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Interpretive Frames as the Organization's "Mirror": From Espoused Values to Social Integration in MNEs

Birgitte Grøgaard and Helene Loe Colman

Abstract

Many multinational enterprises (MNEs) seek to strengthen their competitive positions through internal integration. Socialization is a key integration mechanism to leverage advantages spread across MNEs' geographically dispersed organizational units. Parent organizations often communicate a set of values intended to guide action throughout the MNE, referred to as espoused values, to initiate a socialization process. However, we have limited insights into *how* espoused values are endorsed and subsequently contribute to MNE integration. Through a case study, we analyze how espoused values are interpreted by the foreign subsidiaries and influence subsequent subsidiary behavior. Our findings suggest that the socialization process is complex, where the local context and perceptions of headquarter nationality provide the frames for interpretation. We identify that even though the espoused values may differ in their operationalization in local contexts, they can still contribute to MNE integration. This study contributes to existing MNE literature by conceptualizing the role of interpretive frames and the endorsement of values in achieving integration through espoused values.

Keywords: Multinational enterprise, espoused values, socialization, social integration, integration

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1 Introduction

Many multinational enterprises (MNEs) seek to strengthen their competitive positions through internal integration. Successful integration enables MNEs to leverage advantages spread across geographically dispersed organizational units (Kim et al. 2003). Several integration mechanisms have been identified and studied extensively over the past decades. While the majority of studies have emphasized the design of formal organizational structures such as standardized processes and centralized decision-making (Keupp et al. 2011), the growing recognition that many MNEs operate as differentiated networks has also led to an increased attention to less formal integration mechanisms such as internal socialization processes (Clark and Geppert 2011). Despite the recognition of numerous integration mechanisms, however, we still have limited insight into how MNEs actually achieve integration (Keupp et al. 2011).

Focusing on *how* MNEs achieve integration is particularly important for socialization as the impact of such mechanisms can be more difficult to ascertain than for the design of formal organizational structures. Socialization is a process where individuals learn the beliefs, values and behaviors necessary to function effectively in a given organization (Ashforth and Saks 1996). The socialization process contributes to “gluing” the organization together and stimulating the internal transfer of resources and capabilities (Björkman et al. 2004; Noorderhaven and Harzing 2009). To initiate a socialization process, many parent organizations communicate a set of values intended to guide action throughout the MNE, referred to as espoused values. MNEs achieve integration when the socialization process results in a convergence of values that guide behaviors in the MNE (Cicekli 2011).

Research on socialization processes in MNEs has so far primarily focused on managerial perceptions of the degree of socialization or simple quantifications of mechanism used to facilitate socialization such as cross-border meetings, teams, or training programs (Birkinshaw and Morrison 1995; Björkman et al. 2004; Cicekli 2011; Martinez and Jarillo 1991). We still lack research on how espoused values become endorsed throughout the organization and ultimately result in MNE integration. Understanding how espoused values are leveraged through socialization is particularly important for understanding the contingencies of organizational action. This will support managers in their attempts to leverage espoused values in the organization to achieve integration.

Several studies indicate that observed organizational practices do not always reflect espoused values (Howell et al. 2012; Kabanoff and Daly 2002). However, the lack of congruence between espoused values and observed organizational practices could merely indicate that the interpretations of espoused values in the foreign subsidiaries do not exactly mirror those of headquarters’, rather than a failure to achieve integration through the use of espoused values. In his study of a large French MNE, d’Iribarne

found deliberate local variations in how the corporate values were communicated by the parent organization to facilitate the interpretation and implementation of corporate values in foreign subsidiaries (d'Iribarne 2012a). This suggests that local adaptations may be both desirable and necessary to enable subsidiary endorsement of corporate values. It is widely recognized in the MNE literature that foreign subsidiaries must manage the complexities of “multiple embeddedness” in their local business environments and global MNE networks (Meyer et al. 2011). Yet, with few exceptions (d'Iribarne 2012a, 2012b), most studies on MNE integration seem to approach the development of shared values without considering potential variations in how foreign subsidiaries interpret and operationalize the values in their local environments (Cicekli 2011). Furthermore, there is an inherent assumption that espoused values automatically trigger socialization processes and subsequent enactment of the values in the organization. Insights regarding how espoused values can trigger a socialization process that results in both an endorsement and enactment of these values remain grossly underexplored.

In this study, we examine if and how espoused values impact MNE integration. Through a case study of an MNE that has communicated values that its top management group perceives as “universal”, we analyze how these values are interpreted by the foreign subsidiaries and influence subsequent subsidiary behavior. We thus explore if espoused values are endorsed and how the values are perceived to influence subsidiary actions.

Our study is structured as follows. First, we provide a brief overview over the literature on MNE integration. We highlight the need to gather in-depth insight into the use of espoused values intended to initiate a socialization process. We then describe our research methods before discussing the empirical data. In line with most qualitative studies, the bulk of our paper is focused on discussing our findings as well as their managerial and theoretical implications. In this later section, we address the larger issues of the contingencies and mechanisms through which values contribute to organizational action.

2 MNE Integration, Socialization, and the Role of Values

Extant research on MNE integration has identified three key integration mechanisms: (1) centralization of decision-making, (2) formalization of processes and procedures, and (3) socialization (Birkinshaw and Morrison 1995; Cicekli 2011; Enright and Subramanian 2007; Ghoshal and Nohria 1989; Roth et al. 1991). Centralization entails high levels of headquarter involvement in decision-making, formalization is characterized by the establishment of common procedures and processes, and socialization is a learning process where managers and employees develop shared goals and values (Birkinshaw and Hood 1998; Ghoshal and Nohria 1993; Kim et al. 2003; Lin and Hsieh 2010; Martinez and Jarillo 1989; O'Donnell

2000; Roth et al. 1991). It is increasingly recognized that MNEs typically utilize multiple integration mechanism (Keupp et al. 2010). Even where socialization plays a major role, centralization and formalization mechanisms are still valuable and vice versa (Cicekli 2011). In a study of MNE post-acquisition integration, Birkinshaw, Bresman and Håkanson (2000) identified that both structural (i.e. centralization and formalization) and social integration is critical for the integration process; however, these can be examined as distinct integration mechanisms.

To date, many studies have emphasized the first two integration mechanisms based on the assumption that top management choices related to decision-making authority, processes and procedures have a more direct impact on behavior in foreign subsidiaries than socialization processes (Keupp et al. 2011). Despite concerns that the outcomes of socialization processes are more uncertain, socialization processes have been identified as critical for knowledge transfer (Björkman et al. 2004; Noorderhaven and Harzing 2009) and the creation of norms and values that guide organizational action (Birkinshaw and Morrison 1995).

