



UNIVERSITY OF GOTHENBURG
SCHOOL OF BUSINESS, ECONOMICS AND LAW

The composition of board of directors

-The relationship of foreign directors and Internationalization strategies

Department of Business Administration
International Business
Bachelor thesis
Spring 2013
Authors: Anders Karlsson 900615-4638
Fredrik henningsson 900710-3857
Tutor: Roger Schweizer

Abstract

Title: The composition of board of directors – The relationship of foreign directors and internationalization strategies.

Problem: MNCs are operating in a global environment ever more competitive and the need for adequate governance is substantial. In order to be successful in the BRIC-countries diversity, knowledge and expertise is significant among the board of directors. The internationalization among directors have been lacking behind compared to the companies' internationalization, this constitutes the foundation of our research.

Purpose: The purpose of this thesis is to contribute to existing research on composition of the board of directors on internationalization strategy, by exploring the relation of foreign directors from the company's strategically important markets.

Research Question: What has been the developing trend among the composition of board directors in Western MNCs? How is the composition of board of directors of Western MNCs related to the company's internationalization strategies?

Method: This research is conducted by initially analysing 13 companies, and out of these four for deeper analysis, from the NASDAQ OMX Stockholm's Large Cap. We used both quantitative research to construct the base and qualitative research to get a perspective on the topic. The findings were put in relation to current board and internationalization research, including both well-established and more recent work.

Conclusion: Our findings suggest that there has been internationalization among the boards over the years with a more rapid development during the last decade, however the vast internationalization in the BRIC-countries is not clearly reflected among the board of directors. After consistent market presence in these countries eventually have resulted in directors from such regions in the boardroom.

Key Words: Board of Directors, Foreign nationality, Internationalization strategies.

Acknowledgements

We would first of all like to thank our supervisor Roger Schweizer and show our gratitude, not only for helpful comments, thoughts and enlightened knowledge of our thesis' topic. But also for being present and guiding throughout the entire process.

Finally we would like to express our gratitude to Åsa Konnber, Investor Relations at Ericsson and Mats Odman, Vice President Corporate Communications at Autoliv for taking part in this thesis. That they decided to participate and share their knowledge enabled us to obtain valuable understanding and perspectives on the topic. We are grateful for your time, gentleness and answers.

Gothenburg 7th of June 2012

Anders Karlsson

Fredrik Henningsson

Table of Contents

1. INTRODUCTION.....	5
1.1 BACKGROUND	5
1.2 PROBLEM DEFINITION	7
1.3 PURPOSE.....	8
1.4 RESEARCH QUESTIONS	8
1.5 DELIMITATION.....	8
2. THEORETICAL FRAMWORK	9
2.1 REGULATIONS	9
2.2 BOARD RESOURCES	10
2.3 PRINCIPALS	11
2.4 DEGREE OF INTERNATIONALIZATION	12
2.5 INTERNATIONAL MINDSET	13
3. METHODOLOGY	17
3.1 RESEARCH APPROACH	17
3.2 RESEARCH METHOD	18
3.3 SAMPLING.....	18
3.4 DATA COLLECTION	19
3.5 DATA ANALYSIS.....	21
3.6 RELIABILITY AND VALIDITY	21
4. EMPIRICAL DATA.....	23
4.1 GENERAL	23
4.1.1 <i>Table 1: Development of the composition of the board of directors</i>	<i>25</i>
4.2 SKF.....	26
4.2.1 <i>Internationalization and composition of the board development</i>	<i>26</i>
4.3 AB VOLVO	29
4.3.1 <i>Internationalization and composition of the board development</i>	<i>29</i>
4.4 AUTOLIV	32
4.4.1 <i>Internationalization and composition of the board development</i>	<i>32</i>
4.5 ERICSSON.....	35
4.5.1 <i>Internationalization and composition of the board development</i>	<i>35</i>
5. ANALYSIS	39
5.1 THE TREND AMONG SWEDISH MNCs.....	39
5.2 REGULATIONS.....	40
5.3 BOARD RESOURCES	42
5.4 PRINCIPALS	43
5.5 DEGREE OF INTERNATIONALIZATION	44
5.6 INTERNATIONAL MINDSET	46
5.7 EVALUATION OF THE MODEL.....	47
6. CONCLUSION.....	49
6.1 RESEARCH CONCLUSION	49
6.1.1 <i>Model 2: The five dimensions of board composition and internationalization strategies.....</i>	<i>51</i>
6.2 CONTRIBUTIONS.....	52
6.3 FUTURE RESEARCH.....	53
APPENDIX 1 – MAIN INTERVIEW QUESTIONS.....	54
REFERENCES	56

1. Introduction

1.1 Background

During the last decades the term Globalization has become a standard and over the last decades the globalization of the markets has been one of the most significant changes in the business environment (Earley & Gibson, 2002). Focus has shifted towards Asia, Latin America and other developing regions, in recent years this has also started to appear in the boards of Western Multi National Corporations (MNCs). Historically, domestic directors have dominated the composition of the board of directors in Western MNCs, and the representation of foreign directors has been minor until early 1990s with a boom in the 2000s. Nowadays almost all companies are affected by globalization. If not directly then indirectly through the removal of old trading barriers, affecting companies that only operate in particular regions. The question to evaluate is how a board can grasp the internationalization and gain maximum advantage from it (Sjätte AP-fonden-2, 2013).

