The complex internationalization process unfolded

The case of Atlas Copco’s entry into the Chinese mid-market

Mikael Eriksson
Abstract

Despite its contemporary relevance, we still have limited empirical knowledge about the forces underlying complex internationalization processes as when multinational corporations (MNCs) seek to enter new growing markets. Based on a real-time process study comprising ninety interviews and two hundred hours of observation made between 2009 and 2012, Atlas Copco’s entry into the Chinese mid-market was investigated. The intra-organizational analysis showed that three inter-related processes were underlying Atlas’ market entry and the results suggest that multiple interrelated motors may drive many contemporary internationalization processes. The processes identified are a sequential strategy process, an evolutionary process which shows that routines changed, and a political process. A somewhat surprising finding is that the main driver of internationalization according to received theory, the firm’s accumulated experiences, not only can drive internationalization, but may also hamper MNC managers’ possibilities to enter many of today’s new and growing markets. The findings add to our knowledge of the internationalization process in an increasingly complex international business setting, and especially highlight the need to distinguish between the sequential strategy process – more in line with received theory – and the other processes, in order to get a more full-fledged picture of what internationalization in large MNCs is all about.

Keywords: International Business, Internationalization process, Complexity, Process theory, Strategy process, Evolutionary process, Political process

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There are no straight lines in the state of things.

Turin Brakes, 2000
In Beijing in 2011, the Vice President of Volvo PV prepared himself one last time before stepping into the room. He was about to present to the Chinese press how Volvo PV planned to increase its investment in China by building a new factory in Daqing (SvD 2013\(^1\)). To the press, the decision seemed like a natural consequence of Volvo’s desire to grow in China.

But the Vice President had not told the media about the many challenges that had preceded the decision, many of which were related to the relationships between the managers within the firm. The process behind the investment decision had not been straightforward, but rather diversified, controversial and difficult to manage.

Managers in Sweden for example had tried to formulate a China strategy. These managers however had found it hard to learn about the rapidly changing Chinese market. It had been difficult for them to get adequate information from their Chinese colleagues, and according to rumors, retailers had been manipulating information to their own benefit.

At the same time, people seemed to engage in political struggles. Journalists have described the internal power conflicts that underlaid the investment decision, clashes that arose because managers had different views on how to invest in China (SvD 2013\(^2\)). “...[D]ifferent power-centers existed that all were yanking and pulling in Volvo PV” (SvD 2013, p. 43).

The political struggles were related to yet another side of the process, namely how to adapt long-standing routines to the Chinese market. Swedish managers wanted to cultivate Volvo’s heritage and keep the routines of developing safe cars with a clean design. This goal would be achieved by keeping production and R&D in Sweden. But the Chairman, the board, the new Chinese owner, and the Chinese government pushed for changing the routines. Among other things, they wanted to localize production and R&D. The owner also wanted to develop Volvo PV towards a more luxurious concept. Martin Sköld, a researcher from Stockholm School of Economics, describes the clash between the firm’s history and the new initiatives like this: “The main owner has not understood Volvo PV’s heritage. Security and Scandinavian design are two main pillars” (SvD 2013, p. 44).

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1 Froberg & Almgren
2 Froberg & Almgren
3 Maktkampen sanker Volvo
4 Maktkampen sanker Volvo
The example above reminds us that internationalization processes can be of two types: those that are straightforward, and those that are more complex. While managers in some entries can have good information about the market and are supported by both established routines and agreement about resource allocation, other processes are less straightforward. In the Volvo example, it was not until after managers had changed the internal dynamics of the people involved that the investment decision could be made. Those actions resolved some of the tensions within the firm. But the outcome, the investment decision, was a long time in coming and was never a certainty.

Internal activities matter for how MNCs commit to markets

The example recounted above illustrates how the internationalization of a multi-national corporation (MNC) can pose special managerial challenges that, to a large degree, can be related to the internal organization. For one thing, it can be hard for managers at headquarters to plan a strategy, because headquarters may be physically distant from the market. It can therefore be hard for managers to access their colleagues’ market knowledge. For another thing, some decisions may be controversial, which can make managers engage in power struggles. Power struggles can make further decision making even more unpredictable. Another example is that some may argue for routine changes while others will want to draw on historic ways of doing things. How managers relate to their routines can be important for how internationalization processes develop.

Despite intra-organizational behaviours having a strong influence on a decision to increase commitments in the market, the literature does not provide us with much information about how these internal activities underlie a firm’s internationalization. Instead, the analysis is usually aggregated to the firm level. It is the firm’s behaviour that is being studied.

As a contribution to internationalization process literature, this thesis will investigate the intra-organizational behaviours that lie behind large international commitments in complex organizations. In particular, this thesis will re-assess received assumptions, delineate a model that can capture deeply embedded and varied intra-organizational behaviours, and start to construct a new way of looking at the internationalization process.
Chapter 1: Background

Among the currently observed behaviours in global markets, two things stand out. First, many internationalization processes are carried out by multi-national corporations (MNCs). We can expect these processes to be complex, because MNCs are associated with a rising number of coordinated intra-organizational activities. Second, many MNCs attempt to grow by entering into new markets, often into quickly growing markets in emerging economies. These markets are associated with rapidly changing conditions and uncertainty.

We know very little about how the firm commits to, and enters into, new markets under complex conditions. The thesis takes on the question about how complex internationalization processes unfold by studying Atlas Copco’s market entry into a new and dynamic market in China. In an attempt to consider organizational complexity, the study is made from an intra-organizational perspective.

Chapter 1 will introduce this thesis by illustrating the existence of MNC internationalization processes and new dynamic markets. This chapter will further show that research about this topic is largely absent from the literature.

1.1 The multi-national corporation

When talking about an MNC, I refer to the large and complex international firm. An MNC does not merely conduct business in a few international countries; it runs operations in most countries in the world. Often it has successively been growing internationally over a longer period of time, and it can be called an internationally mature firm. Volvo, Sandvik and Atlas Copco are three examples (Johanson & Wiedersheim Paul 1975).

There are also smaller firms operating in the global setting, but these firms are different from the large MNC. One important distinction between larger MNCs and smaller firms is that in an MNC, resources are often sought out within the firm, since an MNC manager often depends on activities carried out in the internal setting. In contrast, managers in smaller firms tend to search for resources outside the firm (Meredith 1987; Noori 1988, in Langley & Truax 1994).
A large, sometimes complex and often internationally mature firm faces the following problem: how can it grow? Existing markets often offer limited possibilities for growth, especially if the company already has been acting there for many years and enjoys a dominant position, or if markets are saturated. It’s already an international company, so where can it find room to expand? The answer is that it has to find new types of markets to expand into.

1.2 What is MNC internationalization?

While MNCs do not necessarily enter into new countries, they still do enter into new markets. Any MNC can of course also internationalize by expanding within an existing market, but market entry is especially intriguing to investigate because it represents a starting point for a new internationalization process, and a new situation for the firm. An MNC’s market entry can be compared to a small firm that internationalizes by entering into a new country, developing business relationships, and learning about markets (Johanson & Vahlne 1977). Even though the MNC does not enter into a new country, it is still discovering new business opportunities that require the firm to develop novel business relationships and learn about markets. When the firm has developed business relationships strong enough to conduct long term business, and the business has become profitable, we can talk about a new market entry (see Blankenburg 1995).

We find many examples of MNCs entering into new markets. Nokia for example was once a large and experienced player in the rubber boot and tire market, but in the 1990s the company entered the market of telecommunication and had international success with mobile phones. Google recently aimed at entering the automotive industry by developing a driverless car (Mahan 2014). Multi-nationals like Hewlett Packard, Intel, and Whirlpool have recently entered into the 3D printing business (Eckelman 2015). We can also see that many MNCs have recently made attempts to grow in dynamic economies such as in China and Brazil. Ericsson for example developed 4G telecommunication in Brazil as the country’s economy boosted around 2010, and Sandvik and Atlas Copco have been helping countries like China to excavate iron, a raw material frequently requested in construction projects.

We can observe indications of these global shifts in which MNCs increase their commitments in world markets, and especially in Asia (World Investment Report 2014). World Investment Report tracks how MNCs

\[5\] Eriksson levererar 4G till Brasilien, 2012; Eriksson bygger natverk i Brasilien, 2012

\[6\] Foreign direct investment (FDI) in developed economies are now are at a historically low share of total global FDI flows, while FDI to developing countries are historically high. The
have changed their focus from the West to growing markets, especially Asia, and it shows that a lot of Western resources have especially been transferred to China. A report from Roland Berger strategy consultancy firm predicts that production of capital equipment will continue to shift from developed to developing countries so that China will become the leader in making capital equipment in 2015, taking over the top position from the US (Eisenhut, Lässig, & Liedl 2011). In Sweden, industry giants such as Atlas Copco, Ericsson, SKF, and Volvo have invested heavily into China over the last five to ten years (see also Fjälström’s documentary from 2010). A report from Teknikföretagen (the Swedish employer’s association for industrial firms that export), in its review of 32 Swedish industrial MNCs7, shows that between 2006 and 2013, 47,000 new industrial jobs were created in China, while the corresponding number in Sweden decreased by almost 16,000 (Teknikföretagen 2014).

1.3 Activities within complex markets

MNCs internationalize into different types of markets: some markets are less complex, meaning that its actors are few, visible, and concentrated, and the rate of market change is low8. But managers sometimes also have to deal with more complex markets, because these markets present special opportunities for growth. We can see that especially Western MNCs have found traditional upscale markets saturated, and as a consequence, they have looked for new types of markets in growing economies (Prahalad & Bhattacharyya 2011). One of the most interesting and complex new market in growing economies is the mid-market.

As part of a global shift in focus, the mid-markets in Asia have provoked much interest for many MNCs (Gebauer, Fischer, & Fleisch 2009). The mid-market is a concept sometimes used to explain how people who previously suffered poor standards have been able upgrade due to rapid and extensive economic growth. These upgrades have allowed industry actors to improve their technologies, and private consumers to improve their living standards. These improvements are made by manufacturers finding a

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7 Some of the companies are Alfa Laval AB, Assa Abloy AB, Atlas Copco, Electrolux, Elektro, Ericsson, Getinge AB, Gunnebo, Husqvarna AB, Saab AB, Sandvik AB, Scania, SKF, Trelleborg AB, AB Volvo, and Volvo PV.

8 Complexity has been defined as the number of nodes in a network, the number of links between the nodes, and the degree of variety between the links (Waldrop, M. 1992. Complexity: The emerging science at the edge of order and chaos. New York.). In this thesis it is relevant to talk about the number of actors, the links among actors, and the types of behaviours.
quality level that is better than low quality, but at the same time is below the more sophisticated standards of advanced products and procedures. Tata Nano is one example of a mid-end product. The small, simple car was first developed for the Indian mid-market. The price is a remarkable 1600€, which allows many households and companies in India to buy a car despite the lack of monetary resources (Hagvall 2012). A new upgraded version costing 8000€ is on its way. The upgraded version provides a product according to a principle that sometimes is used to describe the mid-market: a good enough quality for a good enough price (the mid-market will be discussed in further detail in Chapter 5). To take a much smaller, less durable example, Coca-Cola also recently entered the Chinese mid-market with a beverage that is supposed to attract mid-market customers. The beverage, cold tea, is sold for under half a euro.

The mid-market is a large market that still is growing. It has been estimated that, only in China, more than one hundred million people entered the mid-market segment at the end of the 1990s, and it is estimated that two-thirds of the world’s growing middle class will be found in Asia in the future (Chen, Matzinger, & Woetzel 2013). As one example, General Motors (GM) entered the mid-market successfully by creating a ‘good enough’ set of autos for China’s burgeoning middle class. In 2007, mid-market sales accounted for more than fifty percent of GM’s total sales in China (Gadiesh & Leung 2007).

While new mid-markets present growth opportunities, these markets are especially challenging for market entry because they are new and therefore complex, rapidly growing and rapidly changing. Furthermore, Western MNCs often lack experience in these new markets (Prahalad & Bhattacharyya 2011). Despite these challenges, MNCs sometimes enter mid-markets anyway, either because the perceived opportunity is so attractive, or because the perceived risk of not entering is too great.

As an example of how risky it can be to ignore the mid-market, when Nokia and Motorola entered China, they initially neglected China’s mid-market, and as a result, they lost their dominant position in mobile telephony. For Motorola, the market share dropped sharply between 2003 and 2005 from 60% to 35% (Gebauer, et al. 2009), which benefitted local firms like Kejian, Panda, Ningbo and TCL.

Firms that do decide to enter dynamic new markets like the mid-market also have to deal with the complexity of the new business environment. Motorola’s adjustment to its new market was rapid, but it must also have been difficult and perhaps even controversial. In a short time, it had to localize its R&D services, conduct cost reductions, expand market cover-

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9 It is estimated that Asia’s middle class will grow from 1,8 billion in 2009 to 4,9 billion in twenty years.
age, and streamline distribution channels before it could re-gain its market share.

1.4 Activities within complex MNCs

Besides dealing with complex markets, MNC managers also have to deal with complexities that are more related to the intra-organizational environment (rather than to the market per se). An MNC’s manager often has to integrate globally dispersed activities, which can mean that knowledge and products may have to travel around the globe several times before the products can be sold in a local market (Dicken 2011; Rivoli 2006). It has been pointed out that the number of an MNC's geographically dispersed actors, and the degree of integration of those actors’ activities, steadily increases over time (Björkman & Forsgren 1997; Dicken 2011).

While an MNC’s intra-organizational environment can be intricate, we can expect that a large number of its internationalization activities are carried out within the firm's borders. It has been found that the degree of activities within an MNC can even exceed its external activities (World Investment Report 2013). The World Investment Report (2013) estimates that about 80% of the activities in global business are managed within MNCs, either in terms of trade, or in terms of other activities in global networks that are controlled by the MNC’s managers (this trend has been called the "Global Factory phenomenon", (Buckley 2009).

1.5 Complexity in internationalization matters

We can expect that the complexity of a market, and that of the intra-organizational environment, has an impact on managers’ abilities to learn about the market, to generate necessary resources, and to formulate a strategy for the market entry. The previous example of Motorola illustrates that difficult it can be for managers to know how to commit when markets are new and dynamic. Fredrickson (1986) and Srivastava and Grant (1985) found that complex intra-organizational contexts greatly influence the decision making process in larger organizations, and that the decision making process in MNCs looks different than the same process in smaller firms, as a consequence of this complexity (cited in Langley & Truax 1994).

The importance of intra-organizational behaviour has been supported by empirical research. Zander (1991) for example found that we need to identify specific intra-organizational processes within a particular MNC, and that we cannot aggregate analyses of the MNC internationalization process to the firm level. Steen and Liesch further argue that “Not only is firm de-
velopment a process of learning about markets but, also, it is a process of learning about the firm’s own internal resources” (2002, p. 197).

1.6 Literature review

1.6.1 Process research that considers the complexity of MNC internationalization

In internationalization process research, the various complexities that managers may face are rarely considered. MNCs are seldom given special attention, and literature about MNC internationalization processes is scarce and scattered. We however find some few examples of research that consider the intra-organizational environment of the MNC and the complexity of markets.

A rare example of research on internal complexity and internationalization is Tsang (1999), who ‘opens up’ the MNC in a one-year longitudinal case study on the internationalization process for 19 large Singapore companies. His investigation focused on problems driving internationalization processes in complex, already internationally experienced MNCs, and the findings showed that the old routines did not always help drivers absorb new knowledge.

In another example, Autio, Sapienza and Almeida (2000) did a quantitative study on the effects of age, knowledge, and imitability on entry. Like Tsang, they found that as firms get older, they develop learning impediments that hamper their ability to successfully grow in new environments. Despite an MNC having international experience, MNC managers may lack the right set of routines to explore new opportunities (Autio, et al. 2000). Older internationalized firms can therefore be hampered during the internationalization process.

Three more studies also corroborate these findings. Benito, Larimo, Narula, and Pedersen (2002) studied internalization patterns for MNCs from small economies by studying annual reports from ten years (1990–1999). They found that strong internal forces of retention hindered new establishments, especially for companies that had developed strong business relationships in their home countries. Vermulun and Barkema (2002) used panel data and annual reports to measure the effects of pace and scope on profitability. They also found that the internationalization processes of MNCs are complex and not always profitable. Similar results were found by Barkema and Drogendijk’s quantitative study on Dutch MNCs (2007). While their research did not open up the MNC for studying its interior relationships per se, it interestingly pointed out that the MNC is limited in its ability to learn from new and complex environments. Nielsen (2010) pointed to the need to investigate MNC internationalization at the intra-organizational level in her study on the effect of top management teams on
performance. Her quantitative study, based on data from 165 Swiss listed companies collected over three years, shows that a top management team’s previous internationalization experiences played an important role for any future internationalization.

Taken together, these studies all suggest that MNCs, when confronting intra-organizational complexity of the firm or the complexity of markets, may face special challenges in learning.

1.6.2 Most process research has not considered the complexity of MNC internationalization

Despite the few examples given above, very little research if any has explicitly investigated the MNC internationalization process while taking into account how MNC managers may face simultaneous internal and external complexities. To the contrary, much empirical research has often studied internationalization at the firm level, thus treating the MNC as a single actor without regarding its extensive intra-organizational activities.

The firm level approach seems to be prevalent even if data is collected from an MNC. Most research simply refers to the MNC as the *firm* without discriminating the MNC from other types of objects. Usually the reader is left to search through the methods or an appendix for the information about whether the empirical object is an MNC or another type of firm.

The habit of using firm level analysis to analyze MNC internationalization seems to go hand in hand with the frequent use of the Uppsala model (Johanson & Vahlne 1977). The Uppsala model describes internationalization at the firm level, but without discriminating between objects or types of firms (the problems with using a firm level model will be further discussed in the next chapter).

We can see several examples of internationalization process research that collects data from the MNC, but that analyzes the process from a firm level view by using the Uppsala model. Kwon and Hu (2004) for example investigated the accumulative expansion pattern of the Uppsala model, versus behaviours in which firms jump stages, by sending out to questioners to 112 multi-nationals. Their result supported a slow accumulative pattern, but they do not conceptualize an MNC’s intra-organizational environment. Similarly, Davidson and William (1983) investigated the expansion pattern of the Uppsala model for 954 products in 57 MNCs (Davidson 1983). Clark and Pugh’s (2001) exploratory and longitudinal study on the firm (19 British MNCs) verified the validity of the Uppsala model by testing a priority index on the expansion pattern across countries. They found that market potential and geographic distance are more important than cultural aspects for explaining the expansion pattern. Similarly, Óladòttir (2009) in her longitudinal study (two years) collected data from home pages and databases from 21 Icelandic MNCs, and investigated the internationalization pattern for firms originating from a small domestic base. She
found that firms often jumped the establishment chain, which is why she concluded that the Uppsala model only applied to some medium sized firms in her study.

It should be mentioned that some of this research is partially critical to the explanatory power of the model, and those findings are not always completely in line with the Uppsala model. However, those findings have only a limited ability to help us understand the motors behind MNC internationalization, for three reasons. First, the research does not consider the intra-organizational complexity of the MNC. Second, the findings are contrasted against the establishment chain rather than the mechanism of the model itself (the next chapter will further discuss the mechanism of the Uppsala model). Third, no alternative process theory that can deal better with the MNC is used. In short, we lack contemporary established alternatives for studying the MNC internationalization process.

1.6.3. The absence of MNCs in internationalization process research

Most research has not dealt with MNC internationalization processes at all. The majority of internationalization process research has focused on early stages and less experienced firms (Bello & Barksdale 1986; Bilkey 1978; Bilkey & Tesar 1977; Bonaccorsi 1992; Campbell 1996; Cavusgil 1990; Cavusgil & Nevin 1981; Davidson 1983; Dichtl, Leibold, Koeglmayr, & Mueller 1984; Eriksson, Johanson, Majkgård, & Sharma 2000; Ford & Tan 1987; Gripsrud 1990; Johanson & Vahlne 1990; Johanson & Wiedersheim Paul 1975; Luostarinen 1979; Papadopoulos & Martin Martín 2010; Petersen & Pedersen 1997; Welch & Welch 1996; Welch & Luostarinen 1988). In particular, small and medium sized firms (SMEs) figure as explicit research objects (Chetty & Blankenburg Holm 2000; Coviello & Munro 1997; Gankema, Snuif, & Zwart 2000; Hohenthal 2001; Newbould, Buckley, & Thurwell 1978; Zain & Ng 2006). How rapidly expanding innovative organizations internationalize from interception has garnered special attention (Freeman, Hutchings, Lazaris, & Zygier 2009; Hutzschener, Guenther, & Oehring 2005; Mathews & Zander 2007; Oviatt & McDougall 1994).

Apart from early stages and small firms, we also find that different kinds of markets have garnered attention, such as the internationalization process of service markets (Alexander & Myers 2000; Blomstermo, Sharma, & Sallis 2006; Erramilli 1991; Goerzen & Makino 2007; Jack, As-Saber, Edwards, & Buckley 2008; Majkgård & Sharma 1998) or turbulent and emerging markets (Elg, Ghauri, & Tarnovskaya 2008; Johanson & Johanson 2006; Reiner, Demeter, Poiger, & Jenei 2008; Santangelo & Meyer 2011; Young, Huang, & McDermott 1996). Strategic choices (Lam & White 1999; Reid 1983) have been yet another focus, such as choices between investment strategies and strategic priorities (Cuervo-Cazurra
1.6.4 The absence of internationalization processes in MNC research

The majority of dominant MNC research has studied the inner life of the MNC, but without an internationalization process focus. MNC research has for example focused on organizational and structural issues (Bartlett & Ghoshal 1998; Hedlund 1986) and localization, coordination and configuration of different value-creating activities (Porter 1990). Other research has focused on relationships between headquarters (HQ) and subsidiaries, and the use of power (Andersson, Forsgren, & Holm 2007; Forsgren, Holm, & Johanson 1992). The creation of competence centers (Forsgren, Johanson, & Sharma 2000) and the path of knowledge flows between units (Argote & Ingram 2000; Egelhoff 1982; Galbraith 1990; Szulanski 1995) have also attracted interest. Other research has looked at the role of knowledge and how it can be combined, re-configured, and absorbed (Cohen & Levinthal 1990; Teece, Pisano, & Shuen 1997; Winter 2003), which has increased our understanding of different aspects of competitiveness, and how to draw on advantages connected to the MNC, such as how to combine knowledge with other resources, and how to differentiate between different strategic choices.

All the foregoing research is valuable for understanding the internal life of the MNC, but these studies lack processual aspects, which makes them less useful for studying intra-organizational complexity of the MNC in relation to the internationalization process.

In an attempt to address the shortcomings to the study of the complex MNC internationalization processes addressed in this chapter, this thesis will apply an in-depth exploratory approach. Different from the dominant way of tackling internationalization processes, this thesis will take on an intra-organizational perspective to study the case of a specific, complex contemporary internationalization (Atlas Copco’s entry into the mid-market in China). This issue will be approached with the following question:

*How should we understand the process behind new market commitments in the internationalization of the large MNC?*

The next chapter will further discuss the dominant way of looking at internationalization, which this chapter has shown is equivalent to the Uppsala model (Johanson & Vahlne 1977), to them clarify in what way the dominant view is problematic for explaining contemporary complex internationalization processes.
Chapter 2: Contemporary challenges to received theory

This chapter will show how the underlying assumptions of the Uppsala model, which in this thesis represents received theory, are inadequate to explain, let alone predict, contemporary MNC internationalization processes. First, the underlying assumptions of the Uppsala model will be outlined. The subsequent discussion will pinpoint how the assumptions underlying the Uppsala model can be problematic regarding the MNCs entry into a dynamic market.

2.1 The Uppsala model: a dominant view on the internationalization process

The Uppsala model (Johanson & Vahlne 1977) has been widely used since it was developed, and it is still used today. The original article has been cited more than 8000 times, and it is the most cited in JIBS (Journal of International Business Studies), one of the leading international business journals. As previously mentioned, the Uppsala model does not discriminate between the MNC and the smaller firm, but the model instead deals with the internationalization of the firm. Perhaps this is the reason why the Uppsala model almost has enjoyed the status as a universal model with a universal fit. Andersen writes: “The internationalization process of exporting firms […] seems to benefit from a general acceptance in the literature” (Andersen 1993, p. 209). Due to its large impact, it is fair to call the Uppsala model dominant or received theory. We for example saw in the previous chapter how the Uppsala model even sometimes still is used to explain MNC internationalization.

The dominance of the model in internationalization process research also provides us a reason to look closer at it.

More than 1800 citations; can be compared to fewer than half the number of citations of the third-ranked paper in JIBS.
2.1.1 Background to the model

The Uppsala model was launched as a reaction against contemporary theories on internationalization and foreign direct investment (see for example Hymer 1960). Some researchers in Uppsala found that earlier models did not explain the dynamic aspects of internationalization very well (see Bilkey 1978). At that time, research mainly explained the reasons behind internationalization decisions, such as firm-specific advantages (Hymer 1976), localization advantages (Dunning 1981) or internalization advantages of certain activities (Buckley & Casson 1976), without considering internationalization as a process of activities that can change over time.

In contrast, the then newly-proposed Uppsala model described internationalization as a change process that unfolded through number of stages (see also Bilkey 1978). The firm thus gradually increased its foreign commitment (see also Bello & Barksdale 1986). Psychological factors or “softer” elements (see also Lee & Brasch 1978) such as experience, explained the internationalization behaviours of firms better than strategic aspects, rational choices, or calculative expected return (Davidson 1980; Davidson 1983; Dichtl, et al. 1984).

When Johanson, Widersheim-Paul, and Vahlne conducted their research, they looked at organizational literature and Penrose’s (1959) ideas on the firm as a bundle of resources, rather than at existing internationalization theories. The researchers also were inspired by the questions of how experience accumulates within the firm, and how experiences are used as resources in future entrepreneurial actions.

The authors also looked at Cyert and March’s (1963) research on the behavioural theory of the firm, and other aspects more connected to cognitive psychology than rational economic theories. Pfeffer’s (1972) ideas on resource exchange and interdependence between the firm and external actors had an impact on these scholars, especially on their ideas of relationships as central to business. In addition, they were influenced by Aharoni’s (1966) perspective on how international investments were the result of path-dependent decision making processes taken under uncertainty.

The Uppsala scholars were also influenced by Carlson’s (1974) ideas about how knowledge was highly intertwined into the character of a business, and that this knowledge was highly context and time specific. In line with Polanyi (Polanyi 1967), Carlson brought forth the role of tacit experiential knowledge and highlighted its importance in future establishments.

…[Knowledge] relates to present and future demand and supply, to competition, and to channels for distribution, to payment conditions and the transferability of money, and those things vary from country to country and time to time. (Carlson 1974, cited in Johanson & Vahlne, 1977, p. 27)

In an empirical study conducted in 1975 by Johanson and Wiedersheim-Paul the researchers found that four firms followed a similar investment
pattern: the firms started to internationalize by conducting export activities, then they gradually increased their commitment up until they established wholly owned sales subsidiaries. Johanson and Vahlne (1977) later found that experiential learning played a crucial role in how firms increased these commitments. From this insight, the authors developed a model that describes how internationalization emerges from a relationship between state and change.

2.1.2 The Uppsala model and the mechanism of internationalization

In the Uppsala model, the relationship between state and change describes how a firm changes over time as it internationalizes. The relationship between state and change is described as a cyclic connection, or mechanism, between commitment decisions and experiential knowledge (Figure 2.1). “There is a direct relation between market knowledge and market commitment” (Johanson & Vahlne, 1977, p. 28).

Figure 2.1. The mechanism of internationalization (Johanson & Vahlne 1990), a.k.a. the internationalization process of the firm

The more knowledge the firm possesses about markets, the more managers can reduce their perceived risks and the more managers can become inclined to commit. Commitment decisions allow managers to develop further relationships in the market. “The better the knowledge about a market, the more valuable are the resources and the stronger is the commitment to the market” (Johanson & Vahlne 1977, p. 28) (see also Figueira-de-Lemos, 2010).

In this model, market commitment consists of two factors: the amount of resources committed to a market, and the degree of commitment that is equivalent to the difficulty of using the resources elsewhere (Johanson & Vahlne 1977).
Also, in this model, the concept of knowledge is divided into two categories, objective and experiential. Both types are valuable, but experiential knowledge is the most important for explaining commitments to the market. While objective knowledge can be taught and transferred over international contexts, experiential knowledge can only be learned through personal experience.

2.1.3 Assumptions behind the Uppsala model

The model makes a number of assumptions that delineate the conditions under which the model holds. The assumptions are directly related to the firm-level approach of the model and the fact that the firm is treated as a single actor.

First, managers with the authority to decide over how to distribute resources base their commitment decisions on the firm’s accumulated knowledge from previous market activities. Hence, there is a direct and straightforward relationship between commitment decisions and learning. As the firm is treated as a single actor, decision-makers have access to experiences and the power to control necessary resources. This assumption implies that a subsidiary that learns about the market can attract or control resources necessary, or that headquarters can gain necessary knowledge from the market.

Second, the model assumes that firms accumulate knowledge as they act in markets. It is further assumed that previously accumulated learning about foreign markets can be used in future establishments. Johanson and Vahlne wrote “We believe […] that all the decisions that, taken together, constitute the internationalization process […] have some common characteristics which are also very important to the subsequent internationalization” (Johanson, Vahlne 1977 p. 23). This assumption presupposes that environments are fairly stable so that managers can predict how to behave in the future based on their experiences, at least to a certain degree.

Third, managers are assumed to act in line with the knowledge the firm possesses about a business opportunity. In a rather rational way, managers are first and foremost assumed to take the best decision for the opportunity given the market knowledge they possess. “We assume that decisions are made in response to perceived problems and/or opportunities on the market.” (Johanson & Vahlne 1977, p. 29) Perceived hindrances and opportunities are primarily linked to market experiences possessed by the firm: “Problems and opportunities […] are assumed to be dependent on experience” (Johanson & Vahlne 1977, p. 29). The authors point out that they did not deal with resource allocation conflicts that may have emerged when managers had to choose between multiple internationalization processes, nor did they address more intricate issues like values and how such intangibles are important for the way that commitments are carried out.
2.2 A need to separate the Uppsala model from MNC research

Researchers have made attempts to point out how the model is limited in its ability to explain MNC internationalization and other complex internationalization processes (Axinn & Matthyssens 2002; Forsgren 2002; Johanson & Vahlne 1990; Melin 1992; Petersen & Pedersen 1997; Steen & Liesch 2007). This thesis addresses these problems, but it should be noted that the thesis does not challenge received theory in any way. Instead, in line with these other critical voices, this thesis simply argues that the internationalization of MNCs is not easily explained by the Uppsala model.

If we look at the empirical study underlying the Uppsala model, we see that it describes the change of four smaller inexperienced firms as they became large and experienced (Johanson & Wiedersheim Paul 1975). That original study explained how those firms behaved as they expanded to countries in which they had not yet established business. In other words, the empirical study simply did not address the conditions of a large already internationally established firm.

In contrast, an MNC is by definition a large multiple businesses unit (Blankenburg, et al. 2009) that has already reached a point where it is conducting some kind of business in most countries. That is, new internationalization to an MNC usually means establishing itself in a market in a country where the firm is already conducting other business. As Blankenburg et al. argue, the multi-experience, multi-business structure of the MNC can have consequences for how establishments are made.

MNCs are […] multiexperience corporations and this complicates the processes of international expansion, but the received literature evolving from the original Uppsala model does not take this into account when studying internationalization processes. (Blankenburg, et al. 2009, p. 12)

Another major factor motivating a new study is that the analysis of the Uppsala model is made at the firm level. In line with a firm-level analysis, the model mainly looks at how the firm generates resources and drives internationalization processes though external relationships, in line with much other research in the area (see also Cavusgil 1990, Eriksson, Johanson, Majkgard, & Sharma 1997, Welch & Luostarinen 1988, Johanson & Vahlne, 1990, Bilkey & Tesar 1977, Dichtl, Leibold, Koeglmayr, Mueller 1984, Ford 1987, Gripsrud 1990, Bonaccorsi 1992, Campbell 1996, Covello & Munro 1997, Chetty & Blankenburg Holm, 2000). Key concepts of the model, such as accumulated knowledge, commitment decisions, and changes over time, all are understood at the firm level.

Johanson and Vahlne (1990) themselves, and other Uppsala scholars like Forsgren (2002), have pointed out that the Uppsala model seems to better explain internationalization for smaller and less internationally expe-
rienced firms, but that it is more problematic for explaining MNC internationalization. The internal organization of the smaller firm is often less diversified. It is thus easier to treat the smaller firm as a homogenous single actor, as opposed to the MNC.

Finally and most importantly, as a consequence of the firm-level approach, the Uppsala model does not consider intra-organizational behaviours. These intra-organizational behaviours may however be crucial to MNC internationalization. Melin (1992) has supported this claim by pointing out that in the study of MNC internationalization, we need to consider intra-organizational behaviours and especially how existing routines and political behaviours influence commitments and strategy. Likewise, Axinn and Matthyssens (2002) stress how the Uppsala model lacks explanatory power to explain contemporary complex internationalization processes, and Forsgren (2002) highlights the separation between learning and commitment in loosely coupled organizations. What all those authors have in common is that they call for a more nuanced description of the MNC internationalization process.

The following section will show how the firm-level approach of the Uppsala model makes it difficult to use to explain MNC internationalization.

2.3 Three limitations of the Uppsala model to explain complex market establishments

This section will outline three situations that will show how MNC internationalization can be complex. This section will also show that, in these three situations, received theory has a limited explanatory power.

First, in the intra-organizational MNC environment, resources, control and learning are separated among corporate units. This separation complicates the relationship between local learning and commitment decisions. But the Uppsala model treats the organizational environment at an aggregated level: the firm acts as a single player that learns and takes decisions and potential separations between learning and commitment is not regarded.

Second, MNCs enter into new highly dynamic markets, among other things. These markets can change so rapidly that previously accumulated experiences can be obsolete. The Uppsala model however, at least implicitly, assumes that markets are reasonably stable and that previous experiences can be used in future market establishments.

Third, the dispersed and competitive MNC environment often fosters goal divergence and triggers political behaviours (Ghoshal & Bartlett 1990). According to the Uppsala model, managers are assumed to have the
abilities to distribute resources and commit in line with what they learn in the local market.

These three differences between the MNC and the expectations of the Uppsala model will now be discussed in further detail.

2.3.1 Intra-organizational complexity and increasing foreign market commitments

There is a direct relationship between learning and commitment decisions in the Uppsala model meaning that one single actor – the firm – both learns and takes the decisions about how to commit to the market.

How and whether locally generated knowledge reaches decision makers is not dealt with.

The authors indeed discuss, in an abstract way, the problems of retaining knowledge, and highlight how experience that is connected to an individual is hard to transfer. Drawing on Penrose’s (1966) ideas of experience as closely connected to the individual, Johanson and Vahlne believe that experience not easily can be transferred. “[…] experience itself can never be transmitted, it produces a change - frequently a subtle change - in individuals and cannot be separated from them” (Johanson & Vahlne 1977, p. 28). Knowledge is partly stored in the minds of individuals, which is why it can be hard for decision makers to have access to necessary knowledge.

Another constraint on the problem solution is the lack of, and difficulty of obtaining market knowledge in international operations. […] By market knowledge we mean information about markets, and operations in those markets, which is somehow stored and reasonably retrievable-in the mind of individuals, in computer memories, and in written reports. (Johanson & Vahlne 1977, p. 28)

Importantly, however, the problems decision makers have in obtaining market knowledge are not considered in the model. The authors instead make a deliberate choice to deal with the kind of knowledge that is integrated into systems of the firm, rather than the knowledge of the individual decision maker. “In our model we consider knowledge to be vested in the decision-making system: we do not deal explicitly with the individual decision-maker” (Johanson & Vahlne 1977, p. 26). In other words, the model does not deal with potential intra-organizational diversification of knowledge, nor does it consider the potential separation between actors possessing market knowledge and actors making commitment decisions: the relationship between market knowledge and commitment decisions remains a ‘black box’ (as pointed out by Forsgren 2002).
In smaller firms, it is not necessarily problematic to assume a direct relationship between market knowledge and commitment decisions. But, since the MNC is more extensive than the smaller organization, some actors in the MNC may learn about the market while other actors take the commitment decisions or influence the decisions made. The relationship between the actors within the firm who are involved in the process can therefore decide whether a business opportunity is acted upon or not.

The lack of understanding about how inner conditions influence international MNC establishments mainly raises two questions: a) How should we understand the relationship between learning and commitment decisions, which is of central importance for the Uppsala model?, and b) How do potential problems with learning and supervision of the process affect managers’ abilities to identify and direct resources?

**Separation between local learning and commitment decisions**

The first complication pertains to the fundamental mechanism of the model, which is the cyclic relationship between market experience and commitment decisions. According to the Uppsala model, managers in the intra-organizational environment are assumed to access experiential knowledge. This assumption is starting to be problematic already when more than a single actor inside a firm learns and takes decisions. This “problem” has been highlighted previously:

An assumption in the Uppsala model is that the locus of learning is at the business “frontline”. In the MNC, this becomes challenging since hierarchical levels to some extent separate centralized resources and strategic decisions from business experience of units at the operational level. (Blankenburg et al. 2009, p. 15)

In the MNC we can expect that the locus of decision making and learning are separated so that market experiences reside in one unit, but that another unit is in control of resources. Thus, managers who learn about a market opportunity do not necessarily control the resources that are required for taking on a new market entry. To the contrary, managers who control resources do not necessarily possess knowledge about a specific business opportunity.

In the MNC, experiences and power can also be separated and diffused. More than one actor can hold knowledge about the market and have the power to influence commitment decisions, and the type and degree of experience and power may vary between the actors. The internationalization process can therefore result from a complicated network in which managers combine experiences and power. Araujo and Rezende (2003) have for

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11 See for example Forsgren’s (2002) discussion about the one-man firm, or Johanson and Vahlne’s (1990) discussion of smaller versus larger firms.
example shown that different internationalizing MNC units can hold certain resources but lack others. Forsgren, Holm, and Johanson (2005), and Williams and Lee (2011) have shown that the ability to draw on experiences in lateral relationships can be important for pursuing international opportunities. It has been shown that managers of specific units can draw on experiences from the previous establishment of other units (Bartlett & Ghoshal 1998; Nohria & Ghoshal 1994), and thereby compensate for their own unit’s shortages of experiences (Kwon & Hu 2009). By drawing on other units’ experiences, MNC managers can increase the tolerance for risk (Forsgren 2002).

If its managers can draw on diffuse experiences, an MNC can advance in the stages of establishments (Barkema & Drogendijk 2007), disrupt the incremental nature of internationalization (Cuervo-Cazurra 2011), and commit despite the fact that they have poor market knowledge.

Research has however also shown how the diffusion of experiences and control can complicate the process. Certain subsidiaries can control resources so that those subsidiaries pursue opportunities and make commitments against a sanctioned strategy outlined by headquarters (Andersson, et al. 2007).

Moreover, it can be hard to draw on diffuse experiences, because it can be difficult to understand the lived market experience of others. It can for example be hard for headquarters to understand opportunities and challenges in the market, as highlighted by Tse, Jullens and Russo (2012 p. 3) in their study on western MNCs in emerging markets: “To a global organization headquartered in the U.S. or Europe, the emerging mid-market competitors are barely visible.” The diffusion of experiences and power may in other words have an effect on how firms commit in international markets.

Problems in overseeing the internationalization processes

The second problem is about the difficulties that MNC managers can encounter when trying to monitor the internationalization process. The Uppsala model does not problematize managers’ abilities to monitor the process, but in reality managers in the MNC may suffer from complexities that lead to difficulties in identifying important actors, in monitoring their behaviours, and in accessing direct resources. These difficulties mean that while some managers may generate important knowledge about the market, other managers may be ignorant about local knowledge, local needs, and local opportunities. These difficulties therefore can affect the way that managers commit.

As Penrose points out, the ability to coordinate resources decreases with firm size (Penrose 1995). This issue seems to be more relevant today than when the Uppsala model was developed. The MNC manager today may encounter more difficulties with overseeing internationalization processes than before, as activities within the firm have become increasingly dispersed. Many activities are today carried out though large global internal
networks (Dicken 2011; Forsgren, et al. 2005; Ghoshal & Bartlett 1990). In these networks, knowledge flows in many directions and activities need to be integrated over large distances (Axinn & Matthyssens 2002; Björkman & Forsgren 1997). KPMG forecasts that the MNC manager’s ability to monitor processes and predict outcomes in the next ten years will become even harder than it has during the past twenty years (KPMG 2012).

Managers can build experiences about managing complexity in the internationalization process (Cuervo-Cazurra 2011) and in that way overcome liabilities of being large. But it is far from clear how this is done, and far from all MNCs succeeds to manage the complexity.

It is not certain that individual units can act in line with their experiences at all. Macdonald for example shows in his case study on a large firm that information was used only selectively in decision making (Macdonald 1996, in Steen and Liesch 2007). It can also be hard to control the process and to identify needs for resources. Actors may even be invisible to each other (Andersson, et al. 2007). It can therefore be hard or even impossible for a single actor to oversee the internationalization process (Forsgren 1997). Since it is hard to oversee complex processes, decision makers in complex organizations are often guided by other’s experiences. However, since the organization is complex it is hard for managers to evaluate the information they receive. Mohr writes:

In large organizations where managers cannot possibly confirm even a fraction of the claims made to them, it is not surprising that credibility is a highly valued and jealously guarded asset. (Mohr 1982, p. 133)

Since managers in complex organizations can find it hard to learn about other actors’ situations, they often have fragmented and contrasting accounts of an episode, and the information they receive can be poor or even false (Buchanan & Dawson 2007). When it is hard to overview the process we can expect two scenarios: either managers commit carefully, if at all, or managers make larger commitments despite the complexity. Credibility (Mohr 1982), and large pools of resources (Forsgren 2002; Johanson & Vahlne 1990) are for example two factors that can increase a manager’s tolerance for risks, and thereby trigger investments even if the process is complex and it is hard to oversee progress. Managers can also be ignorant about what they do not know, and they may believe they have greater oversight and more control than they actually have (Forsgren & Holm 2010), and they might thereby invest despite problems in monitoring. Managers can even take decisions in spite of being aware of their limited ability to monitor, and problems in controlling outcomes (Townley 2008). In any case, it can be difficult to assume that managers in the MNC know what is needed in order to act on the business opportunity in the market.

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12 In line with the idea of contextual rationality.
2.3.2 New dynamic markets and increasing foreign market commitments

The Uppsala model treats the market as the locus of knowledge rather than the locus of change. But the model does not take into account the rapid development that characterizes some markets today.

The Uppsala model indeed builds on the idea that markets are partly unknown, and that managers face uncertainties when entering into these markets. Johanson and Vahlne for example write that “We see it […] as the consequence of a process of incremental adjustments to changing conditions of the firm and its environment” (1977, p. 26). They also write that “Changes in the firm and its environment expose new problems and opportunities. Lacking routines for the solution of such sporadic problems, they concern management “searches in the area of the problem” (Cyert & March 1963, in Johanson & Vahlne 1977, p. 26). These quotes illustrate that when markets change, managers are there to learn how to adjust their routines accordingly.

However, the model states that change and uncertainty can be managed with the help of previously accumulated knowledge. The market in the Uppsala model primarily is a place where new experiences are generated and used. While markets are partly unknown, the model assumes that markets are stable enough to use previously accumulated knowledge. To put it another way, the model assumes that markets are not changing so rapidly that old experiences become obsolete. It is also assumed that when environments change, managers learn about the change and incorporate it into the organization.

To clarify, this assumption has (at least) two implications. First, existing routines/knowledge-structures fit the environment so that knowledge from the market can be incorporated into the organization. Second, previously accumulated experiences help managers deal with new market entry situations by helping them decrease uncertainties, predict future behaviours, and decrease the perceived risk.

These assumptions work well under relatively stable conditions. When markets are stable it is likely that experiences and previous routines will well-serve future commitment decisions, as the Uppsala model postulates. By selecting certain experiences from previous success (Leonard-Barton 2003) and using them repeatedly (Cantwell & Piscitello 1999), managers can turn them into routines (Nelson & Winter 1982) that reduce complexity (Barkema & Drogendijk 2007), enable knowledge diffusion, and facilitate new knowledge accumulation (Autio, et al. 2000; Tsang 1999). While managers in the smaller firm can more easily interact with others and thus gain access to experiences stored in other peoples’ minds, routines can enable MNC managers to access dispersed experiences (Langley and Truax 1994). The accumulation of experience enables the firm to make larger commitments and provides managers with an increased number of invest-

The assumptions (that knowledge can accumulate and experiences can be utilized) are however more problematic when the MNC enters into a new and dynamic market. In markets that are complex, unpredictable, and rapidly changing, conditions can transform quickly so that previously accumulated experiences and routines are obsolete.

Research has shown that highly dynamic markets can be problematic for the development of routines. It can be especially problematic for MNCs to adapt routines for rapidly changing market conditions. Collinson and Wilson (2006) for example show how large and old firms are risk-averse and inflexible, so they fail to adjust their routines to suit the market (see also Autio, et al. 2000; Denis, Langley, & Rouleau 2007). We can draw two conclusions that seem to conflict with assumptions of received theories, which are presented below.

**Knowledge accumulation challenges**

It can be problematic to accumulate knowledge from the new dynamic markets because the firm lacks routines that fit with the situation. The firm can even lack routines to detect the problems, so that it continues to operate without accumulating knowledge into the organization.

In other words, despite physical presence in the market, knowledge is not necessarily accumulated into the organization. Tsang (1999) for example shows how MNCs expanding in the quickly changing Chinese market can lack routines to incorporate new knowledge.

**Problems utilizing old experiences**

It can be problematic to use old routines during the entry into new dynamic markets. We can expect three scenarios: either managers can detect the problems and seek to create completely new knowledge structures, or managers do not see the problems, or managers do not want to change previously developed routines. We can expect that old knowledge structures can be problematic when markets are rapidly changing, but it is also reasonable to assume that when markets are new, complex, and therefore largely unfamiliar, the problems in utilizing old experiences increase.

For example, many Western MNCs lack experiences from dynamic mid-markets. Old experiences and routines are based on conditions from stable markets where laws, regulations, customer preferences, competition and so forth do not change rapidly (Denis, et al. 2007). Actions based on these old conditions may be problematic in mid-markets (Gebauer, et al. 2009).

Firms may for example prefer to wait to invest until they have accumulated enough market knowledge. But dynamic mid-markets often require quick action. Firms can also make predictions according to long-term logic, but dynamic markets require flexible solutions. At the same time it can be
hard to motivate managers to change routines that have served the company well in the past, especially if those routines are still useful in some projects (Leonard-Barton 2003). The problems with entrenched routines may perhaps especially be found within MNCs, since the MNC has developed routines over a long time and these routines are deeply embedded into the specialization of operations (Aldrich 2007).

Due to the ambiguous role that experience may have in MNC internationalization, it is not clear whether the MNC can draw on established structures of knowledge or if units instead are forced to create new structures (Blankenburg, Drogendijk, Hohenthal, Holm, Johanson, & Zander 2009). Routines may be a highly valued asset in market establishments, but without the right sets of routines, accumulation of experiences may be problematic for managers at the frontline, and old experiences can be unusable, or even harmful, for new market entry.

2.3.3 Political behaviours and increasing foreign market commitments

While the Uppsala model seems to assume that managers are able to act in line with their interests in a market entry situation, people operating in large MNCs may find it hard to do so, due to conflicts of interest and political behaviours.