Since the direct impact of socialization processes on MNE integration may be seen as uncertain or difficult to identify, it is even more critical to study how MNEs can use socialization processes to achieve integration. In this paper, we refer to the outcome of a socialization process as social integration. More specifically, we define social integration as a convergence of values. These values reflect organizational members' perceptions of "how we do things" and guide their actions. Hence, social integration represents a less formal way of achieving MNE integration through a socialization process that is often used in combination with structural mechanism such as standardized processes or centralized decision-making.

A central part of socialization is the internalization of the values of the organization (Evan 1963). Values reflect that which is important and valuable to the organization, and they give direction to organizational decisions and actions (Posner 2010). The development of shared organizational values has thus been identified as central for MNE socialization (Michailova and Minbaeva 2012). Shared organizational values positively impact knowledge sharing and effectively link strategic initiatives, management practices and organizational outcomes (Gioia and Thomas 1996; Howell et al. 2012; Posner 2010). The ability to establish shared values in an MNE requires that headquarters (HQ) articulates what the organization believes in and values (Kabanoff and Daly 2002).

In this study we refer to this articulation of beliefs and values as espoused values. The espoused values are intended to guide organizational action and ensure that alternative choices are assessed based on the organization's value system (Khandelwal and Mohendra 2010). Research shows, however, that there may be discrepancies between espoused values and observed organizational practices, also referred to as

enacted values (Howell et al. 2012; Khandelwal and Mohendra 2010). This suggests that the mere presence of espoused values does not automatically lead to the alignment of values and subsequent organizational action. It further emphasizes the need to examine how MNEs achieve social integration as the mere existence of espoused values may not accurately reflect the integration outcome.

Having geographically dispersed organizational units can increase the complexity as different national cultures may impact the understanding and relevance placed on certain values, particularly those related to the Western ideal of a democratic society (d'Iribarne 2012a, 2012b). This poses the question if differences in national cultures affect MNEs' abilities to use espoused values as an integrative mechanism. It is widely recognized that geographically dispersed organizational units in MNEs are often heterogeneous and face different local pressures (Birkinshaw and Morrison 1995; Björkman et al. 2004; Björkman et al. 2007; Ghoshal and Nohria 1993; Grøgaard, 2012; Kristensen and Zeitlin 2005; Nohria and Ghoshal 1994). Foreign subsidiaries struggle with the tension of "multiple embeddedness" where they need to balance their embeddedness in the MNEs' global networks with their embeddedness in host markets (Meyer et al. 2011). Studies show that cultural values (such as a focus on individual achievement or power distance) vary across country borders (Cullen et al. 2004; Hoegl et al. 2012; Hofstede, 1983). While cultural differences may indeed create challenges as organizations strive to achieve social integration (Björkman et al. 2007), the use of shared values has been recognized as an effective mechanism to "glue" networks of differentiated foreign subsidiaries together (Clark and Geppert 2011; Nohria and Ghoshal 1994; Persson 2006). National cultures are furthermore often compatible with a diverse range of values, suggesting that local adaptations of values can be successful even if they do not mirror the most common local practices (d'Iribarne 2012a, 2012b).

To date, we have limited knowledge of how complexities of socialization processes unfold in geographically dispersed organizations. We therefore focus our study on examining how headquarter espoused values are endorsed by the MNE's foreign subsidiaries and if and how such values lead to social integration by guiding actions.

3 Methods

3.1 Research Design

As there is little knowledge of how espoused values are implemented and interpreted in the MNE we addressed the issue through an explorative approach where we gathered fine-grained data. We wanted to capture the views and experiences of each informant, and allow each person to use his/her own narrative to

describe how they interpreted the stated organizational values across foreign subsidiaries rather than compare potential differences based on pre-determined dimensions (d'Iribarne 1997). Qualitative methods are well suited to obtain fine-grained data and to capture organizational members' accounts and interpretations (Maitlis 2005). We approach social integration as values guiding behavior and therefore chose to capture how informants perceived "how things are done" and how they should behave according to the core values, rather than capturing their ability to follow through (i.e. observing how they actually go about it).

3.2 Empirical Setting

The context of this study is a Norwegian multinational in the natural resource industry. The MNE has offices in several locations both nationally and internationally. Headquarters is located in Norway with foreign subsidiaries spread in 41 countries across five continents. In 2011, the MNE had total sales and total assets of 120 billion USD and 138 billion USD, respectively. The selected MNE is particularly interesting to study as it is increasingly reliant on international activities to remain competitive, yet it is still in early stages of its internationalization process. It also grew substantially through a merger with its largest national rival in 2007, with the goal of becoming a major global energy player. Major competitors in the industry rely on global integration to achieve synergies and cost efficiencies through their globally dispersed organizations, which put integration pressures on the Norwegian MNE. The MNE had an elaborate process post-merger to establish and communicate a set of core values. The values were designed to be universal and focus on the MNE as a global energy provider, with the intention of enabling global integration. Significant investments were made to communicate the values both internally and externally. These were identified through our data collection and are described in greater detail under section 4.

3.3 Data Collection

The study includes several sources of data. The data collection was part of a larger research project where a team of ten researchers (including the authors) conducted over 300 formal interviews and gained access to internal documents, meetings and informal conversations (Colman et al. 2011). The main data source for analyzing if and how the MNE achieves social integration through espoused values was 49 in-depth interviews with top-managers in the headquarter organization in Norway and with employees and managers in the international operations including three foreign subsidiaries: Canada, the UK and the USA.

We focus on the 49 interviews from these specific organizational units in our analysis for a number of reasons. First, the data from the selected organizational units all focus extensively on integration across

geographically spread units. We have eliminated interviews from purely domestic units or those that were heavily weighted towards issues specific to the merger. Second, we were able to access informants spanning across various organizational levels in the chosen subsidiaries because we conducted these interviews on site at the foreign subsidiaries. We wanted to ensure that the data we gathered represented a variety of viewpoints (Eisenhardt and Graebner 2007). Across the three selected foreign subsidiaries, informants representing management levels constitute 31-40% of the interviews while the rest represent other employees in the local organizations. Third, we selected interviews that were conducted in the host markets to ensure that we adequately captured informants that were exposed to potential tensions of “multiple embeddedness” (Meyer et al. 2011). Hence, while the interviews conducted in other subsidiaries (both domestic and foreign) provide us with a greater understanding of the organization as a whole, we have not included them in analysis for the above mentioned reasons.