According to Mallin (2010) there have been a number of well-known large corporations that have collapsed despite the fact that the annual report and accounts seemed fine. The answers to why collapses have occurred are linked to corporate governance. OECD (2004, pp. 11) provides a broad definition of corporate governance, which describes corporate governance as: *“a set of relationships between a company’s management, its board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined”*. The board is a cornerstone in the company and can be seen as the company’s heart, which needs to be healthy, fit and carefully nurtured in order to run effectively (Solomon, 2010).

Uncertainty of the future strengthens the need for a versatile board as this increase the chance for the board to identify the necessary changes. The most effective work from a board is gained through a comprehensive composition; directors with different personalities, work experience, age and gender (Brandinger, 2011). Further, the importance of a proper composition is noted in Statens offentliga utredningar (SOU): *“The risk of too unilaterally compounded boards, i.e., all board members have similar knowledge, experience, way of thinking, social perspective etc., is the possibility of resulting in “tunnel vision” in strategy and other aspects”* (Finansdepartementet Förtroendekommittén, 2004, pp. 203).

The boards act as an important trigger of major organizational actions and changes (Grinyer & McKiernan, 1990); it has two major functions; the monitoring role and the advisory role.

The monitoring role for example means being responsible for hiring, firing and compensating managers, including the CEO. The advisory role deals with advising managers on important strategic decisions (Brandinger, 2011), notably when expanding internationally (Bartlett & Ghoshal, 1989). In order to help the firm execute the intended strategy, the directors are often selected because they can add knowledge and have suitable experience (Boeker & Goodstein, 1991; Pearce & Zahra, 1992). Both long-term and short-term strategies are supposedly the most important job for the board. Although it is a simple term, a company's strategy is highly complex (Brandinger, 2011). Foreign directors also add important experience in establishing foreign operations and strategic alliances with other firms and governments (Pfeffer & Salancik, 1978; Pearce & Zahra, 1992).

From previous research one can understand the great impact the board of directors have on corporate governance. In a well-governed company the relationship a company's board has with its shareholders and other stakeholders is essential as it is the link between managers and investors (Mallin, 2010). Investors hold both top managers and board members accountable for the way a company is performing since it is a directors' task to ensure that management's decisions are aligned with stockholders interests in maximizing the value of a firm (Fama, 1980; Fama & Jensen, 1983). Mallin (2010) continues, stating three essential core objects to achieve in order to become high-performing; provide superior strategic guidance; ensure accountability of the company to stakeholders, investors and other closely related parties; ensure that a high qualified executive team is running the business. With regards to these core objects one area is attracting increased interest; board diversity, especially foreign directors and their increased presence in western companies (Mallin, 2010) can possibly be argued to be an adaption in regards to the dramatically changed world economy. In International Business research there are numerous scholars regarding a firm's internationalization and some fields like the theory of the MNC is considered to have been "solved" by some (Doz, 2011). But at the management level and especially when it comes to the board of directors there are few researchers who have contributed with a connection to firm's internationalization (Thomas et al., 2010).

Oxelheim et al. (2009) investigates internationalization of supervisory boards and study foreign board members in publicly traded firms from Nordic countries. Oxelheim et al. (2013) further examines the internationalization of corporate boards with the help of samples from non-publicly traded firms from Nordic countries. Carter et al. (2003; 2007) found a significant positive relationship of woman and/or directors from minorities on the board and firm value and financial performance. Oxelheim et al. (2013) suggest that future research should focus on board internationalization and examine directors' nationality and its

connection to geographic strategic sales markets. But also if there are similar connections to international experience of home country based directors and geographical sales. Parallel to this research Oxelheim & Wihlborg (2008) found that added operational complexity is common for firms conducting business in an international environment. More studies on board internationalization has also been made by Oxelheim & Randøy (2003), looking into Nordic companies and later developed by Masulis et al. (2012), focusing on American companies, which tend to be less integrated in the international business world.

1.2 Problem definition

In a globalized world the need for competence and international knowledge is of great importance. Globalization requires a worldwide presence at all times and many companies are forced outside of their domestic market in order to be competitive. Without a board with international experience it is hard to create success in foreign markets, cope with uncertainty, provide cultural knowledge and developed an international network, all of which is critical for firms wanting to compete in an international environment (Sambharya, 1996; Norburn, 1989).

