interviews and vice versa.

With the permission of the respondents, the report includes direct quotes taken from the interviews. Since all of the interviews were conducted in Swedish, it was necessary to translate the quotes into English. By doing so, some of the quotes were edited. Those edits have not changed the context, but only ensured readability. All of the editorial changes by the researchers were also approved by the respondents. Moreover, some respondents provided additional clarifications and minor adjustments to the edited quotes, which were also included in the final report.

About the Authors

Katarina Blomkvist is an associate professor of entrepreneurship at the Department of Business Studies at Uppsala University. Her research concerns the development and internationalization of new technologies in large companies, as well as the role of intrapreneurs and organizational factors.

Philip Kappen is an associate professor of business administration, especially international business, at the Department of Business Studies at Uppsala University. His research addresses the intersection of strategy, innovation, and organization in the multinational firm.

Fredrik Nilsson is a professor of business administration, especially accounting, at the Department of Business Studies at Uppsala University. His research involves understanding how economic information systems are used when formulating and implementing strategies.

Alice Schmuck is a doctoral student in business administration, especially international business at the Department of Business Studies at Uppsala University. Her research focuses on globalization strategies and financial effects

Fredrik Tell is a professor of business administration at the Department of Business Studies at Uppsala University. His research concerns strategy, innovation, and organization in knowledge-based industries and companies.