The 49 interviews were conducted in the time period of 2008-2010. We collected 13 interviews at HQ (including eight interviews with the top executives), 22 interviews in Canada, 9 interviews in the US and 5 interviews in the UK. We interviewed people at each location until we reached a point of saturation. For example, the number of informants in Canada was higher because we included nine Norwegian expatriates in our sample and wanted to ensure that we had also adequately captured the viewpoints of non-Norwegians at various levels of the organization. In comparison, we included one Norwegian expatriate among the informants in the US but no expatriates in the UK sample (although we included a British expatriate among the headquarter informants). There were, however, expatriates from the home country in all three foreign subsidiaries, suggesting that all respondents had in some way been exposed to Norwegian culture and working with Norwegians. All interviews were tape-recorded, each lasting between 1-2 hours. We also accessed results from the MNEs biannual internal employee surveys, which gave us an indication of how representative our findings from the interviews were in terms of awareness and perceptions of espoused values. Specific questions asking if employees identify with the espoused values were added to the internal employee surveys from May 2009.

3.4 Capturing Data on Values

The espoused values were clearly communicated by the MNE top management both internally (e.g. internal documents and intranet) and externally (e.g. website and annual reports) and were thus easily identifiable. In the interviews we probed for information regarding the employees’ perceptions of the characteristics of their subsidiary and the MNE, and the relationship between the subsidiary and the MNE in terms of decision-making, local adaptation and transfers of knowledge and resources between the subsidiaries and headquarter. Interviews were intentionally kept open, as we wanted each informant to talk about his/her

work-life, perceptions of the subsidiary, the HQ and the relationship between them. Informants typically addressed values when discussing the above mentioned issues. We then followed up, or probed for such attention, to identify how the informants defined the values, how well they reflected the local organization, and how the values impacted “how we do things” in the organization. We did not directly probe for specific information on values unless the issue had not surfaced within the first hour. Follow-up questions in those (rare) instances included questions regarding the respondent’s familiarity with espoused values and how the subsidiary was perceived in the local business community. The interviews were conducted in Norwegian or English, according to the preferences of the informant. We wanted to ensure the informant could utilize his or her native language when possible to increase the accuracy and authenticity (Welch and Piekkari 2006). English is the official language of the organizations international operations as well as the official language spoken in all three local subsidiary contexts, and is thus not expected to create a language barrier for informants. We also used documentary sources including published and unpublished material and documents of various kinds (annual reports, newspaper articles, intranet articles, internal documents and memos made available to the researchers).

To deal with potential researcher biases several researchers were involved in the analysis; as such we employed triangulation of analysts. The informants were reassured about the researchers’ independence and the informants’ anonymity in the study, and encouraged to answer as openly as possible, to void researcher bias.

3.5 Data Analysis

Initially, we read all the interview transcripts several times. We went back and forth between the interviews, and condensed the raw data from the interviews into analyzable units, by creating categories with and from the interviews (Coffey and Atkinson 1996). Figure 1 shows the structure of our data.

*** insert Figure 1 about here***

We juxtaposed our emergent understanding of the data with existing theory (Bansal and Corley 2012). In line with previous inductive research emergent themes from our data were labeled first order themes, these were collapsed into the second order categories that again were abstracted to overarching concepts (Gioia and Thomas 1996; Van Maanen 1979). For example, first order themes of “universal characteristics of the values”, “values are not exclusive to home country” and “values are applied on a worldwide basis” were collapsed into the second order category of “global values”. Likewise, the first order themes of “overcoming cultural differences” and “balancing local and global” were collapsed into the

second order category of “integrating values”. Finally these two second order categories were abstracted to the overarching concept of espoused values.

Computer aided qualitative data analysis software (CAQDAS), Atlas Ti, was used to enhance transparency and strengthen the reliability of the data analysis (Gibbert and Ruigrok 2010; Sinkovics et al. 2008). Documentary sources and the internal employee surveys were used to verify information obtained in the interviews such as externally communicated goals and internal communication regarding the established global values.

4 Empirical Findings: Values, Interpretive Frames and Social Integration

From our data, we identify four overarching concepts: 1) the espoused values of the MNE; abstracted from the issues of HQ focusing on establishing global values and overcoming cultural differences in subsidiaries 2) interpretive frames; abstracted from statements of embeddedness in cultural traits in the local context and statements of what characterizes HQ home country culture 3) endorsed values; abstracted from the issues of how the espoused values are received and appreciated in the foreign subsidiaries and 4) social integration; abstracted from the emergent themes of value-based organizational actions. Below we present these findings in more detail.

4.1 Espoused Values in the MNE

As the MNE was increasing its focus on international growth and had recently gone through a major merger in the home country; it was in the process of implementing new espoused values and aligning the goals and values throughout the globally dispersed organization. International growth was communicated as the key focus area for the organization. The MNE aimed to become “a global energy provider”, and it was imperative to build an organization that people could identify with regardless of geographical location, built on values central to the organization. The values were communicated extensively both internally and externally. The explicit intentions of the values were to overcome differences across host markets. Subsequently, the MNE values were designed to be universal in their formulation, reflecting values perceived by the top management to be appreciated across all countries and continents where the MNE was localized. Table 1 shows the first order themes and second order categories for the concept of espoused values.

*** insert Table 1 about here***

4.1.1 Global Values

The MNE specifically established four core values as central for building a global organization: courageous, open, hands-on and caring. These values were seen as universal and intended to create a uniform value-based approach to doing business globally. Headquarters focused on taking the best from the pre-merger organizations, regardless of organizational or geographical origin. The core values of the firm were emphasized by our interviewees as central for how the MNE operated. This was further confirmed by our analysis of internal and external documentary data sources. The values were explicitly communicated throughout the organization, to the point where employees found them printed on the back of their business cards and office-building access cards. The underlying message was that everyone in the organization should be reminded to “live the values”. Management actively engaged in ensuring that employees “lived the values” by holding training sessions for all employees (new and old). Multiple international meetings and retreats were also arranged with the organizational values on the agenda where representatives attended from all international units. In addition, employees were financially motivated to act in accordance with the espoused values as 50% of total salary increases and bonuses were calculated based on how well the employee was perceived to “live the values”. Hence, there were substantive initiatives in place to motivate and support the dissemination and implementation of the core values.