Traditionally Western companies had an early internationalization in the American and west European markets and they still represent the majority of the exports today. But the share of exports to the BRIC-countries is rapidly increasing, notably in Asia. The Asian market has frequently been pointed out as the fastest growing market in the world, but despite this fact there are few signs reflecting this in the composition of board of directors in MNCs from small countries like Sweden (Hedelin, 2011). As a result of the increasing importance of the Asian markets, MNCs will possibly need Asian competence in the boards, especially from countries like India and China. In a DI article (2011, pp. 1), Håkan Sandberg, member of Volvos nomination committee states that *“If you have a group operating in the U.S., Europe and Asia there is a great profit in having someone who considers Asia as a domestic market”*. Furthermore, the literature on cultural distance (Tihany et al., 2005) advises that measures of supervisory board internationalization should include cultural differentiation. Winnie Fok, board member of SKF since 2004 states the need of a diversified board: *“They are not Swedish companies but international, with operations all over the world, therefore it is natural to have a broad knowledge-based board. It is useful to have someone who reside in these environment, and not only read about it in the newspapers.”* (Larsson, 2011 pp. 1). In accordance with this, the lack of board directors from the BRIC-countries in Western MNC’s will possibly become a problem as they increase their presence in the developing markets, striving for success. Simultaneous to the international expansion, firms that exclude foreign directors in the boardroom are likely to miss out on competencies contributed by foreign directors in foreign markets such as; networking abilities with key partners, buyers and

providers of finance as well as adding transparency of strategic decisions (Luo, 2005) and by doing so loose competitiveness in a world ever more competitive. But bear in mind that companies have few proofs on the effects that foreign directors have on firm's performance and internationalization, which constitutes a problem in it self.

As the boards have a considerable influence on companies' performance and being responsible for the strategies, simultaneously as the world economy is changing and emerging markets are gaining more recognition. We therefore find it appropriate to investigate to what extent foreign directors from the Western MNCs' strategic important markets, have on the internationalization strategies.

1.3 Purpose

The purpose of this thesis is to contribute to existing research on the composition of the board of directors and internationalization strategy, by exploring the relation (i.e. regulations, board resources, principals, degree of internationalization and international mindset) of foreign directors from the company's strategically important markets.

1.4 Research questions

In order to be able to answer the main purpose, a research question has to be set out. In order to get an overview and following a more adequate understand the research question was divided in two separate questions.

- What has been the developing trend among the composition of board directors in Western MNCs?
- How is the composition of board of directors of Western MNCs related to the company's internationalization strategies?

1.5 Delimitation

There are several limitations in this thesis; first it is limited to study only Swedish MNCs listed on the NASDAQ OMX Stockholm's Large Cap. This is due to the available data from most annual reports and similar statements, but also for the possibility to conduct an interview. Second is that we limited the chosen companies to initially 13, out of these 4 companies were further analysed. We selected only four companies out of the initial 13 in order to have a focused analysis; more research object would have been hard to fit in the thesis given the substantial data that would go with it. But we also had to take the amount of time in account. A wider selection with deeper research would have been too time consuming. Additionally, the concept of internationalization is widely defined including many phases and aspects; however, we have restricted ourselves to mainly focus on foreign sales/total sales and joint ventures.

2. Theoretical Framework

To further deepen the discussion of the composition of board of directors in Swedish MNCs and the influence of foreign directors on the company's internationalisation strategy it is essential to understand what the contributing factors in board composition are. Following, we have looked in to different elements that are essential in affecting the composition of board of directors. Finally, these theoretical elements will be summed up in a model with five parts providing an explanation to the relation of board composition and internationalization strategies.

2.1 Regulations

Regulations often constitute the foundation on which decisions can be made and is an important prerequisite when appointing the board of directors. These regulations are mainly governed through the Swedish Aktiebolagslag (ABL) and the Swedish Corporate Governance Code. ABL (2005:551) 8 kap. 4§ describe the board's main tasks and the board is responsible for the organization and management of the company's affairs. The board shall continuously evaluate the firms' financial performance and if the company is the parent company of a group the financial performance of the group shall also be evaluated. It is up to the board to make sure that the organization of the firm is structured in a way so that accounting, management of resources and the financial circumstances can be controlled in a satisfactory manner. ABL (2005:551) 8 kap. 6§ provide provisions on how the work of the board is to be carried on and the board must on an annual basis prescribe a written order of how to precede their work. Furthermore, 7§ explain that the board must in writing provide instructions on job allocation between the board, the CEO and other bodies founded by the board. According to 8§ the board is nominated by the annual general meeting, but in the articles of association it may be prescribed that board directors can be nominated in other ways. Moreover, ABL (2005:551) 8 kap. 46§ regulates that a Swedish publicly traded company must have at least three board directors, which is also supported by NASDAQ OMX listing rule 5605(c)(2). 47§ in ABL (2005:551) states that more than half of the boards directors should be elected by the annual general meeting.