The authors of the Uppsala model indeed point out that they do not see internationalization as a rational process of planning and execution. “We do not believe that it is the result of a strategy for optimum allocation of resources to different countries where alternative ways of exploiting foreign markets are compared and evaluated” (Johanson & Vahlne 1977, p. 26).

At the same time, contradictory interests are not dealt with. The internationalization process as put forth by the Uppsala model is investigated in isolation from alternative resource allocations and alternative processes.

Each new discontinuity is regarded as an essentially unprecedented and unparalleled case; the problems and opportunities presented are handled in their contexts. Thus commitments to other markets are not explicitly taken into consideration; resource allocations do not compete with each other. (Johanson & Vahlne 1977, p. 26)

Instead, it is assumed that when managers discover opportunities in a local context, they can act in line with what they have learned. In other words, managers learn, take decisions, and implement those decisions without notable interruptions. Since the process is not disturbed by conflicting interests, it is rather easy to predict. The process is rather straightforward and seems to have elements of a more rational nature.
Rational processes like this are likely to form some part of MNC internationalization, but they are also unlikely to be the only type of process. As a consequence of shifting interests and power structures, some actors may be more likely to act in line with their own experiences and interests (Forsgren, 2002), as this quote illustrates:

[...] an MNC may consist of several units with different experiences and capabilities that seek to internationalize. This complicates the making of commitment decisions at different levels in the MNC: several units at different levels will all hold experiences regarding certain product and market combinations that are not necessarily consistent, but some units are more able to act in line with their experience due to stronger control over necessary resources than others. (Blankenburg et al. 2009, p. 16)

For example, what if commitments are controversial? Often, larger changes tend to be so, and often they provoke political behaviours (March & Olsen 1976). Recall from the Introduction that Motorola for example had to localize R&D activities, conduct cost reductions, expand of market coverage, and streamline distribution channels, in order to be successful in the mid-market. We can expect that not all managers agreed with these resource demanding changes. Gebauer, Fischer and Fleisch (2009) argue that mid-market entries often require both a new managerial logic and large initial investments.

Because MNC managers often are specialized and separated from each other, they often have different sets of experiences, which leads to divergent goals and rationales that may conflict with others (Araujo & Rezende 2003). Local logics in the firm can be more closely connected to logics in the local context than to headquarters strategy (Townley 2008). As self-interest, conflict, and political behaviours commonly occur in the MNC (Aldrich 1999), the process can be unpredictable, and strategic directions can change at any time (Levitt & March 1988).

Due to political behaviours, we can expect the MNC internationalization process to be more multifaceted than what the Uppsala process can explain (Forsgren 2002), as following quote illustrates:

A loose-coupling perspective in fact produces a much broader spectrum of possible internationalization routes than predicted by the model. Different groups will argue for different strategic moves based on their market knowledge and market commitments. Thus, there is much more occasions for interruption or change in the internationalization behaviour, depending on the changes in interpretations and power structures within the firm. (Forsgren 2002 p.269)

Much literature has highlighted the importance of political processes for MNC behaviours (Ambos & Schlegelmilch 2007; Andersson, Forsgren, & Holm 2007; Birkinshaw, Hood, & Young 2005; Birkinshaw & Riddlerstrale 1999; Bouquet & Birkinshaw 2008; Forsgren & Holm 2010;
Williams & Lee 2011). Langley and Truax for example found that divergent views and internal competition over resources heavily influenced the process of technological development (Langley & Truax 1994). Williams and Lee similarly argue that managers inevitably have to deal with influence and power when they try to pursue new ideas in an MNC (Williams & Lee 2011). Kwon and Hu (2009) also highlight the high frequency of political behaviours in MNC internationalization processes due to the high degree of resource dependence. Forsgren, Holm, and Johanson (1992) also show that actors can build up and hold different important resources, and as a consequence, they can get the power to influence how resources are distributed in an internationalization process. It has similarly been found that subsidiaries that acquire knowledge and skills can build important positions in an internal network (Birkinshaw & Hood 1998) that allow them to influence how resources are distributed. Subsidiaries can even be powerful enough to drive a process against the will of HQ (Andersson, et al. 2007), especially when HQ finds it hard to acquire knowledge elsewhere (Holm, Johanson, & Thilenius 1995).

Powerful local units can drive not only local processes (Buchanan & Dawson 2007), they can also influence other processes that are important for the firm as a whole, by for example neglecting to engage (Cohen and March 1974, Denis, et al. 2001, Jarzabkowski 2005, Weick 1976). Managers and groups can choose to not share knowledge and other valuable resources (Forsgren & Holm 2010). Due to these uncooperative behaviours, decision makers may not get adequate information about the market, despite the knowledge residing in the organization (Forsgren & Holm 2010).

As a consequence of power struggles, only a few MNC managers will control necessary resources and therefore be able to act in line with their experiences (Blankenburg, et al. 2009). Some business opportunities are as a consequence not acted upon, while other establishments may be hindered. Establishments can therefore be costly (Forsgren 1997; Penrose, Penrose, & Pitelis 2009; Sethi & Judge 2009; Tsui 2007).

Moreover, when power is diluted and many actors are involved, it can be hard to say who is in charge of the process. One cannot take for granted that HQ is in control. It is perhaps even better to assume that as long as power is diffuse, no single unit fully controls the internationalization process. This lack of control can mean that, not only does HQ have to subdue power structures, but that the subsidiary can also find it problematic to act on opportunities and threats. In line with this argument, Blankenburg et al. (2009) suggest that:

The internationalization of the subsidiary is based on experience, resources and initiatives controlled and taken by other units than the subsidiary. […] This associates to the role of resource interdependencies and cooperation in the intra corporate network and political processes in the MNC. (Blankenburg et al. 2009, p. 15)
2.4 Summing up the three limitations of received theory

To sum up, the three limitations described above highlight the tension between the Uppsala model and the MNC internationalization process. While the Uppsala model suggests a more straightforward process that is based on the relationship between the market and the firm, or local learning and commitment decisions, the MNC manager simultaneously has to deal with external and intra-organizational complexity that can heavily influence how the firm commits to the market. The three gaps are summarized below in table 2.1.

Table 2.1: Gaps in received theory

<table>
<thead>
<tr>
<th>Gaps in received theory</th>
<th>Uppsala model / received theory</th>
<th>Internationalization process under complexity</th>
</tr>
</thead>
</table>
| Gap 1: Intra-organizational complexity and increasing foreign market commitments | - Circular relationship between commitment decision and local learning  
- Commitment decision and local learning resides within same unit | ? |
| Gap 2: New dynamic markets and increasing foreign market commitments | - Managers learn from the market as they act there, and experiences are accumulated inside the firm  
- Previously accumulated experiences underlie change, triggers commitments, and facilitate further learning | ? |
| Gap 3: Political behaviours and increasing foreign market commitments | Managers act in line with their knowledge on the business opportunity | ? |

The knowledge gaps in received theory show that we have limited tools to explain the processes that underlie many market entries that firms make today. Thus, the limitations above clearly demonstrate the need to advance our knowledge about MNC internationalization processes.

This thesis aims to diminish the knowledge gaps about internationalization processes carried out under complexity by launching a study on Atlas Copco’s entry into a new and dynamic Chinese market for drill-rigs, as the next chapter will show.
Chapter 3: Research question and design

3.1 Research question

We can expect that many contemporary internationalization processes are complex. Commitments can be heavily influenced by behaviours and relationships inside large and dispersed firms that are subject to intra-organizational complexity. Commitments can also be influenced by challenges in foreseeing how to behave, and in how to direct resources in complex and rapidly changing markets. However, as outlined in the previous chapter, internationalization process research that takes intra-organizational complexity into account is scarce and scattered. Received theory, which in this thesis is represented by the Uppsala model, together with most other research within the field, instead deals with firm internationalization at the firm level. Naturally, received theory therefore does not deal with the ways that intra-organizational together with and external complexity may influence commitments.

The previous chapter identified three specific ways in which the Uppsala model has a limited ability to explain MNC internationalization. To briefly review, the first limitation come from the fact that the Uppsala model conducts analysis at the firm level and thus treats the firm as a single actor. The second limitation concerns the fact that the model treats markets as stable, partly known, and slowly changing. The third limitation is that the Uppsala model assumes that managers can act in line with their interests. As these limitations all concern the motor of internationalization, we can say that we have limited knowledge about how MNC internationalization processes are driven.

These knowledge gaps can be identified by asking some simple questions. For example, what can we find if we consider activities in the intra-organizational environment? In the MNC we can expect that actors are to a certain degree dispersed, and experiences and power to commit are also separate and diffuse. What implications does a scattered environment have for managers' abilities to learn and increase commitments? The mature MNC has accumulated knowledge for many years and is considered to be internationally experienced, but can we really assume physical presence in the market and local activity to be synonymous with knowledge accumulation? Is the knowledge accessible to others?

Moreover, some markets are so complex that it can be hard to learn from them. They can also be rapidly changing. Are previous structures of
knowledge used in the same way in new and dynamic markets as in stable markets, or are actors instead forced to break from old knowledge structures and instead build new ones?

Furthermore, since power may be dispersed among actors in MNCs many different actors can use their power to drive a cause if a conflict would arise. But will these political struggles matter for people’s abilities to commit in line with what they have learned about the market, and will these struggles matter for taking commitment decisions?

These knowledge gaps lead us to suspect that we need a more nuanced investigation of the internationalization process regarding the MNC. The assumptions of the Uppsala model are the groundwork for the view that local learning is a motor that drives firm internationalization. However, if we a priori cannot assume that local learning drives MNC internationalization in the same uncomplicated way, then the question becomes, how do we understand the forces driving increased commitment as managers in the MNC attempt to enter a new market? Or put differently, from an intra-organizational view…

How should we understand the process behind new market commitments in the internationalization of the large MNC?

3.2 The purpose of this study

The purpose of this study is to increase our knowledge about contemporary internationalization processes in where MNCs are undergoing change in a modern international multifaceted and complex setting.

In line with the researchers behind the Uppsala school, I aim to carry on the tradition of studying internationalization as a dynamic process. I also attempt to heed Welch and Paavilainen-Mäntymäki (2014) who call for the process to be put (back) into research on internationalization by going deep into the issue of what it means that a process is complex, dynamic, and driven in a multifaceted environment. By doing so I wish to advance and nuance the dominant received theory that has studied internationalization mainly at the firm-level and under relatively stable conditions.

I especially aim to provide new insights into internationalization processes by regarding how inter- and intra-organizational contexts influence market entries.

Firstly, the thesis aims to investigate the motor behind contemporary complex internationalization processes. Specifically, the relationship between local learning and commitment decisions (as put forth by the dominant Uppsala model) will be evaluated in the light of the literature. This thesis does not a priori suggest that local learning does not drive increased commitments. However, we have reasons to investigate the relationship
from an intra-organizational view, where knowledge and other resources are scattered among dispersed actors. We thus seek to understand how managers behave if they only have fragmented understandings of the internationalization process. We can expect that the worst cases can lead managers to misdirect resources and make bad decisions, although managers may also succeed in managing intricate situations and conducting market entries. But how do they do that?

Secondly, the thesis aims to shed light on how previous structures of knowledge are used when markets are new and highly dynamic. We can expect that when markets are relatively stable and slowly changing, old experiences can serve future commitments well, as the Uppsala model proposes. However, under quickly changing conditions, old routines can create learning impediments, or even make managers behave in ways unsuitable for the new conditions.

We can expect that MNCs that have previously acted in stable and partly familiar markets can face specific challenges when they enter into new and dynamic markets. The firm has likely built routines that fit old conditions, while dynamic markets can present new logics and shorter windows of opportunities than what the firm is used to. This situation presents a dichotomy: on one hand the MNC often relies on old routines for dispensing knowledge over different contexts, but on the other hand, the MNC can face special problems if it relies on existing routines. Inertia and conservative forces may keep the organization from updating knowledge and making necessary adjustments. These possibilities raise questions about an MNC's ability to accumulate experiences. The possibilities also raise questions about the value of using old experiences in new entry processes.

Thirdly, the thesis aims to increase our knowledge about how political behaviours matter for the MNC internationalization process. In an MNC we can expect that managers have different logics on how to commit. Managers may use power to act in their own interests, sometimes even against sanctioned strategy. It has been suggested that we can expect behaviours to confirm with local rationalities rather than to a firm logic when contexts are scattered (Aldrich 1999). The Uppsala model mentions that we can expect intra-organizational behaviours of various kinds, but it does not explicitly deal with the issue of how these behaviours matter to the internationalization processes.

3.3 Research design

To reach my aims and get answers to the queries stressed above I launched an intra-organizational investigation on the market entry of Atlas Copco (hereafter referred to as Atlas) into the new and dynamic Chinese mid-
market in mining. The case follows the market entry of a drill rig belonging to the Underground Rock Excavation division.

The investigation is a deep single case study. Longitudinally and in real time I investigated how Atlas increased commitments up to the point that it had established business. The entry was defined with the help of Blankenburg's definition (1995): Atlas had become a known player among the actors in the market, the company had at least reached break-even in profit, and it had started to conduct recurrent business so that it could be expected to continue to do business in the future.

Atlas is a mature MNC, with hundred years of international experiences, more than 33,000 employees, and world-wide spread (according to its 2012 annual report). These qualities made it possible to study the MNC internationalization process.

Since Atlas is large and internationally scattered I could investigate the first knowledge gap, namely, how learning and management works in a scattered intra-organizational context.

Moreover, as the case was about the entry into a new dynamic market in the emerging mid-market in China, I could investigate the second knowledge gap, namely, how previous experiences are used in new dynamic markets.

Furthermore, as Atlas is a western multinational that enjoyed much of its previous success in high quality markets, but was now attempting entry into the mid-market, the process had the potential to be controversial (VP Atlas, Sweden 2008; Prahalad & Bhattacharyya 2011). Therefore, in this case, I could perhaps observe intra-organizational conflicting interests, which is the third knowledge gap.

In my study, I conducted interviews with people involved in the internationalization process. I also made observations. Data was collected in retrospect between 2005 and 2008 and in real time between 2009 and 2012.

I conducted ninety interviews with respondents from Corporate HQ in Nacka, Sweden, and Divisional HQ, Production, R&D, Purchase, and Marketing in Örebro, Sweden, and sales in Beijing, Production in Nanjing, and sales in Shanghai, China. I also talked to distributors in Hefei and customers in Taiyuan and in the rural area in the Sanxi province, in China.

I also spent two hundred hours making observations. While interviews better capture development over time, the observations instead helped me to better capture actions in real-time, and to find either support for, or refutations of, the information gleaned from the interviews. The observations made in China and Europe provided insight into routines, everyday problems, internal and external relationships, and things hard to capture in an interview, such as attitudes, values, and informal behaviours.

With my real-time approach I could get closer to the actual events as they occurred. My choice was motivated by the fact that retrospect accounts risk missing sensitive information, while secondary data often rep-
resent official stories (Langley & Truax 1994) which are not so nuanced and which may only partly reflect reality.

The longitudinal approach was grounded in the desire to capture the dynamic character of the process and thus to identify whether certain actors were involved, as well as whether drivers and hinders of the process changed over time.

The research design is resource intensive: it required repeated traveling between globally dispersed units; it required time spent on site, and it required a good deal of access. I felt that such an extensive approach was however necessary in order to understand, identify and capture important aspects of the complex process. One such aspect is informal behaviours. It has been pointed out that these types of factors that cannot be directly accessed through formal documents can be hard to identify, hard to access, and difficult to make sense of (Langley & Truax 1994). Due to the importance of capturing hidden behaviours, the longitudinal and real-time approach has been suggested as the best approach to investigate the MNC internationalization process. Van de Ven and Poole (1995), Langley and Truax (1994), Dennis and Langley (2007), and Pettigrew, Woodman and Cameron (2001), as well as Blankenburg et al. (2009) all argue for the benefits of a real time approach when the researcher wants to capture less formal behaviours.

There has been a call for more deep qualitative process research on change in internationalization, by for example Piekkari and Welch (2011), and Welch, et al. (2011) who argue that by adopting a rational view on process, research often fails to capture more complex aspects. In line with this claim, Tsui (2007) calls for more “pluralistic intellectual perspectives” in internationalization process research, urging international scholars to engage in deep contextualization, novel questioning, and innovative theorizing.

To fill the critical gap in global management knowledge, we must avert the homogenizing tendency and foster the development of pluralistic intellectual perspectives or “pluralistic scholarship” by members of the global management research community. (Tsui 2007, p. 1353)

Following Dyer and Wilkins (1991) and Pettigrew (1997) I put my case into three different contexts. The researchers point out that far too many processes are studied in isolation, which may make the researchers miss out on important explanations. Inspired by Piekkari and Welch's urge to embed the case in a context as well as their categorization (2004) I name the contexts regarded in my analysis the organizational, the external market, and the timely context.

I put the process under investigation in an organizational context by seeking to understand a project running simultaneously with the mid-market China entry. Therefore, during the first year, I also followed anoth-
er internationalization process, namely URE’s initiative to launch and expand with the latest drilling technology in Europe. The parallel investigation helped me to understand the contemporary situations in headquarters that managers were facing and to better understand the resource allocation dilemma. The investigation of the expansion process in Europe to a large extent built on the standard routines that the division had always used when internationalizing. The Europe case thus increased my insights into how much the mid-market entry process eventually deviated from standard routines. During this investigation I did twenty interviews, on two separate occasions, with managers and customers from key markets in Europe, including in Norway, Spain, Germany, Switzerland, and Portugal. The first series of interviews were conducted in Sweden, while the second series was conducted in each interviewee’s home county.

In addition, I investigated the characteristics of the external market context, namely the Chinese mid-market. The description of the mid-market increases the knowledge about what opportunities and challenges managers faced when they entered into the new mid-market.

I also put the process in a timely or historical context by making a historical description of the internationalization history of the firm and the division. To do this I used documents and interviews. The historical outlook helped me to trace present behaviours, routines, experiences, and values.

3.4 Focus and limitations

The result from this study will reflect one single firm, and one single internationalization process. Moreover, there is a risk with studying a case in real time: you do not know in advance if the case will develop in an interesting or uninteresting way. My choice to initially follow two processes was not merely motivated by the attempt to put the mid-market process in a context; it was also a way to reduce the risk of selecting an uninteresting case. After a year I could choose the China case since it seemed most interesting.

It is sometimes believed that a single case study has a limited ability to generalize. Some researchers even argue that multiple case studies are better than single case studies because the former can produce possibilities to compare, and find support for, certain observations (Eisenhardt 1991; Yin 2009). A single case study can however allow the researcher to go deep into a phenomenon, and this is especially valuable when the phenomenon is complex. In line with Dyer and Wilkins, I believe that a multiple design instead would have limited my ability to find deeper, less obvious patterns (Dyer & Wilkins 1991). A deep single case study can further provide theoretical insights that can be of value for further generalizations.
The case further presents special boundary conditions that are unique to it, and that may have an impact on how managers behave. As Atlas Copco is a Swedish company, it has developed drilling technology especially suitable for the Nordic hard rocks, which has shaped product development towards highly sophisticated, high-end markets. Moreover, since Sweden cannot offer a large home market for drill rigs, the company was forced to go international early on. These two conditions have had an impact on the company's organizational structure. Much technical competence concerning product development still resides in Sweden, but due to the international structure, much knowledge regarding customers and markets is dispersed.

Besides limiting the study, these conditions also create a focus that has allowed me to study an internationally experienced firm that to some extent depends coordination of dispersed competences. Moreover, even if some things on an empirical level may be more case-specific (the history and structure of the firm, industry, business-to-business relationships, and management styles, to name a few), other things are more generic. The high degree of internal activities, the large and scattered international structure, and interdependencies that exist in Atlas are typical traits for MNCs (Aldrich 2007).

Furthermore, this way of targeting a specific internationalization process has been described as the best way of investigating MNC internationalization, because it creates focus in a firm with a multi-business structure (Zander 1991). With this argument in mind, I chose to limit my investigation to the market entry process of a specific product, the drill rig, in a specific division, the Underground Rock Excavation (URE).

Another focus is the new market entry under investigation. The need to build new business relationships defines a new market entry in this thesis (see Blankenburg 1995). Due to the fact that the company had activities in China prior to the drill rig entry, managers could potentially reduce some cultural uncertainties, but Atlas Copco had to create new business relationships in order to conduct business there.

The fact that the mid-market entry seemed challenging motivated the case selection. It has been suggested that when processes are challenging they may make visible behaviours that are important for how processes are driven, but that normally are hard to detect. As Pettigrew argues, processes that deviate from the firm’s normal routines are valuable research objects, since they can provoke people’s behaviours and thereby make them visible (Pettigrew 1997). If we believe that patterns in MNC processes can be both more directly visible and more hidden (see for example (Aldrich 2007; Langley 2009; Levitt & March 1988; Van de Ven 1992), then a controversial case with high propensity to expose informal patterns seems like a good choice. It has been argued that mid-market may pose special challenges for how managers in western MNCs should allocate resources to the market (Prahalad & Bhattacharyya 2011). “International capital and con-
sumer goods manufacturers seeking success in the mid-market are also confronted with conflicting challenges in their financial and management resource allocation” (Gebauer, et al. 2009 p.36). Due to the special challenges associated with the mid-market (Gebauer, et al. 2009), the entry process could even be more complicated than an entry into a new country but to a familiar market.

Finally, it should be pointed out that, even if this case only characterizes Atlas' specific process, challenging market entries like this one are almost certainly not uncommon for MNCs in general. Indeed, we can see that many western MNCs dedicate large resources to new dynamic markets in emerging economies.

3.5 Thesis disposition

In Chapter 1, I showed the relevance of studying the internationalization process which takes place under complexity, and I have taken the MNC as a research object with which to investigate this issue.

In Chapter 2, I identified three gaps in dominant theory (the Uppsala model) which demonstrate the need to investigate this matter. The gaps further show that the complex MNC internationalization process is best studied at the intra-organizational level.

In this chapter, Chapter 3, I have specified the research question. I have also shown the purpose of the study and the research design. Lastly, I have outlined this study's focus and limitations.

In the next chapter, Chapter 4, I show the method I used to study the complex MNC processes. I made a deep process study in which I longitudinally and in real time followed Atlas Copco's entry into a new mining market in China, the so-called mid-market.

In Chapter 5, I outline a case introduction and present three contexts in which the internationalization process is embedded. I present the historical development of Atlas' internationalization activities, and especially for the division under focus. Additionally, I present the development of the mid-market. Furthermore, I present what situation the division was in at the time when the entry process started.

In Chapter 6, I present the case of Atlas and the URE division's internationalization process into the mid-market. The case is divided into seven main episodes which describe the main important events of the process.

The case is followed up by Chapter 7, which discusses insights from the case. In particular, this chapter describes the problems found with writing up complex MNC processes as a single story. Based on empirical findings I instead found that Atlas' internationalization consisted of three different processes. I end the chapter by showing how I identified the three processes in my material.
In Chapters 8, 9, and 10, I will empirically present the three different processes which all are a part of Atlas internationalization. Each story provides additional insight into the case presented in Chapter 6.

In Chapter 11, I analyze the three processes separately and in relation to each other.

In Chapter 12, I connect my results to the three knowledge gaps in dominant theory, which were described in Chapter 2. I further summarize my findings in a model which describes MNC internationalization as a product of three interrelated motors.

In Chapter 13, I provide a supplementary view on the internationalization process. The findings from this thesis add to our knowledge of the internationalization process in an increasingly complex international business setting, and especially highlight the need to distinguish between the sequential strategy process – more in line with received theory – and the other processes, in order to get a more full-fledged picture of what internationalization in large MNCs is all about.
Chapter 4: Data collection

This chapter describes how I collected and analyzed data concerning MNC internationalization. In particular, the chapter shows that it could be challenging to collect data from diversified and scattered environments. I however also show how I tackled the challenges by complementing interviews with observations, by collecting data longitudinally in real-time, by adapting method to the context, and by allowing multi-vocal and sometimes contrasting stories in the analysis.

4.1 A phenomenological perspective on data collection

I study the internationalization process from a phenomenological perspective. This mainly means two things. First, it means that the internationalization process is the phenomenon under investigation, and therefore also the unit of analysis. As Mohr (1982) says, in process studies the process should be in focus, as the process is itself the outcome. Second, it means that I tried to get close to the internationalization process phenomenon through the experience of others (Heidegger 2004). The phenomenological perspective is closely connected to the idea that things, or phenomena, are revealed to us through the experiences of others and of ourselves (Starks & Trinidad 2007). In other words, persons involved in this study have both experienced the internationalization process, and understand and describe this phenomenon based on their experiences. Their information is filtered through their frames of knowledge before it is presented to me. Similarly, I filter the information I receive through my own experiences.

I have this approach to information because I was exposed to phenomenology early when, as a philosophy student under Professor Hans Ruin, I read some of the works by Heidegger (1963) and Gadamer (2008). Because I was trained by this philosophy to question things that are presented to me (including things that seem obvious), I have the experience of questioning and deeply scrutinizing generally accepted notions. I also realize that, by reflecting on my own experiences, I can better understand how I as a subject influence the manner in which I conduct research. This knowledge allows me to minimize the risk of mixing my own experience with that of the respondents.
For the reasons above, in the following chapter I describe my own experiences that I think are relevant to the way I carried out my data collection.

4.2 Step 1: Preparing for data collection

The scarcity of research investigating complex MNC internationalization processes inspired me to conduct a deep exploratory case study, in line with Piekkari and Welch’s (2011) and other international business researchers’ suggestions (Axinn & Matthyssens 2002; Blankenburg, et al. 2009; Welch & Paavilainen-Mäntymäki 2014). To go deep I decided to make a single case study. The single case study is a good choice when a researcher wants to investigate an unexplored phenomenon that is not easy can be explained by received theory, to follow Ghauri’s (2004) argument.

The single case has clear limitations in terms of its restricted potential to generalize to other cases (Eisenhardt 1991), and it is not possible to search for commonalities between multiple cases (Eisenhardt 1989; Yin 2009). In line with Eisenhardt’s proposal, I could alternatively have made a number of more brief series of interviews, and formulated and tested hypothesis. A multiple case approach could however reduce my chances to capture some of the more deeply embedded and partly informal structures. A deep single case study can generate profound insights that are be difficult to achieve with a multiple case studies, as pointed out by Dyer and Wilkins (1991).

Moreover, instead of generalization, my single case approach is hoped to lead to deep understanding, which can in turn generate theory driven variance. Theory driven variance, or theoretical sampling, can help the researcher develop new theoretical frameworks (Pauwels & Matthyssens 2004). We have good reasons to do a study re-assessing the key concepts in MNC internationalization process research, rather than simply building a study on pre-defined concepts.

This argument can be connected to Piekkari and Welch (2006), Piekkari, Welch, and Paavilainen (2011), and Welch, and Paavilainen (2014), who argue that the large body of quantitative “positivism” that dominates internationalization business studies limits our ability to explore new grounds in the field; particularly for complex and pluralistic research sites as the MNC (see also Dyer and Wilkins’ (1991) and Langley’s (2009) discussions on the importance of, but also the lack of, deep case studies in social science in general).

4.2.1 Case selection

To select my case, I searched in annual reports, articles from media, and press releases. I searched according to certain criteria that would address the knowledge gaps described in the previous chapter: the firm had to have
many employees, many international operations, and internationally activities that were currently expanding. Since I wanted to study a market entry, I looked for a firm that seemed innovative.

Of the ten Swedish multinational companies I looked at, Atlas Copco caught my attention the most. The company is active in most countries in the world; it has 33,000 employees (Annual Report 2009); it innovates and sells both products and services; it was at the time seeking to expand internationally (Annual Report 2010). Moreover, Atlas’ technologically advanced products require economies of scale, integration of specialized operations, and analysis on global demand which means that the firm has to integrate geographically dispersed activities in what can be a complex process.

After discussing my research topic with the Corporate Vice President (VP), the President of the Underground Rock Excavation (URE) division, and a couple of managers in marketing, three cases were presented to me. Of the three suggestions I chose two: the mid-market entry in China, and the establishment of a new technology in Europe.

The reason that I initially chose two cases was because I wanted to increase my chances to select a good case. A risk associated with a single case study, and especially with exploratory real-time studies (Langley 2009 1515), is that the researcher does not know beforehand if the case will develop in an interesting way.

To increase the chances of selecting a good case, I first made a pre-study by conducting ten interviews within each case. I also searched in literature about the two cases: the mid-market entry (e.g. Gebauer, et al. 2009; Prahalad & Bhattacharyya 2011) and the new technology, High Precision Tunneling (HPT). Preliminary knowledge about a case can help to design data collection (George & Bennett, 2008), because this knowledge gives the researcher a chance to investigate the quality of the case, its suitability for the research question, and the probability that the case will develop in an interesting way (Ghauri 2004).

At first, I considered the possibility of following both cases to make comparisons between the processes. I however found three reasons to choose to focus on the China case. My pre-studies and pilot study showed that it was more intriguing and complex, and I felt I needed to devote substantial amounts of time to it. Moreover, as the Corporate VP previously had expressed that this market entry was controversial, it increased my chases to expose intricate behaviours and structures that otherwise would be hard to identify. Finally, as pointed out by Pettigrew (1997; 1990), such an atypical, extreme case can make the process more visible, or “transparently observable”, for the researcher.
4.2.2 About the case

The case reflects Atlas’ entry into the new and growing Chinese mid-level mining market. The Chinese mid-market is a dynamic one characterized by an increasing number of private excavators that entered the market after the government allowed private ownership at the end of the 1990s. The increased demand for especially iron created plenty of incentives for miners to enter the market.

Around 2005, the Chinese government took initiatives to make private miners upgrade their quality standards, increase safety, reduce energy consumption, and increase production. The government simultaneously launched a number of larger infrastructure projects in an attempt to modernize the country, which triggered demand for iron. In order to upgrade the excavation standards, the miners needed new machines and new routines for excavation. The machines would be mechanized, which would be more advanced than the low-end hand-held tools they were using at the time, but simpler and cheaper than the advanced high-tech automatized machines found among state-owned companies in the high-end market.

As Atlas found most of its existing high-end markets hard to grow in, the Underground Rock Excavation (URE) division in 2005 decided to enter the growing mid-market with its most simple version of a drill rig. As the division previously had most experience in high-end markets, it now faced what has been described as a contemporary challenge (Abramson & Ai 1999; Prahalad & Bhattacharyya 2011). It has been found that MNCs with most of their experiences in high-end markets follow historical expansion patterns rather than adjusting to the conditions of the mid-market (Gebauer, et al. 2009).

4.3 Step 2: Collecting the data

First of all I chose to make a longitudinal, real time study. The real-time approach provides understandings of complex relations in a process over time (George & Bennett 2005). The single case can help the researcher to identify variables driving a process under complex conditions, or the conditions activating the drivers. This approach has therefore been described as an especially suitable method for studying complex organizations (George & Bennett 2005). Moreover, since complex social processes are often characterized by subjective, tacit information that only is accessed through deep real time penetration of the object (Langley & Truax 1994), the real-time approach was valuable for getting data on values and feelings before they were transformed by (or got lost in) the official story about what happened (Dubois & Gadde 2002; Welch & Paavilainen-Mäntymäki 2014). In other words, the real-time approach offered the possibility of tracking down respondents and talking to them while they had details from
events fresh in their minds. At the same time, the longitudinal design well capture dynamic aspects of the process (see also Blankenburg, et al. 2009).

Over time I collected material from multiple data sources, in line with my exploratory approach and inspired by grounded theory (Glaser & Strauss 1967). The method corresponds to the belief that the complex organization requires “a broader analysis of multiple data sources in pursuit of a more comprehensive understanding”, as Buchnan and Dawson (2007, p. 682) put it. I thus collected much data from a diversity of sources, which I found was required for understanding the MNC internationalization process using the approach I had chosen.

I mainly collected data by interviewing managers. Interviews have been pointed to as a particularly beneficial method for investigating the under-researched and complex areas (Glaser & Strauss 1967; Starks & Trinidad 2007). The fact that interviews allow the researcher to let respondents speak freely, helps the researcher to explore new grounds.

My second most important method for data collection was observations. In line with Czarniawska (2014), I felt that observations added something to the research that secondary or retrospect collection not could provide; namely a firsthand account on the process. The momentary approach allowed me to get close to things that are not often documented, such as contrasting behaviours and certain other problems.

I also used secondary sources such as journal material, strategy documents, TV programs, press releases and previous studies. My most valuable secondary source was probably the access that Par Fjällström gave me to four hours of uncut interviews from his documentary for Swedish Television. The documentary stressed the contemporary shift in which larger Swedish industrial firms moved many of their activities to China (Fjällström 2010). Among other things the material included interviews with Atlas’ managers about their increased involvement in mining in China.

4.3.1 Conducting interviews
I conducted ninety interviews between August 2009 and the summer of 2013, covering the period of 2005 to 2013. The years between 2005 and 2009 were investigated in retrospect. 2005 was defined by interviewees as the starting point of the process. I stopped interviewing when I found that the company had reached a market entry situation (see Blankenburg 1995).

I did interviews in Sweden on three different occasions (2009/2010, 2011, 2012/2013). Interviews were made at HQs in Sickla, at the divisional headquarters in Örebro, and in Marketing, Production, R&D, and After

13 When the VP marketing met with the General Manager (GM) of sales in China, and the GM presented a new mid-end market opportunity that he had identified earlier that year (VP Marketing, Sweden 2009; GM Sales, China 2010)
Sales and Service in Örebro. In Europe, twenty interviews were conducted with sales persons on two different occasions (2010, 2011).

After the first round of interviews in Sweden in 2009/2010, I did interviews in Germany, Switzerland, Spain, and Portugal, countries where Atlas has its biggest European markets in 2010. These interviews were conducted over about a month.

Thereafter I did interviews in China on four different occasions (2010, 2011, 2012 (winter), 2012 (summer)/2013). Interviews were done with managers in Production in Nanjing, with managers in Sales in Beijing and Shanghai, with distributors in Hefei, and with customers in the Sanxi province in Taiyuan and in the rural area (see Appendix 1 for a complete list of respondents and locations). The visits to China lasted for about one month each.

Most interviews were made face to face, except for four phone interviews. The interviews lasted 1–2 hours. On four occasions (customers) the interviews were not conducted in English, but were translated by representatives from Atlas. Information could have been lost in translation, nuances and details may have been missed, and there could have been misunderstandings. However, the translator gave me the possibility to gain access to respondents and information that usually not is available for non-Chinese speakers.

Identifying respondents

It was important to find respondents that could provide me with good information about the process, but this turned out to be a challenge. Many people involved in the process in China were not known by managers in Örebro. After my first rounds of interviews in Örebro I only got two names in China, which were the two General Managers. Despite this small number of respondents, I booked a one month’s stay in China to see if my two contacts could help me further.

To identify important informants, I followed the snowball sampling principle. The snowball principle is useful when processes are complex and actors are not immediately visible (Miles & Huberman 1994). In line with the phenomenological perspective (Starks & Trinidad 2007) in which I get close to the internationalization process phenomenon through the experience of others (Heidegger 2004), I searched for people with experience from the internationalization process, rather than people from a specific hierarchical level or organizational domicile. After talking to managers recommended by the GM, I then worked my way down in the hierarchy. Eventually I also reached external actors, such as retailers and customers.

To identify my sample, I had to define my phenomenon of study and my unit of analysis. As mentioned in the introduction to this chapter, in my study, the internationalization process is both the phenomenon under investigation and the unit of analysis, as supported by Mohr (1982) who
says that in process studies the process should be in focus, as the process is itself the outcome.

I thereafter sought a definition of the internationalization process that could help me to focus my research. Welsh and Luostarinen (1988) define it as increasing commitment across borders for the firm. The definition is clear, if rather broad. To emphasize the micro-level, or intra-organizational level approach that I take on, I instead define the internationalization process as events unfolding as dynamic change over time (Langley 2009; Pettigrew 1997) through a number of smaller activities and commitments (read behaviours) that underlie larger commitment decisions to an international market (Johanson & Vahlne 1977).

As mentioned in the introduction, Blankenburg’s (1995) definition of market entry helped me to identify the market entry process. I understand a market entry as the establishment in a business network, in contrast to the view of entry as establishment in a new country. This definition means that the market entry situation is reached when actors have developed relationships in the market that can generate economic results good enough to break even, that are stable enough to generate future business, and when the firm’s actors are known in the network (see also Johansson & Mattsson (1988) and Johanson & Vahlne (2009)).

**First round of interviews**

In line with the exploratory approach, questions were initially rather open, in hopes that an open approach could help me to learn about the process (Appendix 2) and to understand patterns in episodes, activities and choices over time (Langley 2009). The exploratory character of the questions is illustrated in Table 4.1 below.

Table 4.1: Extraction from questioner, early version, 2010

- Where did you first hear about the business opportunity in the mid-end?
- How did the process develop over time according to you?
- In what way have you been involved?
- Any challenge or episode triggering the process?
- Something you think could have been done differently?
- 

I frequently asked the respondent to follow up their answers by in detail stating who did what, what happened next, and so forth, to get more context and deeper stories. Langley has called this approach a strong process view as it tries to understand the ongoing micro-processes (2009) (in contrast to what she calls a weaker process view, which looks at change at an aggregated organizational level).

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14 Johanson and Vahlne 1977, but also interview with Jan Johanson in April 2015.

15 The battery of questions was at the same time rather vast as I wanted to prepare myself in case the interviewee gave short answers or perhaps no answer at all.
Subsequent rounds of interviews: adapting the interview guide to my process knowledge

Because I did my study longitudinally and in real time, I had good opportunities to learn about particulars of the process that I could use to improve the quality of the interviews. By ‘particulars’, I mean such things as actors, roles, the nature of the business, and business networks.

Among other things, I made notes on roles and functions. As the managers were relatively specialized, I found it especially important to understand their roles. The respondents seemed to have a deep but rather narrow knowledge about the process. If I not could understand their context I would risk getting a low quality of the answers.

The respondents’ answers gave me ideas about what to ask other respondents. For example, by studying the answers from technicians in Örebro, I could formulate better questions to technicians in R&D in China. Moreover, as I repeatedly met with some of the key respondents, I could follow up on previous interviews and add new questions. In the end I had twenty-seven different versions of questionnaires.

As I developed my questionnaire, I regularly went back to my topic to seek coherence between the research question and the questions, as such coherence was crucial for the rigor of the study, or of the validity as Yin puts it (2009).

I also exercised self-criticism by making notes on what things that I felt worked well and what worked less well (see Appendix 4). I documented who provided good answers on what questions, and I also made notes on my own interview style. I considered and documented how to best present myself in order to gain trust from the respondent. I also took notes on how to ask follow up questions without risking interrupting the respondent, or what words to use in order to be understood.

As time passed, I learned that the organization to a certain extent had its own vocabulary. Using phrases like “internationalization processes” worked less well, while using phrases like “localization projects” worked better, even though the two terms mean largely the same thing.

Eventually I could start to tailor my questionnaire to each respondent (Appendix 3) (see also Eisenhardt 1989) and the battery of questions became shorter. I had already covered the retrospective process and next only needed an update on what had happened since the last visit. I now also had enough knowledge about the process that I could, on the spur of the moment, decide what questions to ask (Appendix 5). The questions for the second series of interviews could look like this:
There are some risks associated with the interviews, which I tried to minimize with the help of my longitudinal approach. Interviews for example have the weaknesses that the information obtained can be influenced by moods. By meeting the respondents several times I tried to minimize these negative effects. Moreover, there is a risk that the relationship between the interviewer and respondent influence the interview in a negative way. The interviewer can for example unconsciously steer the interview in a direction that suits the researcher. This is something that is hard to be aware of. I tried to be aware of the effect I had on the respondent by trying to not push the questions in any direction, but instead I tried to nuance the answers by for example questioning the replies with things like “is it really so?”

**Collecting high quality data – making the respondents open up**

Asking questions was easy, but obtaining high quality information was harder. At times I found it challenging to make the respondents open up. It was especially challenging to make the respondents talk about more sensitive things like specific actors’ conflicting views and behaviours. My time as a personal assessor had made me aware of the importance of seeking rich information with high quality.

To obtain high quality answers, I felt trust was important, if not crucial. Therefore, before the interview started, I took time with each respondent to inform him or her about the neutral role I had as a researcher. I found it especially important to point out my neutral role in China. Otherwise, managers could wrongly get the impression that I was sent out by the headquarters. It helped to spend a lot of time in the organization and to meet some of the respondents repeatedly. Due to the trust I had gained, I was invited to participate in strategic meetings; high level managers shared strategic information with me that not yet was official in the organization; other managers shared information about informal behaviours and attitudes.

I was reminded of the value of building trust when, after a rather sloppy introduction of myself, I did not get any substantial answers. The respondent was working with technical issues at a middle management level in China. When I started to ask him about his daily routines I felt how he got uncomfortable. To re-build the trust I paused the interview and took him out for lunch. During the lunch, I told him about myself and the purpose of

Table 4.2: Extraction from questionnaire sales unit China, 2011

- What do you hope to achieve; to expand locally in the Sanxi province or to enter the mid-end in the whole China?
- Why did you build the factory in China in 2005?
- Why did you produce a new China specific machine?
- Why did you develop a China specific strategy?
the research. After the lunch we continued the interview and he now told me a rich and interesting story.

To obtain high quality information I also used the experiences I had got from working with personal assessments during my time as a HR consultant. In my role I was trained in techniques to conduct interviews. In my job I met people from both different cultures and hierarchical levels, and I developed different techniques for talking about difficult topics, to tackle reluctance against opening up, and to get people to tell their stories.

Adapting the method to make people open up
At higher hierarchical levels, I found that managers were trained in talking to external actors such as the media. Their stories were well structured and solution driven, but contained little information about internal problems and challenges. It almost seemed like the respondent had a story already ready for me. The first hour I therefore let the manager tell his or her story. To make the respondent open up, instead of ending the interview after the manager had told his or her story, I started to repeat some questions, changing the formulation only slightly (I prepared the respondents by initially informing them about that some questions would be repeated) (see Appendix 5). This trick is sometimes used in personal assessment in order to assess how coherent the story is. If a story is not coherent, there may be a reason to dig deeper. I also tried to not take the answers for granted, but instead I made comments like “is it?” or “really?” In cases when information deviated from the initial story, I listened without pointing it out, and encouraged him or her to continue by showing interest/empathy with the respondent. This strategy was perhaps not really a ‘strategy’, but more like paying genuine respect to the respondent’s situation.

At lower hierarchical levels, I instead found it challenging to make respondents believe I was not there to assess their work. In particular, questions concerning routines provoked reactions in China. To tackle the challenges and get good information, if possible, I spent time with the respondents after the interviews. We could for example take a coffee or a lunch together. In that way we could talk under more relaxed circumstances. I however tried to remind the respondent about my role as a researcher even during these occasions. I for example took notes or recorded parts of the conversation. However, sometimes I did not want to disturb the flow so I listened and took notes after the conversation.

In the interviews with the customers, I instead found that the respondents saw me as an Atlas representative more than a researcher. To get good information from customers and distributors, I found I had to follow the local rules about how to build business relationships. Before the interview, we first had a sit down dinner together with Atlas managers. When the customer decided, we started the interview.

The knowledge and the trust I gained over the years provided me with what can be described as a free access in the company. This meant that I
could talk to anyone and move around in the organization as I liked. With this access I could spend more time around certain respondents, who seemed extra important, in order to make more observations.

4.3.2 Making observations

Observations were made during time spent with Atlas managers in China and Europe. I spent from a couple of days up to a week with a single manager or a team. In total I made 200 hours of observations, of which roughly 140 hours were spent in China. Among other things, I followed sales persons to customer meetings. I also spent time with higher level managers and among other things participated in internal and external meetings. As I made my observations I made notes either while things were happening or immediately after.

I have previous experiences from conducting observations. My experiences may have influenced the choice to make observations and how I executed the observations.

As a twenty-year-old, I did something that can be called a small ethnographic study. I was curious about native populations that were largely uninfluenced by modern society. I flew to Borneo and traveled to the wild heart of the island. By a stroke of luck, I met the Vice chief of one of the local tribes who took me to his home in the jungle. For some weeks I lived, hunted, and dined with the head hunters of the Imang tribe, I studied their behaviours and took field notes. The experience trained me in how to build trust so I could get close to research objects from a vastly different culture. The experience also trained me to conduct a field study in a radically different environment. Among other things, this experience may have made me less intimidated about travelling alone in China, and making observations in a unfamiliar environment.

Getting deeper with observations

Making observations allowed me to find information of a more intricate and informal nature. It also helped to reveal complex “evolving patterns of interaction and behaviour to unfold episodes as they happen”, as Langley puts it (2009, p. 5). In agreement with this argument, I found that I got a deeper understanding of some of the complex problems in the process.

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16 I met an acquaintance of Bruno Manzer, a liberator and icon for the native population that mysteriously disappeared into the jungle sometimes in the 90s. My new friend became the key into the world of the natives. For more information, see the documentary Tong Tana by Røed and Krusenstjerna from 1989.

17 I found that, due to the rich supply of food, planning was not important. The tribe was however not un-organized and they, among other things, specialized in different functions as hunting, politics, etc. Moreover, storytelling and the belief in the supernatural was strong. This seemed to be connected to attempts to survive under extreme conditions. For example, in Borneo you find the highest and concentration and richest variety of species of which may are dangerous to humans.
when being there myself, instead of having it told to me. In fact, in contrast
to my formal interviews, much interesting information was captured only
after spending time with the respondents.

Above all, observations made me see routines and problems with my
own eyes as they took place. In a story provided in an interview, the events
could risk getting minimized if the respondent only touched on them briefly,
or if the respondent used formulations that indicated that it was of minor
importance. A respondent can also forget about a problem or not want to
talk about it. When observing the event, I could make the judgement my-
self about how important it seemed.

One example of a problem that I observed regarded communication be-
tween Sweden and China; another problem was about routines used in
Örebro, which were perceived as slow in China. Two additional problems
concerned customers’ perceived problems using Atlas’ technology, and
Atlas’ difficulty in delivering spare parts to remote customers. All of these
problems turned out to be very important for understanding how the inter-
nationalization process later developed.

**My own participation in the observations**

While I at times stayed in the background, at other times I interacted with
people. Spradley and Baker write “Ethonographers do not merely make
observations, they also participate” (p. 51). After observing a problem, I
could ask people involved to reflect on that problem. In this way, I could
get clarifications or more information about the matter. This information
helped me to judge how to weigh the event. I was in other words not com-
pletely ‘invisible’; instead, the observations had a touch of both shadowing
(Czarniawska-Joerges 2007) and participant observations (Spradley &
Baker 1980).

Just as Kaplan found, I discovered that by engaging I could get access
to knowledge that others could not get (Kaplan 1998). Spradely and Baker
(1980) similarly state that “participation allows you to experience activities
directly, to get the feel for what the episodes are like, and to record your
own perceptions” (1980 p. 51).

Some of the quotes in the empirical chapters are in fact based on discus-
sions between myself and managers that took place while I was making
observations. However, in other situations I observed other people’s inter-
actions without engaging. Some quotes in the empirical chapter stem from
discussions between Atlas managers, distributors, or customers, which I
observed but that I was not involved in.