4.1.2 Integrating Values

As with many MNEs, the organization we studied faced numerous local contexts with varying degrees of cultural differences. In order to enable the MNE to become “a global energy provider”, the organization based communication of “who we are” and “how we do things” on seemingly global values and a geocentric managerial mindset (Muratbekova-Touron 2008; Perlmutter 1969). In other words, the universal nature of the espoused values was expected to overcome potential local differences to the effect that all employees, regardless of geographic origin, could relate positively to the values. Although local differences were recognized, as illustrated by select quotes in Table 1, these were not seen as conflicting with the organization’s espoused values. The universal characteristics of the values lead to discussions around potential needs for adaptation to subsidiary contexts rather than direct conflict with local values. This discourse around the values ensured some degree of cohesiveness across national differences.

4.2 Interpretive Frames

Even though the espoused MNE values were perceived by the HQ to be universal or geocentric in their formulation, i.e. reflecting values that are recognizable and appreciated across countries and continents, our data show that they were interpreted differently in the subsidiaries. More specifically, subsidiaries’ perceptions of MNE home country nationality were juxtaposed with their perceptions of their local country contexts. For instance, the MNE home country national culture was described as very focused on work-life

balance. The foreign subsidiaries, in contrast, found this emphasis to conflict with local business cultures where too much focus on work-life balance was perceived as negative for the subsidiaries' competitiveness. The perceptions of both local and MNE home country culture thus worked as referents for an interpretive frame as subsidiaries made sense of the espoused values. We categorized these themes into local embeddedness and perceptions of HQ nationality, as shown in Table 2.

*** insert Table 2 about here***

4.2.1 Local Embeddedness

Other companies, especially other North American energy companies were commonly used as a reference. They were described as different from “the Norwegian” MNE with clear differences between cultural traits in the local contexts and the MNE home country. The perceived differences in national cultural traits affected the foreign subsidiaries in various ways. First, the characteristics of the competitive arenas were seen to differ. Informants from all foreign subsidiaries, particularly strongly pronounced in relation to the US market, referred to the local business cultures as much more “cut-throat”, fast-paced and tough. This created discussions around the interpretations of the espoused values in the local contexts. As one expatriate in the US subsidiary expressed, “they might perceive us as slightly naïve”.

Informants from all three foreign subsidiaries emphasized significant differences between the local national cultures and the MNE's home country culture in terms of values that affect employees' work-life balance and management of human resources. This was often related to the core value of “caring” for employees. Cultural differences related to power distances and decision-making were also emphasized. In sum, the local national cultures in the three foreign subsidiaries were all characterized as less consensus oriented with faster decision-making. The issue of power distance surfaced when discussing decision-making, suggesting that competitors originating from the subsidiaries' local contexts were characterized by more hierarchical structures with greater respect for the decisions made by top managers. These cultural perceptions align with recent studies on national cultural differences where the UK, US and Canada all score higher on power distance than the Nordic home region of the MNE (Javidan et al. 2006).

4.2.2 Perceptions of HQ Nationality

Although the local contexts and “other firms” were frequently used as interpretive frames, the informants used their perceptions of Norwegian culture as a key interpretive frame when explaining the implications of the values, heavily influenced by what the subsidiary employees perceived as managerial mindsets at HQ. To illustrate, employees perceived the value of being “caring” as linked to Norwegian culture and what distinguished Norwegian culture from other countries' culture. For instance, informants from the three

foreign subsidiaries typically perceived Norwegian culture as more “caring” in contrast to the more “cut-throat” local national cultures. Similarly, “openness” was interpreted in the context of perceived Norwegian culture, emphasizing egalitarian norms where employees at all levels in the MNE are encouraged to voice their opinion. Such interpretation of “openness” reflected a distinctly Norwegian culture in foreign markets and was recognized as potentially conflicting with local business contexts where decisions were quicker and less involving of all employees.

We interestingly identified a clear discrepancy in the interviews, between how HQ home country culture was perceived by employees in foreign subsidiaries versus Norwegian nationals. This is particularly visible in the interpretation of “caring”, as illustrated above from a foreign subsidiary perspective. The last quote in Table 2 illustrates a typical response from Norwegian informants which clearly differs from perceptions of the MNE home-country nationality as expressed by informants in the foreign subsidiaries. Hence, the interpretive frames in the foreign subsidiaries are based on perceptions of how the values would be interpreted the MNE’s home country culture. These perceptions may not align with how headquarters, which is located in the MNE’s home country, actually perceives the values.

4.3 Endorsed Values

Our findings show that as the values were endorsed in the MNE, they created a shared sense of “we are a Norwegian firm”. Furthermore, the values were seen as important distinguishers from competitors and as a key organizational strength for retaining personnel. We categorized these themes into value resonance and values as distinguishers, as discussed below. Table 3 shows the first order themes and second order categories for the concept of endorsed values.

*** insert Table 3 about here***

4.3.1 Value Resonance

Despite differences in local contexts, the emphasis on values resonated throughout the organization and employees across geographical boundaries shared the same sense of working for a value-based organization. The internal employee survey supports this finding. When employees were asked if they identify with the four core values and the MNE in general, mean scores among employees within the international division averaged around 5 out of 6 points.

Interestingly, emphases on the espoused values were typically expressed through core identity claims such as “we are a value-based company” and “we are a Norwegian company”. Hence, the nationality of the MNE became important for the endorsement of values. The values were explicitly endorsed in the

foreign subsidiaries, but clearly linked to “being a Norwegian company”. The exceptions to this nationality based identity claim in the foreign subsidiaries came from Norwegian expats who viewed the MNE as more “global” than their local colleagues. Although top management had established the values as “universal” to develop the firm into a “global firm”, home country nationality, being “Norwegian”, nevertheless became an important identity claim and referent for the foreign subsidiaries. Contrary to our expectations, differences in local context did not constrain the socialization process and the shared understanding of the MNE across national borders developed into “we are a Norwegian company”.

4.3.2 Values as Distinguishers

Despite the perception of being a “Norwegian energy company” rather than a “global energy provider”, the home-country nationality was not perceived as posing a threat to the foreign subsidiaries. On the contrary, it glued the organizational units together as a key dimension for differentiating the MNE from its competitors. The focus on being Norwegian provided a differentiation criteria built on strong values that geographically dispersed organizational units could embrace and identify positively with. As the representative quotes in Table 3 illustrate, informants viewed the MNE’s underlying values as a positive differentiation, particularly for attracting and retaining local employees. They wanted to work for an organization where the underlying values communicated that “people matter”. Informants also indicated that another benefit of the Norwegian identity was the strong environmental track record in the home country where the MNE was believed to “walk the talk” on social and environmental issues. There was coherence in the perception of being Norwegian as a differentiator from their competitors and their local context, which seemed to move beyond merely indicating if the MNE was domestically oriented or global.