Important for our study is ABL (2005:551) 8 kap. 9§, which regulates residency of the board of directors and at least half of the directors must be resident within the EU-27 plus Norway, Iceland and Lichtenstein. In accordance with the rules and regulations of NASDAQ OMX, there are no restrictions on the number of boards, which a director is allowed to serve (NASDAQ OMX, 2013). A board director's term of office is provisioned in ABL (2005:551) 8 kap. 13§ and the assignment as a board director are due the first annual general meeting one year after the director was elected (FARs Samlingsvolym, 2013). Furthermore, the structure of Swedish boards is dual (a unitary structure is predominant in the EU), consisting of both a

supervisory board and an executive board of management. The supervisory board is responsible for overseeing the direction of the business and the management board is responsible for running the business (Mallin, 2010).

The Swedish Corporate Governance Code aims to improve confidence in Swedish listed companies by promoting positive development of corporate governance in these companies (Swedish Corporate Governance Board, 2010). The code works as a *follow or explain* therefore it is not mandatory. Swedish listed companies are not obliged to comply with every rule in the Code, however it specifies what is often, but not necessarily always, regarded as good corporate governance practice. Regarding the composition of the board, the code suggests: *“The board is to have a composition appropriate to the company’s operations, phase of development and other relevant circumstances. The board members elected by the shareholders’ meeting are collectively to exhibit diversity and breadth of qualifications, experience and background. The company is to strive for equal gender distribution on the board.”* (Code rule 4.1). Additionally, Code rule 2.1 regards the nomination committee, which proposes candidates for the post as chairman and other members of the board. Members of the board of directors may also be members of the nomination committee (Code rule 2.4), however, they cannot constitute a majority. Before the annual general meeting according to Code rule 2.6, the nomination committee should issue a publicly available statement on the company’s website explaining its proposals of board of directors with regards to both the company’s strategy and future challenges but also the composition of the board of directors contained in Code rule 4.1.

2.2 Board resources

Resources among the board of directors are characteristics that we find at the top governance level; hence they are of major importance and will work in relation to appointment of directors and selection of strategies. Pearce and Zahra (1992) display that one of the most important roles of the board is how the directors use significant resources such as important information, relationships and experience. Teece (2002) also includes the importance of the director’s skills in networking to the resources and highlights board members ability to exchange information with other individuals. All of which becomes essential for a firm's internationalization and value creation. Barney and Clark (2007) further develops that resources in terms of competencies are used to produce competitiveness and strategies, which results in added value.

Hambrick and Mason (1984) proposes that the explanations as to how and why leadership varies across organizations can be found in managerial characteristics e.g. age, career

experience, education, personal values, socio-economic roots, financial position, cognitive base and group characteristics. A manager's cognitive base and values are based on experiences from both inside and outside an organization (Hambrick & Mason, 1984). An organization's outcome reflects the values and cognitive bases of powerful actors in the organization and executives are often chosen precisely because they have the appropriate background (Hambrick & Mason, 1984). When looking in to important characteristics, it is generally the top management level, which is discussed. But we argue that it also can be used when analysing board of directors as these persons often also simultaneously work as or have work experience from management positions. Thus this can be reflected in their decision-making on director's level. The Upper Echelon Theory suggests that the more complex a decision, for example strategic measures, the more important the personal characteristics of the decision makers, such as age, tenure, and specialization. In most large corporations the Board of Directors makes the final strategic decisions and can hence be considered as the highest level (Van der Zee & Swagerman, 2009).

Cochran et al. (1984) looked into the age of board members and report that older members are more resistant to new ideas like a more international board culture. Furthermore, Hillman et al. (2009) concluded that what is more important in the internationalization process is who the directors are in relation to what they can give to the firm. The ability to predict the future and adapt to it requires a flexible company and an effective board (Brandinger, 2011). Creating a successful internationalization strategy in order to be competitive and create value for the shareholders, diversity in the boardroom, international experience, knowledge of foreign markets and international networks is of major importance. If a board spends time working with the right strategy and other long-term questions the result will be reflected by the competencies of working directors (Brandinger, 2011).