While much information obtained in the interviews concerned strategy,
especially at headquarters in Örebro, the observations allowed me to identi-
fy problems that could be harder to capture in an interview. In that way,
observations helped me to reveal complex “evolving patterns of interaction
and behaviour to unfold episodes as they happen” (Langley 2009, p. 5), as
I earlier clamed observations could do.
One example is when I observed strategic meetings, or everyday tasks like speaking on the phone, and saw how these occurrences fitted the market. These behaviours are connected to routines rather than to strategy. Through these observations I for example saw for myself how long it could take to get parts to the machines sent over from Sweden to China, before China started to produce machines themselves. If there was something wrong with the shipment, the machine’s delivery to the customer could be delayed for up to several months. This type of information was later included in the empirical Chapter 9.

Another example of observed interactions that later became a part of my case, was when Atlas sales managers met with customers in China. Those meetings gave me insights into the problems that existing customers had with the Atlas organization and its routines. I observed that managers from one customer, the MingLi mine, expressed to Atlas managers that the Atlas organization was maladapted to the mid-market mines. The organization had problems reaching remote areas, which had the consequence that it took too long to deliver spare parts to the machines. This type of information was also later included in the empirical Chapter 9.

In contrast to the internal interactions, the conversations with customers or distributors were held in Chinese. In these cases, I had one Atlas sales manager sitting next to me, translating the conversation as it took place. I made similar observations in Switzerland, Portugal, and Spain. On these occasions I also had an Atlas manager translating the conversations between the customers and Atlas sales managers.

**Observations as a complement to interviews**

By combining interviews with observations I could draw on the strength of each method while minimizing its negative aspects. For example, the fact that observations are local and momentary can be a weakness. But by combining the observations with interviews I could draw on the strength of observations – to get close to interpretations and feelings – while at the same time use the strength of interviews to link episodes across time.

In particular, the observations helped me to get closer to the internationalization process than I could have gotten only through interviews. Spradely and Baker (1980) describe that the researcher, through observation, can come close to fundamental aspects of experience; what people do, what they know, and what resources they use. These aspects were observed as I followed managers in their daily routines, saw and followed their interactions, and saw how they used resources available.

The observations furthermore helped me to either verify or cast doubt on the stories I was told in the interviews. If observations made me question a story, then I now had new material for developing new questions in my interview guide. By combining interviews and observations, I could obtain a reciprocal effect.
4.3.3 Collecting data from formal documents

While interviews and observations provided me with more sensitive material, documents gave me information about formal events. The documents also gave good indications of what things belonged to the formal strategy, and what did not. It was for example interesting to see that managers in the early phase of data collection talked more loosely about increasing commitments to China. Later, we could read about how China was a strategic priority in official documents like the Annual report.

A rather common data source in internationalization process studies are archives. Archival studies can provide the researcher with important information on key episodes, as well as provide data described in chronologies. Archival studies also in an accessible way provide the researcher with data. Formal and documented aspects of the process are easier to capture than informal non-documented aspects.

Potentially, an archival study could complement the existing data collection. But if I had based my study only on archives, I likely would have overlooked complexities of the process. Information about intricate behaviours like conflict, and how they can underlie key episodes, is not usually something that is documented. Archival documents often reflect the official story presented as a truth and as Langley (2009) points out, archival studies often provide the researcher with records of justifications for the actions carried out. In contrast to smaller firms where formal versions provided by top level management may explain more (Langley & Truax 1994), informal behaviours seem to potentially be so important in the study of the “political” MNC (Pettigrew 1977), that the formal documents only served as a complement to my interviews and observations.
4.4 Step 3: Analyzing the case

My interviews were recorded and later transcribed and systematized in N-Vivo. After transcribing the material, I made something called a thick case description. The description helped me to look for initial patterns. This method has been described as an important initial step for analysis (Miles & Huberman 1994) that can help the researcher to make sense of the data at an early stage.

I then sent the text to key persons in Sweden and China and they checked for potential misunderstandings or mistakes. The key persons also gave general feedback. Through this procedure, I could validate the trustworthiness of my information and increase the rigor of the study, as suggested by Langley (Langley 2009). The follow-up interviews took place about a year after the first ones. The longitudinal design gave me the opportunity to test whether the previously collected information had been correctly understood. The method has been described as a strategy to increase the transparency and the trustworthiness of the study (Langley 2009).

Immediately after I had made my first series of interviews, I created a broad case from my empirical material to then analyze my material. This technique is a good way of dealing with large amounts of data, as Eisenheardt proposes (1989).

However, I followed Dyer and Wilkin’s (1991) recommendation to follow an open and explorative design, rather than Eisenheardt’s more structured approach. According to Dyer and Wilkins, the researcher who a priori focuses on a few pre-determined constructs may be locked into frames, while the researcher who is open for new constructs may create good and rich stories. In order to pursue my exploratory approach, I did not use pre-determined constructs or frames during my initial stage. Nor did I formulate any hypothesis after my first interviews, even if this method, applied by Eisenheardt, could have created focus (Dyer and Wilkins call this approach a too structured method). Instead I looked at my data to search for patterns of hindrances and drivers of the process.

I protected the anonymity of all respondents by not stating their names but instead referring to their roles. Especially at lower levels, it felt that it was important that the individuals could speak freely. The respondents’ roles are visualized because they connect behaviours to different roles and locations. To further increase anonymity, the roles do not always follow the corporation’s official titles. At President, Vice President and General Manager levels it was harder to provide anonymity. However, these respondents, before the interviews, said that anonymity not was important to them.
4.4.1 Creating a process

I first made a summarized description of the internationalization process by dividing the material into sequences. The method is based on established tradition within the field, in which researchers follow a smaller unit’s change into a larger international commitment, by chronologically categorizing the change into episodes (Johanson & Wiedersheim Paul 1975; Johanson & Johanson 2006; Luostarinen 1979). In the table below, each episode is described with a title that reflects the status of the commitment during the period.

Table 4.3: Main episodes of Underground Rock-Excavation’s internationalization process

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I analyzed a process’ progress by categorizing a number of smaller events into larger episodes. I then linked the events in one episode to events in the next episode. In that way I could understand the connection between the events over time, as can be seen in the figure below. This method is related to my view of a process as something that consists of every day behaviours as well as larger commitment decisions.

Figure 4.1: The creation of a process

![Episode 1: Behaviour 1, 2 = Event 1, Behaviour 3, 4 = Event 2](image1)

![Episode 2: Behaviour 1, 2 = Event 1, Behaviour 3, 4 = Event 2](image2)

4.4.2 Evaluating information from diversified environments

I used a number of principles for evaluating how to regard information in the stories that were presented to me. The fact that internationalization is presented to us through the experience of an individual manager that in the MNC may vary means that I wanted to be open for varieties in the stories. I did not seek to aggregate a number of voices (Starks & Trinidad 2007).

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18 With thanks to Jan Johanson for generously sharing his views on process research.
was instead open for the fact that people could tell different stories about the same event.

It has been argued that if we are open for episodes that are sometimes pluralistic and “subjective embodied perceptions” (Starks & Trinidad 2007) rather than aggregated unfolded truths, we can understand complex processes better. It has namely been proposed that in these processes, varying experiences and conflicting understandings can explain an outcome (Starks & Trinidad 2007) better than coherent stories. Often coherent stories only represent one perspective on an event, not seldom in line with official top management accounts (Denis, et al. 2007; Whittle, Mueller, & Mangan 2009). However, when actors are dispersed and belong to different contexts, we can expect that people involved in a process have different perspectives on the events of the process. Therefore, I argue, a researcher should not necessarily exclude inconsistencies in narratives about a process like internationalization, but should instead seek to understand how people with divergent views have influenced the process. This argument is in line with Buchanan and Dawson (2007), who suggest studying change over time by lifting up the polyvocal stories and displaying them through a series of sequences rather than seeking a homogenous story.

In adopting such an approach [polyvocal], change can be defined as an emergent process, shaped within a dynamic contextual setting, that is conditioned by a web of jostling narratives, and is propelled by the creative authoring of a sequence of interpretations and change interventions. (Buchanan & Dawson 2007)

I had to adapt my principles for evaluating the trustworthiness of events and causalities to my desire to take peoples experiences seriously, even if they not always are in line with other respondents experiences of the event. For example, I used triangulating to evaluate the trustworthiness of parts of the stories, but I had to be perceptive to how I used it.

Triangulation means that if more than one source confirms a story that someone else had told, the trustworthiness of the story increases. Preferably, the sources should be independent from each other, so they for example pertain to different contexts. Although triangulation can be an important tool for validating the importance of events and the connections between the events, and for excluding inconsistencies in the material (Langley 2009; Miles & Huberman 1994; Yin 2009), some things are harder to evaluate according to the triangulation principle.

Subjective values are for example not easy to verify according to triangulation principles. Sometimes several individuals expressed the same value. Perhaps we can talk about triangulation of the value that indicates a common culture or shared value for a group, and potentially a value shared by more people has a larger impact on the process than if only one individual would possess the value, but not necessarily. If I would have followed
strict triangulation principles, much of the information concerning disagreements and similarly sensitive things could have been triangulated out.

Moreover, if the respondents expressed conflicting stories, and those accounts seemed to have had a bearing on the process, then those responses were still considered informative. It has in fact been argued that conflicting accounts can strengthen an analysis rather than weaken it (Denis, et al. 2007). Contradictory stories can for example indicate that the knowledge about something is fragmented. The strict use of triangulation would have meant that I would have had to exclude such accounts. The most important thing was instead that the respondents described the process as they saw it.

The trustworthiness of a source was another principle that helped me to verify the information. A trustworthy source can be a respondent with a good insight into what he or she talks about. Top level management for example has good insight into overall strategy, and sales persons have insight into customer relationships, but usually not vice versa. Trustworthiness increases if the respondent had been directly involved in the described event. If the information not could be seen as trustworthy, the information was not considered.

Lastly, I consider the role of the researcher. Information is considered to be strong if it comes from direct observations made by the researcher himself. The subjective aspect of evaluating the quality of the information can never be neglected. I however consider that subjective aspects can strengthen the deep exploratory research, as the researcher can make sound evaluations of persons, information, and situations under intricate conditions.

4.4.3 Systematizing diverse stories

Managers from the MNC contributed with different and often fragmented aspects of the process19. The General Manager for example presented more generic aspects of the process such as industry trends, while managers at lower levels gave insights into everyday problems in customer interactions. Just like with a puzzle, it was then my job to put these stories together.

To systematize the data into a story, I especially took inspiration from processual researchers in management and organization, such as Langley and Truax (1994), Langley (2009), and Van de Ven and Poole (1995). Their research describes how to systematize the complex and pluralistic process (for more about this method, see Chapter 7).

I also looked into research about narratives and story-telling, and especially research attempting to deal with complex organizations. I drew inspiration from how narrative researchers plot actions in ways that allow them to make sense of change processes without compromising multi-vocal and

19 Managers in the smaller firm may instead have more homogenous and compete understandings of the process
sometimes contrasting stories and overlapping events (Whittle, Suhomlinova, & Mueller 2010). It has been argued that, even if a researcher may capture multiple experiences, they still need to build a systematic approach to study the phenomenon (Starks & Trinidad 2007). This systematization is perhaps extra important when processes are complex as the research otherwise risks being messy, and the message may be lost.

Boje (2001) for example used narratives to “deal with the prevalence of fragmented and polyphonic storytelling in complex organizations […]”, and Whittle, Muller, and Mangan (2009) write “Stories, we suggest, are not reserved exclusively for the polished and rehearsed monologues produced by senior executives […] Nor are they always a coherent sequence that is (re)told with the purpose to entertain in mind.” Vaara and Tienari’s (2011) research on the narrative construction of multinational organizations is an interesting example of research within international business that captures micro-processes and divergent views underlying change in large complex organizations.

However, I do not follow a special technique for narrative analysis, nor do I go so far as to use formal conversation analysis, like considering what is narrative and anti–narrative. Nor do I analyse discourses or enter into the interpretive paradigm (this would require a different approach to data collection and analysis (see for example (Alvarsson & Sköldberg 1994; Romani 2008). Knowing about these issues, however, helped me to create the main case story that will be presented in the next chapter, and the stories presented in Chapters 8, 9 and 10.

In Chapter 5, I will present an introduction to the case discussed in this chapter. The case itself will then be presented in Chapter 6.
Chapter 5: Case introduction and case context

This chapter introduces the process of Atlas Copco and its URE division (Underground and Rock Excavation) as the company enters the Chinese mid-market with drill-rigs. This chapter further helps the reader understand the contexts in which the process was embedded at the time before the entry, which are important for understanding some of the behaviours later presented in subsequent empirical chapters. The chapter outlines the internationalization history of the firm and the URE division. It also describes the development and characteristics of the mid-market business environment in China. Lastly, the chapter describes the situation in the URE division at the time of market entry.

5.1 Case introduction

At the beginning of the twenty-first century, Atlas Copco found that many of its markets for underground excavation were saturated, making them hard to grow within (the company will hereafter be referred to as Atlas). At the same time, many markets in emerging economies seemed to present new possibilities for growth. To systematically investigate new potential markets that the firm could enter, in 2005, the marketing department in Sweden made a market search. Of the three results – Kazakhstan, Kirgizstan or China – China seemed most attractive (VP Marketing, Sweden 2010). Economic growth and investments in infra-structure projects had increased the demand for iron, which had led to an increased need for iron excavation.

Most of the mines in China were however small and private, and managed with simple methods (hand-held equipment), so at the time they did not produce much. Many mines now looked for how to increase their production. It was also in the government’s interest to increase domestic iron production. To stimulate production, the Chinese government tried to introduce new standards by developing reforms that would force the small mines to consolidate and increase production, while at the same time increasing safety and reducing energy consumption. The mines that did not manage the transition would disappear.

This transition is referred to by Atlas managers as mechanization or mid-market entry. The market does not belong to the low-end, where min-
ers use shuffles and spades, or to the high-end, where miners use automated machines and where the company already enjoys a dominant position, but to a market in-between.

In 2005, Atlas managers decided to enter the new mid-level market. Early on, in 2006, the mid-market provoked modest interest in the organization, and the division simply transferred an existing driller to the market. In 2012, however, the company had made large technological changes, and had changed strategy formulation, organizational structures, and routines for the mid-market. It was now a top strategic priority for the company to continue to develop research, design, and production in China (Annual Report 2012).

The attempt to enter the mid-market was however a challenge. Managers both in Örebro and China had struggled to learn about the market, and customers were hard to map, industry regulations changed often, and competitors developed quickly. Many people in Örebro expressed doubts about whether Atlas should make commitments to the mid-market or not, and the organization talked for a long time about what investments to make, and what strategic direction to take.

Despite a complicated process, by 2012 the mid-market has been entered (see Chapter 4 and Blankenburg’s (1995) criteria for market entry). The business was seen as (modestly) profitable and Atlas was a known player among many customers and other actors in the market. We can also see that the effects of mechanization were positive for some early customers, so they could be expected to buy more machines in the future.

However, by the end of the study, the uncertainty about future outcomes still seemed to be large. Despite the increasing commitment, in 2012 the local organization was not satisfied with the entry. Sales numbers could have been better, market cover larger, and customer ties stronger. Many customers, in comparison with the premium market, buy relatively infrequently and in small quantities, often only one machine at the time and without service contracts. There is still work to be done before URE has reached a comfortable market position with large sales volumes and stable relationships. The market entry is in other words still ongoing.

5.2 A historical outlook on Atlas/URE’s internationalization

Founded in 1873, Atlas is one of the older multi-national companies in the world. At the start, the company produced railway materials, but later steam engines and machine tools were added to the assortment. The first pneumatic rock drill was constructed in 1905 (Gårdlund 1973), and today the company is famous especially for its high quality drill rigs and compressors.
Atlas has a long history of doing business in foreign countries. By 1880 the company had already started to export goods to other countries. The company started to conduct international business with countries and markets where business practices, laws, regulations and so forth were similar to Swedish business practices. The company then successively expanded to less similar and distant markets (Johanson & Wiedersheim Paul 1975).

The First World War brought an upswing for the company and around 50 percent of the goods were exported. The great economic recession that followed on the war then forced the company through a reconstruction, and its remaining operations were moved from different locations in Sweden to Sickla in Stockholm, where headquarters still resides today (From Atlas Diesel to Atlas Copco, 2013).

5.2.1 ‘The Swedish method’ paving the way to success

At first, exports were concentrated on diesel engines, but in the 1930s, drill rigs entered production. These new lightweight, handheld drills for excavation of hard rock were a technology that was completely new, and they turned out to be a large success that paved the way for Atlas and also Sandvik, which still today dominates many international mining markets.

The success got a boost when, during the war years, Atlas together with Sandvik’s Jernverk (Sandvik.com, 2013) developed a new method for excavation in hard rock. The technique, which got the name ‘The Swedish Method’, involved excavation with Atlas’ lightweight rock drilling equipment combined with Sandvik’s rock drills. When Stockholm in 1945 built its first subway line, the method could for the first time be used on a large scale. The method was a success, and at the beginning of the 1950s, the company made substantial foreign sales of the pneumatic equipment for underground excavation.

Thanks to the lighter and mobile equipment, drilling could be conducted by one man with one machine, which was considerably more effective than the previous method that required more labor. Hard-metal bits were another prerequisite for the new drilling method. (Atlas Copco conquers the world with the Swedish Method, 2013)

The methods strongly influenced the company’s entire pneumatic program and were used world-wide. The combination of product, method, and sales strategy led to sales quickly increasing. During a four-year period (1947–

Sandvik is an engineering group in the metal, mining and construction industry. The two companies were at the time working closely together. Today, Sandvik is Atlas’ biggest competitor in mining tools. For more information about the development of the relationship between the two companies see Forsgren, M. & Johanson, J. 1992. Managing Networks in International Business.
1950), sales of pneumatic products nearly tripled, and engineers were sent out to nearly all parts of the world to demonstrate the method.

Between 1948 and 1958, the number of subsidiaries of within drilling increased from five to twenty-nine. The ‘Swedish Method’ thus laid the foundation for the future success of the Underground and Rock Excavation division (From Atlas Diesel to Atlas Copco, 2013).

5.2.2 Heavy drill rigs for high-end markets

At the beginning of the 1960s, Atlas continued to drive technological development within the field by making intensive efforts to produce a line of heavy rigs. By the end of the 1960s, the company had started to use hydraulics instead of compressed air, which dramatically increased the efficiency.

In the early 1970s, a new rock drill was developed, which is the predecessor of many of today’s rock drills (Figure 5.1). The international expansion really picked up speed in the 1970s under Tom Wachtmeister’s leadership.

![Figure 5.1: The automatic three-armed Boomer WE3C](image)

During this period, the North American market was one of the markets that had a large impact on how the company would come to develop. In coming decades, in the 1980s and 1990s, most of the acquisitions were made to strengthen the company in the large North American market (International acquisitions and expansion, 2013). In 2004 the American company Ingersoll-Rand Drilling solutions was acquired. The strategy was to expand in open-cut mining and to become the leading supplier in the US construction and mining market.

5.2.3 Entering and expanding into the Chinese high-end market

In the 1920s, Atlas had already started to deliver some products to China, but not to a great extent. In 1971 however the entrepreneur Thomas Kung helped the company build up a network of distributors in Hong Kong and Taiwan (VP Marketing, Sweden 2010; Sustainability in China, 2013). At
the beginning of the 1980s, China opened up to foreign investment and the company could sign its first license agreement with a compressor factory. License agreements followed for drilling equipment. Many foreign companies left the country after a turbulent period at the end of the 1980s, but Atlas had already established operations in China, which practically gave Atlas a monopoly in the market for mining and construction.

In the 1990s, Atlas expanded with drilling equipment through a Joint Venture together with a Chinese firm. In the early 1990s, Chinese markets opened up further. This process resulted in Atlas being able to buy out their Joint Venture partners in 2005, and to act as an independent firm.

It was also in 2005 the mid-market business opportunity was identified in China. The next section will illustrate the situation that the organization was in when the business opportunity was identified.

5.3 The organizational context at the time for the entry

After buying out its Joint Venture partner in 2005, Atlas expanded in the high-end customer segment, holding seminars and collaborating with design institutes to develop the products for advanced users. In 2005, China was for Örebro only one of the global markets that the division served with drill rigs from its existing assortment of products developed and produced in Örebro.

The organization in Örebro was focused on keeping its global position in high-end markets. Innovation of drilling technique therefore had high priority. One example of a new innovation is the High Precision Tunneling (HPT), which is a combination of sophisticated applications for quick and precise underground rock excavation. The concept was first used in prestige projects such as the construction of the world’s longest tunnel in Switzerland (Global BLM, Örebro, 2010).

It was at this point that the mid-end business opportunity was identified. The organization working with the mid-market can be divided into two categorizations: first, Atlas in Sweden, with the concentration of the Marketing, R&D, Production, After-sales Service, and Purchasing functions in Örebro; and second, Atlas in China, with a more scattered sales organization headquartered in Beijing, and a Production company in Nanjing.

5.3.1 Örebro’s situation at the time of entry

For many years, production facilities for rock tools were located in Nacka Stockholm, next to where the corporate headquarters is located today. In the 1990s, production and R&D moved to Örebro, and today, five rock divisions have their headquarters located in Örebro, where they also produce their machines in what can be seen as a competence cluster.
Among other things, the drill bit, so vital for excavation, is both developed and produced in Örebro see figure 5.2). While loaders and other equipment could be relatively easily copied, the development of the drill bit and drill rigs is much more advanced, providing the company with an important competitive advantage.

You can make loaders in China, but they can easily be copied. A drill rig is more complex. It can be difficult copying the products. It is one thing how they look, another things with the strains on all electronics and the extreme conditions under which it operates. (VP Marketing, Sweden, 2010)

![Figure 5.2: Atlas’ drill bit](image)

Much of the drilling technology for URE is developed in close collaboration with high-end customers. Nordic countries like Norway and Finland have for example been described as incubators and test markets for global supply.

It is good to introduce the product in Sweden and Norway and test and measure – is this something that sells?! You start on a small scale with five countries, and if it is a success you expand further. (BLM Sales, Norway, 2010)

The technological development is seen as an important reason behind the company’s success. Without innovations, managers feel they could risk losing their global position. “In Sweden high technology is the thing, so you don’t want to wait five years while competitors use high-tech, you want to be there at once” (BLM Sales, Norway, 2010). Expectations from the perspective of Atlas managers and customers that Atlas will stay in the forefront of development are therefore high. Since Atlas’ customers often operate on a global scale, their choice of machine can influence Atlas’ sales in other areas.

The strategy for LNS [customer] is that the Nordic way to excavate is the best in the world. […] The idea is that they [customers] will travel around the world and show how efficiently they can excavate. If they use Atlas Copco it is extremely valuable for us, if they use some other supplier it can be devastating for Atlas Copco. (BLM Sales, Norway, 2010)
5.3.2 China’s situation at the time for the entry

The customers in China at the start of the internationalization process were large state-owned mines. Among these customers, the technological expertise was relatively high. Routines and an existing business concept of the firm could therefore largely be maintained. The sales organization consisted of a number of Key Account Managers (KAM) that were responsible for these large state-owned customers.

The structure was similar to how business was organized in other high-end markets in the world. The sales force worked closely with the customers to ensure that the technically advanced products would deliver and that the relationships with the customers lasted for a long time.

We also have product specialists in the sales companies – they are not selling vacuum cleaners, they have knowledge about the applications of the customers… You don’t want to discuss a few percentage of discount, you want long term commitment. (VP Marketing, Sweden, 2009)

The sales force was highly technically specialized. Sales managers found it important to both be specialized and to directly meet the customers, so that Atlas managers could provide customers with technical solutions. Sales managers in other words not only had the role to sell products, they also provided technical support to the customers.

In this division we sell everything through our own sales companies, so-called customer centers. [...] Our products are specialized, it is hard to get the training and engagement through a distributor. They represent different companies and easily lose focus, one day our flag is up when we come to visit, the next day someone else’s. (VP Marketing, Sweden, 2010)

Due to the close relationship between Atlas and the customers, customers often depended on Atlas expertise as much as Atlas depending on them. Often, the sales processes took time and engaged people at the highest level in the customer’s companies.

The customers get very dependent on us. It is nice to see how the customer board engages in another way, as in for example Compressor Technique [a second business unit]. There you seldom get to meet an owner. Drill rigs engage on the highest level. (VP Marketing, Sweden, 2010)

It was this highly specialized organization that, after 2005, was supposed to attempt to start doing business with mid-market customers.
5.4 The Chinese mid-market for mining

The rise of China’s mid-market for mining was rooted in the country’s economic growth (Gebauer, et al. 2009). Customers that previously had been at the low-end of the quality scale now started to upgrade their standards, although they did not go directly to the higher end of the scale. Instead they created a new market space in-between simple and cheap, and pricy and sophisticated.

China and the rest of Asia used to position themselves in the low-end segment; but increasing demand in developing countries for high-technical quality... means the mid-cost segment is now growing fast. (Roland-berger.com21)

In particular, the mid-market is rooted in the reforms that support the necessary development of the country’s infrastructure. David Michael, the Senior VP at Boston Consulting Group’s Beijing office, highlighted the impotence of a good infrastructure. “In essence, China’s big infrastructure networks are platforms upon which new industries are layered, greatly multiplying the economic value of the projects themselves.” (Michael, 201222)

Twenty years ago China’s infrastructure was still under-developed, and the quality of roads and railways were low, but infrastructure now developed in a rapid pace. At the time of my first interview in China in 2010, the country had one high speed railway line, running about 300 kilometers from Shanghai in the west to inland Nanjing. By the end of 2012, China had the world’s longest railway line, running 2,298 kilometers from the country's capital in the north to Guangzhou in the south (Xinhuanet, 2012), as well as the world’s largest high-speed railway network, with about 9,300 kilometers of routes in service (Fisher, 2012). These trains, which can speed up to 430km per hour, have reduced the traveling time substantially.

As seen in Figure 5.3, the high speed train railways requires substantial amounts of raw material as they are built on high pillars of concrete. As prices on domestic raw material went down compared to international prices (China Daily, 2012) the mining industry in China boomed.

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22 Bloomberg Businessweek, 2011-02-09, found 2011-12-01 at http://www.businessweek.com
As the demand for iron and other raw material increased, new smaller private mining companies could enter a scene that had previously been dominated by large state owned mines.

Chinese leaders at the same time developed new policies to increase safety and to reduce energy consumption (Juan, 2012). Small iron mines were therefore now also looking for ways to be better protected from falling rocks. Machines would provide that safety.

The growth of smaller mines led to the transformation of the Chinese mining industry. Chinese mining markets can historically be divided into two tiers (Eisenhut, et al. 2011). The high-end is a small premium segment dominated by international companies that often enjoy a good margin. The low-end is made of local companies offering low-quality products. The mid-market has on the other hand been described as a kind of good-enough segment, with good-enough products to a good-enough price (Mid-market Sales, Shanghai, 2013), squeezed in between the high and low-end as Figure 5.4 illustrates.

Figure 5.4: The high-end, mid-market, and low-end market
Mid-markets can grow so quickly that in a short time they can become larger than both the high-end and low-end segments combined. Such a market can be described as having the shape of a cut diamond (Gadiesh, Leung, 2010; Gebauer et al., 2009). While western MNCs often try to approach the mid end from the high end, local competitors instead try to approach the segment from the low-end, as the arrows on Figure 5.5 point out.

Figure 5.5: The growing mid-market

To cope with the change, many mines had to consolidate, or disappear, meaning that the low-end market would shrink. “Industry experts say a wide restructuring of the entire steel industry will be inevitable. […] The true solution to this matter, we will have to make obsolete some factories with low competence. […] But this could actually present itself as an opportunity for big industry players.” (China Daily, 2012)

The transformation of the industry has presented possibilities for companies to enter into new markets, and the mid-market has even been forecasted to be the next important thing for many MNCs.

[…] the major growth opportunities in the world market are in the demand for products in the mid-market segment instead [of the high-end]. (Rolandberger.com24)

5.4.1 The mid-market: challenging to enter for western firms

In this mid-market segment, products are more price-sensitive and demands lower, changing the demands on and challenges to Swedish [and western] manufacturing industry. (Rolandberger.com25)

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23 Figure 5.5 is inspired by George Yip’s presentation at SMS special China conference, Guangzhou 2013.
24 Swedish and European industry face new global demand, Press release found 2015-01-15
25 Ibid
The large and rapid transformations described above not only created business opportunities, they also created a business landscape that is complex and unpredictable. The mid-market has even been described as a contemporary challenge (Prahalad & Bhattacharyya 2011).

As Figure 5.6 illustrates, many Western firms transfer existing strategy when they enter into the Chinese market, no matter whether the market is high, mid, or low-end.

Due to strategy transfer, Western MNCs face particular challenges (Prahalad & Bhattacharyya 2011). Many western MNCs act in line with conventional marketing wisdom and target customers with strong purchasing power that can adopt advanced technology early. Many ‘high-end’ firms have therefore transferred existing strategy to the Chinese mid-market. But firms that transfer existing strategy to the Chinese mid-market often have problems meeting the special requirements of the mid-market, and adjusting routines and strategy (Prahalad & Bhattacharyya 2011).

Figure 5.6: The traditional way to enter a Chinese market is to transfer existing high-end strategy 26

What high-end companies may fail to realize it that the mid-market is characterized by smaller customers with less technical know-how and purchasing power, in contrast to the high-end customers (Gebauer, et al. 2009). The mid-market further seems to require relatively large investments early on, although return on those investments will be late (ibid). Old investment patterns based on low-risk strategies may be rendered obsolete, and MNC managers instead can be forced to think in new ways. “Clearly it is risky to direct resources towards business strategies in which initial sales will be

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relatively small, operating margins relatively low, and existing customers upset” (Gebauer, et al. 2009 p.36).

Roland Berger, a strategy consultancy firm, describes the difficult situation that many MNCs face like this:

The Swedish and Western European manufacturing industries have competed mainly on well thought-out design and high levels of technology in their products. Now it’s about designing products that suit other needs and markets too. That’s a major challenge, as it’s generally hard… (Rolandberger.com27)

Another problem is that managers fail to update their knowledge about the market. Western MNCs that have previously had success in high-end markets often do not recognize the opportunities in the mid-market (Gebauer, et al. 2009). The international manufacture association (OEM), for example, predicted that the mid-market segment in China would be a market for compact cars, and Ford subsequently introduced the Focus to China, a mature product that later encountered a number of problems in the Chinese market (ibid). Chinese customers tended to follow the principle of “no one sees my house but everyone sees my car” (Gebauer, et al. 2009, p. 32), and these customers wanted to use cars to make an impression. Large cars for a low price were highly requested, something that the domestic car manufacturers Geely understood.

However, despite risks involved with the mid-market, it can be even more risky to not engage at all. Local competitors can be allowed to grow and even expand internationally, something that can have consequences on global sales (Gadiesh, Leung, 2010).

For Swedish and European manufacturing companies, the main challenges are cutting their costs and adapting their product portfolios to new global demand. Otherwise, they will find it hard to compete in growth markets, but also, in the long term, in their home markets, too. (Rolandberger.com28)

The mid-market in emerging countries has, as a result of pressures to meet growing competition, been forecasted to be the new battle field for multi-nationals.

Increasingly, analysts believe that long-term success in China largely depends on winning in the huge mid-market. This mid-market is now the fastest growing segment with the highest sales potential. Companies that conquer the unique challenges of this segment will probably dominate the entire Chinese market […] (Gebauer, et al. 2009, p. 31)

27 Swedish and European industry face new global demand, Press release found 2015-01-15
28 Ibid
It is under these circumstances that some Atlas managers, in 2005, started to explore the Chinese mid-level mining market.
Chapter 6: The case of URE’s entry into the Chinese mid-market

In this chapter I present a case that describes Atlas and the URE division’s process from the time when they found a business opportunity in the mid-market, up until the time when the market was entered. The case is divided into seven main episodes, which describe the most important events of the process.


Setting up a new factory in China as a way to prepare for growth, and conducting focused searches with the hopes of finding new possibilities to grow

In 2005 the Underground Rock Excavation division of Atlas Copco (URE) held a dominant position in many markets, including those in Europe, North America, Australia, and South Africa (VP Atlas, Sweden, 2009; President URE, Sweden, 2009; VP Marketing, Sweden, 2009). These markets were to a large extent saturated, offering few opportunities for growth.

The Vice President (VP) of Marketing in 2005 made a study with the aim to identify new potential growth markets. The study showed three interesting markets, namely Kazakhstan, Kirgizstan and China. The biggest business potential was found in China, and at the top of the company it was believed that China would be important in the future (VP Atlas, Sweden, 2009). The VP of Atlas, who was also the VP of the business unit for the rock drilling divisions, assigned VP Marketing to go to China together with the VP Purchasing. In May 2005, these managers went to China to attend the opening of a new factory.

At the opening of the factory, VP Marketing from URE was approached by the General Manager (GM) of the sales company, who showed the VP a marketing study that showed that the number of small private mines was growing in number and size. Increased demand for iron and new regulations for increasing safety and efficiency were mentioned as the main reasons behind this transition. The GM presented the opportunity to make new business with the small private mines.
The small mines were at the time excavating with handheld drill rigs. In order to grow, they would have to start using machines, that is, to mechanize. Mechanized machines are more technically advanced than hand-held machines, but not as advanced as the sophisticated automatized machines that Atlas were supplying the Chinese high-end customers with. The GM made the prognosis that approximately half of the mines would either grow naturally or consolidate.

As the mines moved up, they would become a part of a new market – the mining mid-market. The VP Marketing was surprised at the great potential of this market. "In 2008 we were producing ... [some number of] rigs; that [some number of private mines] reveals a great potential” (GM sales, China 2010, privileged information has been removed).

At the time of the factory opening, the VP Marketing felt the focus on China had to increase because production of loaders was slow. Earlier, URE had more or less let the Chinese run their operation without much involvement from the functions in Örebro, but now the VP Marketing understood that the two units had lacked communication and that Örebro had not grasped the difficulties that the unit in China were facing. This insight influenced Örebro’s increased attention to, and control of, its business in China.


Moving a drill-rig from one existing product line to another, and setting up a localization project

After the managers from Marketing and Production came back, they felt the largest opportunities were found in the fast growing China. A decision was made in August 2005 to start entering the mid-market in China.

The marketing organization had a lot of experience of international market entries, and routines on how to proceed. An appropriate rock drill would be moved to China to be assembled there. At the same time purchasing would start a localization project to look for local manufacturers who could deliver the parts of the machine. In this way the organization could cut cost. R&D in Örebro would then make careful tests of the machines by first running them in a test plant, and then by a letting trusted customer run them as a ‘pilot’. After adjustments, the drilling machine could be released to the market and handled by the Chinese sales organization that already was active in the high-end market. “There is nothing strange about it, we just roll out the way we always do” (VP Marketing, Sweden, 2010).

Management now needed to make some decisions about what actions they needed to do in order to carry out their plans. They decided to move over a machine from their existing product line to the Chinese mid-market. It was decided that their smallest one-armed rock drill, the Boomer 281
(B281), would be the most suitable product for the mid-market. The B281 was today still used in some countries but it was on its way to be replaced by a newer version.

![Figure 6.1: The B281 excavating 900 meters below surface in a copper mine in Alentejo, Portugal 2010](image)

The management in Örebro also needed to build a new assembly plant in China, which they did the same year. “It is not a big investment to build an assembly plant, it’s just to set it up” (VP Marketing, Sweden, 2010). In addition, URE hired a new project manager and a new purchaser, both working from Sweden.

Meanwhile, in China’s high-end market, Atlas’ products met the market well and sales volume was increasing. China was also growing in general, leading to an increased number of miners in the country. The need for iron for the infrastructure projects was large and the price for iron from domestic mines was lower than the price of imported iron (GM Sales, China, 2010). At the same time, the price for iron was rising, making it more profitable to produce iron.

At first, the Boomer 281 was sold to three state-owned customers in the high-end market. Sales to smaller private mines had previously been sporadic, so the local sales unit decided that the sales persons, the KAM, would now target the mid-market customers in a more focused way.

A new GM for the Production Company was recruited in 2007, which resulted in things starting to move more quickly in the localization project. In 2008, the MingLi iron mine was about to become the first mine in China to successfully move from low-end hand-held drilling to mechanization in the mid-market.
For the sales organization, this was an important deal. Now they had concrete proof that the business opportunity existed and that mechanization could be profitable. The success of MingLi inspired the sales company to focus on iron mines in the same Sanxi province. To implement the strategy, Atlas sales managers arranged a promotional meeting in the Shanxi province for forty people from different local mines. After this meeting, the Product Manager believed that the mid-market customers had a strong demand for less technically advanced machines.

6.3 Long internal discussions while threats emerge in the market (2008 – 2010)

No new commitment decisions

The Business Line Manager (BLM) of the sales company discussed the need to develop a simpler machine for the mid-market with the General Manager of the sales organization. The GM then discussed the matter in the Product Portfolio and Business Review meeting, which (only) VPs from Örebro attended.

The GM Sales felt that China lacked engineers who could help develop a mid-market machine. At the same time, the GM found that the production process could be sped up if the local organization could employ local engineers. The GM also wanted to expand his sales organization. The GM of sales stressed these issues several times, and continually presented new information in the coming meetings that supported his requests.

The GM of Production supported the idea to expand the production and sales organization. One of the reasons the GM of Production had been hired was to help the organization to grow, and now this GM (who had a marketing background) was presented with a good opportunity to do so.

6.3.1 Slow progress

To the dissatisfaction of the GM, the organization discussed the matter many times without anything happening. The GM persisted. He talked to, as he himself describes it, “everybody, actually the whole organization” (GM Sales, China 2010). In addition to talking with the VPs, he also raised the issue in strategic meetings about China. He also talked to the CEO of Atlas, the VP, and divisional URE management.

The Swedish managers took the issue further down the organization on divisional level for discussions. A formal decision was made in 2008 that something should be done, but by 2009 the managers in Örebro had still not agreed on any concrete plan.

The Chinese managers felt that it took a long time to get anywhere.
AC is a complex organization so it took a long discussion and also took some time for people in HQ and the division management to understand that this is a segment in which Atlas has potential. But we do not have a solution yet so we must do something. (GM Sales, China 2010)

The sales organization now felt that things were moving so slowly that they risked missing the business opportunity. Local sales in China felt a strong need to get resources, in order to become less dependent on Örebro, so that they could make faster progress. Similarly, the GM of production felt the decision making processes was long and costly for the project, resulting in a relatively high price for the product that mid-market customers could find hard to afford. The GMs therefore asked Örebro for greater independence in decision-making. “The market is changing quickly so things have been moving to slow, we risk missing the growth, and the market may disappear” (BLM Marketing, Sweden, 2010). The local BLM from sales also talked to his peers in Örebro to try to influence them.

But the reaction that came in 2008 was not what they had hoped for. Örebro answered they were busy, that they had limited resources, and that they needed time to study the proposals. The managers in Sweden also had many concerns about the risks of moving faster. VP Marketing summarized the discussions like this:

We can’t ship out products with substandard quality, we have to have higher quality than our competitors, and better service that motivates a higher price; this has been affecting the relationship with Nanjing. (VP Marketing, Sweden, 2010)

6.3.2 Prioritizing the high-end markets

In 2008, the economic crisis hit the organization in Sweden, and the Business Unit had to let go 270 people in Örebro. Managers in the business unit were now busy discussing how to distribute the reduction in staff among the divisions.

The crisis led to increased skepticism in Sweden about giving more resources to China. “It’s a fine balance there, the union may believe we are moving everything over to China” (VP Marketing, Örebro 2010). In 2009, URE also came out with a bigger machine for the high-end, the Boomer 282.

These actions in Sweden made top management in China feel that Örebro had been prioritizing the high-end over the mid-market. Sales managers there had focused mostly on their high-end customers, holding seminars and collaborating with design institutes to try to develop their products for their advanced users. But not much was done on the mid-end market side.
6.3.3 Discussions continued over the years

In 2009, even though the mid-market entry in China was frequently discussed in Örebro, managers there did not reach any real consensus. For example, the VP of Atlas felt things were moving too slowly, while the president of URE wanted to do things more carefully. "... [VP Atlas] thinks things are moving too slow while our former president (URE division) ... wanted to do things carefully" (VP Marketing, Sweden, 2010). The managers did not agree on the desired pace of progress, what resources China should get, how much priority they should get, or how much they should be involved in Örebro’s strategy discussions and product development. Discussions continued throughout the year but nothing happened.

They [Sales Company and Product Company, China] have been applying for resources to get support to develop the products. They have wanted to start up projects there, but have not really got attention here [Örebro]. (Global BLM Marketing, Sweden, 2010)

6.3.4 Problems in the market

The BLM manager in the local sales company now learned about problems in the Chinese sales force. Many customers were interested in mechanization but had neither the resources nor the skills for operating the Boomer 281. Instead, they wanted an even simpler and cheaper machine. “The price is too high” (Mining manager HongJian Iron mine, China, 2011).

The sales manager felt that without a new machine the opportunity might be lost. “Some mining contractor [...] doesn’t have so much money at hand; they needed some simple low cost machine, otherwise we couldn’t convert this potential customer to our customer” (BLM China, 2010). For example, between 2007 and 2010, one sales manager in KAM estimated that he had lost fifteen deals to local suppliers due to problems providing the customers with a suitable product.

In one case, a sub-contractor in the TanYuan mine in the mining-intense Shanxi area decided to buy the Boomer 281. However, just like many other sub-contractors, he did not have large financial resources. KAM had to lower the price, but then Atlas’ margins almost disappeared. The sub-contractor then booked one Boomer, but at the last second, he changed his mind and instead bought a drill rig from a cheaper local supplier. So the Business Line Manager saw that, for many of the customers in the mid-market, the machine from Atlas was not a realistic option.

The problem with the product was perceived as the largest problem at the time. It was even a more urgent problem than finding the customers. As the BLM puts it: “Even if we would have had the cover we did not have the products” (BLM, China 2010).
6.3.5 Competition developing fiercely

At the same time, the local competition was developing fiercely. “Competition was at the time developing quickly” (BLM, China, 2010). The GM Sales was concerned that they weren’t growing faster and developing a machine that would fit the mid-market. The GM discussed the problem, and especially the need to lower the price, with the organization in Sweden and with the VP Marketing. But in Örebro, management did not think that competition was a problem yet. Those managers were used to having a dominant position in the Chinese market and they did not see how quickly the competition was developing. Up until now, competition in China had not been threatening. Some managers in Örebro even said they did not really see any competition in China in the mid-market.

Several parts of the drill rig were now localized, so in theory the organization could now lower the price for the mid-market. However, because management in Örebro did not believe that the company faced local competition, they did not see any reason to lower the price. “Many parts are already localized today, but what happened is that we didn’t really lower the price in the end because the product was not so exposed to competition” (VP Marketing, Sweden, 2010). Instead, managers in Örebro believed that, since Atlas still was the market leader, there was no need for radical changes.

Many sales managers from the local organization also opposed a lower price. Those managers mostly had high-end customers in their portfolio, and they now expressed a fear that mid-end prices would cause a problem for the high-end market. If existing customers started requesting mid-market products, it could threaten the existence of the high-end. A lower price could also offend old customers who had paid a higher price in the past. The prices were therefore kept high.

To make Örebro and the local sales organization better understand the needs of the mid-market, in September 2010, the Chinese BLM arranged a meeting for the Product Manager in Örebro, Atlas sales managers, and Mining Consultant companies in China.

They already meet present customers (high end). But the market changes so quickly so they need to meet face to face also with low-end (presumptive mid-market) customers to understand what is needed in five years. (BLM, China, 2010)

In the meeting the challenges were discussed. Subsequently, the sales organization (GM and BLM) started to put up branch offices in China to increase accessibility. But to reach the customers, the local sales organization wanted much larger cover. GM Sales (China, 2010) therefore proposed that they either expand the existing sales organization, or that they develop a completely new organization – a distribution network.
6.4 Developing the first mid-market product (2010)

*Developing a mid-market rig, setting up local R&D, and developing local production*

At the beginning of 2010, it was decided that Atlas China would get its own R&D organization so that the Chinese organization themselves could develop machines for the mid-market. The production company in Nanjing would now no longer only assemble the drill rigs, but the machine would be both designed and produced in China. This was the first R&D facility outside Örebro for URE. It was also the first machine to be developed for one particular market in one particular country, as opposed to trying to fit global demand.

It was also decided that Nanjing would develop two machines for the mid-market: first they would make the K41, a simpler drill rig that would have a lower price, to be followed by an even smaller drill rig for the mid-market. This meant that the production unit would have to be developed further so that it could handle local production.

The product company in Nanjing was now growing fast. Two more divisions had established themselves in Nanjing, and the number of employees had grown from 50 to 200 in three years, while turnover had increased more than six times from 120 RMB to over 750 million RMB a year. The production facility was also moved to a new place in the Industrial zone and the new R&D plant was built in connection to it. A new R&D manager was installed that would work exclusively for URE, together with a larger R&D crew. The organization now hoped that the investments would pay off.

6.5 Increased market activities, but still hard to enter the mid-market (2010)

*(See investments in previous episode, which concurs time-wise with this episode)*

When the sales company had a new product to offer in 2011, the customer base in the mid-market almost tripled. The sales company had already sold about as many of the new machine as they had sold the old Boomer 281, and many customers who previously could not afford a machine could now try mechanization.

For example, the owner of HongJian iron mine had been interested but concerned about the initial costs. In 2011, a new owner paid 1,8 billion RMB for the mine and was interested in increasing productivity. It was
estimated that the owner could double productivity from 100 to 200 tons per year by mechanizing.

The new owner had bought a lower-priced loader from a local competitor, but the quality turned out to be insufficient. Atlas’ machines on the other hand were more flexible and could increase accuracy, which reduced the risk of having production interruptions. Atlas’ machines were also safer, and reduced the risk of having to pay the penalty of 600 000 RMB per person in case of causalities. With the new mid-end drill-rig, Atlas managers could now make business with the HongJian mine.

6.5.1 Problem in making the business profitable

Despite the increasing number of customers, in 2011, profitability was still not very high and turnover stayed low compared to the high-end.

Still now in URE we don’t have such a big customer base. The mid- and small-sized customer constitutes about 5% to 10% of the total customer base. But compared to last year the number increased. (BLM, China, 2010)

While the high-end customers had developed close relationships with Atlas sales managers over the years, most of the customers from the mid-market had only been buying a low number of rigs, often only one or two. The sales managers also felt insecure about whether these customers would return in the future since many were focused on low price.

The big-size mines normally buy 10–20 very big machines in a deal, the small or mid-sized customer maybe buys one or two, and also the machines themselves are very small. That means that the turnover value is very low. (BLM, China, 2010)

– Some only buy one unit, only sometimes together with service, rock tools, and spare parts. If they would buy everything from us it would not be costly.

– [Interviewer] So today it’s costly?

– Today it may be costly (BLM, China, 2010)

At the same time, local competition developed fiercely. The local sales management understood that something needed to be done, but the organization had only a vague understanding of the market, and especially about the customers.

The General Manager therefore decided to try to collect more information about the market. However, the company still had only been in contact with relatively few customers from the mid-market, and these customers operated in the same area, the Sanxi area, so the rest of the market remained underexplored.
For the large customers, we know them and they know us, but for the small customers they are spread everywhere, we don’t know them, we need a very good coverage to find them. (GM Sales, China, 2010)

A market study showed that competitors were growing in the mid-market, which confirmed the existence of the business potential. However, due to problems in developing customer relationships and learning about the market, there was still a lot of uncertainty about the state of this market. The GM felt that market coverage needed to increase. To reach more customers, the sales force needed to develop. The GM had an in mind a network with distributors that could reach rural areas in the whole country.