4.4. Social Integration

In this paper, we refer to the outcome of a socialization process as social integration. More specifically, social integration is achieved when espoused values influence actions throughout the MNE. Our findings show that descriptions of the actions of both the HQ organization and the subsidiaries are strongly embedded in their operationalization of the espoused values, suggesting social integration through a shared sense of “how we do things”. Both HQ and the foreign subsidiaries perceived the organizational units as “living the values”. Not only could the actions they observed be linked back to the values they described, but the values also provided imperatives for actions. As a Canadian manager explained when illustrating how important and embedded the core values were for organizational actions, “we will accept a lower rate of return in order to [ensure that we] deliver something that complies with our values”. We observed this in our interviews as well through statements such as “we are a caring organization” and “we are an open organization”. The values were also embedded in decision-making processes, performance evaluations and

general narratives of events in the organization. It is important to note that we are not assessing how well the organizational units achieve “living the values” but rather if and how the informants perceive that values guide their actions. The concept of social integration is derived from the categories of normative action and action imperatives. Table 4 shows the first order themes and second order categories for the concept of social integration.

*** insert Table 4 about here***

4.4.1 Normative Action

Most informants referred to the espoused values when describing their perceptions of the MNE and/or local subsidiary without any probing from the researchers. We could not identify any reduced understanding of the espoused values in those interviews where we had to prompt a discussion of values. The interviews further suggest that informants perceived that managers at HQ had clear expectations of how the values should be interpreted and implemented throughout the organization. This may have contributed to the normative action. Employees in the foreign subsidiaries often tried to align their understanding of the values with how they expected HQ to interpret them, suggesting that HQ may have been signaling an ethnocentric managerial mind-set where their interpretation is based on their home-country culture (Levy et al. 2007; Perlmutter 1969). There is insufficient evidence to suggest that the managerial mindsets at HQ are indeed clearly ethnocentric and the informants at headquarters typically characterized the values as universal while questioning a need to foster the home-country nationality.

The informants at the foreign subsidiaries did frequently point, however, to the imbalance of Norwegian nationals in top management positions both at HQ and the foreign subsidiaries. As stated by a UK employee, “you’ve got this kind of ceiling, senior positions to go into, and even those that are in Norway feel that there are this glass ceiling, and not many non-Norwegians that are really making it”. This perception of ethnocentric recruitment to management positions may have impacted the perception of “Norwegian” values in the MNE.

4.4.2 Action Imperatives

Our findings show that the subsidiary employees derived action imperatives from their interpretation of the espoused values. The actions values were described as providing guidelines as to acceptable and desirable behavior. For instance, caring was operationalized into “family oriented” and “we do not hire and fire”. Openness was operationalized into “egalitarian decision-making” and that “everyone can voice their opinion”. In other words, the espoused values were operationalized into norms and practices for behavior

that anchored the organizational practices as value-based. There was a general understanding that the values would guide organizational behavior to the extent that the company would be willing to accept lower economic returns if necessary to avoid compromising the underlying values. However, these interpretations of the espoused values did not necessarily mirror the parent organization's understanding of the values, as discussed earlier regarding the perceptions around "hiring and firing".

5 Discussion

Our starting point for this study was the recognition that we lack research that provides insight *how* MNEs leverage espoused values to achieve integration. Extant research has primarily focused on individual perceptions of the degree of socialization or quantified mechanisms that are intended to trigger a socialization process (Birkinshaw and Morrison 1995; Björkman et al. 2004; Cicekli 2011; Martinez and Jarillo 1991), while questions regarding how espoused values ultimately lead to social integration remain underdeveloped. Hence, there has so far been an inherent assumption in studies on socialization in MNEs that social integration "just happens" once espoused values are in place and people in the MNE interact.

As the empirical findings detail, we examined an MNE that established a set of values with the deliberate intent of building a global value-based organization. The MNE explicitly communicated both internally and externally that the espoused values should guide organizational action throughout the geographically dispersed units. These values were described as "universal" to enable integration across different host markets. As summarized by a Canadian employee in Table 1 "We have to have a uniform basis in which we do business. That is a set of values and a set of ethics that govern how we do business all over the world". Simply put, the espoused values were the backbone for socialization in the MNE and ultimately for achieving social integration.

We argue, however, that we cannot assume that espoused values are automatically endorsed by the foreign subsidiaries. Several studies have identified discrepancies between espoused and enacted values in organizations (Howell et al. 2012; Kabanoff and Daly 2002). Furthermore, if foreign subsidiaries struggle with tensions of "multiple embeddedness" (Meyer et al. 2011), they may have difficulties acting in accordance with the espoused values, even if they endorse them. For instance, subsidiaries may endorse characteristics of values that foster egalitarian decision-making and the opportunity to voice ones opinion, but simultaneously find it difficult to implement the values in a local context that rewards faster decision-making processes.

The discussion of interpretive frames under the empirical findings highlights the complexities of social integration in an organization with "multiply embedded" subsidiaries. Foreign subsidiaries are

embedded in local environments that may differ in terms of institutions, culture and business practices. Such differences have previously been found to impact the ability to control and coordinate foreign subsidiaries (Meyer et al. 2011). We argue that similarly, the environmental differences impact how employees in the foreign subsidiaries interpret and implement espoused values. This sensemaking can be important both to legitimize values and frame them so that they are more easily understood in the local context (Zbaracki 1998). The consequence of “multiple embeddedness” thus constrains exact replication of espoused values throughout the MNE. Although some MNEs have been found to adjust their communication of corporate values to adapt to local differences (d'Iribarne 2012a), other MNEs - such as the one we studied - assume that their espoused corporate values are “universal”.