2.3 Principals

Board of directors and internationalization strategies is a result of the relationship between ownership and control. This relationship is often found to be complex and principals like the owners can practice influence over who will control the company. A common explanation is that control is passed on to representatives in the company, such as company executives (Jensen & Meckling, 1976). By passing over control its possible to solve the potential problems, which could occur between the ownership and the management where the board work as a monitoring device to prevent complications from happening. Others have conducted research of international firms in regard to the size of the board, for example Sanders & Carpenter (1998) who also investigated associations between the separation of CEO and board chair and the results on internationalization. Adams et al. (2010) states that

the composition of the board is a result of a response from economic actors, who act on governing issues arising in the firm. In terms of internationalization, one can look at it through the eyes of a foreign owner, who similar to a domestic owner tries to practice his/hers influence over how the executives manages the firm. If a foreign owner is represented among the board of directors, we can see a higher probability for the principal's agenda to become reality. However, foreign institutional owners are often known to have a modest interest when it comes to corporate governance. However, it is important to bear in mind that different categories of owners might act differently and will have different effects on the composition of board directors (Oxelheim et al., 2009). Moreover, Carpenter et al. (2001) discuss if owners rather have home country based directors with international experience in their internationalization process.

2.4 Degree of internationalization

When studying internationalization strategies and composition of board of directors, to what extent a company is internationalized constitutes an important element for understanding. The concept of Internationalization has through the years been described in different varieties countless of times. Ramaswamy (1992) developed a multidimensional construction of internationalization, consisting of three independent factors pursued abroad. First, the scope, measuring and indicating the discrete number of functional activities e.g. sales, production and R&D. Second, the depth, measuring the ratio of foreign sales to total sales. Third, the dispersion, which measured the number of foreign countries where a company has research labs, manufacturing facilities, sales offices and sales subsidiaries.

Sullivan (1994) further developed the concept of strategic decisions, arguing for the use of just a single factor consisting of five variables, a degree of internationalization (DOI); foreign sales/total sales, overseas subsidiaries/total subsidiaries, foreign assets/total assets, psychic dispersion of international operations and top management's international experience/total top management experience. Additionally Oxelheim et al. (2009) explain the internationalization through commercial activities "*Commercial internationalization embraces export and import, foreign direct investment, and foreign employees*" (Oxelheim et al, 2009 pp. 1). The authors suggest that, when a firm wants to internationalize to a market with a harsher monitored corporate governance system, the firm can import foreign directors, as this signal compliance. Furthermore Andersson & Svensson (2009) describes an internationalized firm as a company that has reached the end of the internationalization process, i.e. most of the value chain activities have been internationalized and the firm has an organization suitable for a geographic spread of activities in the desirable international markets.

2.5 International mindset

Multinational Corporations can have various approaches to international markets where the mindset will decide how to view them and what people will be necessary in the boardroom to execute the best strategies. In the literature by Andersson & Svensson (2009) they distinguish between an *internationalizing* firm and an *internationalized* firm as the first one is described as being an immature MNC, found in-between a home-market based firm and a fully internationalized. They also differ in regards to mind-set; internationalizing firms' dominating mindset is national despite that an international mindset is established. To further deepen the knowledge about internationalized firms and the different orientations, three major types are provided in a model, which is developed to allow executives to more accurately develop their firm's general strategic profile (Bartlett & Beamish, 2008); the Ethnocentric MNC, the Polycentric MNC and the Geocentric MNC (Perlmutter, 1969).

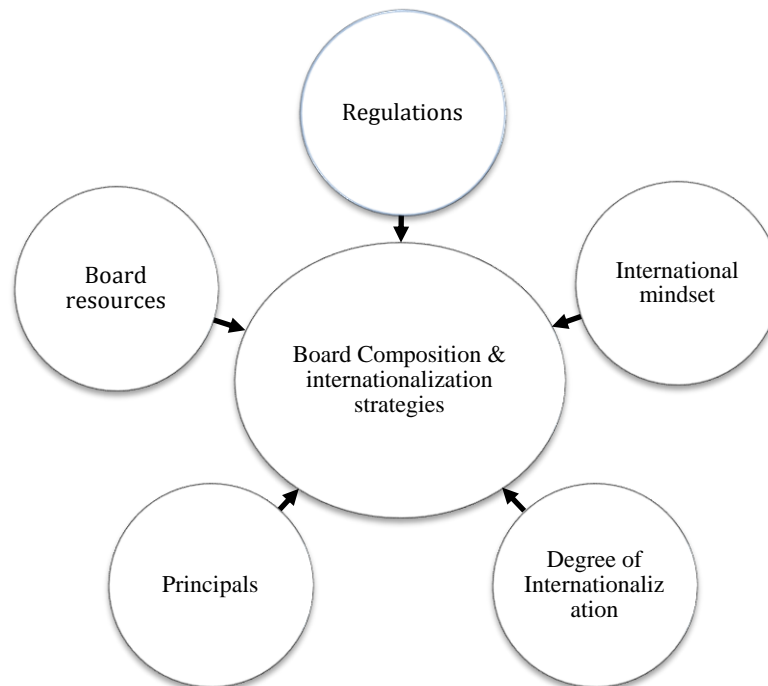
The Ethnocentric type of MNCs are characterized as still home-country dominated, the home-country market is the firm's major strategic base and it exists a strong national bias also within the MNC as most of the key activities are located there. An Ethnocentric MNC is usually identify themselves with the nationality of owner, e.g. H&M is seen as a Swedish company simply because its headquarters are located in Sweden. Furthermore, in the concept of ethnocentrism, organizations recruit home-country people and train these for both national and international executive positions. Taking Bartlett & Ghoshal (1989; 1992) in mind, their description of a global organization or multinational organization approximates the organizational structure that suits the Ethnocentric MNC (Andersson & Svensson, 2009; Bartlett & Beamish, 2008). The second type, The Polycentric MNC has a stronger international spread of location of key activities, although, one of the firm's major center remains in the home-country. Compared to the Ethnocentric MNC the Polycentric MNC has most of its core business areas located in other parts of the world, areas such as marketing is adapted to each country and the Polycentric MNC believes more that nationals have better understanding and awareness of the particular host-country. The description by Bartlett & Ghoshal (1989; 1992) of the international organization of the MNC suits the organizational structure of this firm (Andersson & Svensson, 2009; Bartlett & Beamish, 2008).