The GM also saw an attitude among the customers that Atlas produced machines that were too sophisticated and expensive. Many customers were reluctant to start a relationship with Atlas’ sales force. It was hoped that a distributor could serve as a middleman between Atlas and the small mines, and that having a distributor could ease some of the tensions between the private mines and Atlas sales managers. “Small customers think that Atlas is becoming expensive, they will not talk to us. So we said we will develop a very intensive coverage network” (GM Sales, China, 2010).

At the end of 2010, the GM sent a proposal to the Mining and Rock board in Örebro about complementing the old organization with a new one. He stressed the new problems, including increased competition and all the difficulties in reaching out to customers. “What we need from them is coverage and customer relationships, so we don’t have to sit on the stock or service” (Mid-market Sales Manager, China, 2011).

Three months of discussion followed between the Presidents and Vice Presidents of the divisions in Örebro in the China Strategic Meeting. At the beginning of 2011, it was decided to develop a new mid-market sales organization. The board together with the GM set new strategic goals for the organization: to increase market cover, to provide faster logistic service, and to provide financial service to customers who often lacked monetary resources. With less technologically advanced products the machines would also be easier to maintain and service, so the distributor’s service and maintenance capabilities would not be as complex as they were for traditional machines. The new mid-market sales organization got the name the ‘National Sales Team’.
6.6 Increasing coverage with a new sales organization (2011)

*Developing a new mid-market sales organization and a new mid-market drill-rig*

The mid-market sales organization was initiated at the start of 2011. A new National Sales Manager was found in the Surface Drilling division. His previous division that was selling surface drilling tools had been the fastest growing in China in the previous years. Now his new role would be to create rapid growth for the whole business unit in China and to make sure that the investments would pay off.

The GM, the Marketing Manager, and the new mid-market sales manager estimated that they would have to grow faster than they had been in the high-end. They divided China into 10 areas with the goal of having 300 to 500 distributors that could represent Atlas in each province.

Atlas now put resources into finding suppliers who could meet Atlas’ standards and who were ready to invest in the mid-market, and Atlas also invested in recruiting and training the new internal sales force. Training was considered crucial for success in the mid-market. As the Marketing Manager put it, ‘*Only with more knowledge about the products and applications will they be able to sell or identify where they could sell*’ (Marketing manager, China, 2011).

Because 2011 had been a year of preparations, there had not been much focus on increasing the customer base in the mid-market. However, at the beginning of 2012, the management of the sales unit felt they had better pre-conditions for reaching customers in remote areas, and to give them a product that would better meet their needs.
6.7 Market entered but still large amounts of uncertainty (2012)

*Continuing efforts to grow in the mid-market*

In 2012, the distribution network was in place and the distributors had their stock ready to supply their customers.

![Image](image.png)

Figure 6.2: Atlas Sales Manager and Distributor outside one of the first distribution shops in Hefei, China, 2012

Activities in the market had increased significantly as had the number of mid-market customers. Mines like TienJien and JongXian were buying for the second time during the year. MingLi also continued to buy. Altogether these mines had now bought 23 units, of which 18 were the Boomer 281. The mines hoped to increase productivity from under two tons per year up to three, and their plan was to buy six more machines in hopes of improving productivity further, up to five and perhaps even seven tons per year. Business was now profitable and it was estimated that Atlas had reached a market entry situation.

However, the National Sales Team Manager was still not pleased with the speed of development. He believed that many distributors should push it harder to approach the mid-market.

The sales managers also noticed that it was much more difficult to create customer loyalty in the mid-market than it was in the high-end market. Just because the company did business with a certain customer, it did not mean that the customer would return in the future. Atlas’ sales managers saw that the resource scarcity of the customers made them constantly chase the best deal, to try to get the maximum quality at the minimal price. Work therefore still remained until URE had reached a comfortable position in the market and before the sales managers had developed stable relation-
ships with customers on a broader scale. Despite the market entry, and
despite the commitment of the company, the future was still uncertain.
In previous chapters, I have presented the main case of Atlas and the URE division’s entry into the Chinese mid-market. The case was divided into seven episodes which describe the development of the market entry. In this chapter, I will show that I found it hard to analyze the case as a single process story. I instead found that Atlas’ internationalization may comprise several processes, depending on the focus and the level of analysis of the study. I will further show how I created three separate process stories that each describes Atlas’ internationalization.

7.1 Hard to describe Atlas’ internationalization as a single process

[…] the internationalization process is more complex and pluralistic than can be captured by any single approach.” (Wang and Suh, 2009, p. 448)

After the first series of interviews, I followed what seems to be the conventional way of studying processes in management research, including internationalization processes (Denis, et al. 2007; Langley 2009). I collected data from managers from corporate, divisional and local headquarters. The data described a retrospective story on the development from when the process started until the date of the interview. The data was then chronologically categorized into phases, and drivers and hinders were analyzed for each phase. An attempt was thereafter made to put the pieces together into a single story (see for example Johanson & Wiedersheim-Paul, 1975; Luostarinen, 1979; Johanson & Johanson, 2005).

This way of performing a process study has several similarities with conventional process analysis, or what can be called the sequential strategy perspective (Langley & Truax, 1994). It has been pointed out that the strategy process often describes a sequential, homogenous, single process (Van de Ven & Poole, 1995, Langley & Truax, 1994). Often, analysis is based on retrospect accounts, and often the accounts represent the top management’s perspective on the process, or the company’s official story. As the story lacks conflicting accounts, or conflicting accounts are sorted out to the favor of a homogenous story, the firm can be treated as a single actor.
Often the accounts explain what people learned in the interaction with the external environment, making it a rational and rather straightforward story about the firm versus the external environment.

However, I found it problematic to write my story up as a single process. I felt that, by sticking to the conventional approach, I would risk leaving out what seemed to be important explanations about how the process evolved. This discovery echoes Hatch’s criticism of management research:

[…] management’s stories [are] rooted in hierarchy, without enough regarding lower levels in the organization, the environment at large, and power related issues and its “uses and abuses.” (Hatch 2012, p. 9)

Instead of showing on a large degree of homogeneity, my material was diversified. Some things were related to market strategic planning based on market knowledge or other formal behaviours, but other aspects of the process were more intricate. Those aspects showed that managers had divergent experiences, divergent knowledge about the market, and divergent understandings of how to commit. These divergences led to conflicting accounts and even behaviours that influenced commitments.

To be specific, I found it hard to write up the case as a single process for two main reasons.

First, it was hard to write up the events as if they built on each other sequentially. Instead, processes could run simultaneously, partly at different levels, and in different contexts. Figure 7.1, which illustrates the chronological development of the main episodes, shows how five of the episodes partly overlap. My difficulties in writing up a complex story sequentially are corroborated by the experiences of other researchers who have noticed the same thing. For example, Anderson (1999), in his article on complexity theory and organization science, highlights that complex processes can be non-linear. Additionally, in the narrative tradition, Boje (2001) writes that some stories are too multi-vocal and fragmented to write up as a single linear story.

Figure 7.1: Main episodes of URE/Atlas’ internationalization process summarized

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<tr>
<td>Looking for new business opportunities</td>
<td>Acting on the China opportunity</td>
<td>Long internal discussions while threats emerge in the market</td>
<td>Developing the first mid-market product</td>
<td>Increased market activities, but still hard to enter the mid-market</td>
<td>Increasing coverage with a new sales organization</td>
<td>Market entered but still a large amount of uncertainty</td>
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Overlap
Second, the process seemed to be a mix between formal and informal behaviours taking place at different levels in the organization. While some behaviours seemed purposeful, other behaviours seemed to be more unconscious and to arise from a place deeply embedded in the firm’s history and organizational context. The process also seemed to be a mix of rational behaviours that followed on a common logic, and conflicting behaviours with conflicting logics.

Instead of polishing my story into a neat sequence, I let it be more complex. With some inspiration from the narrative and discourse tradition, I let the process be multi-vocal and partly overlapping. For example, I allowed different and conflicting views and accounts on the same event. Inspired by Buchanan and Dawson, I understood the conflicting views and accounts as products of managers’ diversified situations and contexts (Buchanan & Dawson 2007).

As I worked with the data in this way, I found that ‘the process’ actually seemed to consist of three different processes.

One process was rather formal and conscious and mainly concerned strategy making and resource allocation.

The second process showed how routines changed in order to better fit the market. Different from the first process, this process was more diversified. It showed on contrasts between the ways that managers historically had done things, and forces that were pushing for these historic ways to change. This process seemed only partly conscious.

A third process was instead definitely conscious but, in contrast to the first process, it concerned conflicting behaviours.

By systematizing the data into the three processes, I hoped to create a richer story that could possibly better explain MNC internationalization than my single process approach had done.

7.2 Identifying a sequential strategy process, an evolutionary process, and a political process in the data

To look for more information about multiple processes, I turned to processual literature from organization and management. I was especially influenced by Van de Ven and Poole’s (1995) processual categorization. Rooted in in organizational and economic literature from March, Pfeffer, Dean, Aldrich, Nelson and Winter, this perspective describes that we can look at change from different perspectives and depending on the perspective, one can find that change is driven by different kinds of behaviours.

Van de Ven and Poole show the most common types of processes in management and organization: the life cycle process, which describes the sequential change of an entity; the teleological process, which describes the sequential process of decision making; the evolutionary process, which
shows that routines change; and the dialectic process, which shows how political behaviours drive change.

Langley and Truax (1994) talk about the same process types as Van de Ven and Poole (1995). I however found Langley and Truax’s categorization easier to grasp. Langley and Truax converge Van de Ven and Poole’s life cycle and teleological processes into the sequential strategy process. Langley and Truax further refer to Van de Ven and Poole’s dialectic process as the political process, which I think is more self-explanatory.

*The sequential strategy process* is first and foremost a process about strategy making and change, often driven by learning and manifested through a number of sequential phases. Actors in the firm are working towards the same goal and inner discrepancies are typically not considered.

*The evolutionary process* describes how a firm’s routines change in order to fit its environment. The perspective looks at how variations from the normal lead to information discontinuities in the organization that, if acted upon, can be selected into new routines. The perspective also expresses how experiences and procedures can survive over time and between contexts by being repeated. At the same time, these so-called retention mechanisms can also ‘protect’ the firm from selecting new routines.

*The political process* describes how people use power to act against sanctioned strategy in line with their own interests, and how people try to overthrow their opponents or relieve the tensions. As with the evolutionary perspective, the political perspective takes pluralistic behaviours into account. However, the political actor acts purposefully, as opposed to actors in the evolutionary process (where managers are embedded in hidden value systems, and are not always are conscious about why they behave in a certain way).

As I looked deeper into the literature I found how previous research has described that multiple processes may prompt decision making in complex organizations. Specifically, evolutionary and political processes seem to be highly influential on outcomes in the MNC. Van de Ven and Poole and Langley and Truax for example argue that the evolutionary and political view often better capture the process running in complex organizations, and other researchers follow the same line of argument (Dean 1987; Pettigrew 1997; Pettigrew 1977). Evolutionary processes and political behaviours have even been described as natural features in decision making in the complex organization (Denis et al. 2007; Gioia & Chittipeddi 1991 in Denis et al. 2007; Levitt & March 1988; Quinn 1988; Townley 2002).

As the MNC intra-organizational environment is more diversified and often more complex than that in smaller organizations, the chance that new evolutionary processes are triggered is large. Managers in complex and

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29 I could also recognize the problem that Langley and Truax’s had in writing up their results as a single case, and their identification of the sequential strategy process, evolutionary process, and political process in their case on technological change.
diversified organizations are exposed to a larger degree of variations than those that managers in a smaller firm are exposed to.

We can also expect that, in the MNC, forces within the organization that promote new routines can be counteracted by retention forces that seek to preserve existing routines. Many MNCs have a long history, and the tradition of making things in a specific way can be strong. These routines in the MNC can be important tools for diffusing experiences and values over dispersed intra-organizational contexts, which is why managers may especially protect those routines. Moreover, in an MNC, people are often specialists in their function, which can lead to these managers wanting to protect the routines within their specialization.

Furthermore, we can expect to find political behaviours in the diversified and complex MNC. As MNC managers sometimes operate in a diversified environment, managers develop different rationales about how resources should be distributed. Moreover, in the MNC, people may compete for resources which can also trigger political behaviours. Furthermore, specialization can trigger political processes, in the same way that specialization can trigger retention mechanisms, namely, that managers oppose changes that concern their profession.

In other words, it seems that evolutionary and political processes are important to consider in the analysis on MNC internationalization. The next section will discuss this conclusion further.

7.2.1 Support for a multi-process approach to study MNC internationalization

As I looked deeper into the literature I found how IB scholars have suggested in particular a focus on routines/structures, and political aspects alongside strategic, in the study of the MNC internationalization process (Blankenburg, et al. 2009; Melin 1992; Steen & Liesch 2007). It is argued that while the strategy perspective largely circulates around decision making at the top of the hierarchy, the two other perspectives can better capture other things are going on at other levels of the organization, and that these things are relevant for the MNC process (Langley & Truax 1994).

The idea to study MNC internationalization from a focused and systematized process approach is in line with Welch and Paavilainen-Mäntymäki’s (2014) argument for putting the focus on the process back in internationalization studies. There are however different ways of putting the process back. I took on an intra-organizational level of analysis. I further differentiated between how managers within the firm who were involved in the same internationalization process in fact were involved in different process types. I thereby found that Alas internationalization process consisted of three underlying processes.
By analyzing Atlas’ internationalization as a multiple process, I realized that I would create a broader approach than I would have with my single case approach. At the same time, I would create a focused approach, because I would specify what type of processes I analyzed, and I would theoretically and empirically delineate them from other process types.

Several process researchers support this idea by arguing that in the analysis of the MNC, we should search for holism rather than linearity (Dyer & Wilkins 1991; Langley 2009; Pettigrew 1997) and regard lower levels in the organization as well as higher levels (Hatch). It has further been argued that if we do not take a broad approach to the study of a complex process, we can get narrow and misleading results (Dyer & Wilkins 1991; Pettigrew & Whipp 1993). Similarly, the International Business scholar Melin argues that:

Internationalization processes are characterized by a high degree of complexity, variability and heterogeneity, which taken together require holistic research and truly longitudinal approaches. (Melin 1992, p. 115)

Convinced about the relevance of describing Atlas’ internationalization as a sequential strategy process, an evolutionary process, and a political process, I needed to find a tool which could help me to verify, or falsify, that I had identified these processes in my data.

In order to identify the existence of the three processes, it is important to scrutinize their main attributes and their inner logics. In the multi-process study, it is important to clarify the conceptualization and each process’ unique characteristics if the processes are to be treated as theories used for analysis (Van de Ven 1992).

In the following sections I will describe the attributes and logics of each process perspective. The description of each perspective will then serve as a foundation for the analysis that will follow. In that analysis, I will use the main attributes of each perspective to verify the existence of each process respectively, thereby identifying three separate process stories from my data. The three processes that I will create will help me to analyze the main episodes from the main case presented in Chapter 6 (for a summary, see Figure 7.1).

7.3 The sequential strategy process

The sequential strategy process describes planning and decision making processes about how to commit and allocate resources. Chandler, a pioneer in strategy research, defined the strategy process as determination of long-term goals, adoption of courses of action, and allocation of resources necessary for carrying out these goals (Chandler 1969). Much later, work on the strategy process has been influenced by Chandler, like for instance
Pettigrew, who describes the strategy process as a “[…] direct, linear sequence of goal setting and resource allocation” (Pettigrew & Whipp 1993, p.29). Van de Ven also talks about a process of goal setting and resource allocation, unfolding as a strategy over time (Van de Ven 1992). Minzberg describes strategy as something that involves planning, but also as something that emerges as the process is running (see for example Mintzberg, Raisinghani, & Theoret 1976).

7.3.1 A rational view on change

The process is conscious, rational, and focuses on formal decisions. Even if managers may have different information, they share goals that are in line with the official strategy. The objective is to make ‘optimal’ decisions for the goal. If the decisions are not optimal, it is because managers do not have good information. The absence of information is a risk factor. Managers try to make the best decisions they can, considering the information they have. Bounded rationality is a term often used in this context (Simon 1991; 1972) to describe how managers make the best decisions they can, based on the information they have at hand (Langley & Truax 1994).

The perspective describes the progress of a single unit. In the unit, people share the same goal and behave in the same way. Alternatively, it describes different attitudes that eventually converge, so that the actors in the end behave like a single unit (Van de Ven & Poole, 1995).

For the strategy process, the single unit is often the firm. As the process unfolds, the firm goes through a sequential progression of stages in which the firm changes at each stage (see for example the product life cycle model of (Vernon 1966)).

As Figure 7.2 illustrates, progress is linear, so that one thing has to happen before the next thing can happen. In other words, future development is built on previous episodes, and things happen in a certain order (Langley & Truax 1994).

Figure 7.2 The sequential strategy process

Since decision making often takes place at higher hierarchical levels, headquarters or other central units are often the actors who drive the process. Top managers’ learning about a certain situation is often the main driver of the process. Learning is thus an underlying mechanism of the process as it helps managers to plan, to take decisions, and to allocate resources
(Hendry 2002; Langley & Truax 1994; Van de Ven 1992; Van de Ven & Poole 1995)\(^\text{30}\). This means that even if the entity changes, the logic driving the change is not dynamic (Van de Ven & Poole 1995). If a process happens to be interrupted, it is moderated by the logic so that the mechanism takes the firm to the next stage, despite the interruption. The development by which the strategy is realized has therefore been described as accumulative and deterministic. (Van de Ven 1992) Elements from earlier episodes are added to later episodes, such as accumulated learning. The strategy process can therefore also be described as a process in which managers increase their learning, or with other words as a cognitive managerial change.

The pattern of the process has been described as deterministic (Hendry 2002), linear, and partly predictable. A typical example of a deterministic pattern is when the firm is going from being pre-mature to being more mature, as suggested in Vernon’s life cycle model. This change comes about as the firm commits resources in each stage (Hendry 2002), and as it accumulates experiences (Van de Ven 1992).

Another example is Mintzberg, Raisinghani, and Theoret’s (1976) decision making process that includes phases like opportunity or problem, decision, diagnosis, development, search selection, screen, and evaluation.

7.4 The evolutionary process

The term ‘evolution’ refers to the development and survival of biological species. The perspective is inspired by evolutionary biology (Nelson & Winter 1982) and it shows how existing routines fit their environments, how routines change, and why certain routines are adapted, while others are preserved or rejected.

The evolutionary concept has been applied to a number of areas, and even within organizational studies, it can be used in a number of perspectives, such as institutional, transaction cost, and so forth (Aldrich 1979).

As has earlier been stressed, this thesis explicitly takes an organizational learning perspective on evolution in order to create a focus for understanding forces underlying change, very much in line with Levitt and March (1988), and other organizational researchers. The term evolutionary process describes how managers receive and interpret the information they get (Aldrich 1999).

The evolutionary learning perspective focuses on how organizations and groups change routines as a response to internal or external changes and

\(^{30}\) Focus on the relationships between dependent and independent variables and interpretative approaches also exist in the literature, but are not as common as the focus on strategic planning and learning. For more, see respectively Van de Ven, 1992 and Hendry, J. 2002. Strategic Decision Making, Discourse, And Strategy As Social Practice. *Journal of Management Studies*, 37(7): 955-78.
pressures (Levitt & March 1988) with the purpose of fitting the environment. Example of routines are short term standard operations (Nelson & Winter 1982) such the use of telephones in order to communicate (Costello 1996), but also larger investment behaviours (Nelson & Winter 1982) such as the implementation of a new technology (Costello 1996).

7.4.1 Variation, selection, retention

The evolutionary process looks at how routines changes through the process of selection, retention, and variation within an organization.

Variation, the first step of the process (Nelson & Winter 1982), is some kind of deviation from the normal. Variations can come from changes in the firm’s external environment, or from the intra-organizational environment (Aldrich 1999; Dosi & Nelson 1994). Variations in the external environment can occur when competition increases, for example. An example of variation within the organization is when increasing internal complexity creates control problems (Aldrich 2007). It has been pointed out that variations are especially hard to avoid in complex systems like the MNC (Aldrich 2007). The MNC environment is diversified and managers can find it hard to control behaviours in the MCN which often lead to variations.

Variations are perceived by managers as information discontinuities, and they can be problems, possibilities, or solutions. Variations can come from conscious behaviours such as when managers seek solutions to problems. Variations can however also come from un-conscious and un-controlled behaviours, such as random deviations from standard practices, the turnover of personnel, error, chance, or luck (Aldrich 2007).

Selection occurs when certain variations are selected, or incorporated into the organization’s procedures (Nelson & Winter 1982). The selection can either be internally or externally induced (Aldrich 1999). New information that reaches managers is filtered through those managers’ experiences and though knowledge structures within the organization. Through the filtering process, managers can increase their understanding of the inner and outer environment (Aldrich 2007). Managers can compare their knowledge and relate it to the scarce resources of the firm (Hannan & Freeman, 1977), and select variations that they think will be successful.

By the selection process, new routines are selected and knowledge from previous successful forms is institutionalized into the system of cultural beliefs and values of the firm (Aldrich 2007). The selection is thus subject to the conformability between new information and old knowledge. This means that variations can be understood differently, depending on the knowledge structures and value systems between different groups in the firm. Not all variations that are filtered through the organization may lead to the selection of new routines.
Retention occurs when selected variations are preserved (Nelson & Winter 1982). When selected routines are repeated they become reinforced and established. With the help of for example documentation, values, and cultures, routines are preserved within organizations (Aldrich, 1999). New routines can in this way be used on future occasions (Aldrich 2007) and can also be diffused between organizational units. As Figure 7.3 below illustrates, routines that are preserved are then subject to new variations from the external or intra-organizational environment, and so the evolutionary process continues.

Figure 7.3: The evolutionary process

![Evolutionary Process Diagram]

The process is however not sequential or circular, in the sense that variation and selection necessarily come after retention. While some argue for new ways of doing things, others do their best to preserve existing routines, values, and norms by deliberately suppressing variation. These ‘preservers’ of traditional ways can get help by the bureaucratic structure of the MNC. Through specializing in certain tasks, and through standardized procedures, managers can maintain certain standards and ‘protect’ the organization against unwanted variation. Managers can also create structures and introduce interpretive principles and thereby shape people’s perceptions of what is necessary or possible (Aldrich, 1999). Whether a firm repeats existing routines, or if it instead selects new routines, depends on the outcomes when forces of selection and retention meet each other.

As the text above indicates, there is no pre-described condition that demands that new selection processes to be triggered, or that there be a motor that precedes evolution. The process is merely specifying that if certain conditions are met, and if forces of variation, selection, and retention can be identified within the organization, evolution will occur.

Since the environment always is changing, the firm is always subject to external variations. Leonard-Barton (2003) describes that a changing environment always makes the current fit between existing routines and the environment obsolete, and the firm is always a step behind (compared to the strategy process, in which plans are set prior to their execution in an attempt to control the future). Current structures therefore always have to
be challenged, she argues (Leonard-Barton 2003), and decisions are still to be learned (Dosi & Nelson 1994).

7.4.2 Rationality, non-rationality, and multiple rationalities
According to the evolutionary perspective, behaviours are not always deliberate and managers are not always aware of the reasons behind their actions. Behaviours are instead deeply embedded into existing structures, experiences, understandings, and historical development. The perspective contains rational elements, but it contains non-rational elements too. Retention behaviours can for example in some situations lead to inertia (Van de Ven & Poole 1995) that can make managers incapable of adapting to new opportunities, and there is nothing that says that learning leads to change, or change to success.

Ironically, entrenched routines are often associated with a successful past (Leonard-Barton 2003). Successful capabilities may historically have been suitable for old business contexts, but are not necessarily suitable for new ones (Leonard-Barton 2003). Generally accepted values and socially constructed ways of doing things it can thus keep the firm from developing (Aldrich 2007), so that even if the firm is subject to variations, retention mechanisms can keep the firm unsuccessful for a long period of time (Winter 2003).

However, as opposed to the strategic perspective, the evolutionary process does not judge whether selection is positive or negative for the firm, or suggest an official strategy. Instead, this perspective only notes that what may be good for some may be bad for others (Dosi & Nelson 1994). While one behaviour may be locally optimal, there may be other behavioural patterns that would also be locally optimal (Dosi & Nelson 1994). What is considered optimal can also change over time. The perspective merely argues that organizations that succeed in selecting routines that fit the environment will prevail (Nelson & Winter 1982).

7.4.3 The study of evolutionary change is the study of behaviours and attitudes
The evolution perspective has been described as more ambiguous than the other two (Langley & Truax 1994), and it can therefore seem hard to analyze. Diffuse elements like values, experiences, and psychological understandings play a role in analysis. Both the internal and external environment is also parts of the analysis, and behaviours are often understood in the light of historical paths.

Due to the broad and ambiguous nature of the process, in the analysis, it is important to keep the focus on change of routines. It is also important to keep in mind that the analysis of routines is the same thing as the analysis
of people. Routines are connected to behaviours, relationships, and to chains of events that create stories about routine development over time. Aldrich writes that a routine is manifested in behaviours (Aldrich, 2007, p. 19) and Pettigrew suggests that routines are best studied by putting behaviours, or as he calls it, “drama”, in the forefront.

As the point about mechanisms of transformations implies, dramas [behaviours] provide consequence and meaning in relation to routines. [...] In this sense the routines provide the contextual backdrop for the foreground drama, and the researcher becomes interested in the interactive effect between context and foreground and the mechanisms and processes of transformation from routine to drama and new routine and further drama. Examining the dramas affords the opportunity to study continuous process. (Pettigrew 1990, p. 275)

In the making of the evolutionary process story, the attitudes towards existing routines and suggested change are also analyzed. The researcher for example assesses managers’ attitudes towards interpretations of the environment, or how managers understand previous routines as appropriate or inappropriate (Costello 1996). These attitudes can of course vary between managers and groups. The assessment of pluralistic perspectives has been described as an essential part of the process (Costello, 1996), and Dosi and Nelson (1994) write that, by connecting routines to value systems, prejudices, generally accepted practices, wider cultures, and pre-existing knowledge, we can understand how the evolutionary process develops.

Things like values and opinions can seem hard to capture, but by analyzing expressed values and opinions the researcher can get an indication of the culture of groups.

Of course, individuals do not always explicitly express their opinions, even (or maybe especially) in interviews. They may not even themselves be aware of how they confirm or disregard structures. By observing how individuals engage, the researcher can get around this problem. Their behaviour can show how they legitimize, or do not legitimize, structures and routines (Costello 1996) (see for example Langley and Truax’s analysis (1994) on how managers commit to new technologies).

7.5 The political process

The political perspective develops the idea of change as a consequence of conflict in views, competition over resources, and power usage to control outcomes. Researchers such as Emmerson, Pfeffer and Salanick (1978) and Pfeffer (1981; 1992) have been especially influential in this area.

The political process exists because different actors have different views on how to distribute resources (Pettigrew 1992), how to change ex-
isting conditions, and how to control outcomes (Mayes & Allen 1977; Van de Ven 1992).

The political process can have a big influence on outcomes, and even change the strategic direction of whole firms (March 1962). It has been pointed out that for some processes, the political analysis is the most important one to make, and that it sometimes is best at explaining processual outcomes (March 1962).

The process builds on un-authorized actions that conflict with formal decisions about resource distribution and has been described as “actions that make claim against the organization’s resource sharing system.” (Mayes & Allen 1977 p.673) But actions that are sanctioned and reside within the boundaries of normal working tasks are not political. It is therefore a “…dynamic process of influence that produces organizationally relevant outcomes beyond the simple performance of work tasks.” (Mayes & Allen 1977 p. 675)

The political process is common in any complex organization where we can expect more than one single logic (March & Olsen 1976). The political process is also common when resource competition is intense and situations change rapidly (Hall & Tolbert 1977). Or as Harvey puts it, “… any adaptive change will produce conflict through its effect on the distribution of scarce resources among organizational units.” (Harvey & Mills 1970 in Mayes and Allen 1977, p. 673) Pluralistic and loosely coupled companies like an MNC are therefore often mentioned as organizations in which we can expect such behaviour (Aldrich 2007).

7.5.1 A dialectic process

The process only exists when actors not only hold different opinions, but actively engage in a conflict struggle. At least one actor has to take action to change the situation, and at least two actors have to engage in the conflict (Van de Ven & Poole 1995). The process has therefore been described as dialectic31 rather than linear (Van de Ven 1992).

Van de Ven and Poole (1995) describe the political process as the result of some current situation (thesis) and an opposing part (antithesis). These two pools meet to create an outcome, or synthesis (see Figure 7.4). The synthesis can be a compromise, or a defeat for one of the actors.

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Future actions are built on the synthesis. Similarly, current decisions rely on a prior synthesis (Denis, et al. 2007; Van de Ven & Poole 1995). Since current political actions are built on dissatisfaction with previous outcomes, the process can also be portrayed as circular (Figure 7.5).

7.5.2 Power as a tool in the political process

To overcome conflicting interests, actors can use power to enforce or hinder a certain situation (Langley & Truax 1994). By using power, one person can make a second do what that person normally would not do (Hall & Tolbert 1977) and influence how others use their resources (Emerson 1962).

Formal authority is probably the most obvious and explicit source of power. Often the manager at the top of the hierarchy possesses knowledge that others do not, which can also give more power. He or she can also have the ability to distribute resources to others (Astley & Sachdeva 1984). But power can also be held by actors at lower organizational levels (Astley
Knowledge, position and function can for example be important sources of power at lower levels (Emerson & Cook 1978). The actor may for example control knowledge or other resources that are important for others and hard to get elsewhere (Andersson, et al. 2007; Emerson 1962; Pfeffer & Salancik 1978). Possibilities for others to absorb or develop the resource also influence possibilities to power (Medcof 2001; Pfeffer & Salancik 1978). But power can be equally distributed (not neutralized) (Emerson, 1962), so that actors can exercise control over each other.

To confront a powerful actor, managers can form coalitions. Managers at lower levels can for example build lateral relationships in an attempt to confront higher hierarchical levels (Mohr, 1982). This coalition building has been described as “[…] the necessity of securing support […] among organizational actors who are neither proponents nor decision makers” (Mohr, 1982, p. 134).

Another thing that managers can do is to aim directly at a resisting party. They can for example increase socialization, or use other valuable goods such as status, friendship, or information (Casciaro & Piskorski 2005; Emerson 1962). Information can be used in different ways, but in order to oppose a situation, managers can also deliberately keep important information from others (Forsgren & Holm 2010).

The political process is dynamic in the sense that power and relationships change over time. Actors create new relationships or lose old ones, and their ability to influence can increase or decrease (Pfeffer & Salancik 1978).

7.5.3 An intricate and non-rational, but deliberate process

Since political processes do not follow any given underlying logic, political behaviours are often unpredictable and can be hard to keep track of. Because behaviours often are informal and not part of any formal plan or official story (Mohr 1982; Van de Ven & Poole 1995), the political process can be hard to capture in the analysis and it requires the researcher to have access beyond formal stories.

To capture the political process, the focus is therefore on interpersonal relationships. After all, conflicts take place between individuals and groups. These personal relationships can both be inter-organizational (Van de Ven & Poole 1995) and intra-organizational, both hierarchically and laterally (Andersson, et al. 2007).

The behaviours in the political process have been described as deliberate. The political process has in fact been described as a process of decision making (Pettigrew, 1992), but the decision making is not rational and structured like the sequential strategy process. Instead, it is a dynamic process where it is not the decisions themselves that are the main focus, but the actions of gaining and using power (Pfeffer 1992).
The political perspective has moreover been described as narrow. For example, only some decisions on resource distribution can be associated with the political process (Mayes & Allen 1977), and the process does not focus on the formal decisions themselves but on the behaviours in-between (Pfeffer 1992).

7.6 The attributes of the three process summarized

In Table 7.1, on the next page, the attributes of each process are summarized. The table specifies each underlying logic or generative mechanism that produces the temporal pattern (in Langley 2009) which will help to identify each process from data. Moreover, Figure 7.6 was made to help other researchers replicate my analysis, something that Ghauri argues is important for the rigor of the analysis (Ghauri 2004).

As can be seen on the next page, according to the different perspectives, a process can be driven by different motors. A study that encompasses all three different motors is partly ontological and epistemological flexible\(^{32}\). It has been argued that a flexible approach is valuable, and sometimes even necessary, if the researcher is to capture what can drive a process the study of the diversified MNC (Aldrich 1999).

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\(^{32}\) For example, in the strategy process, managers are assumed to seek the same goal, while managers’ logics in the political process instead by definition are different.
<table>
<thead>
<tr>
<th>Category</th>
<th><strong>Strategy process</strong></th>
<th><strong>Evolutionary process</strong></th>
<th><strong>Political process</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Key words</strong></td>
<td>Strategy, decision making, rationality, homogeneity, external focus</td>
<td>Routines, past experiences, value systems, pluralism and variation</td>
<td>Conflict, resistance, self-interest, power</td>
</tr>
<tr>
<td><strong>Attribute</strong></td>
<td>Direct, linear sequence of goal setting and resource allocation</td>
<td>Process of variation, selection and retention of routines</td>
<td>Dialectic process in which people compete over resources and use power to control outcomes</td>
</tr>
<tr>
<td><strong>Underlying assumption</strong></td>
<td>Firms formulate strategic plans and goals to enhance competitive advantage</td>
<td>Firms respond to changes by evaluating existing ways of working and selecting new routines</td>
<td>People act politically and to attract scarce resources</td>
</tr>
<tr>
<td><strong>Perspective on managerial behaviours</strong></td>
<td>Purposeful, formal. Managers seek optimality in line with dominating perspective. One rationality, one goal.</td>
<td>Purposeful or non-purposeful, suboptimal. What is good for some can be bad for others. Multiple logics may exist. Formal/informal</td>
<td>Purposeful, self-interests, conflicting logics. Formal/informal</td>
</tr>
<tr>
<td><strong>Focus of analysis</strong></td>
<td>Strategic decision making, market knowledge, resource allocation</td>
<td>Routine changes, behaviours and attitudes towards the routines</td>
<td>Political behaviours and the use of power in social relationships</td>
</tr>
<tr>
<td><strong>Level of analysis</strong></td>
<td>Firm versus market. Firm is a single entity, or groups are in consensus</td>
<td>Intra-organizational (but routines understood in relation to environment and to firm history)</td>
<td>Intra-organizational</td>
</tr>
<tr>
<td><strong>Process typically evident in...</strong></td>
<td>... smaller, hierarchical, and non-complex firms</td>
<td>... complex organizations in which actors are dispersed</td>
<td>... complex organizations in which actors are dispersed and competition for resources is large</td>
</tr>
</tbody>
</table>
7.7 Coding data into three process stories

In this section, I will show how I created three separate processual stories from the same data.

To identify the processes in my material, I started an iterative process going back and forth between theory and data. I read the interviews several times and matched the data with theoretical descriptions of the different perspectives.

First, inspired by the idea of inductive coding, I started to code the data. At first I used N-Vivo for the coding, because I had earlier used it for transcriptions and the categorizations, which had prompted the identification of the three processes in my data. I now created my own categories by giving my own names to the data (this process had certain similarities to the way Vaara (2011) used antenarrative to categorize roles from understandings of behaviours, and in that way, to better understand a complex organization undergoing change).

I then looked for patterns and links between the empirical text, my own categories, and the three theoretical perspectives. By illustrating my coding process I increase the transparency of the study and thereby also the trustworthiness. I show the analytical link between the empirics and the theory. I also show my closeness to the research site (following Langley’s (2009) suggestion). This process is illustrated below in table 7.2.

In the left column I show examples of the empirical text that I used to create my stories. The middle column represents my own understanding of the text (my own categories). In the right column, I show the fit between my own understanding of the text and the theoretical perspectives.

The examples below all refer to the same period (episode 3 of the main case, ‘Long internal discussions while competition develops fast in the market’).
Table 7.2: Coding of the three processes

<table>
<thead>
<tr>
<th>1. Selected empirical text for the sequential strategy process</th>
<th>Own categorization</th>
<th>Fit to strategy perspective</th>
</tr>
</thead>
<tbody>
<tr>
<td>A lot of decisions are needed to be taken to capture the opportunity. (GM Production, China 2010)</td>
<td>Complex decision making</td>
<td>Strategic decision making</td>
</tr>
<tr>
<td>But you don’t have knowledge about it [Örebro regarding the lack of information about the mid-market] (Global BLM, Sweden, 2009)</td>
<td>Hard for managers in Sweden to know how to act on the opportunity - high uncertainty</td>
<td>Complex process of resource distribution</td>
</tr>
<tr>
<td>The tricky thing to know in China right now is what is the right thing… So we need to have the involvement, not only from Product Company managers (except marketing) but also of R&amp;D, Engineering, and Quality need to think about impact. (Regional manager East Asia, Sweden, 2010)</td>
<td>Many functions involved</td>
<td>Low opportunity knowledge in Sweden</td>
</tr>
<tr>
<td></td>
<td></td>
<td>High perceived risk</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2. Selected empirical text for the evolutionary process</th>
<th>Own categorization</th>
<th>Fit to evolutionary perspective</th>
</tr>
</thead>
<tbody>
<tr>
<td>I believe we are a very engineering focused company; what is fun is to take on difficult challenges that you have to solve, the technical part, not to reduce cost with twenty percent [to adjust to mid-market]. (Global BLM, Sweden 2010)</td>
<td>Low commitment to mid-market, high to high-end</td>
<td>Clash between old values and routines, and new values and perceived need to change routines</td>
</tr>
<tr>
<td>HQ in Sweden only thinks they have to make the best design. (KAM, China 2011)</td>
<td>Problems in Sweden to understand local needs</td>
<td>Separation of units impose variations, but also preservation mechanisms</td>
</tr>
<tr>
<td>We should provide what customers need, and not what AC is good at. (KAM, China 2011)</td>
<td>Following historical patterns - behaviours building on previous success</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>3. Selected empirical text for the political process</th>
<th>Own categorization</th>
<th>Fit to political perspective</th>
</tr>
</thead>
<tbody>
<tr>
<td>We tried to get Sweden onboard so Chinese could be in place [in Sweden] […] But very strong forces within the engineering organization made sure […] not to do it […] They succeeded, something that many regret today.” (OM Production, China 2010)</td>
<td>Mid-market not getting resources</td>
<td>Resistance in Sweden to the mid-market, to the official strategic focus (cannot be seen here)</td>
</tr>
<tr>
<td>They were there to break, “what is this? (Global BLM, Sweden 2010)</td>
<td>Resistance from influential technical managers in Örebro</td>
<td>Use of informal power (technical knowledge, perhaps also central position in network)</td>
</tr>
<tr>
<td>The local unit felt […] they not were prioritized, or got the resources they needed. (BLM, China 2010)</td>
<td>Not involving Chinese managers in process</td>
<td></td>
</tr>
<tr>
<td>China […] got questioned on the quality, and ‘what are you doing’, and ‘is this working, you cannot do like this!’ (Global BLM, Sweden 2010)</td>
<td>Slowing down process. Using roles as technical experts, questioning Chinese projects</td>
<td></td>
</tr>
</tbody>
</table>

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7.7.1 Controlling the rigor of the coding

To ensure that the coding process was trustworthy, I let external persons code the material using the same guidelines that I used. The method aims at checking the degree of agreement among raters (Armstrong, Gosling, Weinman, & Marteau 1997). (In statistics this method is usually referred to as inter-rater reliability, inter-rater agreement, or concordance.) By letting others code my material I could check the correspondence between my own coding and the externally executed coding. By validating the agreement among coders I could get an indication of the consistency and thus also the trustworthiness of my coding.

I had 18 master students from the Business and Administration program at Uppsala University code parts of my material, in groups of three. The students categorized the data using my three process perspectives. The students were first given a one hour lecture on the three processual perspectives. They were thereafter provided with the same tools that I used, namely, the summary of the three processes (Figure 7.6). The students were thereafter provided with a document 8 pages long, consisting of a one-page case summary and 13 paragraphs of empirical material, mainly quotes. I then let the students code the material while I stayed in the room. I then compared the students’ coding with my own.

The students coding showed on a 90% correspondence with my original coding (students’ average result 11.7/13). I do not have any index to compare the result against, but 90% correspondence felt like an indication that my subjectivity in the coding process was limited and that the coding would be done by others with more or less similar results.

7.7.2 Challenges and solutions in identifying three processes

As I coded the data I found that the difficulties in identifying the processes differed.

I found the strategy process the most easy to identify. The strategy process represents a homogenous and formal view and the data concerned rather explicit things such as what the managers knew about the market or what resources they planned to allocate to the market.

The political process was slightly more difficult to identify. The process regarded more intricate behaviours such as conflicting perspectives and informal behaviours, and can be found at any organizational level. Some responses from the interviews did not directly point at political behaviours. It instead became clear that the issue concerned political behaviours after several follow-up questions. However, the political process can probably be even harder to detect. Many respondents were generous with their ex-

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33 May 2015
34 One paragraph was left un-coded and two paragraphs were coded into dual perspectives.
planations to the process development and many times political behaviours could explicitly be found in the data.

The evolutionary process was trickier to identify as the evolutionary process is broader than the other two. The perspective can also be deliberate, but not necessarily. People are sometimes not aware about why they behave or think in certain ways, but these things can have to do with traditions and cultures. Moreover, behaviours that somehow relate to routine change can be both formal or informal, they can be found anywhere in the organization, and the evolutionary analysis necessitate an understanding for the firm’s historical development as well as the environmental context.

To facilitate the identification of the evolutionary process I focused explicitly on the change of routines, which creates an emphasis in the broad perspective (see Costello 1996). To study routine change, the researcher looks at managers’ behaviours. This means that people are the focus of the analysis. As Aldrich points out “…interpersonal interactions are the life-blood of organizational routine…” (Aldrich, 2007, p. 19). As the studies are about human behaviour, the time frame is also limited to within a generation (Levitt & March, 1988; Boyd & Richerson, 1985; Burgleman, 1991), in contrast to over generations (see Hannan & Freeman 1977) which further creates an focus. By studying change within a generation, the researcher can take analysis down to an organizational level and reduce complexity.

Furthermore, in line with Costello (1996), Levitt and March (1988) and Van de Ven and Poole (1995), the evolutionary process is understood from an organizational learning view which further create focus in the analysis. This means that the process is driven by learning. Variation is a form of new information that managers have to deal with, selection means that managers select new routines based on the information, and retention of routines build on managers earlier learning which today has developed into an organizational culture (Aldrich 1999). The choice to take on an organizational learning perspective has certain positive implications for the possibilities to identify the evolutionary process. For example, if this thesis had instead applied a resource dependence perspective, the steps of this process would had been understood from power, coalitions, dependence and bargaining (Aldrich 1999), which are traits that in this thesis belong to the political process.

7.7.3 Finalizing the three process stories

After categorization, I consolidated the text into one document, one for each perspective. At this point I started to get a sense of each process’ story. By pinning down the process patterns, I could organize the processes and reduce and focus the amount of data. I could thereby further show a relationship between my data, theory, and analysis. This, according to
processual researchers, further increases the trustworthiness of the study (Langley 2009; Morse, Barrett, Mayan, Olson, & Spiers 2002).

I then searched for patterns, categories, and common themes in each document; they later became each process’ steps.

The steps of the process are structured through a number of thematic headlines. The thematic headlines change for each process, and the headlines follow the logic of each perspective. When the work of creating the three processes was done, I had three different explanations for Atlas internationalization. I also had three different explanations for each of the episodes of the main case, as illustrated by Figure 7.6.

Figure 7.6: Case episode 3, ‘Long internal discussions...’ is explained by three process perspectives

<table>
<thead>
<tr>
<th>Case episodes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Episode 1</td>
</tr>
<tr>
<td>Looking for new business opportunities</td>
</tr>
</tbody>
</table>

Three process stories

<table>
<thead>
<tr>
<th>Step 3 of the Strategy process</th>
<th>Step 3 of the Evolutionary process</th>
<th>Step 3 of the Political process</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Low recourse distribution to the mid-market: learning and complexity challenges”</td>
<td>“Protecting existing routines from change”</td>
<td>“Resistance in Örebro against resource allocation to the mid-market”</td>
</tr>
</tbody>
</table>

Figure 7.6 illustrates the episodes of the main case. The figure also shows how the third episode of the main case, which is shaded in gray, is explained by the strategy, evolutionary, and political process respectively.

Here, we see that episode 3, in which managers in Örebro have many discussions but not so many activities directed towards the mid-market, is, according to the strategy process, explained by learning and complexity challenges. The evolutionary process instead explains the low degree of activities by showing that managers protected existing routines from changing. The political process shows how the low degree of activities is
the result of resistance in Örebro against increased resource allocation to the mid-market.

In the next figure, Figure 7.7 below, I present the complete picture of how the steps of the strategy, evolutionary, and political process explain the episodes of the main case. Figure 7.7 illustrates how each of the three processes relates to the case, and it can serve as an overview of the upcoming three chapters.

It should be noted that the political process do not follow a strict sequential pattern. To see more about the criteria I used to choose the events and relations among the events, see Chapter 4.

The following three chapters show the final product resulting from the coding process. These chapters explain Atlas and the URE division’s internationalization first as a sequential strategy process, then as an evolutionary process, and finally as a political process.
Figure 7.7: Atlas’ internationalization according to three process perspectives

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Political process</td>
<td>1. The coercive power is found in Orebro</td>
<td>2. Resistance in Orebro against resource allocation to the mid-market</td>
<td>3. Resolving political tensions in Orebro</td>
<td>4. Resistance in the market against mechanization</td>
<td>5. Resistance in Atlas China about new sales routines</td>
<td>6. Conflict spreading to the market/resolving the tensions</td>
<td></td>
</tr>
</tbody>
</table>
Chapter 8: The sequential strategy process of Atlas/URE’s internationalization

This chapter describes the underlying strategy process beneath resource allocation to the mid-market. Here, two short tables are provided that summarize the current process perspective (Table 8.1) and show the steps that are attributable to the sequential strategy process (Table 8.2). (The subsequent two chapters will also follow this convention.) The steps of the sequential strategy process will be described in the subsequent sections of this chapter.

Table 8.1: Summary of the sequential strategy process

<table>
<thead>
<tr>
<th>Category</th>
<th>Strategy process</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attribute</td>
<td>Direct, linear sequence of goal setting and resource allocation</td>
</tr>
<tr>
<td>Focus of analysis</td>
<td>Strategic decision making, market knowledge, resource allocation</td>
</tr>
<tr>
<td>Perspective/level of analysis</td>
<td>Purposeful, formal, one rationality, one goal</td>
</tr>
</tbody>
</table>

Table 8.2: The episodes of the main case and the sequential strategy process

<table>
<thead>
<tr>
<th>Episodes of the main case</th>
<th>Strategy process</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Looking for new business opportunities (2005)</td>
<td>1. Deciding to grow: doing a market study and building a local factory</td>
</tr>
<tr>
<td>3. Long internal discussions while threats emerge in the market (2008-2010)</td>
<td>3. Low resource distribution to the mid-market: learning and complexity challenges</td>
</tr>
<tr>
<td>5. Increased market activities, but still hard to enter the mid-market (2010)</td>
<td>5. Increasing resource allocation to the mid-market: building a mid-market sales organization</td>
</tr>
<tr>
<td>7. Market entered but still a large amount of uncertainty (2012)</td>
<td>7. Increasing resource allocation to the mid-market: building a mid-market sales organization</td>
</tr>
</tbody>
</table>
8.1 Deciding to grow: making a market study and building a local factory

In 2005, when the URE division was looking for opportunities to grow, the Vice President of Marketing initiated an active strategic search project to look for new markets. The results of the search showed an increasing importance of markets in China: “China will play an important role in the future…” (VP Atlas, Sweden, 2009). At the same time, the General Manager in Atlas China made a strategic search to study trends in the mining industry in China. He had gotten some sporadic reports from his sales managers that many small private mines that previously had only used hand-held equipment would soon start to mechanize.