Our data reveal an ongoing juxtaposing in the foreign subsidiaries of how these “universal” values are interpreted by the parent organization versus the local context. Not only did the foreign subsidiaries interpret espoused values from the perspective of the local context but they simultaneously tried to understand how the values would be interpreted at HQ. This process was further exacerbated by the investment by HQ into training sessions, international meetings and retreats that solidified an impression of how the parent organization expected the organization to “live the values”. The introduction of financial incentives to “live the values”, might also have pushed the perceived need of employees in the foreign subsidiaries to not only interpret the values in accordance with their local context but try to better understand headquarter expectations. HQ thus became a critical actor in the subsidiaries’ interpretive frames, resulting in the MNE home country characteristics becoming the locus of interpretation of the core values. HQ as a norm-sender contributed to the interpretation and implementation of espoused values in the foreign subsidiaries, as “Norwegian” despite the intention from HQ to focus on global values. As one HQ executive stated, “[m]aybe that is perceived as being ‘Norwegian’. From my perspective, that’s quite universal”.

The interpretive frames lead us to question the meaning of social integration. If foreign subsidiaries make sense of espoused values through interpretive frames, and the interpretations of these values, even though they are endorsed, differ from the intentions of HQ, has the organization still achieved social integration? Similarly, are the values shared if some informants see the values as global while others connect the values to the parent organization’s home country? In their study of espoused values in organizations, Kabanoff and Day (2002) emphasize that differences are not necessarily based on whether the meaning of all values are exactly the same but rather the relative importance or prominence attached to the different values. D’Iribarne (2012a) further argues that the same value can be compatible with a range of practices. Differences in the local contexts of foreign subsidiaries may thus not necessarily lead to negative tensions in relation headquarter espoused values, suggesting that values can still be shared despite the process of interpretation.

The interviews with the top executives in the MNE suggest that the espoused values are intended to guide organizational action. A successful outcome of the socialization process is thus when values serve as vehicles to evaluate alternative actions. We found that the informants were unanimous in their recognition of the espoused values. Indeed, our data suggest that each employee knew the values, could recite the values, and used the values in the discourse around what characterized the MNE. Even though interpretations such as “we are a Norwegian energy company” differed from the HQ claim that “we are a global energy provider”, all informants viewed the organization as a “value-based company”. Despite variations in how the espoused values were interpreted and acted upon, they still provided a shared understanding of “how we do things” and “who we are” in the MNE. The values can therefore be said to be both endorsed and acted upon throughout the MNE.

Our data suggests that similarly to the transfer of other firm-specific advantages (Verbeke 2009), the internalization of espoused values also require some degree of adaptation and recombination to enable organizational action in the local contexts. It is interesting to note that although the need for internal differentiation regarding formal organizational structures and the transfer of knowledge and processes has long been recognized (Nohria and Ghoshal 1994; Rugman et al. 2011; Schmid and Kotulla 2011), socialization is still approached as a uniform process in MNEs where the nuances of social integration have not been fully recognized.

Our data does of course not allow us to examine whether the MNEs values are internalized as part of the individuals’ taken-for-granted assumptions of that which is valuable (Posner 2010). Regardless of whether the values are internalized by each individual employee or not, they appear to be accepted and promoted by the employees when talking about the organization and how various actions are evaluated. Furthermore, they result in social integration through their enactment: that is they provide a guide for interpretation of ongoing actions (normative actions) and they provide cues for desirable action (action imperatives). In this manner, the employees may instrumentally and rationally “use” the values, regardless of whether they have them as deep seated assumptions. Figure 2 shows our emergent model social integration.

*** insert Figure 2 about here***

6 Conclusion

This study set out to discover the mechanisms through which MNEs achieve social integration across their subsidiaries. More specifically how MNEs leverage espoused values to guide organizational behavior. We find that the socialization process that HQ initiated through espoused values is shaped by a process of

interpretation in the foreign subsidiaries. Our findings illustrate the complexities of leveraging values in the MNE and how the “multiple embeddedness” of foreign subsidiaries also affects social integration. By using a case study approach, we have been able to examine the purpose of the espoused values and gain insight into how these explicit values become endorsed through socialization and subsequently influence organizational action.

Our study identifies the complexities of how MNEs leverage espoused values to achieve social integration. By examining how espoused values are endorsed, we identify the interpretive process organizational members engage in that subsequently results in social integration. Our findings emphasize the role of nationality as an interpretive frame shaping organizational socialization. The perceived attractive features assumed to be connected with the home country nationality, works to foster identification and feelings of belonging of organizational members across geographically dispersed locations. The concept of nationality thus “glues” the organization together and enables the development of a shared understanding of important values, in other words; the perception of “how we do things” in the MNE. We contribute to the MNE literature by identifying the influence interpretive frames have on the socialization process. The interpretive frames can serve as both facilitators and impediments to socialization efforts. Our findings show that the espoused and endorsed values are the vehicles of an interpretation process in the subsidiaries.

This study illustrates that the dynamics of social integration may be difficult to manage. Although we often seek to identify managerial tools to achieve MNE integration, aspects of socialization are more difficult to control than formal integrative mechanisms (Keupp et al. 2011). This implies that understanding not only the local context and the local cultural values of the subsidiary, but also how these cultural values interact with the perceived HQ cultural values, is critical for understanding integration. For instance, even if HQ deliberately adapts the communication of corporate values to foreign subsidiaries’ local contexts (d’Iribarne 2012b), HQ has limited control over the subsidiaries’ interpretive frames that may be based on perceptions of HQs relationship to the values (rather than how HQ actually communicates the values). This is in line with previous studies on cultural differences, which have emphasized that it is not the differences per se that is critical, but how these differences play out in the organizational context (Teerikangas and Very 2006). As such, by focusing solely on cultural differences or differences in values, the important dynamic process of socialization in MNEs is ignored.

Our findings also suggests that although espoused values may initially be characterized as universal or geocentric, interpretive frames based on perceptions of the characteristics of the parent organization may result in a much more prominent role of nationality than initially intended. This may be particularly relevant

for MNEs with visible home country influences such as the composition of the top management team, location of process ownership and/or influential stakeholders in the home market.

This study also has some limitations. First of all it is a case of one Norwegian MNE's implementation of values in subsidiaries located in Anglo cultures (Javidan et al. 2006); as such we cannot generalize without reservations to other contexts. However, there is no reason to suspect that the processes and mechanisms that we uncovered are not existent in other MNE subsidiary socialization and value implementation efforts. That is, it is likely that the local context and perceptions of home country characteristics work as interpretive frames in other contexts, as well. As this study is part of a larger research effort, we see that our interviews from other foreign subsidiaries such as Brazil and Indonesia suggest the same. Future research should preferably expand the geographical reach when examining the socialization process. This study is furthermore based on formal interviews with managers and employees where we may capture some of their biases. Since we focus on the implementation of espoused values, how employees interpreted these and the consequence of these values rather than stating whether the values are internalized in the individuals, this should not greatly affect our findings. However, we suggest that process studies can be valuable for future studies to observe the process of socialization and subsequent organizational action. Finally, in this study, we capture perceptions of "how we do things" rather than observing what is actually done. We chose this approach as we primarily wanted to capture the perception of social integration in the MNE rather than evaluate the effectiveness of actions and decisions. Future studies could benefit from also including observations of "how things are actually done" to examine if there are significant differences within the MNE in terms of how subsidiaries succeed in executing their interpretation of espoused values.