Third and finally, the Geocentric MNC focuses more on a world-oriented approach to multinational management. The main difference is that compared to the Ethnocentric and Polycentric MNC, the Geocentric is not showing bias towards either home-market or host-market. A transnational organization as described by Bartlett & Ghoshal (1989; 1992) is closest related to the Geocentric MNC. The world is seen as one entity, similar to a nation, and the transnational organization meets different customers with different demands in the

world market, therefore the company does what it takes to better serve the organization. The company employs the best people for a certain job irrespective for their nationality, i.e. the company does not focus on an individual that best exemplifies the host or home country opinions. Further, the best location for the different units is found according to the actual worldwide needs rather than the origin of the company, therefore and as a result management selects the people best suited for the companies goals and worldwide problem solving (Andersson & Svensson, 2009; Bartlett & Beamish, 2008). Not only does the Geocentric MNC take advantage of opportunities, uses the cheapest resources and hires the best suitable people no matter of origin, but also faces competitors irrespective of where they come from (Andersson & Svensson, 2009).

Additionally, a Geocentric MNC is open to diversify its functions through geographical locations in the sense that different markets require different behavior (Bartlett & Beamish, 2008). The countries differ in culture, laws, organizational standards and approaches to these, e.g. what is common and acceptable in Western Europe may not be acceptable in China. The goal of a Geocentric MNC is to globally unite both headquarters and subsidiaries in order to simultaneously act locally and focus on worldwide objectives. The Geocentric type is the true goal of a transnational organization, however, there are few companies that have reached this ideal state as they are still bounded by historical and geographical institutional ties (Andersson & Svensson, 2009; Bartlett & Ghoshal, 1989; 1992). The main point of this type of MNC is that the organization is globally based and does not have one single dominating regional base; the organization is rather spread equally over key regions, mainly North America, Europe and Asia. There are although forces that will drive companies to become geocentric, competition, available international customers and the abundance of growing world markets. Competition is the most obvious one, as a company enters a new market this forces rivals to do the same in order to maintain pace. In order to serve as many customers as possible, the MNC is required a geocentric approach to effectively target. And thirdly, as the abundance of growing world market is occurring in areas such as income, rising GDP's and increased disposable income in relatively new regions (Bartlett & Beamish, 2008).

2.6 Model 1: The five dimensions of board composition and internationalization strategies



The five dimensions of board composition and internationalization strategies is a model we created and works as a combination of theories and adjoining elements that we find essential when companies compose the board of directors and choose internationalization strategies. The model consists of five non-equally contributing elements. The arrows illustrate each elements contribution to the main complex element of board composition and internationalization strategies. In reality though one part might be more related to another and contribute more or less to the main element than the arrows show. First, *Regulations*; a combination of law and codex, this is the foundation of corporate governance and regulates the composition of board of directors. The second contributing part to the model is *Board resources*, which describe specific resources among directors as significantly essential to a firm's internationalization and value creation. It points out features that can make us understand why a director is chosen. Moreover, a reason why leadership varies across organizations and how the proper use of these characteristics can be exploited in order to improve top-level decision-making is also included here. This part consists of both well-known theories and more recent academic work.

Third is the *Principal*; this part concerns the relationship between ownership and control. The relationship theory argues that the board is a result of domestic and international owners' economic interests and that the board of directors works as the monitoring body. Additionally

it underlines to what extent foreign directors influence foreign ownership and interest. Fourth, the *Degree of internationalization*, that describes different approaches and explanations to internationalization, where strategic decision-making is reflected among the board of directors. Included here is an academic journal suggesting that financial internationalization has a positive relationship to foreign directors. Finally, *International mindset*; in this theory we included varieties of internationalization through different orientations and mindsets for distinctive MNCs organizations. The different mindsets argue that there are differences among MNCs regarding; organizational structure, dependence of home-market, how the companies employes people to handle Most of the sampled companies will supposedly best suit the Geocentric MNC, similar to a transnational organization.