When the Vice President of marketing went to China to visit a new factory, the General Manager of Atlas China took the opportunity to present the potential for growth in mining. A factory had been built as a strategic move so as to be ready to increase the capacity in China. “In 2005 a new factory was being opened, then they needed to fill it with something” (VP Marketing, Sweden, 2009). The proposal to grow in the growing mid-market mining market therefore came at a good time.

8.2 Deciding to act: initiating a localization project

In Atlas Sweden, the Vice President of Marketing talked to the top management in Örebro, which consisted of the VPs of the different functions of the business unit, the divisional president, and the president of the business unit. Together the managers decided to initiate a project to get a product out to the market that would suit the small growing mines. It was decided that the Boomer B281, a one-armed drill rig and the simplest rig of the fleet, would be suitable.

Resources were now allocated to initiate a localization project that was managed by Purchasing in Örebro. The organization started to look for local suppliers for some of the components of the machine. The advanced drill bit plus some other components would be shipped over from Sweden to be assembled in the local factory.

8.3 Low recourse distribution to the mid-market: learning and complexity challenges

The lack of commitment to the mid-market characterized this period. The organization slowly continued on the path they already had chosen, to move over and localize the B281, but it did not initiate any other new projects. One manager described how this development was the result of the
absence of a China strategy rather than a conscious choice. “I don’t think we had any special strategy for the mid-market at the time” (Global BLM, Sweden, 2010). China was instead still understood by many managers as a market among many others that did not need any special strategy. In 2008, the GM of Sales reported from China to Örebro about the first successful example of mechanization in the market with the Atlas Boomer 281. The customer had also been ordering several more machines from Atlas.

8.3.1 Challenges in learning about the market and uncertainty about how to proceed

Apart from the successful case of mechanization, the managers in Örebro at the same time received information from the GM in China that the Atlas rig was too expensive and complicated for several other customers. While managers from Atlas China wanted more resources to develop a new machine, many managers in Örebro felt they lacked information about the market. Managers in Örebro therefore did not know how to proceed with the market entry.

It is hard to get a grip on China, partly because it is a young market, because it is changing, and because it has not previously been a part of the international community like Boliden or LKAB [large Swedish mining companies]… We have not had much information exchange with Chinese mines. (Global BLM, Sweden, 2009)

Atlas China had only been in contact with relatively few customers, and they were dispersed and often hidden, compared to the high-end market where the customers were visible and known by Atlas. The result was that not even the local organization had accumulated much knowledge about the mid-market.

For the large customers, we know them and they know us, but for the small customers they are spread everywhere, we don’t know them. We need a very good coverage to find them. (GM Sales, China, 2010)

How can we at all know what is being sold to the mines, there are [large number] of them. (Marketing manager, China, 2010) [privileged information withheld]

This is a strategically critical period; one thing for me is how to interpret the China market mid-market, on the demand side. (GM Sales, China, 2010)

The size of the market, the customer demand, and the business potential, all felt like black holes for Atlas managers. "Wow, this is a difficult question. How big the market is we really don’t know, we need to dig them out,
dig the potential out. The hidden market is dominated by the low-end supply” (Marketing manager, China, 2010).

It was also hard to develop deep relationships with the customers that Atlas’ managers actually had found, since many customers not yet had tried mechanization. The organization had contact with some customers that were interested, but it was hard to learn about the market from these relationships. “Now they [customers] start to ask, how are we dealing with this? When they do, we get some information on what’s going on, but it is not enough” (Global BLM, Sweden, 2009).

It was also difficult to learn about the market from customers who actually had bought Atlas machines. These customers usually bought only one or two machines, and often without a service contract, which Atlas was used to using to maintain a business relationship for many years within the high-end market. “Some only buy one unit, only sometimes together with service, rock tools, and spare parts” (BLM, China, 2010).

8.3.2 Competition develops fiercely

In 2009, the organization received information that other companies had also begun to see an opportunity in the mid-market, and Atlas’ managers started to get worried about the situation.

More and more players are entering the field so we are facing challenges to keep our position against local producers. (VP Marketing, Sweden, 2010)

They [competitors] are already on their way. (Global BLM, Sweden, 2010)

There are a large number of potential competitors [...] so we have to keep an eye on China, both its potential, but also its threats. (Global BLM, Sweden, 2009)

In the shift between 2009 and 2010, local companies started to develop their organizations fiercely to get into the mid-market. Some companies went from nothing, or from other products entirely, to starting to develop drill rigs in only some months. Sany, for example, had focused only on construction and surface equipment, but it now started to produce drill aggregates for underground drilling. Many local competitors still had problems with their quality, but “… if they would get their quality right they will definitely become a big threat in the future” (VP Marketing, Sweden 2010).

Local companies also had other advantages. Compared to Atlas, these companies had much cheaper expenses and poorer working conditions, which gave them a cost-advantage. The sales company also saw that Atlas drill rigs were being copied and sold at a much lower price.
In late 2009, a new local competitor, Haotai, came out with a product similar to Atlas’ B281. Haotai’s drill rig was simpler and cost about half as much as the B281.

Atlas’ managers saw a big risk in letting local producers expand in the Chinese mid-market. Some companies that had been ‘allowed’ to grow in the mid-market had already grown large enough to expand internationally and to start competing on a global scale.

For example, in 2009 the Chinese company Ancisis (selling under the brand Sinomia) started to expand in the mid-market through a distributor network that allowed them to spread out over the country. By the beginning of 2010, Sinomia started to compete with Atlas on a global scale, as it established businesses in Peru, Chile and Canada.

The threat is that… well not the threat, the reality is that China is expanding; you find them [Chinese competitors] everywhere. They will take the low cost products out of China. (BLM East Asia, Sweden, 2010)

8.3.3 Many strategic discussions

The situation in the mid-market triggered many discussions in Örebro about what would be the best thing to do, strategically. “A lot of decisions are needed to be made to capture opportunity. We already have a good foundation, and we still need to be risk aware of everything” (Mid-market manager, 2010).

The managers mainly discussed whether they should develop a new drill rig for the mid-market, and if so, whether that rig would improve the situation. “Right now we are considering what possibilities we have there, and how we can use them in the best way possible” (Global BLM, Sweden, 2010).

The discussions were complex and included many people from many different functions in Örebro. Managers from Marketing, R&D, Purchasing, Quality, Production, Parts and Service, After Sales, and Human Resources were involved in the discussions. A new rig could make some things better, but it would also mean a new strategic direction for the organization. It would be the first mid-market rig, and it would be the first product to be developed for a single country market. A new mid-market rig could also upset existing high-end customers in China. Everyone had to have their saying in the matter.

So we need to have the involvement of, not only from Product Company managers [except Marketing] but also from R&D, Engineering, and Quality need to think about impact: if they [the new drill rigs] get to flooded out on the market, what will be the effect on Atlas? (BLM East Asia, Sweden, 2010)
A cheaper product could moreover outcompete Atlas’ existing high-end product range in China, or at worst, all high-end customers globally.

We don’t want a situation in which we release a new product here…[which] competes with our old model; that will destroy the introduction completely. This is where we have a problem. (BLM East Asia, Sweden, 2010)

We can lower cost through localization so that profitability improves, but if we lower the price I think we will have a problem on our hands. (BLM East Asia, Sweden, 2010)

Outside China, how global situation and local China will develop; there are big opportunities but there can also be a lot of challenging situations if something drastic happens. (Mid-market manager, China, 2010)

Strategy has to be considered, is it only for China or should it be global? (Global BLM, Sweden, 2009)

In particular, marketing considered how big the potential really was, and whether local competition would develop. R&D discussed whether a local R&D could be developed there, and how that would affect the lack of control, such as leakage of intellectual property rights and other critical knowledge. “I’ve always had the fear that another company will copy our products” (BLM East Asia, Sweden, 2010). Production discussed whether production should be moved or not, and especially what would be the cost-effects of moving production to a country with an increasing rate of wages. The effect that local production and R&D would have on quality was also discussed.

Quality out of China is always known to be fairly low […] I have customers in India, in Phillipines: they do not accept any products from China […] Our quality standards are important, that has to continue. (BLM East Asia, Sweden, 2010)

Many managers hesitated to invest more resources in the mid-market.

I have ambivalent feelings for China (PM Marketing, Örebro Sweden)

– The tricky thing in China right now is to know what is the right thing; it can be right now, but five years down the line it makes no sense whatsoever.
– [Interviewer] Because things change or because you had the wrong impression from the beginning?
– Wrong impression from the beginning, and this is where we cannot make rash decisions… but really understand what the needs are. (BLM East Asia, Sweden, 2010)

No new larger commitments were made during these years.
8.4 Deciding to change: prioritizing China strategically, building local R&D and mid-market production

In 2010 the company had to deal with the situation in which both the market and the competition were growing, but they themselves were not growing quickly.

To find a solution, managers looked for inspiration from their sister divisions in China. The Business Line Manager (BLM) of the sales organization turned to Surface Drilling Equipment (SDE). Surface drilling was the first company to enter China, and it had experienced similar problems some years back when, despite a growing market, it had lost market shares to local manufacturers. Despite that setback, by 2010, the SDE division had recovered and enjoyed the most rapid growth in Atlas’ rock drilling divisions.

The sales manager talked to his peer in SDE about how to analyze the market. From the conversations he realized that, in a relatively short time, SDE had been able to develop a local product that turned out to be a great success: no other competitor had it and the market wanted it. The BLM also talked to SDE’s customers.

The BLM felt it was possible to achieve the same growth in his own division, URE, with a similar mid-end product. The BLM estimated that sales could be doubled, or even tripled, with a smaller Boomer.

Managers in China now became convinced that they needed a mid-market drill-rig, and managers from Örebro felt they had to meet the competition by responding faster to the market.

The corporate VP first made the mid-market a strategic priority to grow in China. “It has now become clear China is a prioritized market for the Business Area Managers” (OM Production, China 2010). To grow faster in China, in 2009 the corporate VP for Atlas talked to the URE President and the VPs of the functions about the need for faster progress. “The VP was clearly pushing for further expansion in China, giving the Presidents for the divisions and the GM’s a clear mission to move fast” (OM Production, China, 2010).

As a part of the strategic focus on China, the management group from Atlas Sweden went to China two times in 2009 to continue the strategic discussions at a more local level.

The management groups saw that China could play a new strategic role in the organization. The organization needed more capacity for global production, and a product facility in China could fill shortcoming in production capacity. “We can’t keep up with the pace here so now we are making products in China that also are meant for other markets; made in Sweden, assembled in China” (VP Marketing, Sweden, 2010). The plan was to produce some machines in China instead of having a what is called ‘complete-
knock-down’, meaning that the machines were manufactured in Örebro and then shipped over in boxes to China. China would thus become a part of a global strategy. “There is also a potential to expand globally with the Boomer 281” (VP Marketing, Sweden, 2010).

The trip to China resulted in the management group deciding to increase the resource allocation to China. “We decided to give more resources to Nanjing; we discussed the great potential and the competition” (VP Marketing, Sweden, 2010).

In the beginning of 2010, things started to move fast. Right after the new divisional president took over a decision was made to move production of the Boomer 281 to China. The organization simultaneously started to plan for the development of a new product that better would fit the mid-market.

Moreover, the board, consisting of the VPs for their respective functions, the URE president, and the VP Atlas took the historic decision to build the first R&D center, not in Örebro, but in China. This became the first R&D center to serve a market within a single country rather than global production. It was also decided to develop the production in China so that there would be greater capacity and more flexibility, and so that more could be done than to only assemble parts manufactured in Örebro.

8.5 Increasing resource allocation to the mid-market: building a mid-market sales organization

Despite the investments made in 2010, direct contact with the customers was still relatively limited and managers in Atlas China in 2011 still felt they had difficulties in learning about the mid-market. It was therefore decided in Örebro that Atlas China would get more resources so that they could make more studies about the market.

The marketing department in China, which was now becoming the largest marketing department outside Örebro, got the mission to initiate a study on the competitors. By understanding how much competitors had grown, Atlas could estimate the potential for the market. The results confirmed the business potential. “From competitors we know that the market is already there” (Mid-market Manager, China 2011). The study on competitors confirmed that the mid-market was growing. “What we see is that competitors at the low level increase their revenue quite fast, so we know that there is a great potential there” (Mid-market Manager, China, 2011).

The GM of Sales in Atlas China had experienced how another product line, Load, Hole and Dump, had lost market shares despite a growing market. The reason behind the loss was partly due to the difficulties in reaching customers. The GM now suspected that the market for the drill-rig also was out of reach for the mid-market sales force. The GM therefore sent a pro-
posal to the Mining and Rock board about complementing the old sales organization with a new distribution organization that would have a wider reach. The proposal contained request for resources to employ and train new sales persons who would focus exclusively on the mid-market, instead of having the high-end sales force also handle mid-market sales. The GM also applied for resources to attract and train distributors. At the beginning of 2011 a decision was made in Örebro to give resources to Atlas China so it could develop a new mid-market sales organization.

The decision to develop a new sales organization was unique, in line with the decision made in the previous year to develop R&D in China. The new sales force would be created for a single market instead of following a global structure consisting of a technically specialized and geographically concentrated sales force.

The organization had made huge investments in 2012. They had two new products for the mid-market and the market coverage had increased.

Managers however now felt that with the investments the organization also had raised their expectations. The situation was not satisfying enough, and the mid-market was still hard to get a grip on. The following voice illustrates the hopes for the future; this quote summarizes and concludes the sequential strategy process:

How much Atlas has invested, the sales team is just the minimum, the R&D centre, the branch office, the service teams: huge investments. I, we, cannot say no to Sales to jeopardize all that Atlas has invested in China. (Mid-market manager, China, 2012)

On the question as to why it took so long for the organization to commit to the mid-market, I got two answers. The first answer is partly explained by this process, but the answer also points to other things that influenced the investment pattern.

– [Interviewer] Why did not they [the management board in Sweden] approve this [investments] five years ago?
– I guess first of all it takes time for people to learn about another country, what is going on. On the other hand, China was not as important five years ago, and the focus was not here [in China]. (Mid-market manager, China, 2012)
Chapter 9: The evolutionary process of Atlas/URE’s internationalization

This chapter describes how managers changed routines in order to adapt to the mid-market. Two short tables summarizes the evolutionary process perspective (Table 9.1) and the steps attributable to the evolutionary process perspective (Table 9.2). The steps of the evolutionary process will be described in the subsequent sections of this chapter.

Table 9.1: Summary of the evolutionary process

<table>
<thead>
<tr>
<th>Category</th>
<th>Evolutionary process</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attribute</td>
<td>Process of variation, selection and retention of routines</td>
</tr>
<tr>
<td>Focus of analysis</td>
<td>How the routines change. Behaviours and attitudes towards the routines</td>
</tr>
<tr>
<td>Perspective/level of analysis</td>
<td>Purposeful or non-purposeful. Suboptimal. Multiple logics. Formal/informal. Intra-organizational</td>
</tr>
</tbody>
</table>

Table 9.2: The episodes of the main case and the evolutionary process

<table>
<thead>
<tr>
<th>Episodes of the main case</th>
<th>Evolutionary process</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Looking for new business opportunities (2005)</td>
<td>Changes in the business environment leading to variations</td>
</tr>
<tr>
<td>3. Long internal discussions while threats emerge in the market (2008-2010)</td>
<td>Protecting existing routines from change</td>
</tr>
<tr>
<td>4. Developing the first mid-end products (2010)</td>
<td>Selecting new routines in Orebro</td>
</tr>
<tr>
<td>5. Increased market activities, but still hard to enter the mid-market (2010)</td>
<td>Customers protecting existing routines and Atlas China finding a need to change</td>
</tr>
<tr>
<td>6. Increasing coverage with a new sales organization (2011)</td>
<td>Selecting new routines for making sales</td>
</tr>
<tr>
<td>7. Market entered but still a large amount of uncertainty (2012)</td>
<td>Protecting existing routines from change</td>
</tr>
</tbody>
</table>
9.1 Changes in the business environment lead to variations

In 2005, changes in the business environment in China led to information first reached the local organization in China, and then Örebro. The information introduced a variation of information discontinuity in the organization.

The Chinese business environment for mining in 2005, was changing rapidly. As could be seen in the case introduction, China was moving towards a more open economic climate, a change that had started with Deng Xiaoping back in the 1980s. Economic growth had released economic resources that enabled the state to invest in infrastructure projects. At the same time, iron mining could now be a private business, free from state control as in previous years.

As can be seen, these variations were picked up by the local sales persons operating the market in China, and by the GM who studied the development of trends in mining in China.

As a consequence of the variations, the General Manager of sales launched the idea to the Vice Presidents of the business unit in Örebro that Atlas could start approaching these new smaller private mines.

9.2. Following old ways of thinking in Örebro

The information about the business opportunity in China was spread mainly to the top management (e.g. Presidents, VPs) in Örebro. A steering committee was put together consisting of the business unit’s top management to decide how to approach the small mines.

The managers acted according to the standard procedure in the organization. “We don’t do differently than colleagues that have been doing this many times before, we follow their way of thinking” (Global BLM, Sweden, 2009).

The organization had structured stepwise procedures for how to enter new markets. “The process can be divided into these steps: to move operations; training; localization; development of the product; and adjustment to the market” (President URE, Sweden, 2009).

According to existing practices, the entry started with the transfer of a product from the existing assortment to the new market. In this case, it was the Boomer 281 from the high-end assortment that was moved over to China. The B281 was becoming unmodern for the high-end markets but could according to managers in Örebro be suitable for the mid-market in China. “When they are closed down in Örebro because they are too unmodern for Örebro we simply move them over to China” (Global BLM, Sweden, 2010).
This process was very cost efficient. “Most investments with products when you expand are not costly; you simply readjust the production and bring over some Chinese. Most is automatized” (President URE, Sweden, 2009).

9.2.1 Difficult for customers to adapt to Atlas’ routines

Most small private mines in the market found it difficult to adapt their routines to mechanization. The GM of Sales in China saw that the transition required customers to make large commitments and changes in existing practices, which was more than many customers could manage. “If they accept to buy our equipment they also accept application change, to adjust their organization, adjust work flow, adjust practices” (GM Sales, China, 2011)

The small mines had over the years developed procedures suitable for small scale production. The routines in small scale production were different from the routines in large scale production. The customers in the high-end had large resources. They normally bought large quantities in order to keep a stock of equipment. They also could show a good credit history. Atlas therefore often provided financial support to these customers.

The small mines however lacked financial capacity and could not afford to keep equipment in stock.

The KA [high-end] customers have a lot of money and they can keep the stock themselves, but the low-end [customers] all try their best to pay for the machine themselves and it is really… [hard for] them to afford to stock parts and consumables. (Mid-market Manager, China, 2012)

Moreover, while the big state-owned mines employed teams to carry out the excavations, the smaller mines instead contracted teams to excavate only a certain amount of iron.

Since the contracts sometimes only applied for a shorter period, neither the teams nor the owner, nor Atlas itself, wanted to take the cost of training the excavators in mechanization. Many owners also found it too risky to keep the old excavators. The owners were afraid it would be too difficult to train them in the new methods. If the operators not were trained properly they could damage the expensive equipment and stop production, and production stoppages were costly.

At the same time, the excavation teams had often developed close relationships with the management of the mines, and it was difficult for the owners to find new skilled operators. The situation was therefore complicated. For example, the owner of one customer, HongJian Iron Mine, wanted to mechanize and had, just one week prior to the interview, bought a Boomer 281, but found the adjustment problematic.
The management also saw the employment of new staff as challenging. “The key success for the transition will be to have qualified operators to handle the machine... We plan for six more machines, but it would require 12 skilled workers” (Mining Manager, HongJian, 2011)

Customers from the mid-market complained to Atlas’ sales managers that their rig, the B281, was too advanced and too expensive. Sales managers from Atlas China felt that the problems largely came from Örebro’s existing routines which were built on interactions with high-end markets and which mainly supported sophisticated technological development.

Atlas sales managers also felt that existing routines made the entry too slow in relation to how fast the market was changing. All in all, Atlas’ sales managers found it challenging to enter the mid-market with the existing technologies. The problems with existing routines and technologies led to the GM of Sales in 2007 asking the management in Örebro to develop a smaller and simpler rig.

9.2.2 The successful case of mechanization – an exception

The success with the MingLi mine, in contrast, showed that it was possible for small private mines to grow and mechanize with Atlas’ Boomer 281. But the success with MingLi seemed to have been achieved due to special circumstances. The mine changed owner in 2007, and although it was the previous owner who had decided to mechanize with Atlas Boomer, the new owner had both more access to capital and had special connections in the industry and in the government.

The new owner was an important and wealthy businessman, running companies in several industries. He could afford the relatively pricey machines. The new owner also had developed relationships with operators from his time in the military. The operators could relatively easily learn how to operate the machines. “It is not exactly the same thing as mining, but at least they knew about drill and blast” (Mining Manager MingLi, China, 2011). The new excavators only needed one week of education by Atlas technicians, which was standard also for high-end customers. “The key to success for the transition was to have qualified operators to handle the machine” (Mining Manager, MingLi, China, 2011).

The mine could relatively easily select new routines for mechanization that conformed to Atlas’ practices. Since the owner had access to a skilled workforce, the owner could also fire almost all of the old excavators and re-employ new skilled operators.

9.3 Protecting existing routines from change

While Atlas China experienced problems with existing routines, the attitude with regard to the routines in Örebro was different. Managers in Öre-
bro felt their procedures were unproblematic. “There is nothing strange about it, we just roll out the way we always do” (VP Marketing, Sweden, 2010). China was seen as being like any other new market.

My experience is that the customers [in China] are not unlike any other customer; they want the machines to produce [excavate]. So no, no special challenges for China. (VP Service, Sweden, 2010)

When Örebro received information from Atlas China that they needed to change technology and routines in order to better fit customers’ demands and resource constraints, many managers in Örebro had concerns, especially those managers in the more technically driven departments. Managers in marketing were also skeptical.

Managers in Örebro thought that their existing routines and especially their advanced rigs were what had led the organization to success. The managers therefore did not see any need to change their routines. Chinese managers expressed that Atlas’ historical heritage in having close cooperation with high-end customers in especially Europe and North America, had induced retention forces to maintain existing routines, attitudes, and their business culture.

We have been in a mature market for many years, and still today when we look at business, a big portion is coming from the European and North American perspective. (GM Sales, China, 2010)

One Chinese manager said that Atlas China’s request to develop a mid-market drill rig was interpreted by managers at Atlas Sweden as if Atlas Sweden were being asked to go backwards in development.

People have completely different ways of thinking [in Örebro]. In the mining industry it’s typical that this type of mining was found in Europe 40-50 years ago, so we were asking Europe to go back 40-50 years. It took time for people to understand it is needed. (GM Sales, China, 2010)

9.3 1 Atlas China finds existing routines suitable for high-end markets but less suitable for the mid-market

Chinese managers found the desire to preserve the old routines problematic. Chinese managers felt Örebro’s previous experiences in high-end markets was now hindering their development.

Several managers at lower levels in Atlas China expressed frustration. They felt that managers in Örebro followed old paths of behaviours and lacked understanding about the need to change routines. “Headquarters has never understood the situation in the market in China” (KAM, China,
The Chinese managers stressed how different the mid-market in China was from other global high-end markets.

Looking at mature markets, a lot of players and competition is different. You have very established players. In China you have a lot of new players coming in every year. Competition is totally different, this is aiding the complexity in deciding things, in how we can have a proper… this is the challenge, still today. (GM Production, China, 2010)

Chinese managers also felt that Örebro lacked experience of the local mid-market and that this made it hard for Örebro to understand the need for a simpler machine. According to Atlas China, managers in Örebro acted from the notion that Atlas was a market leader, like they were in many high-end markets.

If they don’t know the situation and they believe that Atlas is the leader in the market, why should we develop something less than best?! (GM Sales, China, 2010)

This quote from the main case illustrates the notion that in 2010 some managers in Örebro still believed that Atlas was not exposed to rapidly growing competition in China.

Many parts are already localized today, but what happened is that we didn’t really lower the price in the end because the product was not so exposed to competition. (VP Marketing, Sweden, 2010)

Sales managers from China felt the history of doing business with large, advanced customers had made Örebro too focused on high-end practices and technical aspects, and less focused on the market and the customers. One manager expressed a need to change both the routines but also the mental mindset towards the Chinese mid-market customers.

We should provide what customers need and not what Atlas is good at. (KAM, China, 2011)

HQ in Sweden only thinks they have to make the best design but it does not care about sales people. (KAM, China, 2011)

Moreover, according to the Chinese managers, Atlas Sweden calculated the market potential in a way that did not comply with the market conditions. While Sweden calculated how much the mines could excavate with the machines, they did not take the special mid-market customer needs into consideration, or the complexity of the market. “They do not calculate the potential right” (KAM, China, 2011).
Moreover, according to managers in Atlas China, Sweden’s routines about how to develop strategy was high-end focused. For instance, Örebro asked Atlas China for a strategy for the next two years. This long-term planning was typical in stable mature western high-end markets, but in the mid-market, things changed fast and the local managers felt they could only plan for the coming two or three months.

### 9.3.2 Protection of existing high-end routines

The high-end focus led to China not being prioritized in the daily menu of working tasks among managers in Örebro. Many managers in Örebro were so-called shared resources managers, meaning they were supposed to share their time between the high-end and the mid-market in China.

However, in 2010, much of middle management still did not incorporate the variations in their daily works. Instead, they followed old paths of prioritizing high-end projects.

> What do you start with, to lower costs (mid-market) or to resolve a problem with the angle that you wish to reach with this new drill [high-end market]. In the end, they wait with China and dedicate only the last ten percentages on that. As long as you share the people, they will be pulled in this direction and not in the other. (Global BLM, Sweden, 2010)

> – [Interviewer] That which is getting prioritized is the development of the new [advanced] product?
> – That is how I see it.
> – [Interviewer] And why is that? Does it have to do with business culture?
> – That is easy to say, and it is probably partly the truth. I believe we are a very engineering focused company; what is fun is to take on difficult challenges that you have to solve, the technical part, not to reduce cost by twenty percent. It has to be translated into a technical challenge before you take it on whole-hearted. I see that really clearly in some instances. (Global BLM, Sweden, 2010)

The dedication towards the high-end was especially apparent among managers in the technical functions. “I think ... [VP Marketing, Sweden] was most positive in the beginning, and Production and R&D were more hesitant” (GM Sales, China 2010), and this attitude permeated the whole organization in Örebro.

One manager described that behaviours protecting high-end practices were reinforced when some of the top managers gave signals to keep the focus on high-end projects.

> It is a management issue. How important is it for he who is responsible for the resources, how important is China?! […] some things they find more interesting than other things. (Global BLM, Sweden, 2010)
You are sitting there as a design engineer and you get as a task to support China. But you also get the task to be included in that other project as well. Then you notice that your boss is very interested in that other project. (Global BLM, Sweden, 2010)

The signals are subtle and not necessarily deliberate, even if they can be, and they are only signals rather than part of an outspoken formal strategy.

It is not that he [manager in charge] has to tell you that “now you should focus on this!” He can tell you that now you work fifty percent with China and fifty percent with the Swedish project. Then the manager is talking warmly about all the possibilities with the Swedish project. Then you go back to your room to start figuring something out. Well, then you’ll start with the Swedish project […] Then you never arrive to the Chinese project because this [Swedish project] feels urgent. “My manager has been talking a lot about this!” That is what I mean, that this is a management issue. (Global BLM, Sweden, 2010)

9.4 Selecting new routines in Örebro

Some of the higher level managers in Atlas Sweden (the corporate VP, VP Marketing, and VP Purchasing, among others) now imposed some changes with the aim to select new routines and increase the mid-market focus in the organization. The managers wanted to make managers in Örebro more aware of the situation in China. They hoped to change the attitudes and increase the commitment to the mid-market. “We tried to create a better focus and to make Sweden aware of the importance of China” (VP Marketing, Sweden, 2009). The corporate VP felt that China was important and that China required the organization to make some changes. “To stay in China you are forced to develop in a certain direction” (VP Atlas, Sweden, 2009)

The product manager reduced the amount of shared resources, and instead made the middle management responsible over all of China by making them so-called dedicated resources. “If you put all of the China job on a guy he must find solutions to the problems if he wants to continue to work in this function, otherwise he will not” (Global BLM, Sweden, 2010)

The managers also established direct links between the lower-level managers in Sweden and in China. The links were intended to initiate new routines in which middle-managers from China and Sweden could have direct phone communication.

A decision was also made to place an expat permanently in Nanjing China. In this position, they put the previous purchaser for the localization project, who now became a Project Leader and, later, Operations Manager with oversight of production.
The managers also started to organize Atlas China so that it would reflect the organization in Örebro by using the same hierarchical system, titles, and roles as in Sweden. This was done in order to create recognition and thus also interaction between the organizations. The managers in that way hoped to increase knowledge in Örebro about the local operations. The aim was also to make it easier for Örebro to overview and control the operation in China.

Efforts were also made in 2010 to modernize Atlas China’s product company, by making it grow substantially. To help with the modernization, a new General Manager was recruited in 2007, who had a background in marketing, as opposed to the previous manager, who was an engineer. The product company was a holdover from earlier days when the organization was focused on the high-end mature market with state-owned players, and when it had been engaged as a Joint Venture with a state-owned company. At that time, Atlas China was not attempting to grow in the same way, and the product company was made for keeping business rather than for growing it. The corporate VP now gave the new GM the goal to grow.

VP Marketing moreover moved decision making down in the hierarchy, closer to the market. He set up a new local committee in Nanjing for the product company. The committee involved lower-level managers from both China and Örebro and VP Marketing was the head. A new business board was also set up for Sales and Service.

Also, a new divisional president was recruited in 2010. It has been described that he brought in a new positive attitude towards growth in China. The new President further re-arranged the organization.

– When [divisional president] came in he changed some of the divisional management, and things started to move faster.
– [Interviewer] So [the new divisional president] came in 2010, who did he appoint?
– New marketing manager, new design and development manager.
– [Interviewer] So after 2010 different persons were involved in the discussion [about China]?
– Yes.
– [Interviewer] And a new attitude?
– Yes. (GM Sales, China, 2012)

The managers who introduced the new internal routines wanted the changes to lead to an increased focus and enthusiasm towards China in Örebro. The management group travelled to Nanjing in 2010 to increase interaction further. Marketing and Production now initiated a rotation program, and managers in Örebro started to receive technicians from Atlas China.

Later the same year, the board of the newly-modernized product company decided to start producing a smaller Boomer exclusively for a lower market segment. “We designed a product portfolio to fit the mid-market
and we have our own China product portfolio brand up to 2014 to mainly focus on this range of products” (GM Sales, China, 2012).

In retrospect, one manager from China reflected on why the change came so late. The challenge in changing old ways of thinking was pointed out as one reason, and the challenge to make Örebro aware of the situation in China as another.

– [Interviewer]…why didn’t they [Örebro]) approve this five years ago?
– People have a routine way of thinking and it’s quite a challenge to accept another idea before really seeing the necessity. (Mid-market manager, China, 2012)

The development of the Product Company of Atlas China and the new local R&D illustrate how managers perceived a need to break free from existing structures of experiences residing in Örebro. Managers found that previous experience with international expansion was now, to a large extent, obsolete. The managers instead needed to build new experiences on how to deal with the mid-market establishment, separate from the involvement of old knowledge structures and behavioural paths.

That’s how I feel, that China is a complete unique case, because there are a lot of things... for me it’s starting from scratch basically. (BLM East Asia, Sweden, 2010)

– [Interviewer] Do you think people have been able to use their previous experience from international expansions when establishing business in the mid-market China, or have people been trying to build new [experiences] onsite?
– It feels for me like you [the organization] have started from zero and are trying to build onsite. (R&D Manager, Sweden, 2010)

9.5 Customers protecting existing routines and Atlas China finding a need to change

At the same time that managers in Örebro struggled with adapting the routines to the market, the sales managers in Atlas China faced a similar problem from market actors who also wanted to preserve existing procedures. By the end of 2010, one smaller mid-level drill-rig was out in the market, and another simpler Boomer was under development. However, despite the changes, the sales organization did not feel that the mid-market was profitable enough and the market entry seemed to go slow.

Among other things, Atlas found it hard to introduce new methods of excavation to the owners. “The people are stable and they are used to the [old] way of doing business” (Marketing manager, China, 2011). The in-
dustry was described as conservative and the market was also characterized by stability: mining often required long-term planning and the same persons often stayed in their positions for a long time. Many mine owners and other mining staff therefore had a certain way of thinking, which protected old methods and that seemed hard to change. “The mind is difficult to change for many owners” (Technical manager, China, 2011).

Often, a steady production was more appreciated than novel methods, and many miners in the low-end preferred to continue to work as had always been doing, with hand-held equipment. “Some customers simply don’t want to expand their production but are satisfied” (BLM, China, 2010)

The introduction of the new methods was therefore challenging. “It is a process to get them to use the machines and it takes time to change” (KAM, China, 2011). To understand the benefits of mechanization the miners would have to change their ways of thinking. “So today we do a lot of work to try to make them think in more long term” (GM Sales, China, 2010).

As the machines required larger initial investments than the hand-held equipment, the benefits had to be calculated in a different way, namely in a longer run. However, since the miners lacked experience from mechanization it could be challenging to evaluate its potential benefits with mechanization. “They didn’t do the calculation, day after day we spend time talking to them” (BLM, China, 2011). Atlas’ managers therefore often met the attitude that mechanization would be a too risky. “With changed methods you take a risk things will not work as well as before” (KAM, China, 2011).

[The miners] that are changing from relatively primitive [methods] may not be able to accept the state of our technology. They still have some speculation that ‘this does not fit me. I don’t have that knowledge, so...’ (GM Sales, China, 2010)

9.5 1 Why such complicated routines?

Many of Atlas’ existing routines on how to do business were problematic for the small mines. Their work was organized for small scale production, but Atlas’ routines were developed for large mines.

The large investments required to purchase the machines were only one problem. Another problem was how to organize the work. The construction teams were only contracted for limited periods of time and could therefore jump from one mine to the other, or even work in between the mines.

On the other hand, the teams did not want to pay for training to use the machines since their next job could require hand-held drilling instead. “It’s understandable, if the sub-contractor has a contract that is very short and they don’t know what will happen afterwards its risky...” (GM Sales, Chi-
The excavation teams therefore often had a short-term perspective on the mining process.

It is much more difficult to change the minds of the construction teams that often want to continue to work [...] the way they always have been working – with hand-held. (KAM, China, 2011)

Many customers also perceived that the purchase process was problematic. Atlas’ organization mirrored high-end customers, with departments of specialized functions.

This structure we say is our global structure, but we believe it is only good for our large customers. They have different departments, even different companies... totally different people handling different steps. (GM Sales, China, 2010)

Managers from Atlas had contact with people from the same hierarchical level and function in the customer’s organization, and all functions were involved in a purchase. “For the big key customer, they have equipment purchasing, part purchasing, R&D purchasing, maybe service operations department as well, so different faces is ok, they can accept” (Marketing manager, China, 2011).

However, for the mid-market customer, the selling process was long and complicated. The mid-market customer’s organization was small. Instead of being responsible for a single function, one person was often responsible for all functions in the purchasing process. “The middle and small sized customers have very simple organizations, only one boss and only one mining manager takes care of everything. With so many faces it is not so good” (Marketing manager, China, 2011).

But the mid-market customer would need to talk to up to five different persons from the seller, for five functions, even if they only wanted to buy a single machine.

If they want service they go to the service department, if they want rock tools they will go to the rock tool division. And the customer thinks why does only one unit have to be so complicated. (Marketing manager, China, 2011)

The complicated sales process made the customer frustrated. “[...] the small persons will ask AC to go to hell; they need a one-stop shop” (Mid-market manager, China, 2012).

Moreover, sometimes the delivery time to the customer was long. It could take long time to get machine parts sent over from Sweden to China. Especially, if there was something wrong with the shipment, the machine could be delayed up to several months to the customer.
9.5 2 Hard to reach the customers

Yet another problem was that Atlas’ existing routines were based on an outdated geographical organization. As the large state-owned mines were few and concentrated, Atlas’ organization was also geographically concentrated in the areas in which the high-end customers operated. Most sales activities were arranged in these areas.

In 2010 many sales activities were for example organized in the Sanxi province, the same province where the successful MingLi mine operated. At the time of the interview with Atlas sales managers, two mines had been approached in the Sanxi province a couple of days earlier, namely YenJi, and TieXang, and due to the success with MingLi, a larger gathering was planned with potential customers from the area.

However, there were many more mid-market customers than high-end customers, and these mid-market customers were spread out all over China, often in remote areas. Atlas’ organization was too small to cover the mid-market mines. As it was now it could take days for a sales person to reach a mine. It was therefore problematic to quickly get spare parts and service to the customers. “China is a country with such vast areas, like Europe in size, so it’s not possible to copy the approach in other markets” (Mid-market manager, China 2012). The customers found the distance costly.

I believe it is taking too long to get spare parts delivered. Today it takes three days. This means less production during the days the machine is standing still. We would appreciate a spare parts warehouse in the area and access to technicians so problems can be solved immediately. (MingLi Mining Manager, China, 2010)

![Figure 9.1: The mid-market mines are often located in remote areas. On the way to a mid-market mine, China 2012](image)
Since it required many resources from Atlas to identify and reach the mid-market customer and since the customer often bought quite small quantities, the business was sometimes costly.

– Some only buy one unit, only sometimes together with service [...] If they would buy everything from us it’s not costly.
– [Interviewer] So today it’s costly?
– Today it may be costly. ((BLM, China, 2010))

We have observed a lot of construction companies in the past, they sell direct. But the direct sales, we couldn’t afford to have sales in every corner of China. (Marketing Manager, China, 2012)

The General Manager felt something needed to be done. “[…] we think that for the last 5 years we are quite good for big customers, but for the small and mid-range, our cover and service is not enough” (Marketing manager, China, 2011)

To resolve the problem, the General Manager in 2010 proposed to make a re-organization so that the sales company could create new routines on how to reach and serve customers. The GM proposed a separate mid-market sales force to exist alongside the old one, which would be a more absolute high-end organization.

We maintain and let them [old sales organization] even more focus on large customers. Then we create a new department, we call area sales, so these people are responsible for geographical areas… for all MR [Mining and Rock] products. (GM Sales, China, 2010)

Another problem that was hoped to be resolved by a new sales organization was the lack of knowledge about the mid-market. Despite a business intelligence function that previously been developed in Atlas China (see the section on the strategy process), it had turned out to be hard to understand the scattered and complex mid-market.

Due to scarce resources, much work in the business intelligence function was ad-hoc and not very strategic. Little information had so far been gathered. “Most studies have so far been ad-hoc studies because we have been lacking resources to provide a particular business line with systematic detailed studies” (Marketing manager, China, 2011)

When the organization got more resources, the Marketing Manager in Atlas China found that it was still complicated to study customer behaviours in the complex and scattered market. It was too hard to identify the customers. The Marketing Manager therefore contracted an external Indian research company to help. However, despite a whole team working on it, six months later the external consultants had still not succeeded in completing the study. The result so far was that “[t]he marketing function still has..."
very limited knowledge regarding the handheld [low-end]” (Marketing manager, China, 2011)

9.6 Selecting new routines for making sales

In 2011 when China got its first own Design and Development unit, the organization could increase the routine adaptation and technological fit to the market.

Development of the new local organization also changed the routines between Sweden and China. The local R&D made the Chinese organization more autonomous and able to act on variations from the market and to select new routines without involvement from Örebro. The change was seen as a break with historical paths.

Historically they [Örebro] have looked at the global demand because they have to […] make the investment to pay off. But nowadays there is more focus on the China market, so there is a possibility to produce some China specific product. (Marketing manager, China, 2011)

A new sales organization was developed alongside the old, as an attempt to improve the routines with the customers. While the old high-end organization would be more geographically concentrated, the new mid-market organization had a wider geographical spread thanks to a new distribution network.

With this distribution network, Atlas would get a physical presence in each of China’s 31 provinces. The sales organization hoped that the new network would increase the reach to mid-market customers, and that the new business procedures would fit the mid-market better.

For the China market we want to have fast growth, distribution is a must. (Marketing manager, China, 2012)

The hope is that, with small market reach, the customers will automatically come to us asking for equipment. (Mid-market manager, China, 2012)

Atlas managers hoped that the business would be more profitable.

If we have a dealer [distributor] who has four mines close by and that only is buying one unit, we still can make money. (BLM, China, 2011)

Moreover, while the high-end organization had more technically specialized managers involved in the sales process, the new mid-market organization would be less complex.

In order to separate the two sales organizations, the managers looked at the organizational complexity of the customers’ organizations. If a custom-
er’s organization was large and complex, it belonged to the high-end, otherwise to the mid-market.

If the customers have a complex organization and different functions, and have activities over different regions, then they are [belong to] Key Account Managers [old organization]. So it has to do with their organizational structure, not with sales. (GM sales, China, 2012)

While the old Key Account managers would maintain relationships exclusively with high-end customers, the new distribution network would focus on reach and growth.

A first tier of distributors would have a more fully fledged assortment of spare parts, and a second tier would reached out to more remote areas, focusing only on sales. All distributors would also have to dedicate themselves to Atlas and could not sell any products from competitors.

![Figure 9.2: In the distributor's shop all interior is standardized according to Atlas principles and the distributors are dedicated to Atlas only. Inside a distributors shop in Hefei, 2011](image)

This was a completely new way of doing business for the division. “I am the pioneer of Atlas, [...] we cannot say no to the future” (Mid-market manager, China, 2012)

The change would give Atlas sales managers the new roles of supporting and supplying the distributors instead of the mines.

They will appear more like a consultant in the future. That’s in my mind. (Marketing manager, China, 2011)

If some customers have some questions the sales team will come together with distributors to answer those questions. To have them solve problems. (Marketing manager, China, 2011)
The sales persons also had a new commission-based incentive system that encouraged the sales managers to make faster sales.

The business line [old sales] has a fixed salary that accounts for a big part of the salary, but the NST [mid-market sales organization] […] has low based salary but no limit for the commission. So they have the whole motivation to sell more. (Mid-market manager, China, 2012)

9.7 Protecting existing routines in Atlas China from change

Despite the routine changes, in 2012 the market entry was still going slowly. Several of the managers from the old sales organization did not appreciate the new routines of the new mid-market sales organization. The managers in the new organization had a lower degree of specialization and technical competence. “The Business Line is much more professional than the National Sales Team [mid-market sales organization]” (Sales engineer, China, 2011).

Managers from the old organization felt that the new market did not symbolize what Atlas historically had been standing for: sophisticated products and a high technical competence. “At the very beginning people have a lot of doubt if it is the way to go” (Mid-market manager, China, 2012).

The old sales managers feared that the new organization would fail to provide advanced solutions to its customers and to other market actors such as people in government organizations.

Right now the company is just recruiting people without thinking about their skills. People that sell machines, they have to be skilled enough to be able to approach high level people in society. (Sales engineer, China, 2011)

The managers should be more professional […] They should know the applications and have good industry knowledge, they should know the customer demand. (Sales engineer, China, 2011)

The old organization also believed it took too much effort to train the new organization.

According to my experience, to teach a new salesman it takes at least one and a half years, but in the Business Line we have experienced salesmen; we can teach the new salesmen quickly and the new ones will become good quickly. (Technical engineer, China, 2011)

The old organization continued to work according to its old routines, which led to old sales managers still considering both the mid-market and high-
end as their market, just as in the old days. “It was quite a challenge in the beginning. People are used to working like we did in the past” (Mid-market manager, China, 2012). This led to some confusion among customers and within Atlas China.

Except for this confusion, by 2012 the market entry had come far due to all the routine changes the organization had gone through. In 2012 the corporate VP had also been living in Shanghai for about one year as a way to learn more about the market. The move was also as an important statement to the organization that China was important.

The entry had proceeded successfully, albeit slowly. However, despite all changes the organization had gone through, in 2012 it was still hard to say anything with certainty about the future development of the entry in the quickly changing and complex mid-market.
Chapter 10: The political process of Atlas/URE’s internationalization

This chapter describes how managers act politically in order to control commitment and resource allocation to the mid-market. Two short tables summarizes the political process perspective (Table 10.1) and show the steps that are attributable to the political process perspective (Table 10.2). The steps of the political process will be described in the subsequent sections of this chapter.

Table 10.1: Summary of the political process

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<th>Political process</th>
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</tr>
<tr>
<td>Focus of analysis</td>
<td>Political behaviours and the use of power in social relationships</td>
</tr>
<tr>
<td>Perspective/level of analysis</td>
<td>Purposeful, self-interests, conflicting logics. Formal / informal.</td>
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</tbody>
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Table 10.2: The episodes of the main case and the political process

<table>
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<th>Episodes of the main case</th>
<th>Political process</th>
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<td>1. The coercive power is found in Orebro</td>
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<td>7. Market entered but still a large amount of uncertainty (2012)</td>
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10.1 The cohesive power is found in Örebro

In 2005, when the VP of Marketing came back from China to present the business opportunity in the mid-market, not many persons were protesting against dedicating some resources to the project. For some years, Atlas proceeded as usual with a focus on high-end global markets, and a smaller dedication to the new project of entering the mid-market.

10.1.1 Growing resistance in Örebro to the mid-market

The localization project started in 2007, and at the same time, a request came from Atlas China that they wanted a new drill rig especially for their market. China started to come up more frequently under the board meetings at Atlas Sweden (VPs and Presidents).

The management group in Atlas Sweden did however not agree on how to proceed with the project. Production and R&D together with the divisional President wanted to put the development of a China rig on hold, and instead proceed carefully, while managers from marketing were more positive to the idea of dedicating more resources to the mid-market.

The economic crisis hit the organization in 2008, and Örebro was forced to lay off 280 people. This period was a sensitive one for managers in Örebro who intensely discussed how many people should be let go from each function.

One manager has described this period as emotional. It provoked people that resources had been allocated to China and that a new factory recently had been built in Nanjing, at the same time that jobs were lost in Sweden. People felt that China in the future could be a threat to even more jobs in Sweden.

It [the mid-market] is very exciting and relevant, [but] people feel it is a threat. In Sweden people are scared that they would need to quit their jobs if things are moved over to China. (Global BLM, Sweden, 2010)

They believe that Nanjing will take their jobs. (Global BLM, Sweden, 2010)

10.1.2 Decision making power concentrated at a high level

At the same time, managers in Atlas China felt they did not get enough resources. The Chinese managers regretted they could not develop their own products. They felt restrained in acting in the mid-market due to their lack of decision-making power.

The formal power to decide on commitments instead seemed at the time to have been found high up in the hierarchy in Örebro (“[...] the cohesive power is found in Örebro (OM, China, 2010)”), even though higher level
managers in the interviews often assert that the organization was decentralized. “The company is decentralized and dispersed, but the sales companies cannot themselves try to develop some product” (President URE, Sweden, 2009). Decisions concerning investments to the mid-market were for example taken by the VPs and the president of the division. Atlas China depended on VPs to get its decisions sanctioned.

The company is actually centralized in the way that the local decision-making power is found at the divisional level, in other words, at a pretty high level. (President URE, Sweden, 2009)

Chinese managers also seemed to depend on managers at lower levels in the functions in Örebro to coordinate activities and to carry out different tasks.