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Table 1: Espoused values

Second order categories	First order themes	Exemplifying quotes
Global values	HQ focusing on establishing universal values that are not exclusive to the home country. The values are applied on a worldwide basis.	<p>“I believe the values can be considered universal, as they should be” HQ Executive</p> <p>“We have been through a lot with the [x] case and [y] case and the lawyer that was here which initiated many internal processes. It is obvious that these experiences increased our focus on ethics, and our underlying values. It is not as the values are not followed because people are evil; it is a question of awareness and understanding. I would be very surprised if at least 90% of the employees [previously] did not have a high awareness of the values and their significance.” HQ Executive</p> <p>“We have some core values and ethical guidelines that we don’t breach. We don’t take short-cuts. Our management is very clear there. The right way, not the quick and easy way.” Local employee USA</p> <p>“We have to have a uniform basis in which we do business. That is a set of values and a set of ethics that govern how we do business all over the world” Local employee Canada</p>
Integrating values	Overcoming cultural differences in subsidiaries through values. Balancing local and global demands.	<p>“As a general idea, when people get upset in our culture it often boils down to dollars and cents. It’s not as bad as in the US, but they’ve come up with a plan that makes it a really good place to work, not only the compensation, but also the social values that have been implemented” Local employee Canada</p> <p>“In many situations, you may feel isolated without established guidelines and procedures. You then have to make decisions that are aligned with the corporate demands, in terms of values and other aggregate expectations that we have in this organization. People are aware of this. It is important” HQ Executive</p> <p>“It’s the organizational principles and it’s how you treat people and living our values and all of that stuff is not problematic from a local practice perspective. There obviously are some local things that are different and the compensation is set up as different but we can still manage to do it in accordance with the overarching principles” Local employee Canada</p>

Table 2: Interpretive frames

Second order categories	First order themes	Exemplifying quotes
Local embeddedness	Statements of national cultural traits and a need to understand the local context	<p>“They are generally used to situations where the boss is God, and you can’t contradict him, so respect for authority is much greater in America...Culture is all, and you need to realize that the Americans are in a very different society to Norway” Manager, USA</p> <p>“You might be in a meeting and sort of half past three in Norway, and you’ve got some interesting things to do, and the meeting will go on, and then at four o’clock, four or five of them would just get up, fold their books, and walk out, with no explanation at all, but it’s four o’clock, and they’re going home. They wouldn’t think of staying on and say it’s all right, you know we got half an hour... they’ve got kids to pick up from childcare, they have other commitments, and they come first, the family comes first. In the UK, if you did that...got up and said ‘five o’clock, I’m going home’, it would be frowned upon. It would be ‘God, what’s he doing, he’s not a company man’. So that’s a big difference” Local employee UK</p> <p>“It is still that core culture here that you like to say that my word is my bond. It’s interesting, it’s one of the cultural differences I’ve observed and laughed a little bit about. Here in Canada, if you say ‘I’ve got a friend who can solve this problem for us’ or ‘I’ve got a friend who can bring this expertise to the table, let me talk to my friend’ that means I’ve got someone who is ethical and trustworthy and I can vouch for. So this is a person you really want to do business with. With Norwegian ears, that is like “oh – corruption!” Local employee Canada</p> <p>“I think in the American culture people tend to expect the decision maker to be able to make a decision quickly. They expect to come in and see a leader who can make decisions fast. But in Norway people are very consensus driven and don’t do it that way, and tend to involve a lot of people to make a decision” Manager, USA</p> <p>“We will try to negotiate win-win solutions, and we often will succeed. On the other hand, there are friendly people in the [US market] that will screw you if they can, and it is almost accepted: You are my friend, but I have to screw you. And that’s the sort of environment, and once you understand that, and live with it, it’s OK, but that means you have no choice but to behave according to that set of rules, and it is a very commercial set of rules, they’re different than anything that [the MNE] has experienced before, I’m pretty confident. I think that has been good for the company, because that sort of competitor tough edge can be brought back and used in other places” Manager, USA</p>
Perceptions of HQ nationality	Statements of what characterizes HQ home country culture and the importance of	<p>“We do have a very Norwegian culture in that, I don’t think we are as ‘cut-throat’ like some of the other companies” Local employee UK</p> <p>“I suppose it does not have this “hire and fire” culture as major competitors have, then particularly in Norway, you know with the unions and everything, the security and job stability” Local employee UK</p>

	home country nationality	<p>“I think other companies would have been more ruthless... whereas I think it is good old Norwegian to have ‘let’s see if we can have a nice compromise’ Local employee UK</p> <p>“There is something embedded in the Norwegian way of cooperating, way of behaving. We are less hierarchical, we have a model very geared towards cooperating. A lot is Scandinavian or Norwegian values, that also characterizes [the] company, and that distinguishes us from other models, sort of American-based companies etc. Some people really like that, and some may not – but it makes us more distinct and a little different, and as such it is valuable ... in the way that we position ourselves.” Local employee USA</p> <p>“I mean, what are ‘Norwegian’ values? We also have to hire and fire. Right? I suppose it might be showing consideration to people throughout our processes. Maybe that is perceived as being ‘Norwegian’. From my perspective, that’s quite universal”. HQ Executive</p>
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Table 3: Endorsed values