This model will, with regards to our empirical data, analysis and conclusion work as a foundation and we refer to these five aspects as being the most contributing to the relation of the composition of directors and companies' internationalization strategies. Hence we will try to answer our research questions put forth in the previous chapter with the help of our model; what has been the developing trend among the composition of board directors in Western MNCs? How is the composition of board of directors of Western MNCs related to the company's internationalization strategies? The model will additionally also be analysed with the empirical data in an attempt to answer if the directors have been appointed proactively to internationalization strategies or is rather a reactive result of such strategies. The five parts are in various degrees related to the other, however, it's the overall combination of them that we will take into account in our research. In line with this the elements in our model can be applied on both the preparations of internationalization strategy as well as being essential after strategies have been executed.

3. Methodology

The following methodology chapter will provide the choice of methods used, explanations to these and the approach of our study in order to better understand our empirical collection of data. We will then discuss the reason behind the chosen case companies, the approach we used to collect data and how we analysed it and finally discuss the quality of our study.

3.1 Research approach

With regards to this thesis' purpose, when analysing the development of board composition and the firm's internationalization strategies we found it essential to give an overview of the Swedish companies' development on the composition of board of directors. Hence, we selected 13 Swedish MNCs, which have a vast international presence and constitutes some of the biggest companies in Sweden, to explore change in composition. This will form the first part of our empirical study, thus we find it essential to build a platform of general understanding before conducting further research. The quantitative approach we used in order to retrieve accurate data from each company was to use the public annual reports and other significant press releases. The time period of 1990-2012 was selected due to the available printed and digitally stocked reports but also the fact that there has been a rapid change in the world economy that could affect the board in Swedish MNCs, therefore also proper for our study. The retrieved data on each company's composition was then analysed for us to be able to comprehend any significant changes regarding foreign directors in the composition of the board.

Once a general view and understanding of the development was accomplished we continued to the next phase where four companies was selected for a case study. These four companies are based on the idea of managing further insight and present a deeper analysis of the sampled companies. Moreover, they were chosen upon our previous knowledge of their international presence and thought to be interesting cases for our study. We are therefore compelled to collect data from both a quantitative and a qualitative approach, which are based on the first part of our study. Throughout the data collecting process we kept these questions in mind; on what grounds are directors appointed? Why would it be better with foreign directors in the board? Is there a match of geographic markets and nationalities of foreign directors? Are foreign directors appointed as a reactive or rather a proactive result?

Throughout this process, the empirical data was gradually, and simultaneously analysed along with the theoretical framework. Along with close research on each company's history during the chosen period we tried to find significant corporate events that could be related to changes in the board. To further deepen the understanding of the relation between an event and change

in the composition of the board of directors we carried out a qualitative approach, i.e. interviews with representatives having deep knowledge from two of the companies. When collecting data on the board of directors, we limited the focus to only include regular members and not members or deputies appointed by employee organisations. Further, the study does not include national directors with international experience, but will be taken into account in the analysis, nor does it include observations of other important factors such as; age, gender or work experience.

Additionally, we chose to focus on companies' internationalization development in the BRIC-countries, mostly China and India, but also Japan, as the directors of our analysed companies displayed significant change in these countries. Furthermore, in regard to our purpose, these regions comprise strategic important markets for the companies in our case study. The thesis does not aim to compare the relation of the composition and internationalisation strategies between companies, nor does it focus on the overall performance, but rather to find if and how great the relationship between foreign director(s) and their company's internationalisation strategy in a proactive or reactive way.

3.2 Research Method

As the purpose of this thesis is to investigate the relationship of foreign directors in western MNCs from major geographical markets by studying in particular Swedish MNCs we believed the most appropriate method to adapt was a case study. The composition of the board of directors is a wide and complex topic and varies across all countries. In order for this study to contribute to existing studies and literature a case study was the most suitable option due to the fact that our approach is to link the chosen companies' significant events and growth in markets that hosts a new director, to the composition of the board as a proactive or reactive result. A case study, detailed describe by Yin (2003) as the preferred strategy when studying questions of "how" and "why" are being posed and when the researchers has little control over events. The author additionally adds that "*A case study is an empirical inquiry that; investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident*" (Yin, 2003, pp. 13). This description further strengthens our choice of research design as our purpose suits well in the context of a case study.

3.3 Sampling

With regards to our purpose and in line with conducting proficient research we had to collect data about companies' board of directors and the development of the internationalization strategies. With our delimitation in mind, we could have chosen among a wide range of companies. Therefore we had to establish certain criteria to minimize the options and end up

with companies relevant to our study. Yin (2003) identifies such screening as the main goal in order to properly choose case companies before collecting data, thus we setup following criteria.