We don’t have subsidiaries that can develop their own products, it would not be profitable. To develop many of the products you need resources that are so large that it wouldn’t be sustainable if everyone develops in different places, but we need coordination. (President URE, Sweden, 2009)

10.1.3 Large amounts of informal power in Örebro

Several interviewees described how managers at lower levels in Örebro possessed much informal power, especially among the technical and knowledge-intensive functions like R&D, Production, and After Market. Interviewees describing that these “strong forces” had quite a lot of say in decision-making (as will be shown later in the chapter).

Many of the managers in Örebro had also stayed in the company for a long time and had over time gained much influence in the decision making process. One manager who had good insight into both Atlas Sweden and Atlas China indicated the influence of the lower level management by expressing the how important it was to get these managers onboard on a decision. These managers could hinder a decision, even against the will of some higher-level management.

It’s not only about getting top management onboard, but also important persons in the organization, because if someone is obstructive it is not possible. (OM, China, 2010)

Certain managers who had previously been skeptical about the mid-market now openly stated that they did not want further resources to be dedicated. These managers presented an argument that it was not possible to develop a new machine at that time.
10.2 Resistance in Örebro to resource allocation to the mid-market

In the third episode, competitors were starting to pop up and the Chinese managers were afraid that the window of opportunity would close.

10.2.1 Pushing for the mid-market

The GM sales tried to push harder for developing a new mid-market rig. The GM asked for resources from Örebro to drive this project, and for more personnel to work on the entry. “The Chinese are very optimistic and happy, we have to invest” (Global BLM, Sweden, 2010).

The period between 2008 and 2010 was characterized by increased polarization between actors, especially in Örebro and between managers in Örebro and Atlas China. As the resistance to China became more explicit, managers from Atlas China started to push more for the mid-market. It has been described that, during the period, people pushed and pulled in different directions to get what they want. "It is a very hot project where everyone is there to push and pull: ‘I want this because it is good for me’." (Global BLM, Sweden, 2010).

During this time it became clearer who was for or against the mid-market. People from purchasing and marketing, especially some at higher levels, were among the earliest ones dedicated to the mid-market. They were traveling to China, and they had frequent contact with their Chinese colleagues.

Purchasing has invested; they have realized that this is a giant opportunity. They were there and made even sure that one of their persons was put in China because they saw that “we can learn something from this”. And marketing was even there before the factory was there. (Global BLM, Sweden, 2010)

People from marketing in 2009 tried to take action to try to find solutions to the resistance to the mid-market. “We in marketing are like the spider in this web that will try to find the best solutions and roll it out in this mess” (Global BLM, Sweden, 2010). Together with purchasing, they tried to involve their Chinese colleagues more in Örebro’s strategic discussions.

To increase the China focus, in 2009 the Vice President of Atlas told the Vice Presidents of the business and the divisional president in Atlas Sweden that they had to make China a part of an official strategic long term plan. He also asked for higher immediate commitment to the mid-market.

In 2010 the VP launched a new official strategy in which growth in China was a high strategic priority. As Atlas China grew it was also supposed to be increasingly integrated into Örebro’s operations. “Now, when
an organization is starting to be created there [China], it was obvious that they would be a part of our organization” (Global BLM, Sweden, 2010).

10.2.2 Resistance to the new mid-market strategy

Despite the mid-market now supposedly being a part of a prioritized official strategy, the resistance to the mid-market had instead increased. It now became clearer who was against allocating to the mid-market and who was not.

Resistance could be found in all hierarchical levels, but several interviewees have described that especially Production, Research and Development, and After Market acted obstructively.

– [Interviewer] What managerial level do we find these problems at?
– It is probably divided. It is Aftermarket, Construction, that not have taken responsibility or felt responsible for that business […] In After Market the interest is almost nonexistent. In Technical it is under protest; you do it because you’ve been told to. But you have not taken on the task with a ‘wow, this we will do something about!’ (BLM, Sweden, 2010)

But even within marketing some people were skeptical, especially at lower levels.

Earlier we had persons within [Global BLM’s] organization [i.e. Marketing] that were opposing this. ‘We don’t deal with these things, we always do better machines, not simpler, it is for reactionaries.’ (OM Production, China, 2010)

The reasons for the resistance also became more visible. The low commitment to China did not only come from lack of trust or interest in developing simple products, nor did it come only from the fear about losing jobs, as earlier had been stated. One additional perceived problem was that the managers doubted Nanjing’s capabilities to develop high quality products. Another fear was that they would lose technical know-how to competitors if they developed a local R&D. Still others expressed a general kind of skepticism, as the quote illustrates.

Let us say like this; today there is a lot of talk about it [the mid-market], what will come. We have not seen that yet, there are no huge changes yet. So far it is probably mainly plans. (VP Service, Sweden, 2010)

This resistance has also been described as driven by control. “Their behaviour was driven by a need to control more than to manage” (Global BLM, Sweden, 2010). This need has been confirmed by the critics themselves, who felt that rigorous control was good for the development. “Yes, it is
both [careful investments and control]. I would say that we have let go of the control in extremely small steps to China” (VP Service, Sweden, 2010).

10.2.3 “Slowly, slowly, but safe”

In Atlas Sweden, the resistance was manifested in different ways. At high levels in Örebro, managers gave informal signals to their organizations that China was not important.

On Vice President level, it is all about what signals you give. It is not what you say but how you act. (Global BLM, Sweden, 2010)

If you take on a project with enthusiasm, but in another you don’t dedicate more time than officially announcing it as a part of our plans, the result will be thereafter everyone feels that this project is not so good. (Global BLM, Sweden, 2010)

Moreover, managers did not take initiatives to support cooperation. “From our side, we have not sent anyone” (VP Service, Sweden, 2010).

If the manager is not signaling that this is also important, if the manager is not traveling there and is not present and does not get involved, it [mid-market China] becomes marginalized. (Global BLM, Sweden, 2010)

Managers also pushed for a slow investment strategy. In particular, managers from Production, Research and Development, and After Market felt it was right to progress slowly despite quick development in China.

- We have taken very small careful steps.
- [Interviewer] But you moved over production?!
- Yes, but in very small steps. That has been deliberately not to go to a dead-end, but to take one step at the time. Slowly, slowly, but safe, that is the way I’d like to describe the strategy. […] (VP Service, Sweden, 2010)

- [Interviewer] How small steps can you take? China is fast growing, relatively speaking!
- Yes (laughter), it depends on how fast you want to grow […] I think it has worked well with the small steps we have taken. I don’t know how small steps you can take, as small as you like I suppose. (VP Service, Sweden, 2010)

At lower levels resistance was instead manifested by the lack of hands-on time. “[…] far down in the managerial level, [it is about] how you delegate or organize your work” (Global BLM, Sweden, 2010). Technical experts at lower levels also used their roles as experts to show the disad-
vantages of the mid-market, and thereby could control resource distribution to the market.

Attempts to increase the coordination between Atlas Sweden and China were blocked, such as a rotation program that the VP Marketing together with the global product manager tried to initiate in 2009. Chinese and Swedish managers could learn more about each other’s operations, but managers from Örebro made sure it was put on hold.

We tried to get Sweden onboard so Chinese could be in place (in Sweden)… But very strong forces within the technical organization made sure that you took advantage of time-to-market as a reason not to do it, how quickly we could develop the machine. (Manager Production, China, 2010)

The cost was not important ‘We don’t have time with Chinese in the project who don’t know anything!’ They succeeded, something that many today regret. (Manager Production, China, 2010)

10.2.4 Using technical expertise as a tool for political behaviours

The proposals from China about more resources to new and existing projects were often turned down.

The local unit felt they needed resources for R&D training, and local independence in decision-making, so they sent requests to Sweden, but felt they were not prioritized nor got the resources they needed. (BLM Sales, China, 2010)

In Örebro managers referred to poorly written proposals as an argument for not acting on the proposals. In light of that, proponents in Örebro worked on improving the proposals so that arguments could be avoided. For example, after the expat came in 2008, he helped his Chinese colleagues in Production to write good proposals. “They have been applying for resources to develop products, but only the last one and a half to two years ago with [OM, Production] in place” (Global BLM, Sweden, 2010). The VP of Marketing also helped the GM production with communication. The organization could as a result increase the rate and quality of proposals.

Then, instead, people from Örebro started to argue that quality aspects were problematic, using their roles as technical experts to hinder the project.

I think they had ambitions locally in China, they wanted to launch things. So they initiated things, and then you got questioned on the quality and ‘what are you doing?’ And is this working? ‘You cannot do like this!’ (Global BLM, Sweden 2010)
The mid-market proponents felt the skepticism was used as a strategy to block the Chinese. “They were there to break, ‘what is this?!’ [Swedish managers tell Chinese colleagues]” (Global BLM, Sweden, 2010). “They had been pretty hard on the Chinese, they didn’t accept anything” (Global BLM, Sweden, 2010).

The highly technical functions in Örebro especially did not approve of the technical aspects of the proposals. “I would say that they questioned material on quality and design, it is close at hand that technique and construction questioned whether or not they did right. It was very high demands” (Global BLM, Sweden, 2010).

Some respondents have described how the demands on the technical quality of the Chinese products were higher than for products developed elsewhere. “You wouldn’t go about in China if it wasn’t top notch, for the reputation, et cetera” (Global BLM, Sweden, 2010). Extra quality checks were made, and controls were conducted.

But the expat in China testified to the high quality of the things being developed in China, and he felt that extra controls were not at all necessary. This notion was supported by some managers in Örebro. “They improved significantly and achieved quality levels that were better than Örebro. There was no reason to question the quality and have extra controls” (Global BLM, Sweden, 2010).

It has also been described that the criticism and rejections of the Chinese projects often came late, at a stage when the Chinese already had reached far in their project. “It did not come right away but after a while through quality controls” (Global BLM, Sweden, 2010).

People also tried to discourage the Chinese by not providing them with solutions to the problems, or with running support.

They did not on the other hand say, ‘we think you should do like this’ and ‘why is this not proceeding?’ And a month later ‘how is it going now? Are you up and running?’ (Global BLM, Sweden, 2010)

10.2.5 Everything goes slower, everything becomes complicated

Despite the new official strategy to further integrate the Chinese in the operations in Örebro, the organizations were in reality far from being assimilated.

On the paper they are supposed to be an integrated part of our organization. They are supposed to be well integrated into our projects in Örebro, but it is going slow and does not always work. (Global BLM, Sweden, 2010)
If you look at construction, they are an organization of their own, they are not an obvious part of the construction we have here. (Global BLM, Sweden, 2010)

The Chinese managers saw their proposals get turned down, and saw many replies from Atlas Sweden come late. People have also witnessed that resources never reached Atlas China, in contrast to the formal decisions to put more resources into China. One example is the product company that felt it did not get the resources it had been promised for the localization project. “If you ask [OM Production] they have not gotten resources from construction, from technique, to drive their projects forward” (Global BLM, Sweden, 2010).

The resistance made it difficult for managers to drive the projects forward. It was hard to act on problems, to dedicate resources, and to develop technology necessary for the market. This made the process run slowly.

– [Interviewer] How has that [the lack of responsibility] affected you?
– Well, everything goes slower, everything takes time, becomes complicated. (Global BLM, Sweden, 2010)

10.3 Resolving political tensions in Örebro

In Örebro, managers who believed in the mid-market business opportunity saw that attempts to act were being blocked, for both Atlas Sweden and Atlas China. In China managers felt they were not prioritized, contrary to official strategy. “When you are at the top list you naturally get a lot of attention... But we are not at the top of any list” (GM Production, China, 2010).

10.3 1 Seeking attention

Management in Atlas China was starting to get frustrated that they could not act on the mid-market opportunity. “The local Chinese unit felt frustration because they saw signals from the low-end market that there was a possibility to help the mines to grow” (Global BLM, Sweden, 2010).

Chinese managers now started to behave pro-actively to get more attention. Some respondents witnessed the Chinese managers from production and sales starting to synchronize their reports to make the mid-market look more appealing, instead of providing one independent report on estimated market potential, and one on estimated production capacity.

In 2010, the GM of Sales increased the activities to collect more market information from market intelligence so that he would have more material that could provoke attention from Örebro. The management in China now
felt they had been collecting good arguments for getting necessary re-

resources to make the desired changes. “So we think we have strong argu-

ments to support that” (Marketing manager, China, 2011).

10.3.2 Using informal links to reach the top of the corporation

The expat in China, who knew both the organization in Örebro and China quite well by now, started to target persons in Örebro that he knew could support Chinas cause, instead of reporting through formal channels. He also targeted persons who were in direct contact with managers at the highest levels in Atlas. Among other things, the manager reported about problems in getting resources. According to several respondents, this action has been described as important for how the process later developed.

Persons that have been working here many years have a lot of power. It is therefore important that we have people from Sweden that sit here, so you know who to talk to, talk informally. (OM Production, China, 2010)

In this way the expat could go around skeptics who had the power to block the project, and he could instead reach levels as high as the Corporate Vice President of the corporation with the division’s problem. “Well, in the end, ... [corporate VP] also hears that they [China] does not get attention” (Global BLM, Sweden, 2010).

The corporate VP had earlier proclaimed that China was a high priority, and he had even developed a China strategy, so when he heard about the systematic and ongoing obstructive behaviours, his reaction was strong. “It was probably in March, April of this year [2010] when they [top corporate management] started to feel they’d had enough” (Global BLM, Sweden, 2010).

The Corporate VP now talked to all of the functional Vice Presidents in Örebro. In the conversation he sharpened his tone substantially and several respondents have described it as if the corporate VP’s instructions now carried disguised threats.

[VP Atlas] made clear to everyone that things had to move much faster. I don’t think anyone dared to oppose. (OM Production, China, 2010)

– [Interviewer] Have the President and [corporate VP] acted in any special way to make it go faster?
– Yes I think so, they [top corporate management] almost sometimes gave disguised threats. (Global BLM, Sweden, 2010)

I don’t think anyone has now missed that China is a priority. (OM Production, China, 2010)
10.3.3 Strengthening Atlas China’s position in the organization

The VP of Atlas now started to recruit people who from the start would work for the cause to support China. For example, when the new divisional President for URE was employed in 2010, he was given the mission to expand in China from the very beginning.

The corporate VP also gave the Chinese organization the status of a sister organization, on the same hierarchical level as Örebro.

People now had more contact with their Chinese colleagues, and Örebro employees got more responsibility to make sure China was growing. These things made it harder to block resources.

In the next management meeting, both the decision to develop a special mid-market product, and to develop a largely independent R&D and production unit, were accepted.

The corporate VP and mid-market proponents in Örebro now also decided to give increased autonomy to the Chinese organization. If Atlas China could make decisions itself and not have to go through Örebro, it would have much more flexibility and the entry could proceed faster. The proponents therefore pushed for a solution in which China would get its own independent R&D and production function.

I think it is more serious that what people like to think, let them free […], let the Product Company do what they have to without the involvement of Örebro […]. It does not have to be anchored with Örebro, it does not have to be controlled and managed by Örebro. (Global BLM, Sweden, 2010)

10.4 Resistance in the market to mechanization

10.4.1 Resistance in customer’s organizations

Sales activities in the mid-level market intensified at the end of 2010, and Atlas China was now better equipped with a rig appropriate for the mid-market rig. At this time, a new type of resistance was both triggered and exposed. This resistance was especially found at lower hierarchical levels within the mines.

Despite many mine owners being interested in mechanization, many owners did not want to make the investments required, but instead wanted the independent excavating teams to purchase the new machines. “Today the situation is that some mine owners don’t like to buy the equipment for the sub-contractor; that is a problem” (BLM, China, 2010).

However, the construction teams were not interested in mechanization. The excavation teams usually operated one mine for only a couple of years, and then they started to operate in a new mine under a new employer. The
excavation teams could not know if Atlas’ machines were necessary, or even possible to use, in future operations.

For the excavators to mechanize, they would have to drastically reduce of the number of excavators. With excavation machines, two persons could do the job of twenty hand-held drillers. Mechanization was therefore a threat to the excavators’ jobs.

10.4.2 Excavation teams executing political resistance

When an owner started to push for mechanization, the construction teams often opposed the idea. “You often have conflict between these two groups [mine owner and construction team], especially when it comes to changing methods for working” (Sales engineer, China, 2011).

The mine owner however often depended on the excavation teams. The owners were good business persons, but their technical knowledge was limited, which is why they depended on the knowledge of the excavators. “Often they don’t even bother to visit the mines, and some owners have never been down in their mines, so they have to listen a lot to the team leaders” (Sales engineer, China, 2011).

The excavation teams kept production running, and a stop in production would be costly. It was therefore important for the owner to keep a good relationship with the excavators. The owners often did not have any other choice than to listen to the construction team’s advices, and the advice the contractors gave was to not mechanize.

Atlas’ managers have described that the contractors often used their role as technical experts to argue that there were problematic technical aspects and a loss of value. “If they say the machines not are working well, the owner will consider that in his buying decisions” (Sales engineer, China, 2011).

Due to the owner’s dependence on the teams, Atlas’ attempts to persuade the mine owners to mechanize were often overthrown. In certain situations the mine owner believed the teams, but in other situations the owners, against their will, felt forced to decline Atlas’ offers. For example, the management in one potential customer, Hong Jian mine, in an interview seemed positive to mechanization, but at the same time the management feared unemployment. “We want to use machines but it is a problem with unemployment” (Chief Engineer HongJian, Chian, 2011).

10.4.3 Involving local and central government in the political process

Some owners tried to overcome obstacles caused by the excavators by trying to break the contracts and by firing the teams. But the team leaders
contacted their local government to seek support for their cause, and to hinder mechanization.

Central government’s official policy was to support mechanization (see Chapter 5). However, the relationship between the excavation teams and local governments was often good, since the teams brought jobs into the region. The officials were told that mechanization would lead to large unemployment in their region, something that for local government was troublesome.

Despite central government’s official policy to push for mechanization, local governments did not take much action according to the official regulations. “Regulations are always the same, but how the local government implements the regulations differ” (GM Sales, China, 2011). Instead, local governments resisted central government’s attempt to mechanize. “The trend for the Chinese government [is] pushing for mechanization, but resistance is there” (Mid-market manager, China, 2012).

10.4.4 Central government trying to overcome local government resistance

Atlas sales managers talked to the central government, which now noticed that local governments resisted mechanization. To push further, in 2011 the central government implemented a new policy stating that if nine or more miners should die in an accident, they would have to report the incident to the highest authorities in Beijing. Doing so would be bad for reputation of the mine, as well as for the local authority.

But sources have testified that, as a consequence of the new regulations, the mines stopped reporting casualties and did not get punished by local governments, due to their relationships with those local governments. (It should be noted that this information was given under informal conditions; it has not been recorded and has not been triangulated with other independent actors.) The policies were less effective than the central government had hoped for. “The local government did not to do that [follow the central government’s instructions] so fast” (GM Sales, China, 2011).

To increase support for the mid-market, government officials at the central government now instead tried to include mechanization in their five-year strategic plans. If mechanization were included in these plans the local governments would have to try to reach this goal.

The local governments however resisted the proposal to the degree that the plan had to be postponed. Instead the central government had to settle on only introducing new guidelines.

Central government then changed its strategy to increase support for the mid-market, by turning directly to the mines instead. Central government developed special conditions that the mines had to meet if they wanted to
operate. New licenses were granted only if the safety standards were high, and to meet the standards, the mines needed machines. “They say: you should buy this equipment to do mining, otherwise we won’t give you the license!” (GM Sales, China, 2012).

However, many owners of the iron mines had good relationships with the government, so that they could relatively easily get their licenses granted. These relationships helped the mines to grow into the mid-market, in comparison to for example the coal mines where many owners lacked good government relationships.

The coal mines have a potential but many small mines have closed, they won’t make it to mid-range… The reason for this is that they lack a good relationship with the government. (Marketing manager, China, 2011)

10.4.5 Mine owners with good central government relationships could more easily implement mechanization

The successful mid-market MingLi mine could mechanize thanks to the owner’s power. Before 2008, the mine had a construction team that opposed mechanization and the sales manager did not get anywhere in the discussions with the owner. But in 2008, when the mine changed owners, the mine also got a person with power enough to push for mechanization.

The first thing that enabled mechanization was that the owner made the investment himself. By not involving the construction teams in the purchase process, he could overcome the first obstacle.

Some owners are thinking […] even if I spend some money for the contractor and buy the equipment and I provide this equipment to use it free of charge, I still can make money due to productivity and safety (KAM, China, 2011)

But the construction teams were not happy with the decision. They said they would refuse the mechanization.

The construction teams did not back up the decision, to the contrary they emphasized all negativities with the machines, for example that there was not enough electricity for using machines, although, that could be changed. (KAM, China, 2011)

The owner was powerful enough to counter this resistance. One important reason was his good relationships within the government, both on the local level but also on the central levels as high up as to the central government in Beijing. The owner was a successful businessman and his ten enterprises were good for more than one billion euro (according to interviews, but the
number is not confirmed); some say he even is one of the richest persons in China. The owner was therefore an important person for the government. The owner had also been working in the military, which was why he was connected to the government. When the construction team refused to mechanize, the owner simply fired the excavators without the interference from the local government.

10.4.6 Atlas counteracting the resistance

Atlas’ sales managers now also decided to try to resolve the resistance (which had grown quite strong) by trying to develop strategies for the cause. The mid-market manager now saw the task to overthrow the political resistance as one of his highest priorities.

This is a mission for the area sales team to know where is this resisting customer that is not willing to be upgraded [...] So, the resistance is there and that is one of my missions... (Mid-market manager, China, 2012)

Instead of trying to convince the mine owner who often was under the influence of the excavators, Atlas managers now instead approached lower levels of the organization, or more specifically the top management in the excavating teams, such as the team manager and its chief engineer.

By talking to the excavation teams, Atlas managers hoped to learn more about the resistance, such as who was resisting mechanization, in what way were they acting obstructively, and how the resistance could be counteracted.

In some cases the resistance was so strong that Atlas managers felt it was not a good idea to directly approach the excavators. Atlas’ managers then again tried to talk to the mine owner to discuss ways of overcoming the resistance.

When you meet too much resistance there is no use to try to persuade and go deeper into the contact, but it is better when the possibility arrives to get a new contact persons within the organization. (KAM, China, 2011)

Many owners lacked good governmental relationships like the owner of the MingLi mine enjoyed. To help them mechanize, at the end of 2011, Atlas managers organized a meeting with the central government.

Atlas’ sales engineers tried to convince the authorities to put even more pressure on the local governments, and to influence them with stricter policies. The discussions involved persons from the highest positions in the government and in Atlas China. “If the sales team finds it difficult and they need that, the Chinese always match [the] positions [by having managers from the highest hierarchical level] sitting together” (GM Sales, China, 2011).
However, since the resistance was often found at lower levels in the customer organization, the General Manager encouraged more activities between the sales managers and local government officials. “We felt we had to approach more the local government officials” (KAM, China, 2011).

If you talk about government officials I think it has much to do with central government, but we need to do more on area, provincial or even county government, and local, to tell them about safety. (GM Sales, China, 2011)

The meetings had an effect. Government at both central and local levels became more aware of how Atlas could help them in their goal to increase safety.

After the meetings, at the end of 2011, government officials talked to some smaller private mines and asked them to contact Atlas. Atlas’ managers therefore got invited to meet several new local mines that wanted to mechanize. It seemed like the development in 2011 was on the right track for resolving the tensions against mechanization in the market.

10.5 Resistance in Atlas China to new sales routines
The end of 2010 has been described as the period when China could get almost anything it wanted from Örebro. It was also a time when a new sales organization for the mid-market started to take form.

However, the increased resource allocation to the mid-market, which had allowed changes in the sales organization, triggered yet another political process.

The project would be the most resource demanding so far, including training a whole new sales force. The GM prepared the organization for the change to come. The GM gathered top managers from his main functions, namely from the Business Line Managers, HR, Logistics, Finance, and Administration, in order to prepare them for the change.

10.5 1 Seeking support from the experienced high-end organization
The first thing the GM did was to ask the old sales organization to support the new mid-market organization. By sharing experiences, the organization could get economies of scope and reap benefits from earlier accumulated experiences. “The Business Line [high-end organization] has the responsibility to train the new organization, and they have to do it well because it is a new organization” (Mid-market manager, China, 2012).

Before the sales force was divided, sales managers had almost exclusively handled state-owned customers from the high-end market. Recently,
these managers had started to approach the mid-market. The managers therefore mainly possessed knowledge about the high-end, but also some about the mid-market, which now could be of help to the novice and inexperienced mid-market organization.

The old sales managers could also provide the new organization with references on previous successful cases. "If it is a mid-sized customer that belongs to the key account [high-end organization] is a good reference, why can area sales [mid-market organization] not use it?!" (Mid-market manager, China, 2012).

But above all, the old sales managers had experience from the products and applications and they were all technical experts. In contrast, the new organization had little knowledge about many products, and could have used the technical expertise of the old group.

In MR [business unit] we have a variety of products. It’s difficult for him [mid-market sales manager] to know and master all products very well. Even for me, I only know now... And they have to learn in a very short time (Mid-market manager, China, 2012).

The old organization also had knowledge on who to turn to when problems arose, and how to access necessary resources in the sales or Product Company to solve the problems. "The new sales organization can teach the new salesmen quickly. And the new [people] will become well quickly" (Technical manager, China, 2011).

10.5 2 Smoldering dissatisfaction in the high-end organization

Some concerns were now raised during these discussions. The old sales managers doubted that the new organization would add value to the company and they seemed to fear the change. The General Manager tried to talk to the team “…to let them know they have different goals, a different customer segment, different customer purchase behaviour, but one common goal, growth of MR China” (Mid-market manager, China, 2011).

To meet the skepticism, the GM traveled around in China to attend as many of the local annual sales meetings as possible.

There are some worries about that change […] some different voices from the beginning; we talked for almost one year, [we had] communication. So I have been at almost every meeting of this department selling this idea. (GM Sales, China, 2011)

The old sales managers opposed the idea of engaging in a market with simpler features, similar to how Örebro managers previously resisted the new technology.
Moreover, the old sales organization no longer had a monopoly on the market, but was constrained to dealing only with high-end, large, state-owned customers, which upset the old managers.

Furthermore, the mid-market required resources that the old managers thought could be used to strengthen the existing organization. “According to my opinion I don't think it is good [mid-market]. We should strengthen the business lines” (Technical support, China, 2011).

Sales managers also argued that the new organization could risk diluting the technical expertise of the organization.

The Business Line is much more professional than the National Sales Team […] I don’t think they know the demand today because they do not have a good background in Mining and Rock Excavation […] The managers should be more professional. They should have the knowledge on rock excavation, the BLM. They should know the applications and have good industry knowledge, they should know the customer demand. (Technical support, China, 2011)

The old managers argued that the re-organization had resulted in a loss of business.

10.5 3 Seeking to resolve the tensions, but conflict instead intensified

In order to decrease the tensions, the GM created a customer list that specified where the limit was between the high and low-end. In this way, he hoped the high-end would feel pleased with their territory and not feel threatened. “We know who the key customers are so we have a list; KAM [high-end organization] will only focus on that list. And the rest, if they are new customers they will belong to the new organization” (GM Sales, China, 2010).

But managers from the old sales organization would have to give up customers to the new mid-market organization. Because customers could be transferred between the groups if they changed, sales persons could lose customers in the future.

- Of course customers can change, that is why we will do a yearly adjustment.
- [Interviewer] So that means that you can have a small customer that grows large, and then the customer will be transferred from one organization to the other?
- And vice versa. (GM Sales, China, 2010)
10.5.4 The list however seemed to intensify the conflict.

It is interesting we have two systems. Why two teams? I think we should have one system. It seems our leaders are hesitating; they have not made up their minds to reform from BL [high-end organization] to the NST [mid-market organization]. (Technical support, China, 2011)

The fact that the new organization had an incentive system based on commission, while the old organization had a fixed salary, made the new organization more aggressive. The old organization felt its territory was being intruded upon.

Most of them, they have already started with their aggressive sales, and some of the sales have been identified by the Business Line [high-end organization] as a cross-boundary example. (Marketing manager, China, 2011)

If the NST focuses on small customers it’s ok, but if they focus on the big ones it is a problem. They are not more competitive than our competitors. (Technical support, China, 2011)

The old organization also felt that the job of attracting new customers was taken away from them. Now they would only maintain existing high-end customers. “Nowadays the BL are limited to the large customers, what can you do. It’s all about the listed customers” (Technical manager, Sales China, 2011).

The old managers also feared the new sales organization would fail to attract new customers because its technical knowledge was lower, and growth would be stopped.

No new customer will be allowed to be followed up by the Business Line [old organization], that is a very big problem because the Business Line Managers are very professional. It is much easier for them to get new orders from customers, but it is very difficult for the National Sales Team [new organization], because they are not professional. (Technical support, China, 2011)

The problem is that the development of the MR comes from the orders from the new customers. If we don’t get the new orders from the new customers the competitors will, we should be more competitive. (Technical support, China, 2011)

The mid-market managers however understood the reluctance as a fear of being outperformed. “If the Key Account will be reluctant to run, they will fall behind, and that will make them feel embarrassed” (Mid-market manager, China 2011). The new structure would threaten the old organization. “So you can imagine that some, not all, but some feel threatened by the old
structure, because they are competing” (Mid-market manager, China, 2012).

10.5.5 Accelerating conflict
At the end of 2011, the conflict intensified.

We are nearly haited. [When you] occupy other peoples interests, that will always be sensitive. ‘Me, I was invaded by others, me and my sales men. We have this territory, we have this industry and these customers, this segment, this is mine. Why should I give that out to other people? Especially to a team where someone’s fresh, someone knows nothing. Why? Just because? No! (Mid-market manager, China, 2012)

The mid-market team now felt that the Key Account team started to down-play them. Some managers directly confronted the new sales team, while others used more subtle techniques such as spreading gossip. “Someone strongly oppose, someone oppose quietly, someone was sending rumors, huuuuuuu, huuuu” (Mid-market manager, China, 2012). The behaviour negatively influenced the new manager’s confidence. “Those rumors really hit. For someone who is really new, they listen to everything, they have a lack of confidence” (National Sales Manager, China, 2011).

Managers from the old organization further refused to support the mid-market team, even in opposition to the GM’s official strategy. The experienced sales managers did not provide technical advice, nor did they share knowledge about the market. A technical support from the Key Account group put it like this:

- The Business Line Manager [high-end organization] would not like to tell anything to the sales team from the NST [mid-market organization], they keep customer relationships, knowledge and information for themselves.
- [Interviewer] What information can that be?
- Customer relationships and information about customer demand, knowledge about products and applications [...] Who is the decision maker. Who is in charge of the project. What products would they like to buy. (Technical support, China, 2011)

Key Accounts also kept information on prospects. “[If this customer would like to buy B281, I don’t like to tell it to anyone except our Business Line” (Technical Support, China, 2011).

Key Account’s reluctance to cooperate, and its actions to weaken the new organization, led to the mid-market team reacting. “It’s a conflict. Nowadays the salesmen in BL [high-end organization] and NST [mid-market organization] cannot work very well together” (Technical support, China, 2011).
10.5.6 Separating the teams

The mid-market manager felt he needed to overcome the obstruction of the old organization.

The mid-market manager first tried to develop a program that could bring the two organizations closer together. The aim was to increase communication between the old team and the new organization, including the new external distribution network.

I designed some kind of communication pathway. First we listen, and let them share their knowledge. Then we raised the question we had, and got answers. Then we go to the job site to see how it works to ask questions again. (Mid-market manager, China, 2012)

The National Sales Team manager felt the program had a positive effect on the sales teams. The teams got to know each other, and managers could more easily target persons with certain knowledge or resources when in need.

It seems like the result is quite positive to the team. People that joined said it was rather effective because people asked questions, got answers and listened. And more importantly, they know each other, so when they encounter questions they can call the Product Manager. This structure helps training be more efficient. (National Sales Manager, China, 2012)

10.6 Conflict spreading to the market / resolving the tensions

10.6.1 The real competitor is inside the company

The actions to resolve the conflict seem not to have been sufficient. Instead, in 2012, the conflict spread to the market. Despite the list dividing the market between the two organizations, the mid-market customers were approached by the Key Accounts in, as the mid-market manager (China, 2012) expresses it, “some cross-function invasion.”

This “invasion” made the new organization feel that its biggest threat came from inside. “The area distributors feel that their real competitor does not come from outside the company, but from inside the company” (Mid-market manager, China, 2012).

The mid-market managers felt that the old organization was making an already difficult situation worse. “The violence was there inside URE [divisional] team. ‘Why should we give customers to area sales [mid-market organization]?’ The same violence you found also in other area sales
business teams’” (Mid-market manager, China, 2012). The new team felt they were being attacked by a powerful organization that already had many resources and much experience. "Someone was invading each other. [But] Key Account are supposed to be the richer sales team in terms of customer resources” (Mid-market manager, China, 2012).

The cross-market activities also made the new distributors nervous. The distributors had recently signed up for dedicating themselves to Atlas and many dealers had invested large amounts of money in the collaboration. They now wanted returns on their investments.

However, some of the old sales managers contacted the distributor’s customers and offered a lower price than the distributors did. “Our distributors they are asked to invest so much money; it will be a big negative impact on you if you find that your investment is jeopardized by the invasion from the Key Account sales, invading other sales teams instead of the competitors” (Mid-market manager, China, 2012).

These cross-market activities created confusion among the customers and led to frustration in the new sales organization, which now had a harder time reaching its targets. “If the KAM have a lower price for the same product and service with one percent less, who do you think the customers will choose? Still Atlas’ product and service, but different sales team” (Mid-market manager, China, 2012).

10.6.2 Stopping the political resistance

The General Manager and his closest team, including the national Business Line Manager and the mid-market Sales Manager, felt it would be difficult for the new organization to overcome resistance from the more experienced Key Accounts. Resistance to the mid-market team had made it weak.

They [new organization] were supposed to be strong, but actually they are not that strong, because they are new, fresh, junior, easy to influence. Key Account [old organization] are bold, we cannot […] stop them from doing this. (National Sales Manager, China, 2012)

Their earlier attempt to bring the organizations closer together had not worked. Talking to the team did not have any effect. “[GM] and I and the whole management team have been keeping on calling people to tell them not to do that. But they keep on doing that” (Mid-market manager, China, 2012).

The management team felt they had enough now. “A company cannot allow you to expand your voice, your concerns and distress to other people” (Mid-market manager, China, 2012).

The patience of the GM had run out. He was tired of having his own crew working against his strategy. He now used his authority to impose a
solution. “Finally [GM] was angry and announced a very strict punishment rule to be implied on the process. No one can invade; focus on your own business” (Mid-market manager, China, 2012).

A new policy was developed by the General Manager. “That policy is a company contract; we have to obey the policy! This is the company rule” (Mid-market manager, China, 2012). The policy, launched in July 2012, meant that initiatives to invade forbidden territory would be punished. “The new policy was strictly punishing anyone that conducted sales on the other team’s territory” (Mid-market manager, China, 2012). It was especially developed to protect the distributors. Atlas would have to pay a fee to the distributors as a compensation for sales loss. “We just put the punish role [...] to let them stay in their own customer segment, high-end, mid-market, and low-end” (Mid-market manager, China, 2012).

The threat of penalty was effective. “We said it’s the company request; you have to obey. Consequently the salesmen from URE stopped and compromise.” (Mid-market manager, China, 2012). The “cross-function invasion” decreased successively. “So now things are improving and I can see that the invading has stopped. People can focus on their own business, because that punishment is extremely important, no one can afford it” (Mid-market manager, China, 2012).

The mid-market manager also tried to find a way to get around the old team so that his organization would not depend so much on them. Among other things, the mid-market manager wanted to find substitutes for the training program so that he could teach the new organization how to operate without interference from the old organization.

We need to get this team independent to have the right way, the right methodology to train them, to coach them and improve them. So consequently we will have more adequate mature salesmen and distributors. (Mid-market manager, China, 2011)
Chapter 11: Analyzing Atlas’ three processes of internationalization

This chapter will analyze the previous three chapters; the sequential strategy process, the evolutionary process, and the political process. The analysis will especially focus on the problems and solutions of each process. I will then show how the three processes improve our understanding of Atlas internationalization, separated and in interrelation to each other.

11.1 Atlas’ three processes and their underlying sub-processes

The processes of internationalization are multi-faceted and complex and difficult to describe in a sequential manner. To help analyze these processes, I drew inspiration from Langley and Truax’s (1994) research on technological development, specifically the way they categorized their empirical material into sub-processes. I therefore started the analysis by categorizing the diverse and complex evolutionary and political processes into sub-processes (the simpler strategy process did not need subdividing). Figure 11.1 on the next page illustrates these sub-processes and also helps explain how different sub-processes relate to each other in time and space.

Figure 11.1 in a number of ways complements Figure 7.6, which describes all events of each process and is therefore more complex. Figure 11.1 provides a simpler illustration for the internationalization process. More importantly, this visualization of the sub-processes helped me to create order in the rich process material.
Figure 11.1: The sub-processes of Atlas’ internationalization

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<tbody>
<tr>
<td>Strategy process</td>
<td>Strategic planning and resource allocation to the mid-market</td>
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<tr>
<td>Evolutionary process</td>
<td>Sub-p.1: Routine change in technological development</td>
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<td></td>
<td>Sub-p.2: Routine change in the market</td>
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<tr>
<td>Political process</td>
<td>Sub-p.1: Conflict in Örebro about mid-market commitment</td>
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<tr>
<td></td>
<td>Sub-p.2: Conflict within the sales organization</td>
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</table>

The strategy process is the first shown in Figure 11.1. As the strategy process deal with one single topic (top management’s strategizing, strategy execution, and the increasing resource allocation to China), it is rather homogenous and can be easily described as a single process. The strategy process is described as ‘Strategic planning and resources allocation to the mid-market’. This process encompasses all five steps of the strategy process (see Figure 7.6 for the steps).

The evolutionary process consists of two sub-processes. Sub-process 1 regards routine change and technological development in Örebro. Sub-process 1 encompasses the first five steps of the evolutionary process (see Figure 7.6) and it describes the routine change in Örebro to fit the technological constraints of the customers. Sub-process 2, which encompasses the last two steps of the evolutionary process, describes how the local organization adapted its routines to the market in order to fit the conditions and the sales practices of the customers.

The political process is slightly more complex and it comprises three sub-processes. Sub-process 1 considers the disagreement in Örebro about how to allocate resources to the mid-market, and it encompasses steps one through four of the political process. Sub-process 2 is about market resistance to mechanization, and consists of the fifth step of the political process. Political sub-process 2 is different from the other sub-processes: it runs in parallel with political sub-processes 1 and 3, and it is external. Sub-process 3 concerns the conflict in the sales organization about how to commit to the mid-market, and consists of step six and seven of the political process.

Next pages will analyse the three processes, starting with the Sequential strategy process. In the end of each process, a table will summarize the process’ hinders and drivers.
11.2 The sequential strategy process

The analysis of the sequential strategy process shows hinders and drivers to the process of strategic planning and resource allocation to the mid-market. The process especially shows how strategy underlies the pattern of larger commitment decisions concerning investments from inception (2005) to the market entry situation (2012), as illustrated by Table 11.1 below.

Table 11.1: Investment pattern of Atlas/URE

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</tr>
</thead>
<tbody>
<tr>
<td>Preparation for growth by setting up a new factory in China and conducting market studies in Örebro</td>
<td>Preparing for growth by setting up a new factory in China and conducting market studies in Örebro</td>
<td>Moving over a drill-rig from existing product line, setting up localization project</td>
<td>No new commitment decisions</td>
<td>Developing a mid-market rig, setting up local R&amp;D, and developing local production</td>
<td>Developing market intelligence in China</td>
<td>Developing a new mid-market sales organization and distribution network. Developing a mid-end drill-rig</td>
</tr>
<tr>
<td>Acting on the China opportunity</td>
<td>Acting on the China opportunity</td>
<td>Long internal discussions while threats emerge in the market</td>
<td>Developing the first mid-market product</td>
<td>Increasing market activities, but still hard to enter the mid-market</td>
<td>Increasing coverage with a new sales organization</td>
<td>Market entered but still large amounts of uncertainty</td>
</tr>
</tbody>
</table>

The analysis shows that managers had to face great complexity, which complicated learning about the business opportunity and about the market. Problems with learning about the market had an effect on how the firm committed to the market.

At later stages, Atlas instead invested heavily in the mid-market, as can be seen above in Figure 11.1. “How much AC have invested, the sales team is just the minimum, R&D centre, the branch office, the service teams:
huge investments” (Mid-market manager, China, 2012). This investment was done despite the organization not having learned more about the market to any large degree.

Decision making regarding resource allocation now instead followed a new logic about how to manage risk. The new logic emphasized the risk with not investing rather than emphasizing the risk with investing. The new logic was built on a perceived need to overcome the problems to with increased investments. Managers also felt the market was changing so rapidly that they did not have time to wait any longer. The early and late periods will be stressed further below.

The process started with the GM’s chance to present the business opportunity to the VP of production and marketing when the two managers had traveled to China with the purpose of solving a problem with another product line. In Atlas’ complex organization in which decision makers have to deal with information from a number of local units, the chance to discuss the business opportunity seems to have been important for the first commitment decision taken in Örebro later that year.

On this occasion, the managers from Örebro seem to have been open for suggestions about new business opportunities in China. They had in fact themselves just looked for growth opportunities through a market study and the results pointed to China. The business unit had also just built a new factory in Nanjing that could support future growth and “they now had to fill [it] with something” (VP Marketing, Sweden, 2009).

**Problem/hinder: Market knowledge and slow progress of increased commitments**

The managers in Örebro seem to have had few chances to learn about the business opportunity, as this quote from an Örebro manager illustrates: “We have not had much information exchange with Chinese mines” (Global BLM, Sweden, 2009). Instead, they had to rely on the information they got from managers in the market.

The difficulties with learning about the market are illustrated by this quote: “It is hard to get a grip on China, partly because it is a young market, because it is changing, and because it has not previously been a part of the international community [...]” (Global BLM, Sweden, 2009).

At the same time, the complexity of the market made it hard for local managers to learn about the business opportunity. “For the large customers, we know them and they know us, but for the small customers they are spread everywhere, we don’t know them” (GM Sales, China, 2010).

The lack of market knowledge led to managers in Örebro perceiving a high risk associated with resource allocation to the mid-market (for example, technological development and local R&D development). The market was also changing at such a quick pace that managers doubted if the business opportunity would remain once investments were made.
The high perceived risk led to long strategic discussions about how to allocate resources to the market.

**Solution/driver: Radically increasing commitments**

In 2010, the slow degree of commitment started to be seen as problematic by some managers. As local producers started to pop up, the managers found that the absence of investment was a risk in itself. The organization therefore, despite the lack of market knowledge, made a number of investments that year (product development, localizing R&D, developing local production).

With the increased resource allocation to the market, the organization hoped to increase learning about the market. The implementation of the new sales organization in 2011 was perhaps the best example of this.

It had turned out to be difficult to learn from the complex market. Because it was hard to locate customers and build customer relationships, the organization had not learned much about the market from the customers. To increase learning, the local marketing managers did market studies. When the studies did not help, marketing contracted an external market intelligence company. But even that result was unsatisfactory. Local managers also talked to their sister organizations about opportunities and problems with the Chinese mid-market, and managers used their experience from other product lines (like Load, Haul, and Dump) within the same business unit.

The increased resource allocation to the mid-market meant that those managers could increase their customer relationships, partly to get better market knowledge, and to perceive a smaller risk associated with the mid-market. Still, in 2012, managers experienced uncertainties regarding future development in the market.

We can make a number of observations from this analysis. Perhaps the most important regards the role of learning, which often is seen as an underlying driver in the strategic perspective (see Van de Ven & Poole (1995) and Langley & Truax (1995), or Vernon’s (1966) life cycle model).

We can see how other sources of learning became important when it was hard to learn about the business opportunity through the customers. We can also see how the lack of learning triggered the organization to increase its resource allocation. In other words, the complexity of the internal organization and the market required extraordinary measures. As a consequence, the logic around learning and risk changed over time.

However, again, due to complexity, managers found it hard to predict future outcomes despite large commitment from the organization.
The analysis of the strategy process is summarized in table 11.2 below.

Table 11.2: The strategy process

<table>
<thead>
<tr>
<th>What?</th>
<th><strong>Strategic planning and resource allocation to the mid-market</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Why?</td>
<td>To act on the mid-market business opportunity</td>
</tr>
<tr>
<td>Where?</td>
<td>Among top management in central and local organization</td>
</tr>
<tr>
<td>Problem/hinder</td>
<td>Hard for HQ managers to learn about the market, hard for local managers to learn about market due to large organizational and market complexity</td>
</tr>
<tr>
<td>Solution/driver</td>
<td>Overcome problems with learning from market by</td>
</tr>
<tr>
<td></td>
<td>- using multiple sources of knowledge</td>
</tr>
<tr>
<td></td>
<td>- increasing commitments</td>
</tr>
<tr>
<td>Outcome</td>
<td>Radical resource allocation, increased customer relationships, partly better market knowledge and less perceived risk, but uncertainty still high</td>
</tr>
</tbody>
</table>

11.3 The evolutionary process

The evolutionary process demonstrates how adaptation of routines to the mid-market explained how the market was entered. The process of variation, selection and retention (Nelson & Winter 1982) shows how and why commitments at times were low and at other times high in the organization.

Variations in information (Aldrich 1999; Costello 1996) introduced a perceived need for routine change. Retention forces and old knowledge structures however kept the level of routine change low. Selection forces eventually found solutions that made the organization radically develop new routines.

The differing forces of selection and retention mirror how contextual dispersion triggers special types of heterogeneous processes, as the sub-processes below highlight. These forces are fostered in spaces between old and new rather than in geographically separated spaces.

11.3.1 Sub-process 1: Routine change in technological development (2005–2010)

The first sub-process concerns the technological change that came about as a consequence of a poor fit between existing technology and the market.
Problem/hinder: Entrenched routines built on high-end market experiences

The analysis shows that existing routines initially seemed helpful because they allowed the company to efficiently initiate and execute attempts to enter the market. The organization efficiently rolled out the entry project according to established procedures for entering a new market. Among other things, an outgoing model was transferred to China. By falling back on previously successful routines, the organization managed the uncertainty related to the new market entry. The routines seemed deeply rooted in the organization, and managers did not question why they did things the way they did, or look for alternative procedures. The routines were associated with successful behaviours in the past; the perception to *do things the way things had always been done* seemed deeply rooted in Örebro’s organization.

The organization in Örebro thus repeated existing routines. The organization also diffused routines to the local (Chinese) organization by introducing technologies that were usually used for high-end markets. This behaviour to repeat and disperse routines has been described as a retention mechanism that can help organizations to draw on previously successful experiences (Aldrich 2007).

The same retention mechanism however later turned out to be problematic for the entry. The routines were built on experience from often relatively stable high-end markets. For example, careful processes that in the past assured high-quality products now led to slow responsiveness towards the market. Moreover, managers in Örebro dispersed routines on strategic planning to the local organization. The planning was built on long-term forecasts, but the mid-market was highly dynamic and unpredictable.

Entrenched routines also made information flow primarily from the headquarters to the subsidiary, but not the reverse. The routines in communication were similar to the routines used in other global markets. Interviews with European sales managers for example show that Örebro’s role was to provide technological support and to introduce new technologies. However, Chinese managers experienced problems reaching out with their knowledge about their needs. Consequently, the entrenched routines seem to have hampered the opportunities for Örebro managers to access and accumulate local learning. Local managers also found it difficult to present problems and thereby get to access to experiences in Örebro.