Second order categories	First order themes	Exemplifying quotes
Value resonance	Sharing espoused values and the identify of a 'Norwegian' firm	<p>"People are sincerely concerned (with our values). They appreciate that the company is explicit and firm regarding our values, some even wish we were more explicit and firm, that is how I perceive the resonance in the organization." HQ Executive</p> <p>"I talk to people in the foreign subsidiaries. They talk about our values. It ties them to being Norwegian...I think about it a lot. How do we become global and maintain the Norwegian? Is it important to maintain?" HQ Executive</p> <p>"I don't think you can escape your culture, I think we are a Norwegian company, and we shouldn't forget it...so I think we might be perceived as Norwegian, as very Norwegian, but I think we are getting better at adapting to local culture" Local employee USA</p>
Values as distinguishers	The importance of values as a distinguishing feature of the organization	<p>"We have gone and sold the Norwegian model...the people that work for us, that's very interesting, they say that we have got a very unique selling point. We are not a hire and fire. We are a value-based company, and we have extremely good benefits. We don't believe in autocratic management. Many of those people from American companies, they may have had a dictatorial boss, may have been hired and fired, and they value our way of doing stuff, the Norwegian way, and they often say 'don't adapt too much to America, don't' become too much like us, we actually like you because you are like this'. That is kind of a unique selling point for us. We do not have a high attrition rate. People tend to stay with us, otherwise in [the local US market], I think it is market driven, every man for himself" Manager, USA</p> <p>"People like that is this city. To have a company that seems to be doing the right things, there are other places – Canadian and US firms- where people would not work because of the hard-line culture" Employee Canada</p> <p>"I think the Americans love the idea of a company that genuinely believes that people matters, that has 'caring' as one of its core values" Manager, USA</p> <p>"I think that the values, and maybe that's part of culture, but the values of the company, you know it's a value-based company, that's for me everything. It is a really important part of why I think most people stay" Manager, Canada</p>

Table 4: Social integration

Second order categories	First order themes	Exemplifying quotes
Normative action	Perceptions of living the values in the MNE	<p>“We have become much explicit on our values, and not just talking about it, but living the values in activities and daily operations. We are also more conscientious of our leadership role and responsibility...we have become better at implementing it” HQ Executive</p> <p>“...giving people developing opportunities...living the values. Those kinds of things, and those are generic and global enough that they can be overarching principles no matter where you are.” Manager, Canada</p> <p>“I think about it a lot. How do we become global and maintain the Norwegian? Is it important to maintain?” HQ Executive</p>
Action imperatives	Values as underlying guidelines	<p>“Much of the trust and trustworthiness was built by establishing a value base for the organization, which was embedded throughout the organization. Our values were clearly anchored in what we wanted to represent, what we wanted to be associated with and how we should handle challenging situations. It became apparent that something was not aligned internally. Again, it is difficult to challenge. Right? Because then you are basically challenging your own acceptance, integrity, in relation to this massive value foundation which the organization has established, which is tremendously strong in this organization” HQ Executive</p> <p>“I think that we would probably sacrifice economics to a greater degree than others. We are not going to lose money in this business but we will accept a lower rate of return in order to deliver something that complies with our values and the expectations of our shareholders and the people of Norway” Manager, Canada</p>

Figure 1: Structure of data

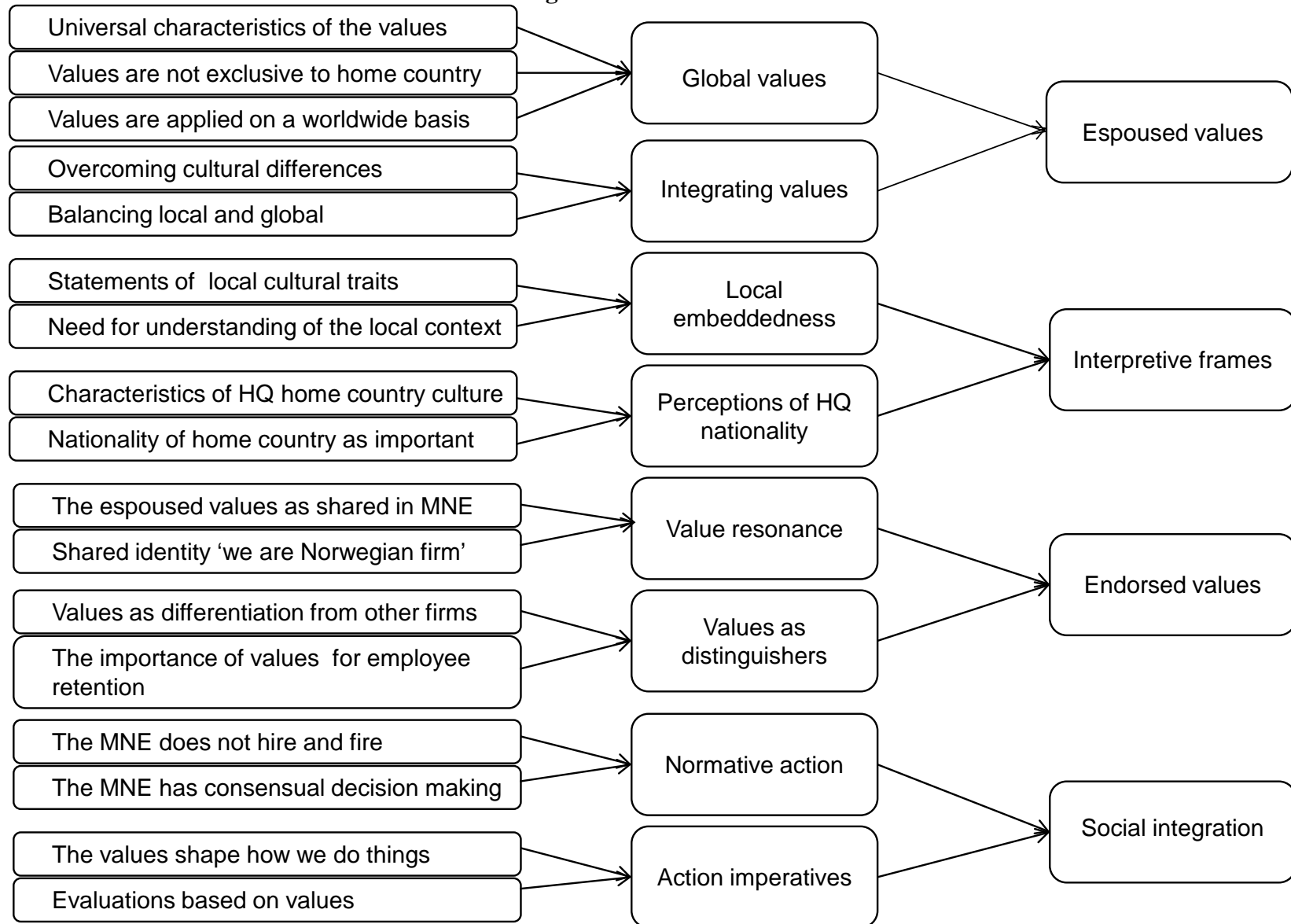


Figure 2: Emergent model of social integration