In the market, the entrenched routines led to a poor fit between technology and customer’s resource constraints. Moreover, the sales organization had problems reaching out to customers in the countryside. Instead manag-

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35 It should be noted that this is a complicated issue. As the unit under analysis in this thesis is the mid-market entry process, survival confirms to the process and not to the firm. The survival of alternative internationalization processes is not considered.
ers targeted mid-market customers in a few concentrated areas where the high-end customers operated. As a consequence, local managers found it hard to learn about the market.

**Solution/driver: Multiple sources of knowledge and increasing commitments**

Some managers eventually discovered problems with the existing routines. Managers from marketing and production traveled to China rather often and production had even put an ex-pat there. These managers also looked for solutions to the retention mechanism. The identification of the problems led to new information discontinuities and thereby a variation regarding the need to change.

It can be noted that the initial attempts to implement larger changes in routines was unsuccessful, such as attempts that aimed at technological development. The entrenched routines were deeply connected to value systems about how business ‘should’ be done.

Since the same managers who traditionally worked with high-end projects shared their time between the high and mid-market, it was hard to break out from existing structures and to focus more on the mid-market. Managers in the division also wanted to nurture their deep business relationships with high-end market actors. Managers were deeply involved with customers (KAM Norway, 2010: VP Marketing 2010), universities (BLM Spain, 2010; KAM Spain 2010), and design institutes (GM sales, China 2010). The relationships reinforced high-end practices, replicated values in Örebro, and perhaps also put pressure on Örebro to continue on old paths. As one European manager puts it: “The strategy for LNS [customer] is that the Nordic way to excavate is the best in the world...” (KAM Norway, 2010). If Atlas not could provide this value, it could be devastating for the global business. “The idea is that [customers] will travel around the world and show how efficiently they can excavate. If [customers] use Atlas Copco it is extremely valuable for us, if they use some other supplier it can be devastating for Atlas Copco” (BLM Sales, Norway, 2010).

The protection of old routines can explain why the rate of change was kept at low levels. Instead, existing value and knowledge structures promoted high-end practices.

To break old structures, managers introduced a numbers of smaller routine changes, such as building new routines around information flows. Direct links between Chinese and Swedish managers were set up. Managers were also given full responsibility over the mid-market, instead of working part time with high-end projects. They also built local committees, put an ex-pat in China, and initiated a rotation program. The result was increased communication flow in the organization.
The solutions resulted in a break in existing structures and increased knowledge about the mid-market. Finally, managers could implement new larger routine changes regarding technological development, localization of R&D, and the development of local production.

When the R&D was developed in China, managers in China could start to build new routines around technological development. Chinese managers now suffered less from misfit experiences and retention mechanisms in Örebro. Local managers could now more easily adapt technologies to the mid-market. With technology better suited for mid-market conditions, local managers could now approach more mid-market customers, develop more business relationship, and thereby learn more about the market.

The analysis of the evolutionary sub-process 1 is summarized in table 11.3 below.

Table 11.3: Evolutionary sub-process 1

<table>
<thead>
<tr>
<th>What?</th>
<th>Routine change in technological development</th>
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</thead>
<tbody>
<tr>
<td>Why?</td>
<td>To increase fit between technological development and the market</td>
</tr>
<tr>
<td>Where?</td>
<td>Mainly in Örebro</td>
</tr>
</tbody>
</table>
| Problem/hinder | - Entrenched routines building on high-end experiences turned out to be problematic for the mid-market entry  
- Hard to accumulate new experiences in the organization |
| Solution/driver | - Through first small and then larger routine changes  
- Separation of old and new knowledge structures |
| Outcome   | - Routine changes leading to better technological fit  
- Increased accumulation of market knowledge  
- Increased knowledge flow in the organization |

11.3.2 Sub-process 2: Routine change in the market (2011–2012)

Evolutionary sub-process 2 follows from sub-process 1 and concerns the change of routine in the market. As the technology changed, customers’ excavation practices also changed, and so did the interaction with the customers. Sub-process 2 shows how the routines for Atlas’ customer interactions changed. Sub-process 2 also shows how customers’ routines changed as they started to use Atlas technologies.
**Problem/hinder: Sales practices built on high-end principles and retention mechanisms against mechanization**

The routine change came about as managers with the new technology increased activities in the market but later found that existing sales practices were too complex for the mid-market mines. As in sub-process 1, the routines suited high-end customers well but were more problematic for the mid-market.

For example, it was not clear who was supposed to invest in the machines and training, since the owners and excavators in the mid-market belonged to different organizations, rather than to the same organizations as they did in the high-end market.

Moreover, sales practices were built on high-end principles. Sales managers were concentrated in few areas. Atlas’ sales persons had problems reaching customers so that they could do business and deliver spare parts. The sales process was also long and complex: many specialized managers from Atlas were involved. These problematic structures hampered opportunities for developing business relationships and therefore also held back chances to learn from the market.

As in sub-process 1, retention mechanisms challenged a change to routines. Many customers were unwilling to adapt the new routines that came with the new technology, especially among the excavators. These conservative attitudes seemed deeply rooted in the industry.

**Solution/driver: Incrementally increasing routine changes and separating old and new knowledge structures**

To solve the problems stressed above, a new sales organization was developed. With the new organization, customer outreach improved and remote mid-market customers could quickly be served with spare parts. The sales process now also became less complicated.

However, the new mid-market sales organization experienced problems drawing on internal knowledge systems, even from within the same sales organization. As in sub-process 1, managers promoted high-end customers rather than meet the needs of low-end customers. Managers especially reacted against the fact that technical specialization in the new mid-market organization would be more diluted. Mid-market sales managers would be generalists who offered the whole product range to the customers. Old sales managers reinforced and reproduced existing high-end values and behaviours rather than to help facilitate the adaption of routines to mid-market conditions.

As in sub-process 1, the separation of old and new knowledge structures was the solution. Now, there were dedicated (not shared) responsibilities for the mid-market. The different sales organizations also had less to do
with each other. By doing this, the GM of sales hoped to break old retention structures and instead build new routines.

Atlas managers now had more activities with the customers. Learning about the market consequently increased. However, the fact that the distributors now handled the main contacts with customers led to a growing distance between Atlas’ sales persons and the customers.

The analysis of the evolutionary sub-process 2 is summarized in table 11.4 below.

Table 11.4: Evolutionary sub-process 2

<table>
<thead>
<tr>
<th>What?</th>
<th>Routine change in the market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Why?</td>
<td>To increase fit between organizational routines and the market</td>
</tr>
<tr>
<td>Where?</td>
<td>In local sales/customer organizations</td>
</tr>
<tr>
<td>Problem/hinder</td>
<td>- Sales practices built on high-end principles</td>
</tr>
<tr>
<td></td>
<td>- Retention mechanism against mechanization in market</td>
</tr>
<tr>
<td></td>
<td>- Retention mechanism in sales organization</td>
</tr>
<tr>
<td>Solution/driver</td>
<td>- New mid-market sales organization</td>
</tr>
<tr>
<td></td>
<td>- Separation of old and new knowledge structures</td>
</tr>
<tr>
<td>Outcome</td>
<td>- Better adapted routines to customers</td>
</tr>
<tr>
<td></td>
<td>- Increased customer interaction and increased learning about the market</td>
</tr>
</tbody>
</table>

11.4 The political process

The political process shows that managers in Atlas and in the market did not agree on the resource distribution system directed towards the mid-market. By using power, managers kept commitments low, in conflict with official strategy. The political process also demonstrates that managers gained and used power to regulate the commitments. The counter-actions released the tensions and facilitated resource allocation to the mid-market.

11.4.1 Sub-process 1: Conflict in Örebro about mid-market commitment (2005–2010)

Sub-process 1 concerns a conflict between different logics inside headquarters and within/between functions in Örebro. The process further shows how counter-actions successfully resolved conflicts, and dramatically increased commitments.
Problem/hinder: Managers using power to keep commitments low

In the early phase, Chinese managers depended heavily on Örebro to act on the business opportunity, since they lacked the power and resources to act on the mid-market themselves. China was however not really on the agenda in Örebro yet, and as a consequence the Chinese managers were left without the resources they felt they needed.

The political process became more visible when the corporate top management declared that China needed more attention. At the same time, the western world faced a recession and Örebro had to lay people off while China boomed economically. China was becoming a more controversial issue. People started to show how their self-interest (see Mohr, 1982) led to resistance against the initiatives to increase resources to China (in line with definition of when the political process is triggered, as given by Mayes & Allen, 1977; and Van de Ven & Poole, 1995) "It is a very hot project where everyone is there to push and pull: 'I want this because it is good for me'." (Global BLM, Sweden, 2010).

Power was distributed throughout the organization. This means that managers at lower hierarchical levels could also influence how resources were distributed, as this quote illustrates: "It’s not only about getting top management onboard but also important persons in the organization, because if someone is obstructive it is not possible" (OM, China, 2010).

Managers used both formal and informal power to deliberately resist corporate strategy, as pointed out by many people in both Örebro and China (Global BLM Örebro, 2010, 2012; OM Production, China 2010; GM Production, China 2010. 2011; and the R&D manager, China 2010). According to the respondents, managers used power they gained from their roles as technical experts, their roles as centrally localized support, their unique knowledge and perspective, and their abilities to distribute resources.

Respondents have also indicated that managers in Örebro delayed answers, did not search for solutions, did not help Chinese managers improve, and declined to approve projects in China. As one manager describes it, “strong forces” (OM Production, China, 2010) in Örebro also explicitly argued against increased interactions between China and Örebro and among other things stopped the rotation program.

Managers also resisted in a more informal and hidden way. They for example did not dedicate time to the mid-market, or travel to China themselves. Some higher level managers also indicated to their organization that China not was important (see more about informal actions in the political process in for example Mohr, 1982).

The drive behind these politically motivated actions seemed strong. It has even been argued that it appeared to be more important for some man-
agers to hinder increased commitment to China than to reach the formal goals of the organization, namely to reduce cost.

**Solution/driver: Formal authority and socialization, plus decreasing the local organization’s dependence on Örebro**

The level of commitment in Örebro was however diversified: managers from marketing and production for example committed, made attempts to learn more about the business opportunity, and developed intense interactions with China, as this quote illustrates: “Purchasing has invested [...]. They were there and made sure that one of their persons was put in China, because they saw that ‘we can learn something from this’. And marketing was even there before the factory was there” (Global BLM, Sweden, 2010).

Managers hoped that increased integration between Örebro and China would increase information flow and learning between the organizations. If managers could establish relationships with each other the resistance could decrease and commitments increase. “If the Chinese know the face of the managers here in Örebro, it will be easier to contact them for help, it will feel less like Örebro is a black hole. Managers in Örebro can also become less suspicious towards the Chinese” (Global BLM, Sweden, 2010).

Managers from Örebro also supported Chinese managers so they would have a better position against Örebro. The VP of Marketing for example helped the GM of production to formulate proposals to increase chances to get resources.

Perhaps managers overestimated the potential for socialization to increase commitments, because the resistance did not stop. On the other hand, the increased socialization can have been a first important step towards the resolution of the conflict that later would come.

It seems like the action of informing the highest level of the company would be a game changer. At first, information about the resistance did not reach the top level of the corporation. However, an ex-pat had insight in both organizations and could informally target and communicate the problems to the ‘right people’ in Örebro. In this way information soon reached all the way up to the VP of Atlas.

The use of formal authority seems to have been an important counter-weight to the resistance. The VP of Atlas first formulated a China strategy. When he did not achieve increased commitments, he instead assigned the organizations in China the same status as Örebro. He also stated that China would be an integrated part of the organization. In addition to these formal actions, corporate management gave disguised threats. “[VP Atlas] made clear to everyone that things had to move much faster. I don’t think anyone dared to oppose” (OM Production, China, 2010). “[...] [T]hey almost sometimes gave disguised threats” (Global BLM, Sweden, 2010).
As a final measure to ensure the progress in China would not be hindered by managers in Örebro, the two organizations were separated. In order to decrease the local organization’s dependence on Örebro resources were distributed to China so they could develop their own R&D and production.

The analysis of the political sub-process 1 is summarized in table 11.5 below.

Table 11.5: Political sub-process 1

<table>
<thead>
<tr>
<th>What</th>
<th>Conflict in Örebro about mid-market commitment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Why</td>
<td>Different logics in Örebro about resource allocation to the mid-market</td>
</tr>
<tr>
<td>Where</td>
<td>Process involved people from all hierarchical levels and functions in Örebro, from Corporate HQ, and from top management in China</td>
</tr>
<tr>
<td>Problem/hinder</td>
<td>Managers using power to keep commitments low in Örebro conflict with official strategy</td>
</tr>
</tbody>
</table>
| Solution/driver | - Use of formal power to influence behaviours  
                     - Socialization to release tensions  
                     - Making sure information about commitment problem reached key decision makers  
                     - Decreasing the local organization’s dependence on Örebro by allocating resources and giving local org. formal status |
| Outcome     | - Increased commitment and increased resource allocation to the mid-market opportunity |

11.4.2 Sub-process 2: Conflict within the market (2005–2012)

While market activities increased as a consequence of sub-process 1, a new political sub-process (2) was triggered. Sub-process 2 was fuelled by Atlas’ attempts to implement mechanization in the market.

In line with sub-process 1, sub-process 2 was characterized by intra-organizational political behaviours. However, in contrast to the previous sub-process that took place within Atlas, this sub-process took place within organizations in the market. As a consequence of political behaviours in the market, Atlas’ potential to increase commitment though external business relationships was compromised.
Problem/hinder: Resistance to mechanization

The process especially demonstrates how the excavation teams opposed mechanization. Their reluctance mainly came from the risk of losing their jobs.

It is hard to determine exactly when resistance in the market started. What we can see is that as commitments increased to the market from the organization, Atlas’ managers started to intensify their market activities (which happened around 2010). When market activities intensified, the resistance from the excavators became more visible.

We can identify a number of sources of the power that the excavators used to resist mechanization. The excavation teams lacked formal power, but a mine owner depended on the team’s technical knowledge. He also depended on the excavation teams’ performance to keep production running. The excavation teams therefore had a big influence on the owner’s investment decisions and his relationship with machine suppliers, such as Atlas. The excavators also tried to increase their influence by seeking support in local government (see more about coalition building in Mohr, 1982).

Sub-process 2 shows that excavators used their power to oppose mechanization. At first, the excavating teams used their technically specialized knowledge to persuade the owners to not invest in Atlas’ machines. Some excavation teams also explicitly resisted mechanization in contrast to what the owner wanted, as the observation from the sales meeting with the owner of Hong Jia Iron mine (China 2011) showed. The Owner depended on the team’s performance and therefore sometimes complied with the team’s wishes.

By seeking to build a coalition with local government, the team could become stronger. Local government did not want unemployment in their regions. The local government therefore started to oppose central government’s strategy to mechanize, as the quote illustrates. “*The trend for the Chinese government [is] pushing for mechanization, but resistance is there*” (Mid-market manager, China, 2012).

The local government now started to oppose central government’s initiatives to speed up mechanization. Local government for example did not carry out central government’s policy as they were supposed to. “*The local government did not do that [follow the central government’s instructions] so fast*” (GM Sales, China, 2011). Furthermore, the local government did not facilitate interactions between Atlas and the mines as they were supposed to have done, nor did they impose penalties on the mines that did not meet the safety standards. Local government also voted against central government’s suggestion to include mechanization as a goal in its strategic five year plan.
The resistance had an effect on Atlas’ attempts to enter the market and hampered the ability to develop customer relationships. Since Atlas experienced increased problems in developing relationships, it became harder to learn about the market.

**Solution/driver: Knowledge about the resistance and seeking to influence powerful actors**

Atlas managers’ official strategy for meeting the resistance shows how explicit this political process was. “This is a mission for the area sales team, to find out where is this resisting customer that is not willing to be upgraded” (Mid-market manager, China, 2012).

Atlas seems to mainly have used socialization strategies (Casciaro & Piskorski 2005; Emerson 1962) to learn about the nature of the resistance, where it resided in the hierarchy, and how to deal with it. By learning about the customer’s organization, Atlas managers could directly confront the resistance by trying to establish relationships with opposing excavators. Atlas’ sales managers also looked for alternative sources of power by targeting influential persons within the mines to seek support.

When Atlas’ managers felt they lacked the power to directly control the behaviours in the mines, they instead looked for support among central government. Central government then started to push for mechanization though imposing stricter policies for safety.

It was also found that owners with valuable personal contacts could increase their power and decrease the dependence on the teams. The owner of MingLi for example had business contacts in the private sector, in the military, and in local and central government. Thanks to his contacts in the military he had access to a skilled work force and could easily contract new skilled machine operators that otherwise were hard to find. He could also fire the resisting excavation team without meeting resistance from the local government.

Atlas’ and some owners’ counter-actions at least released some of the tensions, even if resistance did not disappear completely. The resolution made it easier for Atlas’ managers to initiate and develop business relationships, and thereby to learn about the market.

The analysis of the political sub-process 2 is summarized in table 11.6 below.
Table 11.6: Political sub-process 2

<table>
<thead>
<tr>
<th>What</th>
<th>Conflict within the market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Why</td>
<td>- Unwillingness to change excavation methods</td>
</tr>
<tr>
<td></td>
<td>- Mechanization lead to unemployment</td>
</tr>
<tr>
<td>Where</td>
<td>In market, between Atlas/central government/owners, and construction teams/local government</td>
</tr>
<tr>
<td>Problem/hinder</td>
<td>Resistance to mechanization in the market</td>
</tr>
<tr>
<td>Solution/driver</td>
<td>Learning about the resistance in the market and seeking to influence powerful actors</td>
</tr>
<tr>
<td>Outcome</td>
<td>Easier to do business, increased commitments with customers, more knowledge about the market</td>
</tr>
</tbody>
</table>

11.4.3. Sub-process 3: Conflict within the sales organization (2011–2012)

The third sub-process was perhaps more directly triggered by sub-process 1 and the increased resource commitment that followed on the resolution in Örebro. As the GM got increased access to resources, he built a new mid-market sales organization that would specifically target the mid-market. The old sales team now started to resist the new sales routines.

**Problem/hinder: Managers from the old sales organization resisting the mid-market organization**

The old sales organization did not appreciate the new generalist roles that came with the new organization. Instead, the old organization wanted the organization to stay specialized. Neither did old sales managers appreciate the fact that they no longer controlled the mid-market.

The third sub-process especially demonstrates that conflicting logics in the local sales organization hampered managers’ abilities to draw from previously accumulated experience and from other local resource pools. The old organization would officially support the new organization through a training program. Old sales managers did not however engage in the training program. Old sales managers also tried to keep their mid-market customers instead of giving them away to the new organization.

As the following exchange illustrates, it was hard for new mid-market managers to access technical knowledge and knowledge about the mid-market from the old organization.
The Business Line Manager [old org] would not like to tell anything to the sales team [new org], they [old org] keep customer relationships, knowledge and information for themselves.

Interviewer: What information can that be?

Customer relationships and information on customer demand, knowledge about products and applications [...] Who is the decision maker. Who is in charge of the project. What products would they like to buy.

(technical support, China, 2011)

We can see from sub-process 3 that managers from the old organization used their position and status to discourage the new organization. The old and experienced organization had an obvious upper hand vis-à-vis the new inexperienced mid-market managers. “They [new sales org] were supposed to be strong, but actually they are not that strong, because they are new, fresh, junior, easy to influence” (Mid-market manager, China, 2012).

New managers were directly approached; others used more subtle techniques such as spreading rumors. “Someone strongly oppose, someone opposed quietly, someone was sending rumors, huuuuuu, huuuu” (Mid-market manager, China, 2012). Furthermore, managers did not share their knowledge about customer relationships, customer demand, who is the decision maker, customer needs or their knowledge about products and applications. The old sales organization moreover ‘invaded’ the mid-market, offering lower prices than new distribution sales did.

Solution/driver: Socialization, authority, and separation of the two sales organizations

As in previous sub-processes, socialization was used at first as a technique to release the tensions. The GM tried to integrate the two organizations by for example holding joint seminars.

Similar to the first sub-process, increased interactions between the opposing groups did not have enough effect. When the conflict instead intensified and even spread to the market (“invasions” on the mid-market, as the Mid-market manager put it (2011)), the GM instead used his authority to implement penalties that would stop the “invasions”.

The GM felt the power inequality between the two organizations would make it hard for the new sales managers to manage the situation themselves. “Key Account [old organization] are bald. We cannot [...] stop them from doing this” (National Sales Manager, China, 2012).

As in sub-process 1, the organizations were finally separated so that the mid-market team would depend less on the old organization. The actions did not increase the potential to draw on experiences, but instead created the potential for the mid-market organization to generate their own experiences and handle sales independently from the old organization.

The analysis of the political sub-process 3 is summarized in the table below.
The political sub-process 3 is illustrated in table 11.7 below.

Table 11.7: Political sub-process 3

<table>
<thead>
<tr>
<th>What</th>
<th>Conflict in sales organization about mid-market commitment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Why</td>
<td>The new mid-market sales practices are separated from high-end practices, and are executed though a new sales organization</td>
</tr>
<tr>
<td>Where</td>
<td>In local sales organization and external distribution network</td>
</tr>
<tr>
<td>Problem/hinder</td>
<td>Managers from the old sales organization resisting the mid-market organization</td>
</tr>
<tr>
<td>Solution/driver</td>
<td>Socialization, authority, and later separation of the two sales organizations by making the new organization less dependent on the old</td>
</tr>
<tr>
<td>Outcome</td>
<td>Less interference in the other organization’s customer relationships but still hard to draw on the sales organization’s existing resources</td>
</tr>
</tbody>
</table>

11.5 Summing up the analysis

The analysis in the previous sections showed that Atlas internationalization process not was particularly straight forward. Instead, as the analysis showed, the process was dynamic, and it got increasingly complex over time.

At an initial stage, however, the internationalization process seemed rather straight-forward and not particularly complex, in the sense that few actors were involved and power was rather centralized. Headquarters more or less decided the pace of the process by allocating resources to China in small steps. The contact between the Chinese market and the organization in Örebro was between the GM of Sales and Production and Vice Presidents or Presidents over functions and divisions in Örebro. Örebro was regularly fed with information from the GMs, and their role was to accept or decline project proposals sent from China. The locus of learning and decision making was in other words rather static.

But over time, more people got involved, managers had to start seeking commitments from other actors, and divergences and tensions increased. The different actors involve perceived the process differently, and novel situations made managers engage in new ways. When some problems were resolved, the involvement of certain managers decreased, but new actors instead engaged in the process.
As a consequence, the process got more intricate over time, and was not particularly straight-forward. Neither the subsidiary, nor the divisional HQ, nor any other actor for that matter, could pursue the opportunity alone. This intricate actor-structure complicated the relationship between the identification of an opportunity, and when and how managers committed to that opportunity.

It was hard to learn about the actors involved in the firm and the market, and it was hard for decision makers at central HQ to get access to the knowledge accumulated in the local organization. A poorly fitting knowledge structure and political behaviours further challenged the abilities to learn and commit.

Due to complexity and learning challenges, we cannot really say that it was the knowledge generated in the market that was underlying the largest organizational changes. We also cannot say that commitments built on accumulated knowledge, in the same way knowledge accumulates and leads to for example technological refinement in the high-end projects. The largest organizational changes were rather the result of a separation between the internationalization process and old accumulated experiences. This separation allowed for the generation and accumulation of new experiences in the process, which facilitated the market entry.

11.6 Three processes explaining Atlas’ internationalization

The analysis shows how we can get a richer and more complete picture of MNC internationalization if we study the processes together, rather than if we stick only to the dominant strategy process perspective.

If we had looked at the internationalization process only from the strategy perspective, we would find that increased commitments were hindered and triggered by learning problems that, first and foremost, had to do with the complexity of the market. The strategy process shows that problems to learn about the market led to the initial low commitments. As competition intensified, the firm committed more. Therefore, the conclusion would be that when markets are complex and hard to learn about the internationalization process runs slow, but that the dynamic character of the market force the firm to make large investments despite the lack of market knowledge.

Albeit partly correct, this conclusion would not tell the whole story. If we had limited our investigation to the top-centred strategy process, we would have learned less about how many, for the process, important behaviours influence commitments.

The other two processes, the evolutionary and political, contribute additional understanding.
The evolutionary process explained the commitment to the mid-market with intra-organizational behaviours that related to routines and in organizational structures. Entrenched routines made it hard for managers to learn from each other, and to learn about the market. Moreover, retention mechanisms then made it hard for necessary changes to be executed, but routines also changed and these changes are closely connected to the market entry.

The political process explained how divergent interests and the use of power hindered managers from making larger commitments. The political perspective in particular shows how managers exercised a low degree of commitment despite formal decisions to increase them. In other words it was hard for managers to allocate resources to the mid-market due to actors resisting by using their power. But the process also shows how the relax of political tensions had a positive effect for the market entry. The evolutionary and political processes thereby complement the strategy perspective by providing additional explanations to the low respectively high commitment to the market.

The conclusion we would draw from the strategy perspective would be partly misleading, or at least it would miss important nuances of the process.

The relationship between the firm and actors in the market is indeed important for the development of the process, but the relationships within the firm likewise influenced the process’ developments.

11.7 Inter-relations among the three processes

The previous section showed how each separate perspective provided insights into the behaviours behind increased commitments in the market entry. However, the processes are also to some extent inter-related. Certain events in one process had an effect on the other two processes. This section will analyze how the three processes are related to each other, and it will pinpoint the events that seem to have had a direct effect on the other two processes. The inter-relations are a strong indicator of when an event is perhaps best understood by another process. In the cases where no links are drawn, either no relations were detected, or a process itself seems to best explain the event. In total, ten inter-relations were identified (Figure 11.2).

36 The three processes are always indirectly connected to each other since they belong to the same internationalization process, but some events seem to have had a more direct effect on the other processes.
37 The choices of the inter-relations shown are built on specific criteria (see Chapter 4).
38 The decision about when to stop adding inter-relations can be discussed; possibly more arrows could have been drawn, but with the risk of making too complex a figure.
Figure 11.2: Interrelations between the strategy, political, and evolutionary process

<table>
<thead>
<tr>
<th>Events of the main case</th>
<th>Strategy process</th>
<th>Evolutionary process</th>
<th>Political process</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Looking for new business opportunities (2005)</td>
<td>Deciding to grow: doing a market study and building a local factory</td>
<td>Changes in business environment leading to variations</td>
<td>The coercive power is found in Örebro</td>
</tr>
<tr>
<td>3. Long internal discussions while threats emerge in the market (2008-2010)</td>
<td>Low recourse distribution to the mid-market: learning and complexity challenges</td>
<td>Protecting existing routines from change</td>
<td>Resistance in Örebro against resource allocation to the mid-market</td>
</tr>
<tr>
<td>4. Developing the first mid-market products (2010)</td>
<td>Deciding to change: prioritizing China strategically, building local R&amp;D and mid-market production</td>
<td>Selecting new routines in Örebro</td>
<td>Resolving political tensions in Örebro</td>
</tr>
<tr>
<td>5. Increased market activities, but still hard to enter the mid-market (2010)</td>
<td>Increasing resource allocation to the mid-market: building a mid-market sales organization</td>
<td>Customers protecting existing routines and Atlas China finding a need to change</td>
<td>Resistance in the market against mechanization</td>
</tr>
<tr>
<td>7. Market entered but still a large amount of uncertainty (2012)</td>
<td>Protecting existing routines from change</td>
<td>Conflict spreading to the market / resolving the tensions</td>
<td></td>
</tr>
</tbody>
</table>
Figure 11.2 shows that the decision to act on the mid-market opportunity activated existing routines on how to make a market entry (1). Existing routines were closely associated with retention forces, old values, and successful behaviours in the past, which seems to have triggered political resistance to mid-market commitment (2). Entrenched routines further explain problems in learning about the business opportunity and the initial low degree of commitments (3). The political resistance to the mid-market opportunity can likewise explain the low degree of commitments in Örebro, which also led to problems in learning about the market (4)39.

Moreover, the political conflict in Örebro seems to have triggered managers in favor of the mid-market to select new routines regarding communication between Örebro and China (5). When the initiatives to change routines in Örebro did not resolved the political tensions, a decision was made to give more resources to China so that they could increase their independence from Örebro (6).

Once political tensions were resolved, resources could more easily be distributed to the mid-market (7). The strategic decision to increase resource allocation to China in turn led to increased sales activities (8). The intensified sales activities triggered political resistance in the market against mechanization. The increased resource allocation also enabled the development of a new sales organization and the implementation of new sales routines (9). The new sales routines however triggered new political resistance in the local sales organization (10).

11.7.1 Three process events with a large impact upon the other processes

Three events seem to have had an especially large inter-relational impact.

Firstly, the retention of old routines in Örebro (Following old ways of thinking in Örebro) seems to explain the low degree of resource distribution to the mid-market and the learning problems in the strategy process (arrow 2). The retention of old routines in Örebro also seems to trigger resistance in Örebro against resource allocation to the mid-market China (arrow 3).

Secondly, the political conflict in Örebro (Resistance in Örebro against resource allocation to the mid-market) seems to have triggered both the selection of new routines in Örebro (arrow 5), and the strategic decision to allocate more resources to the mid-market China by developing local R&D and production (arrow 6).

39 Arrow 4 could probably also be linked to the evolutionary process as the large uncertainty can have led to managers using existing routines as a way to reduce uncertainty. Arrow 4 could also possibly be reversed, as problems in learning about the market could have led to a reluctance against committing and therefore also to political resistance.
Thirdly, the strategic decision to make China a prioritized market (Deciding to change) led to the selection of new routines in the sales organization (arrow 9). However, the selection of new routines for sales later triggered another political process in the sales organization, and a conflict in the market about mechanization (arrow 8).

This finding shows that we can identify a number of key events that have a large bearing on the development of all three processual categories. In this case, one main event was identified from each of the three processes. This finding highlights the importance of including all three processual perspectives in the analysis, instead of merely sticking to one perspective. The finding also indicates that the three processes not should be read separately but together.

11.8 Three motors underlying Atlas’ internationalization process

The interplay between the three processes underscores the diversified and dynamic character of the drivers underlying MNC internationalization. The analysis especially nuances our view on the motors of internationalization as put forth by received theory, and shows on a more diversified and dynamic driver behind complex internationalization processes.

First, the motor according to received theory: The analysis showed how the locus of the two main concepts in the mechanism of internationalization according to received theory was diffused, namely market knowledge and commitment decisions. Knowledge about the business opportunity in the mid-market varied between China and Örebro (this is perhaps not so surprising). The knowledge about the market however also varied among actors in Örebro. Moreover, managers at different hierarchical levels had an influence on how commitment decisions were carried out in the process. With other words, managers with varying knowledge about the mid-market influenced how commitment decisions were carried out in the process.

The locus of learning and commitment also changed over time. Initially, Chinese managers had the most knowledge about the mid-market business opportunity, plus a few persons in Örebro. Later, however, managers in Örebro learned more about the business opportunity as they intensified their interactions with Chinese managers. Similarly, at an initial stage, much more power resided among top management and technical experts in Örebro. Later, more power regarding the mid-market resided in the local organization.

Second, the motors identified in this analysis: Instead of showing on a mechanism between local learning and commitment decisions, the analysis nuances our view of the motor of internationalization by showing a diversi-
ification of drivers and hindrances. Hindrances and drivers were indeed related to strategy making based on learning about the market. However, when the complexities of the organization and its target market aggravated managers’ possibilities to learn about the market, managers instead increased their commitments to the market in the hope that they would learn in the future. Moreover, problems in figuring out new routines also hindered and drove the process, as did political resistance and attempts to relieve political tensions.

The analysis moreover shows that hindrances and drivers of the process changed over time. What was a solution at one point in time could later turn out to be a hindrance. The reverse was also true: what at first seemed like a hindrance provoked actions that later increased commitments to the mid-market. For example, in the strategy process, while the absence of knowledge at one point kept commitments low, absence of knowledge later triggered commitments. In the evolutionary process, experiences and routines initially created an efficient process, but in the long run, this process showed itself to be problematic, as it kept people stuck in old high-end knowledge structures. In the political process, resistance initially kept the process slow, but resistance on the other hand triggered certain solutions that later resulted in larger commitments.

As we can see in the discussion above, when we include the evolutionary and political process in the analysis, we change focus from seeking explanations behind the motors of internationalization in the relationship between the firm and the market, to seeking explanations in intra-organizational activities. As we do this we also change the focus on the main driver of internationalization, which according to received theory is learning. From being generated in external relationships, analysis instead shows that learning generated within intra-organizational relationships matters for how Atlas committed the mid-market.

The evolutionary process for example elucidates the importance of learning about how managers relate to the routines in the firm. A manager with knowledge about how managers relate to routines they can seek to adjust the routines appropriately, overcome retention forces, and increase commitment behaviours.

The political process on the other hand shows that managers knowing about political resistance was important. Managers learned who was resisting, how they were resisting, and who could support actions to resolve tensions. This knowledge helped managers to confront the resistance with appropriate actions, for example by using formal power, seeking alliances, using socialization techniques and decreasing interdependencies. It was also important for managers to learn about political activities within external organizations, such as organizations of customers and governmental agencies. This knowledge influenced the abilities of Atlas managers to
resolve the tensions, which allowed Atlas to make business, and to start developing business relationships with the customers.

11.9 Chapter conclusion

This analysis shows that we get a richer explanation of behaviours behind large commitment decisions when we complement the strategy perspective with the evolutionary and political perspectives. This finding therefore also underscores the importance of considering all processes together rather than selectively and separately.

The analysis of the three processes showed that different types of behaviours were underlying internationalization. Behaviours could both be homogenous, or diversified and even conflicting.

The connections among the three processes explain how behaviours of one process can trigger behaviours in another process. The connections also show that the three processes combined underlie larger commitment decisions. In other words, rational and formal elements in the strategy process co-exist with less formal things like value structures and unconscious behaviours that we find in the evolutionary process, and self-interest identified as being part of the political process.

The fact that the internationalization process seems to comprise three different processes makes it seemingly hard to argue for a single process perspective. This analysis in other words problematizes the more singular and static view provided by the strategy process, mainly by demonstrating an internationalization process where hindrances and drivers were more diversified and dynamic.

In order to detect the dynamic nature of hindrances and drivers, the real-time longitudinal design of this study was important. If the process were only studied over, say, a year, then we would understand hindrances and drivers differently. Furthermore, if the process were studied in retrospect instead of in real-time, we would probably also miss out on important information about hindrances and drivers of (especially) the evolutionary and political processes.

In the next chapter, the outcomes from the analysis will be contrasted against received theory, or more precisely, against the Uppsala model’s view about how internationalization processes are driven.
In previous chapter, I analyzed the three internationalization processes from each process’ underlying theoretical perspective. I then analyzed the motors of internationalization from each process separately and in interconnection to the other processes. In this chapter, I will connect the results from the previous chapter with the three knowledge gaps of received theory (outlined in Chapter 2). Based on this connection, a model is outlined which show on how three motors and disruptions shape complex internationalization processes.

12.1 Assumptions of received theory

The Uppsala model rests on an understanding that internationalization is driven by external relationships and by the learning that results. The commitment of the firm builds on the knowledge generated in the market. Commitments, on the other hand, help managers to accumulate further market knowledge. The model is in other words driven by a circular relationship between learning from local activities, and the decision making to increase commitments that lead to further activity.

Despite the fact that we have reasons to look at activities taking place within the firm, the model rests on assumptions built on an aggregated firm-level view.

In Chapter 2, I identified three assumptions of received theory that may be questioned when many activities are executed inside the firm, and when both the firm and the market are complex. These assumptions were as fol-
Firstly, there is a direct relationship between locally generated knowledge and decision making. Knowledge accumulated from local activities is the main driver behind increased commitment to the market. Relationships between decisions and local learning belong to a higher order mechanism that moderates potential disruptions. Locally generated knowledge can, if necessary, be diffused throughout the organization, so that decision makers can base their decisions on this knowledge, or, that the same person who learns about the market also controls the resources necessary for decision making. Secondly, when managers act in the local market they generate experiences that are accumulated into the organization. These experiences are then used for future decision making. Thirdly, managers who have generated experiences can act according to their interests: they can access or influence necessary resources.

Chapter 2 further stressed that we in fact do not know much about these issues in MNC internationalization since we lack research that studies these assumptions from an intra-organizational view. This study however provides new knowledge on the matter.

12.2 Results contrasted against the knowledge gaps in received theory

12.2.1 Intra-organizational complexity and increasing foreign market commitments

In the analysis, all three processes showed that we can expect serious interruptions in the relationship between local learning and commitment decisions.

Firstly, the strategy process shows that managers in the firm found it hard learn about the business opportunity, both in the frontline due to market complexity, and in the firm due to intra-organizational complexity.

It was for example hard to identify actors and build relationships. The analysis also shows that knowledge about the market varied between managers and over contexts. Managers at the front line had more market knowledge, while people deciding on commitments in Örebro were less informed, and perhaps partly as a consequence, they perceived a higher risk with the opportunity (in line with Johanson and Vahlne’s (1977) argument on tacit knowledge). The knowledge however also varied in Örebro among the actors involved.

The strategy process further shows that strategic market studies and internal local business networks became important alternative sources of learning when managers found that complexity prevented them from learning from the market. One example is that managers talked to sister organi-
zations and drew from experiences in other internationalization processes from other product lines.

The strategy process also shows that the risk of not investing was perceived as larger than the risk of investing, despite the poor knowledge about the market. The organization also hoped that increasing commitments would lead to increased market knowledge. The perspective finally showed that, despite efforts to increase commitments, managers felt that they still lacked sufficient market knowledge.

The analysis of the evolutionary process shows that complexity could make it hard to connect learning to commitment decisions as managers’ knowledge about the business opportunity differed. Some managers knew more about the market and the process due to a larger interest and more established local contacts. Consequently, they were exposed to more variations that made them want to commit more by developing some new routines. Other managers had less contact with China. They did not seek to change routines. The diversification of knowledge may have reinforced the contrast between selection and retention which increased the unpredictability whether managers could commit based on the knowledge they had.

The political process shows that intra-organizational complexity increased as managers both had different interests and could use their power to act politically to influence how information was spread in the process. Some managers who did not engage much in the mid-market project did not engage in information sharing either. Managers also used their knowledge as a power tool to argue against the mid-market process. Political behaviours thus influenced how well learning could lead to commitments, or how well commitments could lead to new learning.

In line with previous processes, the political process shows that hard it is to assume a direct link between commitment decisions and local learning: managers may act politically to either increase or decrease commitments at any point in time. Due to political behaviours, commitments can increase despite poor learning, or decrease despite good frontline knowledge. We can summarize these findings under two titles.

**Separation between local learning and commitment decisions**
The results demonstrate that the relationship between knowledge and commitment decisions is dependent on the ability to spread important knowledge, and the will to act on this knowledge. Accumulated local knowledge may trigger increased commitments in the internationalization processes, but due to intra-organizational complexity we cannot *a priori* assume that it will. We cannot assume a direct relationship between local knowledge and commitment decision in the complex MNC internationalization process. Rather, we can expect the relationship to be moderated by different kinds of disturbances. Sometimes it is easier to act in line with
local learning, sometimes harder, depending on how knowledge is spread and received in the organization.

**Problems in overseeing the internationalization processes**

The results demonstrate that it can be hard to monitor events and actors in the process. It can be especially difficult to identify where important knowledge and other resources reside, as well as where the power to influence commitment decisions resides. The shifting knowledge and power structures further complicate the possibility to overview these structures.

Moreover, the understanding of the process seems to a large degree to depend on a manager’s local business network, rather than the more complex network connected to the process. Local networks can decide what knowledge the person could draw from or not. Since managers can be drawing on local contexts rather than from the firm’s knowledge, some resource pools may not be utilized.

Managers’ possibilities to monitor can vary depending on what relationships the managers have developed. The information exchange and possibilities to draw from resource pools within the organization improved with time as new routines were established and political resistance was eliminated. However, with time more people got involved in the process, so the complexity simultaneously increased.

In the late period, the Chinese organization became more independent as local R&D and production was developed alongside a new sales organization. It is possible that a continuous investigation would show that, with time, the fragmented understandings decreased, or that separations led to a more concentrated and easily managed process.

In conclusion, due to problems to monitor the process, we cannot assume that resources are directed in line with certain individual’s learning about the opportunity.

**12.2.2 New dynamic markets and increasing foreign market commitments**

The analysis illustrated how managers at times had big problems accumulating and drawing on existing structures when entering the mid-market. The evolutionary process in particular advanced the view that accumulated internal established structures of knowledge matter for the internationalization process.

**Knowledge accumulation challenges**

Results show that the organization used existing structures of knowledge, accumulated from previous internationalization processes, to enter the market; especially in the early period. It seemed hard, however, to accumu-
late new knowledge from the new mid-market, both in Örebro and in the market.

The organization had well-defined stepwise routines on how to progress in the entry and the process seemed efficient, but existing routines also led to information mainly flowing from Örebro to China but not from China to Örebro.

Explanations behind knowledge accumulation problems can be found in the firm history. Interviews and observations on the ‘traditional’ process in Europe showed that Örebro’s main role was to train subsidiaries. However, in contrast to China, managers in Europe already had a solid knowledge base to build on, and the organizations had well-developed routines on how to communicate. Among other things, managers from key markets in Europe met once a year in Örebro to exchange knowledge and get the latest updates. Information therefore mainly streamed from Örebro to the European subsidiaries. The organization however did not have such well-established routines with China, and the organizations knew less about each other’s situations, such as the need for support, and what resources managers possessed. Instead, existing routines seem rather to have hindered managers from getting information in Örebro about needs in the local process.

The same was true for the local organization that for a long time was drawing on routines from internationalization processes into high-end markets. Customers were spread out, but the Atlas sales force was concentrated; sales processes were complex, but customers’ organizations were simple; technology was complex and expensive, but customers lacked the know-how and money to take advantage it. This caused problems in accessing customers, and in developing business relationships with them.

The organization at first had problems developing new routines that would better enable knowledge to be accumulated. These problems were due to retention mechanisms in the local organization and in the market. However, some individuals in Örebro took initiatives to change routines so that more information would reach Örebro and the local organization.

In conclusion, we cannot assume that local organizational presence automatically leads to knowledge about a business opportunity accumulating in the organization. Old poorly fitting routines can keep the local organization from learning about the market, and the rest of the organization can have problems accumulating knowledge derived from the market due to lack of routines that can permit intra-organizational information flows.

Problems utilizing old experiences
Results show that previously accumulated experiences not only leveraged the market entry, but partly also hampered it. The routines used had mainly been developed from activities in stable high-end markets, and were therefore also most suitable for these markets. The old experiences made Atlas
offer advanced technology, conduct complex sales processes, and restrict activities to a few geographical areas. Decision making processes were running relatively slow (for instance, managers made long quality checks and long-term strategic forecasts).

It was not until the organization broke with old knowledge structures that it could build new ones more in line with the mid-market. The new structures also facilitated learning and, as the local organization got more resources and decision making power, the distance between commitments and learning decreased and everything progressed faster.

In conclusion, we cannot assume that past experience is an unproblematic motor for increased commitment and deeper market relationships. The evolutionary analysis reveals problems in using previously accumulated knowledge that may hamper learning in a new entry process, that may keep commitments at a low level, and that may hinder initiatives for change. Old experiences may in the short term decrease risk perception regardless of how well they fit the market, but from a long term perspective, old experience may also keep risk perception at a high level, since they hamper new opportunities to learn.

12.2.3 Political behaviours and increasing foreign market commitments

The political process gave insights into how goal divergences impacted internationalization. The entry was complicated by the process’ dependence on the large number of dispersed actors with different incentives to commit. People gained and used power to drive their cause.

This political process was rather intricate. Three political sub-processes stretched over different time periods, involved different persons, and regarded different issues.

The results show that political motives and informal power structures both inside Atlas and other firms influenced commitments. Specialized managers for example used technical knowledge to resist commitments in Örebro, in the local organization, and in the market. The influence derived from authoritarian roles was also used in order to influence subordinates to focus on high-end projects rather than on the mid-market.

The analysis therefore shows that self-interest and local rationalities could keep commitments at a low level despite managers learning about a business opportunity. The analysis also shows how commitments were low despite the official outspoken strategy to increase them.

Initiatives to release tensions and overcome resistance lead to specific changes that had a positive impact on the process. As managers faced resistance, they could learn about and free resources, and thereby enable larger commitments. Increased communication flows facilitated future
commitments. Managers could act on an opportunity in line with local knowledge and strategic will.

Managers could both increase commitments to resolve conflicts, and resolved conflicts could increase commitments.

In conclusion, political behaviours seem to influence the degree of commitments. We therefore cannot assume that managers always are able to act in line with their knowledge about a particular business opportunity. People may instead act in line with local rationales that do not necessarily belong to the organization as a whole. These rationales can exist at any internal or external organizational level. Table 12.1 below summarizes the findings.
Table 12.1: Advancing the knowledge about the three gaps in received theory

<table>
<thead>
<tr>
<th>Gaps in received theory</th>
<th>Uppsala model / received theory</th>
<th>Internationalization process under complexity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gap 1: Intra-organizational complexity and increasing foreign market commitments</strong></td>
<td>- Circular relationship between commitment decision and local learning</td>
<td>- Separation between commitment decision and learning</td>
</tr>
<tr>
<td></td>
<td>- Commitment decision and local learning resides within same unit</td>
<td>- Varying degree of learning and commitments</td>
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<tr>
<td></td>
<td>- Separation between commitment decision and learning</td>
<td>- Locus of learning and locus of commitment decision are dynamic</td>
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<tr>
<td></td>
<td>- Varying degree of learning and commitments</td>
<td>- Circular relationship between comm. dec. and local learning disrupted by knowledge diffusion problems</td>
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<td></td>
<td>- Locus of learning and locus of commitment decision are dynamic</td>
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<td></td>
<td>- Circular relationship between commitment decision and learning disrupted by knowledge diffusion problems</td>
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</tr>
<tr>
<td><strong>Gap 2: New dynamic markets and increasing foreign market commitments</strong></td>
<td>- Managers learn from the market as they act there, and experiences are accumulated inside the firm</td>
<td>- Misfit of routines may complicate market learning and experience accumulation</td>
</tr>
<tr>
<td></td>
<td>- Previously accumulated experiences underlie change, triggers commitments, and facilitate further learning</td>
<td>- Previously accumulated experiences may keep commitments at a low level, hamper learning, and hinder possibilities for change</td>
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<tr>
<td></td>
<td></td>
<td>- We may or may not assume that past experience trigger commitments and deeper market relationships</td>
</tr>
<tr>
<td><strong>Gap 3: Political behaviours and increasing foreign market commitments</strong></td>
<td>Managers act in line with their knowledge on the business opportunity</td>
<td>- Managers may not be able to act in line with their knowledge on a particular business opportunity due to conflicting interests and political behaviours</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Political behaviours may either hamper or prompt an increase of the degree of commitment to the market</td>
</tr>
</tbody>
</table>
12.3 The motors and disruptions of MNC internationalization

The analysis points out that learning has a more complex role than what received theory posits. Learning and especially learning generated in the market through business relationships, is according to received theory believed to be the motor driving commitment, and commitment in turn enhance learning. However, when we open up the firm, it becomes increasingly problematic to talk about accumulated experiences of the firm as the driver behind internationalization without nuancing the role of learning and experiences further.

To understand how complex internationalization processes are driven, we need a more complete understanding of the drivers and hinders. In an attempt to present a more complete understanding of the drivers and hinders of the process, the results of how this investigation have advanced our understandings about the knowledge gaps of received theory are summarized (Figure 12.2).

Figure 12.2: The motors of MNC internationalization
The model shows that MNC internationalization can be driven by three different motors. The three circular relationships represent the motors of the strategic, evolutionary, and political process respectively. Each motor can however be disrupted by aspects related to the complexity, so we cannot take any circular relationship for granted.

The model also shows that the three motors are interrelated, either to the MNC or the market, and that they are influenced by the other motors. We can therefore say that the model is a combination and conclusion of Figure 7.7 in the analysis that show all three processes separately, and Figure 11.1 from previous chapter which shows the interrelations of the processes.

The model shows how learning about the market can drive commitments in the strategy process. Learning can however also be disrupted by intra- or inter-organizational complexity. In other words, we may expect problems in learning and in overseeing the process when many actors are involved, when the actors involved change over time, and when the actors are separated.

The model further shows how the evolutionary process may drive internationalization. The circular relationship between variation and commitments reflect how information discontinuities can impose a need for changes to routines, which that can lead to increased commitment and facilitate the market entry. This relationship can however be disrupted by retention mechanisms.

The model also shows how political behaviours and the use of power can prompt increased commitments. Commitments can similarly be hindered by power and political behaviours.

Finally, the model shows how the processes are interrelated. The motor of the strategy process can be influenced by the evolutionary process or the political process. This means that learning, or the interruption of learning, can be influenced by the selection or retention of routines, or the use of power.

The same goes for the other two processes: change to routines can be facilitated or disrupted by learning/learning problems and by political behaviours. Political behaviours can be facilitated or disrupted by learning/learning problems, or by the selection or retention of routines.

12.3.1 Diversified and dynamic motors behind MNC internationalization

The model above underscores the dynamic character of the motors of MNC internationalization. Each process perspective is connected to commitment, but each perspective also holds factors that can disrupt comment. Internationalization is thus the result of a complex relationship between drivers and disruptions within the different processes.
The internationalization process is, in other words, the result of a complex co-existence between its underlying dimensions. Or, to put it differently, the internationalization process is the result of the development within each underlying process, but also the indirect effect that one process can have on the other processes. As internationalization process is the result of a co-existence between its underlying dimensions, the possibilities to explain one underlying process is dependent on the possibilities to identify the other underlying processes, and the possibilities to identify how the underlying processes influence each other.

Moreover, the analysis showed that hinders and drivers changed over time for each of the processes, and how something that at one point hinders the process can later be a solution, and vice versa. Political resistance for example at first kept the process slow, but at the same time, resistance also triggered manager to seek creative solutions that later led to larger commitments. On the contrary, experiences and routines initially created an efficient process, but in the long run the routines were found problematic for the entry.

The dynamic character of hinders and drivers primarily concerns the dynamic involvement of managers over time. Since the involvement of managers changed, the locus of learning and commitment also changed over time. At one point, one actor controlled resources and influenced how the organization committed, at another point in time, the locus of power had changed. Whose market knowledge or experience that mattered thus also changed over time.

This insight is an important one, since it means that the strength of the relationship between learning and commitment was dynamic. The relationship depended on who was involved in the process at the time, what power they had to influence the situation, and what the managers had for knowledge about, and attitudes towards, the business opportunity.

In the light of these results, it seems like we need a model that can regard the diversified and dynamic character of MNC internationalization. A mechanism that describes how learning underlies internationalization seems to be both too aggregated to capture the diversified nature of MNC internationalization, and too static to capture the dynamic aspects of the process.

12.3.2 Commitment and learning in MNC internationalization

Results from the intra-organizational analysis provide us with an important insight regarding the main concepts in the mechanism of internationalization, as put forth by received theory: commitment and learning.
Commitment in MNC internationalization

Commitment is here, as it is in received theory (Johanson & Vahlne 1990), a central concept. As the concept of commitment has previously in literature been treated at the firm level, we can see two main implications. First, despite the Uppsala model indeed showing a distinction between commitments and commitment decisions, it can be difficult to distinguish between the concepts and much more research has focused on the commitment decisions taken by the firm, or the pattern of internationalisation, than has focused on the actual commitment behaviours inside the firm. Second, commitment behaviours have, as a consequence, mainly been associated with the market.

Results from the intra-organizational analysis provide us with an important insight regarding commitment.

First, the results indicate that in order to understand how foreign markets are entered, it is not enough to look at commitment decisions. Instead, it is important to understand how managers in the firm actually behave when they commit. These two concepts are not necessarily synonymous. The fact that managers make commitment decision to increase resource allocation to the market does not necessarily mean that managers in the organization commits to this process and de facto increase resource allocation. The evolutionary and political processes in particular show how managers made commitment decision without managers actually committing to the process, or increasing resource allocation by dedicating time to the process, or by not engaging in cooperative work and not sharing information with others.

Second, instead of looking at commitments as something that primarily is manifested in customer relationships, the results show that managers commit to the process itself by engaging in intra-organizational relationships that may or may not be directed towards the market. There is in other words a difference between what it means to commit to the market and to commit to the process. If we talk about commitments to the process instead of to the market, that may capture more of the important behaviours in the market entry, because the commitments to the process includes commitments to the market and also to actors inside the firm.

Learning in MNC internationalisation

The results from the intra-organizational analysis provide us with an important insight regarding commitment.

Learning is still a central concept in received theory. Results however provide us with an important insight regarding learning. In line with the arguments in the previous section, it seems like managers learning about the process of the intra-organizational environment was as important as the learning generated in the market, at least in regard to how the process un-
folded. But as the process depended on the activities of a number of scattered actors, learning was also scattered, and this had implications for how the managers committed.

Atlas managers to a certain extent did learn about the market through customer relationships. This learning led to important knowledge about the need for change in order to adapt to the market. But due to organizational and market complexity, local learning seem to have had a limited impact on increased commitments due to (at least) three main reasons.

First, local managers experienced problems with learning though customer relationships. The relationships between Atlas managers and customers were few, and not particularly powerful. Instead, it seems like the relationships with high-end customers were more powerful. Managers wanted to protect these relationships, which negatively influenced the ability to adapt to the mid-market. High-end relationships moreover seemed to heavily influence the resource priorities in the organization, and many managers wanted to put resources on technological development for the high-end markets in order to meet the pressures and expectations from those markets.

Second, market learning was mainly concerned with the local organization, but the decisions makers were located in Örebro. Local learning thus had a limited impact on the commitment decisions. Local managers had problems transferring information, and they lacked the power to generate necessary resources (except for the last year). People with strong resource control could overrule attempts to act on the local learning. In other words, managers were not always able to act on their knowledge about the market.

Due to the scattered internal and external environment, we can make a number of observations regarding learning that contrast the notion that learning generated through business relationships drive internationalization.

First, when it was hard to learn about the market, people looked elsewhere for knowledge. Managers especially seemed to search for knowledge from their local networks with inter- and intra-organizational relationships. For example, managers in Örebro partly learned about the market through market studies, but had little, if any, own relationship with actors in the market. Manager in Örebro also seemed to draw much from their previous experiences when it was hard to learn about the market. Local managers instead looked for knowledge in their intra-organizational lateral relationships when they found it hard to learn from the market.

Second, the way managers looked for learning in different ways can reflect that the organization had not yet had efficient routines in place that could allow learning to be generated through customer relationships, or to be diffused to the rest of the organization.

Third, it is however important to note that, despite that learning was scattered and the market knowledge seemed to play a limited role in the
process, people in favour of a quicker process could with the help of strong resource control overrule attempts to keep the process slow, and they could drive the internationalization process forward.

In the next chapter, I will make some conclusions regarding the process underlying new market commitments in the internationalization of the MNC.
Chapter 13: Conclusions

In this thesis, I have attempted to unfold the internationalization process by investigating the behaviours that underlie larger commitment decisions when MNCs attempt to enter into new markets. The impetus for the study is that many MNCs today internationalize by entering into new markets in what we can expect to be complex processes.

The idea to research the complex internationalization process is rooted in the notion that these entries present special challenges and call for special managerial solutions. These challenges are perhaps especially related to problems in learning, in cooperating over dispersed contexts, and in generating resources. Both these problems, and the solutions to these problems, are related to the complexity of the intra-organizational environment of the focal firm, and of the market.

At present, these challenges have not properly been addressed in research. Instead, most research in the field looks at internationalization at the firm-level (the dominant Uppsala model). The limitations of received theory led to the identification of three knowledge gaps.

The question initially asked was this:

*How should we understand the process behind new market commitments in the internationalization of the large MNC?*

To research the complex internationalization process I launched a study of Atlas Copco’s entry into the Chinese mid-market. I conducted ninety interviews and spent two hundred hours observing. Data was collected in retrospect between 2005 and 2008 and in real time between 2009 and 2012.

This study had a strong process focus. I especially wanted to go deep into the issue of what it means for internationalization that a process is complex, dynamic, and driven in multifaceted and dynamic intra-and external environments. I both empirically studied the process longitudinally and in real time, and I draw on process literature for analyzing the data. In the analysis I outlined three different processes within the larger internationalization process.

The research has attempted to consider the conditions, in which the process is running, and the contexts in which the process is embedded, rather than studying the process as an isolated phenomenon. The contexts considered were the historical background of the firm/division, the business environment, and the organizational context. To understand the organizational context I, for one year, studied the other main internationalization process...
that was running at the same time, namely the launching of a new technology in the European market.

In the analysis I found that the internationalization process consisted of three different processes, one sequential strategy process, one evolutionary process, and one political process. I analyzed how the three processes related to each other and I connected the results to the knowledge gaps in received theory. I also visualized the results in a model that showed three interconnected motors, a strategy, evolutionary, and political motor. From this model I could draw a number of main conclusions concerning the MNC internationalization process.

13.1 Implications for theory

Results from this research show that we need to look at the MNC internationalization process differently from the way that received theory sees the process. MNC internationalization can be hard to plan: it is not certain that managers can learn about the market, or that local experiences can drive investments, or that previously accumulated experiences can leverage the process.

The large number of actors involved in the process makes it hard to monitor the process, especially if actors reside in distant contexts from each other. It is especially hard to predict how people will react to an opportunity or how they will, or can, engage in the process.

The strong process focus in combination with the in-depth data collection has led to a view of the process as multifaceted and dynamic. This means that the conditions on which decisions are taken can change over time. People involved in the process, their knowledge about the market, and experiences and attitudes towards the business opportunity have all varied across time.

At the same time that there is a certain unpredictability connected to the actions, there is also an unpredictability connected to the external environment. It is hard to predict how actors in a new and dynamic market will behave, which is why it can be hard to predict what types of problems managers will face.

13.1.1 Managing the complex process up to market entry

The case showed how managers found a number of solutions to the problems that arose. The analysis showed that the process up to market entry progressed under high complexity. Affected by a dynamic and complex market, and by the dispersion of experiences and conflicting interests, the process was characterized by uncertainty in the strategic planning, by routine changes, and by political behaviours.
As we not did find the conditions of received theory to apply in this study, the question then becomes, how was the internationalization process driven? The answer is found in the three processes identified in this study.

The strategy process shows that managers re-formulated strategies to meet the new conditions. These re-formulations built on a logic implying that large increased investments decreased the risk of missing a business opportunity (and thereby letting competitors grow strong). Increased investments could also leverage learning and thus reduce uncertainty.

The evolutionary process shows two things. First, because many existing routines were obsolete for the mid-market, the organization changed routines to increase integration among all actors. Later, managers built an ever-more refined mid-market organization and separated old experiences from the new organization. Managers then tried to build new experiences and routines from the beginning. In order to reach the market entry, managers had to deal with entrenched routines and retention mechanism. Problems with integrating old and new knowledge structures may have led to this separation, but the increased integration also seem to have enabled such a split, as integration led to larger access to resources.

The political process shows that managers could use power to drive changes and act on the mid-market entry, despite the existence of other logics. Some people in Örebro for example felt that the uncertainty was too great. As the uncertainty built on problems in learning from the market, the logic is more in line with the Uppsala model. Other managers in Örebro, and managers in China, simply wanted to distribute resources to other internationalization processes, especially to those in high-end markets, rather than to the mid-market. People were mainly acting against the transition to the mid-market and fighting against their own potential unemployment. It became crucial for the market entry that managers with proper authority got the correct information about political behaviour, and could seek solutions to it. Again, both integration and separation of actors seem to have led to resolutions in different situations. We can thus conclude that managers can act in line with the logic on which the Uppsala model is built, but that this logic may co-exist with other logics. And which logic will prevail can largely be a matter of who has the power to drive their cause.

If we conclude the impressions from the three processes, it seems that relationships in the intra-organizational environment were important for managers’ abilities to increase commitments, which supports the importance of making intra-organizational studies of complex internationalization processes.

Over time, people inside the firm developed more relationships which are why managers’ commitments to the process increased. As managers’ engagements increased, their ability to increase resource allocation to the market, and to make necessary routine changes, also increased.
However, the complexity and diversification of behaviours also increased. Some problems connected to the diversification could never be completely resolved.

The separation of actors seems to have been important for managers’ abilities to find solutions and to get closer to a market entry. The separation could be achieved due to commitments increasing in the previous period. The separation led to the possibility to change routines and technologies, and to create conditions for developing customer relationships and thereby increase commitments to the market. Moreover, even if the separation led to fewer possibilities for drawing on old experiences, it led to new possibilities for developing and incorporating new experiences.

13.1.2 A note on experience

The results show that experiences accumulated from previous internationalization processes, whether distant or related, can hinder market entry in a number of ways, rather than leverage it. Distant internationalization processes can be, for instance, that headquarters was previously involved in high-end markets in other countries, and those experiences ultimately hindered mid-market entry. Related internationalization processes can be, for instance, similar processes carried out in the same country or even in the same industry. An example from the study case is that local managers accumulated experiences from high-end mining markets in China that turned out to complicate mid-market entry.

The results showed that previously accumulated experiences can produce routines that do not fit, that for example can make it hard to develop new business relationships in the market. Old experiences are also closely connected to retention mechanisms that can keep the organization from generating new experiences, and from selecting new routines.

However, we cannot completely disregard the value of old experiences. Even if some old routines may have had a bad fit to the market, they still were important for the entry from a long-term perspective. The results demonstrate that the use of old routines activated managers in a way that exposed them to variations. Through the variations, the managers could later generate knowledge about how routines were problematic for the market and how they needed to be changed.

These results thus suggest to us to revise the assumption that previous experiences only have a positive effect on internationalization, either in terms of possibilities to increase commitments (Johanson & Vahlne 1977; Johanson & Vahlne 1990) or in terms of possibilities to manage the market entry situation in another way (Figueira-de-Lemos, Johanson, & Vahlne 2010). With other words, the results suggest that previous experience not only serves as a mechanism that drives the process: it may also hamper the
possibilities to increase commitments or to manage the process in any other way.

The question is then, what importance does previous experience have in MNC internationalization? The answer is three-fold.

First, previous experiences may have a positive impact on the process if people influencing commitment in the process can access that experience, and if experience is in line with the conditions in the market.

Alternatively, experiences may have a negative impact and lead to managers using practices that are not compatible with the market. Previously accumulated experiences may for example slow down the process and lead to problems in learning about the process.

The third alternative is that previously accumulated experiences could have no impact on the process at all because, although they were accumulated within some structures, managers from other contexts cannot access them. Or, managers can access these experiences but choose not to act on them.

The results show that some managers tend to stick to certain routines despite the poor fit of those routines to the market. The choice to stick to existing routines can also be grounded in the fact that routines create a sense of predictability in a situation when many things seem complex and uncertain. Perhaps managers have not have noticed the need to adjust the routines.

These results problematize the role of experience in entry processes carried out by firms that have accumulated experiences for a long time. These experiences are frequently used to leverage possibilities to cooperate over dispersed contexts, but different experiences accumulate in different contexts.

13.2 Reflection

I have in this thesis investigated one single internationalization process, but I found that it was so rich and diversified that it seemed more right to say that it rather consisted of three different processes. These three processes were perspectives, or dimensions of the main process. (These processes were in themselves so rich and diversified that it seemed valid to treat them as if they consisted of a number of sub-processes.) As the three dimensions were theoretically generated, they contained certain logic and attributes as provide different explanations to the internationalization process.

The three different dimensions of the internationalization processes made it possible to identify important factors that explained how the internationalization advanced. Some of these factors which are of a more informal and intricate kind could be hard to detect without the dimensions, or
at least it would be hard to understand how they have influenced the main process.

The possibilities to explain internationalization with other words increases if we understand the complex relationship between drivers and disruptions within the different processes.

Similarly, the possibilities to explain one process are dependent on the possibilities to identify the other processes, and to identify the processes’ influence on each other.

The internationalization process is with other words the result of a complex co-existence between its underlying dimensions.

Or, to put it differently, the internationalization process is the result of the development within each underlying process, but also the indirect effect that one process can have on the other processes.

It is therefore argued that many internationalization processes can be better understood if we can identify their different dimensions and describe them as multiple interrelated processes. In this way, the aggregation of the underlying dimensions will thus explain the main overall features of a firm’s internationalization over time.

We can also expect that, depending on the circumstances, we can identify different combinations of the processes and we can expect that different processes will dominate. The question is then, under which conditions can we expect a certain type of process to influence resource commitments to the market?

We can speculate that the sequential strategic planning process would dominate entry into stable and familiar markets. Many of the firm’s exiting routines and experiences may fit the market so that they facilitate the acquisition, accumulation, and diffusion of market knowledge, and guide managers’ decision making behaviours. Such entry is perhaps rather straightforward, and not so controversial. We could expect to find a lesser need to change existing routines, fewer retention mechanisms and less political behaviour.

We could however expect that the evolutionary and political processes are more dominant when MNCs enter into new and rapidly growing markets. When MNCs enter into new territories, we can expect processes to be more complex and controversial, especially if they require large resource allocations and routine changes. Novel market entry situations may force decision makers to re-think their conventional frameworks; managers may seek to change routines, and may challenge old knowledge structures.

When markets are growing quickly, market organizations can be as exposed to substantial change as the focal firm. We can therefore expect to find evolutionary and political processes within market organizations. This of course increases complexity, but as managers from market organizations supposedly are involved in the internationalization process, their behaviours can be important to cover.
As the market entry process grows more complex and diversified, we expect the three processes to consist of a number of sub-processes that concern different issues, that run in different places, and that run in different points of time. The evolutionary and political processes can comprise a number of sub-processes.

13.3 Implications for method

This exploratory thesis outlines a suggestion for how to research the complex internationalization process. A valuable task for future research is to continue to develop methods for studying the complex internationalization process.

The identification of the three important processes (strategy, evolutionary, and political) indicates that, to capture complex internationalization processes, we need to go beyond formal accounts and headquarters’ strategy oriented story. The real-time approach can be necessary for unravelling the evolutionary and political processes, as these processes contain intricate aspects that can be more problematic to capture in retrospect.

The creation of the three underlying processes is a way to systematize and create a focus in an otherwise complex main process. Because the three processes rest upon a theoretical ground, they are able to be defined and delineated. It is suggested that each process is analysed separately and in relation to each other, so that the researcher both can understand their value for understanding internationalization separately and in relation to each other. The process inter-relations further provide indirect explanations for the progress of the main internationalization process, which may be as important as the direct explanations given by each process separately.

A longitudinal design is necessary for capturing the dynamic nature of process hinders and drivers. It is hard to say how long the study should be carried out. Sometimes we see that studies are carried out longitudinally for a year, but that is probably not enough. It takes time to capture the important events in these processes, and for decisions to be implemented and for us to see the effects of behaviours.

If a market entry is studied, the entry situation itself is a natural end point to the study. Some processes never get to that point, but those ‘failures’ would also be interesting to investigate. Why were they failures? What effects, if any, do they have on future internationalization processes?

13.3.1 Limitations to consider in future research

Along the way as I made this investigation, I encountered a number of challenges that future research can take into consideration. In addition to
the challenges of identifying respondents and getting high-quality information (see Chapter 4), the analysis of the data was not always easy.

It was especially hard to define and separate the three processes. It could for example be challenging to know when we were seeing indications of a strategy process. Decision making and planning are important aspects of the strategy perspective, but at times it can be questioned whether how much planning was involved. In the early stage, most things seemed routine. Managers at times stated that they did not have a strategy for China. Much of the strategy process was instead emerging as people learned more about the mid-market. However, a strategy process can be ongoing without managers controlling the process. Managers had strategic discussions about the uncertainty they felt about the external environment. In other words, the strategic discussions high up in the hierarchy still mattered for the process, even without explicit planning.

The evolutionary process could also be hard to identify and delineate. Some aspects of the process were intricate. Value systems and routines for example were deeply embedded into the organization. Managers might not even themselves have been aware of the reason for their behaviours. Another challenge is the fact that the evolutionary perspective is broader than the other two. It could even be argued that the evolutionary view encompasses the other two perspectives. In order to delimit the process, I focused on routines and the unconscious aspect of behaviour to separate this perspective from the more conscious strategic and political processes. The analytical approach further limited the process by placing a stronger emphasis on understanding the routines from organizational, historical and environmental contexts (see Chapter 6).

It could be a challenge to know when behaviours were politically motivated or not. Some behaviours can have been politically motivated, but also motivated by other things too. I tried to create a quite focused process by choosing data that most obviously had to do with conflict and resistance, which came to be the foundation of my view of the process. I then evaluated whether the more ambiguous chunks of data fit that story by either being the result of obvious political behaviours, or by explaining future political behaviours.

I also want to point out that, as this thesis focuses on one particular process, managers’ behaviors are analyzed with regard to the specific process only. Consequently, I acknowledge that behaviors that seem to slow down the process, or in any other way have a negative effect on the process, can in fact seem to speed up other processes or can have other positive effects on the company as a whole. However, this is not regarded in this study.
13.4 Implications for future research

This thesis highlights the fact that there is still much to discover about the internationalization process. This thesis especially encourages future research on MNC and complex internationalization processes. We need to continue investigating intra-organizational and micro-processes, since these aspects orient us to how entry processes are triggered or hindered by intra-organizational activities.

We especially need to further our understanding about how internationalization processes are driven in diversified environments. Within this territory, we need to understand behaviours as embedded in complex systems of divergent knowledge structures, value systems, and logics.

It is proposed that future studies adapt an analytical framework that can capture complex and controversial processes. As the results showed that the sequential strategy process was found to be limited in its ability to explain MNC internationalization, we have reasons to believe that today we miss out on many important aspects that could help explain complex internationalization processes. Although we can expect to identify elements of the sequential strategy process in MNC internationalization, we can also expect to find elements of the evolutionary and political processes.

It is suggested that future studies continue to explore different process types presented in organization and management studies. In this thesis I observed a strategic dimension, an organizational evolutionary dimension, and a political dimension, all of which manifested themselves as a part of internationalization. Research can take inspiration from this multi-process analytical framework of this study, in order to seek knowledge about how complex and divergent structures impact commitments in MNC internationalization. However, there may be other processes to explore, and other factors and ways to describe these processes. I call upon future researchers to continue to explore this important (but until today, in many aspects unknown) field of multiple dimensions in complex internationalization.

The multi-process design is a way to systematically analyse a complex process. By studying the three processes, the researcher automatically considers the context in which the internationalization process is embedded to be important. The evolutionary process for example searches for explanations of routine fit and variation in the environment of the organization, not only within the organization itself. To understand how managers relate to the variation, the firm’s history is taken in consideration. The political process partly explains the internationalization of MNCs from resistance and other political actions not only within the organization, but also in its environment. In these ways, context becomes an important part of the understanding of internationalization. In conjunction with the analysis on processes interrelations, we can, with the help of multiple-process analysis, create a more complete understanding of MNC internationalization.
It would be interesting to continue the investigation beyond the market entry situation to see if the challenges that managers face, and the solutions they find, differ over time, or if the same types of problems repeat themselves over time and contexts. Some things in this thesis indicate this notion. When strategy making was mainly a matter for Örebro, a political process was triggered in the organization. However, when strategy making instead moved closer to the local organization and the local organization got more resources, a political process was instead triggered in the local context.

Another aspect is to see if complexity increases over time as more people get involved in the process, or if complexity decreases as managers find and establish new routines. We find indications of both in the results; at first the complexity of the process increased, but then organizations were separated and complexity seemed to decrease. It would also be interesting to see whether managers solve problems with complexity by increasing integration and cooperation, or by separating organizations and knowledge structures. Again we find indications of both: at first managers tried to increase the integration, but later organizations were separated both in the international and in the local context.

It would also be interesting to continue to investigate the role of experience in complex internationalization processes. We can expect that abilities to accumulate and use experiences change with complexity. Under greater complexity, it could be harder to acquire, accumulate, and diffuse knowledge. Perhaps we would find this problem early in the process, when routines may not yet be in place.

Finally, it we may seek to understand the role of the sequential strategic, evolutionary, and political processes after market entry. This proposal is an attempt to respond the call of IB/management-process scholars for richer stories that diverge from the conventional tradition of building process studies only from top management’s accounts (HQ interviews, official documents, and so forth) (Piekkari & Welch 2011; Welch & Paavilainen-Mäntymäki 2014; Welch, et al. 2011), by making multiple but shallow case studies, and by building isolated and non-contextual process stories (Dyer & Wilkins 1991).

13.5 To practitioners

This thesis will end with some remarks which especially are addressed to managers in complex organizations who are involved in new market entries. Even if the challenges outlined in the discussion below are not easily solved, this thesis can help managers to become aware of the challenges, and to create a motivation to observe and manage them.
I also want to highlight that this discussion should be taken with caution as these remarks are based on the results from this single case and therefore should serve more to inspire discussion rather than as a blueprint for action.

The focus in this thesis is on a multinational corporation that has accumulated experiences from a long and successful history of conducting international business in mainly one type of market. This firm now faces challenges when trying to enter into another type of market, which is unknown to some extent even though the company already operates in the same country and within the same industry. The case analysis shows that this market entry brought considerable learning challenges, changes in organizational routines, the development of new technologies, and so forth, all of which created a number of obstacles on the way to the entry.

As the case in this thesis illustrates, the progress of the market entry was very slow at first, although the organization identified a new business opportunity. Later, managers outlined a formal strategy, but things were still going slow. Managers even allocated resources to the business opportunity, but the market was still not entered.

Learning about the mechanisms obstructing the progress can help managers to overcome some problems and speed up the market entry process, as managers eventually also did in the case.

First, as shown in the analysis, the process of a firm’s entry into a new type of market can be hard to plan and managers can feel reluctant to act due to the difficulties of getting a grip of the process and the market.

In this case, Atlas created local boards and by involving local management in decision making, it became easier to identify problems, to dedicate necessary resources, and to change maladapted routines.

Second, existing experiences often facilitate an entry, but as this thesis shows, old experiences also can hinder the entry into a new type of market. This can for example concern how managers plan the entry, how they distribute resources, and other routines.

In the present case, Atlas re-allocated power so that local actors could work more independently from the managers who had built their behaviours on previous experiences. As the organization generated new experiences, managers could also learn about new requirements from the market and begin to accumulate the new knowledge into the organization.

Third, we can expect that when the firm enters into a new market that requires changes, political processes may be activated. Managers can start using power to control resources and outcomes.

The case showed that it was especially important to learn about key actors who can help to drive the process and overcome resistance. A key actor is someone who enjoys large formal or informal power and who can influence commitments and information flows in the process.
This thesis thus supports the notion that complexity in internationalization does not necessarily have to hinder the process. Instead, managers who engage in these intricate processes can learn about the challenges so that they can find solutions, and perhaps be prepared for similar challenges if the firm enters similar markets in the future.

Another notion is that despite the challenges to strategically plan the entry into the new market, this planning was still important. Strategy making in the case made managers identify problems and thereby make important deviations from original strategy. In the deviations, managers engaged in evolutionary, political or other processes that positively influenced the entry. Moreover, as the case shows, planning and resource allocation can be necessary, despite the problems of learning about the market. Although the risk of investing under uncertainty cannot be neglected, the risk of not investing can be even larger. As local competition can grow fast in the new mid-market and later on also internationally, pro-active investments may protect the firm in the current market and beyond.

Similarly, although some routines may not fit the new market, the results indicate that the use of existing routines at an initial stage can be fruitful. By using existing routines managers can learn about problems and needs for change, and introduce other important processes.

In the same way, while resistance in political processes may harm the entry process in the short run, it may also stimulate managers to make changes that have a positive effect on the entry. Political processes may for example lead to new knowledge and changed routines, and increased overall commitment in the organization. The case for example shows that political resistance led to increased socialization and the creation of new links among actors, which made resources visible for managers over dispersed contexts.
Figure 13.1: The researcher at a construction site in Baixo Sabor, Portugal
## Appendix

### Appendix 1

List of respondents

<table>
<thead>
<tr>
<th>Title</th>
<th>Function, Unit</th>
<th>Location for interview</th>
<th>Date</th>
</tr>
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<tr>
<td>Vice President (VP) Atlas</td>
<td>Corporate HQ / Construction and Mining Technique (CMT) Business Unit</td>
<td>Sweden, Nacka</td>
<td>Oct-09</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sweden, Nacka</td>
<td>Nov-09</td>
</tr>
<tr>
<td>Business Controller</td>
<td>Industrial Tools Business Unit</td>
<td>Sweden, Nacka</td>
<td>Nov-09</td>
</tr>
<tr>
<td></td>
<td></td>
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<td>Aug-09</td>
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<td>President</td>
<td>Underground and Rock Excavation Division (URE)</td>
<td>Sweden, Örebro</td>
<td>Nov-09</td>
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<tr>
<td>VP</td>
<td>After sales and service, CMT business unit</td>
<td>Sweden, Örebro</td>
<td>Apr-10</td>
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<tr>
<td>VP</td>
<td>Design and Development underground drilling, CMT business unit</td>
<td>Sweden, Örebro</td>
<td>Apr-10</td>
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<tr>
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<td>Location</td>
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<tr>
<td>VP</td>
<td>Marketing, URE</td>
<td>Sweden, Örebro</td>
<td>Nov-11</td>
</tr>
<tr>
<td>VP Dynapack</td>
<td>Road construction, CMT business unit</td>
<td>Sweden, Corporate HQ Nacka</td>
<td>Dec-09</td>
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<td>Dec-10</td>
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<td>Site responsible, Tunnel Construction</td>
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<tr>
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<td>Customer/Company</td>
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</table>
Appendix 2

Questionnaire, pre study 2010

Introduction
- Treat interviews confidentially and at request anonymously
- Possibility to rephrase and/or make clarifications
- We will not give out information that might hurt you or the company
- Study expansion process of the Boomer in China and High Precision Tunneling in Europe.

Background information
- Can you tell me a bit about yourself, what is your role?
- How is your unit organized?
- Unit turnover?
- Main function of your unit?
- Who do you report to? Who reports to you?

Process
- Where did you first hear about the business opportunity in the mid-market?
- How would you describe the history of the expansion up to today?
- In what way have you been involved?
- Where did the need for this product come from (ie customer request or R&D dev) What customer? Why? Where did the signals come from? Who identified the opportunity?
- Who would you say are the main competitors? What would you say where their role in your expansion with this product?
- Who would you say took the initiative to the entry/expansion?

Drivers
- What actors have according to you been pushing for the expansion? (customers and/or suppliers, competitors)
- How do you perceive customers/suppliers/competitors role in the expansion?
- What would you say are the most important functions/units in the initial stage of the expansion? In this stage of the expansion? Why? What actors did you receive help from in the expansion (if any)?
- What are your personal experiences in international expansion processes? Would you say you are using earlier experiences for this new expansion?
Hinders

- Major setbacks/challenges in the expansion so far? What are the biggest challenges?
- What do you think could threaten the future expansion? Biggest risks/threats connected to expansion? External threats? Internal threats (weaknesses)?
- (To local unit) Any difference in request from market (suppliers/customers/other earlier describes partners/actors) and internal organization (HQ/other units) differ? How? How do you act then?
- Something you think could have been done differently?

Coordinating activities

- (To local unit) How would you describe your freedom to act in the expansion process?
- In what situations are you free to take own decisions, in what situations do you need to communicate with HQ/other units?
- How would you describe your freedom to act on business opportunities?
- How would you describe the relationship to HQ/local unit?
- What other units in the company have you had most contact with in the expansion process. What units are most important for you? How?

Market, Market entry and Business relationships

- What would you say the market is (product)? Countries / Main Customers? What geographical regions have you been expanding to? Why?
- What is the annual sales volume of the product in the market? (break even?)
- Entry mode?
- How long have you had existing main customers (for product)? Have you had any other business together? What, for how long?
- Did you had any previous business relation with existing customers or are they new customers?
- Is it running business? Can you annually expect a certain sales volume? Or is it still uncertain how much they will buy next year? Do you have a satisfactory sales volume today?
- Who would you say are the most important business partners in your expansion? Important how? Why? Important relationships with other partners?
- Would you say you are established on the market? Why? Why not?
- How would you describe your goal in terms customer relations and market position in a 3 year perspective?
- What are future challenges to reach there?
Appendix 3
Questionnaire 2, pre study, 2010

Business opportunity
- Exactly what is the business opportunity in the low-end? From hand-held till mechanized, but what business do you hope to make of it? Is it to flag part of the ironmines, coal, or all underground excavation?
- Are you expanding locally in the Sanshin-province or in whole China? Do you have any sales forecasts? Had you hoped on sales in an earlier stage? Any lost business?
- What does the customer want? Is there any resistance to having to learn something new? What is your take on that? Who stands for the education or training?
- When did you find out about the potential in the low-end? How? Who did? (-05?)
- What other projects did you work with when you found out? How did it affect the division of resources and the focus on China?
- Why did you build a new factory in 2005? Was there market research behind that? Did you identify grow markets? Did corporate management say something about China?
- How did you look upon risks of establishing in China? Why did you not go for machines in the low-end earlier? Was it risky, given that you had not yet learned about your situation, that you did not understand China yet? Or was it risky in comparison to other projects in China?
- Did your observations on the activities in Kan lead to the increased contacts and observations or to letting go control and decentralize?
- Why did you go for the 282 instead of for a simpler machine in 2009?
- What were the problems with localizing? Suppliers?
- What is it that makes you hurry? Why? Are you afraid to lose market shares that cannot be retaken?

Communication and needs
- How often did X travel to China, who did he meet? Customers, suppliers? How did these visits affect business?
- Initially, what did you sell in the low-end? Sporadically? Did HQ hear about that?
- What was behind the decision to start producing a simpler and smaller machine?
- How did one look upon the interests of the product and sales organization? Which opportunities have been communicated? For reasons of inadequacies or needs? How did their needs change? How has your vision on their needs changed?
When Nanjing communicated the need for a simpler machine (-07), how did HQ react?
Were they allowed to go for the machine and for China in general?
Did communication between Örebro and China increase? How? Why? In what way?
Why was it necessary to improve communication? What was it that did not function well before? How did one look upon that? Why had people not seen that before? What did it lead to?

Strategy
Did one say that one should go for China? Who did so and why?
How did one look upon the strategy five years ago? And two years ago? Today? The strategic document, why was this strategy developed?
Has the China project at some point in time/period caught speed, linked to something special in the China project (expansion, sales, division of resources, decentralisation etc)? did the expansion accelerate?
Have you been able to use previous experience for acting on the opportunity and solving problems in China?
has the success in the high/middle end affected how you acted in the low-end? Positively – visibility of China, or negatively, taken focus from the low-end (also for salespeople).

Attitude
How has the focus on China been met internally? Who have been in favor? Who was against? How has that affected the decision to go for the development of new machines, decentralization of decisions (e.g. R&D), and communication?
Has the attitude changed? What has caused this?
have you been able to lower your prices of the Boomer 281 because of the localization? How are you thinking about that considering the price sensitivity of customers in the low-end?

Organizing
What did people want to solve /achieve with the establishment of all the local boards?
Local project leaders reported directly to the management (the VPs) (-07), why?
Today, China has more autonomy (development of projects etc), when did they get that? Why? Was it related to your relation or to the sales of the Boomer in the high-end or low-end? How was that before the problem was discovered in -05. Did they have to solve much themselves (but apply to you for resources like personnel and hours?) when the problems were discovered (that it took a lot of time to get the loader), what did you do? Increase control?
- Why did you place Carin in Nanjing.
- What was the effect of the previous project manager leaving before Carin started? Should he have moved to China?
Appendix 4
Reflections and refinement of interviews, 2010

Interview, technical manager Orebro
Take into account the person’s position and his/her environment.

A technician:
• has as assignment to adapt the machine to the need of the market
• and to support the sales organization
• is in Sweden and works with other products than the one central to this study
• if has been there a long time, could find that the expansion to China has started 30 years ago

Ask:
• what does he think about HPT, about the adaptation of products for China, and about the moving there of services and, R&D etc.
• how does he look upon the developments in China and Europe for drills and machines.
• if he has had requests for adaptations of his products from China, resp. Europe (from whom, when, how, what was the reaction?)
• how it has gone with the adaptations of the products for China, what, why was it a good thing, what, why was it not a good thing? When did s/he understand that? What was done about that?
• what did the sales organization in China ask for, when? What was done?
• what are the challenges of China compared to Europe?

Other
• Short, consistent questions, avoid academic terminology like network, prepare questions in advance – also how they should be asked.
• Avoid to put words in someone’s mouth, to say what I think.
• More focused questions, should be about the process, directly or indirectly.

VP after sales and service
• Who does he work with most near, what kind of fora does he go around in? Board meetings? Who report to him? GM locally?
• Has more general responsibility, does not know the process for specific products.

Proposal for a start of the interview:
• How long have you been in your current position? What did the after sales and service activities look like at the time of the start of the process (sales, customer base, market demand?)? How have these developed since, and what do they look like today?
What has this development depended on?

What is the potential today for him? Do you see potential in a hand held mechanized model? What is needed so after sales and service can support customers in this sector?

What are the challenges for being able to get a strong presence in this sector?

When did you hear about it first time? Who told you, where? Was there anyone particular who drove the question? What kind of reactions did it receive?

HPT – same questions, The product is advanced – how does that affect the relation with your customer? What is needed so the technician can provide service and back up sold products and get the customer to understand the value?

What is needed for the Board to reach that aim?

What have been the active questions for you the last years (with regard to drills – In China and Europe).

Other:

Ask questions, give or indicate no answers like:

Is one trying to sharpen the presence in the market today to be ready in case there will be mechanization, or will you take that when it comes?

More follow-up questions of the kind: how have you taken small steps? what kind of steps have they been?
Appendix 5
Questionnaire tailored to the mid-market sales manager, 2012

- If some questions may sound repetitive, that’s on purpose to capture nuances. However, if there not is more to add, just say so
- Why did you develop a china specific strategy?
- What do you hope to achieve; to expand locally in the Sanxi province or to enter the mid-market in the whole China?
- Why did you build the factory in China in 2005?
- Why did you produce a new China specific machine?
- Distributors, how have they been able to adapt to the new situation?
- To identify and to learn about new customer needs?
- Are they covering all regions today?
- How is their business? Some doing better, some worse – why?
- How is the relationship between the Atlas sales persons and distributors?
- Have you met the targets?
- How much more do you intend to sell with the new organization compared to the old?
- Have business increased in low-end? Why, why not?
- What do you see as the main challenge with the low-end?
- Is there something with how AC have been acted that you think could have been handled in another way?
- Some other actor?
- Is government relations important for the development in low-end? Why? Local, central?
- What is the role of HQ Sweden at this point for the development in the low-end? What have they been doing that is important? What should they be doing?
- What do you see as the main hinders and challenges in the market for your expansion in the low-end segment?
- What has been most difficult so far in the expansion?
- What did you do to overcome that?
- How is your relationship with the BL? Have you met additional resistance either from them or anyone else?
- What are the products today for the low-end?
- How have customers been reacting? Resistance from customers?
- What is the government doing to increase mechanization in these mines?
- Are government favoring local manufacturers?
- How is competition developing? How is that affecting your behaviour?
- How have the new distribution network have been affecting your learning about the market?
Appendix 6

Questionnaire late version, 2012,

- Notes:
  - Map position, job descriptions, assignments related with getting products to the customers who have just started mechanized rigs (B 104, B 201, B 202)
  - what fora does this person go around in?
  - Proposal for start: When did you get current position, has it developed since then? Potential of simple products for the low-end?

- Production
  - Product development since one year back, why?
  - Products to offer low-end segment
  - Localization of Boomer, who supplier?
  - What have you needed from organization to succeed (quality, price, time)? What did supplier need to do?
  - What has been the biggest setbacks? When? What happened? What were the consequences?
  - Changes in organization?
  - More resources, bigger URE organization, who has been employed – why?
  - When did you start to feel the need? What did you do, how communicated this?
  - How did you go about to get the resources?
  - Less shared resources? How did it happen? Who decided?
  - Routines form reporting and presentations?

- Sales
  - Development? ?
  - Potential?
  - New business?
  - What drill rigs are relevant for low-end (customers that just have started use mechanized products).
  - What customers are they (size, turnover, drilling what?)
  - Service as own division?
  - What is the role of after sales for low-end? What is hindering low-end to start buying (B 104, B 201, B 202)? Is there lacking in education, knowledge?
  - Do you have a sales force that is targeting low-end?
Appendix 7
Coding three processual stories to explain episode 3 in main case
(Long internal discussions while threats emerge in the market: no new commitment decisions (2008-2010))

Sequential strategy process

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<th>Own categorization</th>
<th>Fit to strategy process</th>
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<tbody>
<tr>
<td>“A lot of decisions are needed to be taken to capture the opportunity. Another thing is how we already have a good foundation here and we still need to be risk aware or everything here..” (General Manager Production 2010)</td>
<td>Complex decision making</td>
<td>Strategic decision making</td>
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<td>“So we need to have the involvement of not only from Product Company managers (except marketing) but also of R&amp;D, Engineering, and Quality need to think about impact - if they get to flood out (mid-market drill rigs) on the market what will be the effect for AC”? (BLM East Asia, Sweden 2010)</td>
<td>Hard for managers in Sweden to know how to act on the opportunity - high uncertainty</td>
<td>Complex process of resource distribution</td>
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<tr>
<td>“We don’t want a situation in where we release a new product here...(that) compete with our old model; that will destroy the introduction completely. This is where we have problem...” (BLM East Asia, Sweden 2010)</td>
<td>Many functions involved</td>
<td>Low opportunity knowledge in Sweden</td>
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<tr>
<td>“Quality out of China is always known to be fairly low.” “I have customers in India, in Philippines; they do not accept any products from China.” “Our quality standards are important, that has to continue...” (BLM East Asia, Sweden 2010)</td>
<td>Strategic discussions about mid-market’s impact on existing business</td>
<td>High perceived risk</td>
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<tr>
<td>“But you don’t have knowledge about it [Örebro on China regarding the lack of information on mid-market]. Then we get more people, no problems, let’s go.” They can drive right into the wall, how are you supposed to handle that?” ((Global BLM, Sweden 2009))</td>
<td>China wants faster progress, but hard for managers in Örebro to decide how to progress</td>
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<tr>
<td>“The tricky thing to know in China right now is what is the right thing, it can be right now but five years down the line it makes no sense what so ever” (BLM East Asia, Sweden 2010)</td>
<td>Large uncertainty in Örebro</td>
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Evolutionary process

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<td>“What do you start with, to lower costs (mid-market) or to resolve a problem with the angle that you wish to reach with this new drill (high-end market) In the end they wait with China and dedicate only the last ten percentages on that. As long as you share the people, they will be pulled in this direction and not in the other.” (Global BLM, Sweden 2010)</td>
<td>Low commitment to mid-market, but higher to high-end in Sweden</td>
<td>Clash between old values and routines, and new values and perceived need to change routines</td>
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<td>“If they don't know the situation and they believe that Atlas is the leader in the market, why should we develop something less than best?” (GM Sales, China 2010)</td>
<td>Problems in Sweden to understand needs in China</td>
<td>Separation of units impose variations, but also preservation mechanisms</td>
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<tr>
<td>“It is a management issue. How important is it for he who is responsible for the resources, how important is China?! … some things they find more interesting than other things. They are no robots. You are sitting there as a constructor and get as a task to support China, and then you also get the task to be included in that other project as well, then you notice that your boss is very interested about that other project.” (Global BLM, Sweden 2010)</td>
<td>Following historical patterns - behaviours building on previous success [what AC is good at]</td>
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<td>“It is not that he (the manager) has to tell you that now you should focus on this: he can tell you that now you work fifty percent with China and fifty percent with the Swedish project. Then the manager is talking warmly about all the possibilities with all the possibilities with the Swedish project. Then you go back to your room to start figure something out, well then you’ll start with the Swedish project….Then you never arrive to the Chinese project - because this (Swedish project) feels urgent. - My manager has been talking a lot about this. That is what I mean with that this is a management issue.” (Global BLM, Sweden 2010)</td>
<td>Separation of functions - hard to understand needs in other contexts</td>
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<tr>
<td>“If the manager not is signaling that this is also important, if the manager not is traveling there and is present… and gets involved, it (mid-market China) becomes marginalized.” (Global BLM, Sweden 2010).</td>
<td>Old values in technical departments in Örebro</td>
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<td></td>
<td>Sticking to old routines</td>
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<td>Focusing on advanced solutions like in past</td>
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<td>China mid-market low priority, continuing using old routines</td>
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### Political process

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<th>Fit to pol. process</th>
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<tr>
<td>“When you are at the top list you naturally get a lot of attention….But we not at the top of any list.” (GM Production, China 2010)</td>
<td>Mid-market not getting resources</td>
<td>Political action to slow down the process to enter mid-market</td>
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<tr>
<td>“The local Chinese unit felt frustration because they saw signals from the low-end market that there was a possibility to help the mines to grow. The local unit felt they needed resources for R&amp;D training, and local independence in decision-making, so they send requests to Sweden, but felt they not were prioritized or got the resources they needed.” (BLM, China 2010)</td>
<td>Resistance from influential technical managers in Örebro</td>
<td>Resistance in Sweden against mid-market, against official strategic focus (can not be seen here)</td>
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<tr>
<td>“We tried to get Sweden onboard so Chinese could be in place (Sweden)…But very strong forces within the technique organization made sure that you took advantage of time-to-market as a reason not to do it, how quickly we could develop the machine (delay product development). The cost was not important&quot;We don’t have time with Chinese in the project that don’t know anything”. They succeeded, something that many regret today.” (OM Production, China 2010)</td>
<td>Not involving Chinese managers in process</td>
<td>Informal power (technical knowledge, perhaps also central position in network)</td>
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<tr>
<td>“On the paper they are supposed to be an integrated part of our organization… but it is going slow and does not always work.” (Global BLM, Sweden 2010)</td>
<td>Slowing down process. Using roles as technical experts, questioning Chinese projects</td>
<td>Low commitment. Not engaging in knowledge sharing</td>
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<td>“it was obvious that they would be a part of our organization. But if you look at construction, they are an organization of their own…” (Global BLM, Sweden 2010)</td>
<td>Seeking control over local unit</td>
<td>Attempt to control local unit</td>
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<td>“They were there to break, “what is this?!!”” (Global BLM, Sweden 2010)</td>
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<td>“I think they had ambitions locally in Kina, that they wanted to initiate (things… and then you got questioned on the quality and “what are you doing?” And is this working?” &quot;You cannot do like this!”” (Global BLM, Sweden 2010)</td>
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<td>“It did not come right away but after a while through quality controls.” (Global BLM, Sweden 2010)</td>
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“They had been pretty hard on the Chinese, they didn’t accept anything.” (Global BLM, Sweden 2010)

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