First we have chosen to only look at companies listed on the NASDAQ OMX Stockholm Large Cap, among these we picked out 13 companies. We wanted to include companies that to a large extent had been operating internationally for a longer period. The world economy has shifted enormously since the 1990s and due to this fact the development of the composition of the board is a long process. Since we are studying the relationship of the composition of the board and the internationalization strategies this criterion was significant. Further we also tried to have a mix of different businesses and history of the companies regarding age and markets as well as Gothenburg based companies so we could try to have face-to-face interviews and not only over telephone. After the collection of the composition of directors we made a compilation that can be seen in Table 1. Furthermore we contacted all the 13 companies with our wish for an interview, at this stage we encountered some problems as only two companies, Autoliv and Ericsson had the will and time to help us. We proceeded with these two and added AB Volvo and SKF to be further analysed as these companies have experienced an interesting increase of foreign directors, suitable for our study.

In some of the cases we were forced to handle a director with double citizenship e.g. a Japanese born with higher education and work experience both domestically and internationally that has led to a double citizenship in the U.S. but simultaneously resides in both nations. Situations like these were hard to tackle if we didn't have a proposed and clear definition that the boundary was founded on. We have chosen to identify foreign directors as to their current citizenship or if they had two, the longer one. The companies' annual reports worked as the starting point for us to identify the directors' nationalities. We additionally used random web-based sources but mostly Bloomberg's Executive Profile & Biography but also other local media articles to further verify a director's actual nationality. This approach was mostly used when it was difficult to verify the nationality, especially in cases where the director's biography was internationally spread out. In cases like this we chose to pursue with the director's higher educational background as a confirmation in combination with name and earlier work experience.

3.4 Data collection

With regards to the data collection it can be divided into two sub-categories; primary data and secondary data. As we decided to base our study on both a qualitative and a quantitative approach we therefore had to rely mainly on two sources. The primary data was collected mainly

through qualitative interviews with highly knowledgeable employees of Autoliv and Ericsson. We did not only analyse companies with whom we got an interview with as these were used more to get a deeper understanding of that particular company and widen our knowledge of the study. We also had to base our research on the information that we could attain through annual reports or similar statements. Thus, the secondary data worked as a base and interviews as an in-depth tool for analysing and inside statements of our findings.

After choosing the case companies we started collecting data about each company's composition of board of directors and information about their nationalities. Here we used secondary data, the public annual reports to analyse the development of composition of board members from the year 1990-2011 (2012 where publicly available). In our case annual reports as a source is described by Yin (2003) as documentation and archival records.

Documentations are not always accurate and for case studies, it is very important to corroborate and augment evidence from other sources (Yin, 2003). Although documentations and archival records should be handled carefully, we had to rely heavily on them to find key internationalization events and verify directors' nationalities. In order to get an accurate overview of the boards during the period we had to look at the annual reports for each year, however in some cases we were not able to find the annual reports as they were too old to be stored digitally on the companies' websites. Although the school's library archive store annual reports from the beginning of the 20th century, many of the original versions of the chosen companies' annual reports archived were not to be found. The effects of this obstacle were minor as the unused reports belonged to the earlier years of the study and there were generally no significant changes to the composition regarding outside directors between the missing years. Furthermore we also used the annual reports simultaneously as other reports and statements in order to retrieve basic company information presented in each company's section in the empirical chapter. Additionally primary news articles were used to verify a director's nationality when this was difficult.

Regarding the primary data used, we relied on interviews to increase our knowledge about each company and to broaden the understanding of the relationship of foreign directors from geographically important markets. We also used articles for the reasons previously mentioned. As stated before, we carried out two interviews over telephone with Åsa Konnber, Investor Relations at Ericsson and Mats Odman, Vice President Corporate Communications at Autoliv. Both of the interviewees had worked at their respective company for a significant time and provided useful insights as well as suggestions of further sources. They were carried out in Swedish and we have translated quotes stated in the thesis. Interviews are described as "*one of the most important sources of case study...*" (Yin, 2003, pp. 89), although they were

important for our understandings in the research objective they were not the foundation. In the initial contact we provided the respondents with our topic of study and prior to the interviews we sent a semi-structured interview with the topics we wanted to discuss. As we only were given one opportunity to carry out an interview over telephone we wanted to provide this to the interviewee in order to prepare and to ensure the quality. This approach was also for us to be able to work on the two levels described by Yin (2003); satisfying our intended needs and simultaneously keeping the interview friendly and nonthreatening with questions in an open-minded style. This preparation was appreciated by the interviewee too because they could prepare and give us the best information possible but at the same time also ease up for us to ask more in-depth questions adjusted to the answers, the interviewee's own opinions about the case and in the end it turned out to be more of a conversation than a standard interview.

3.5 Data Analysis

After collecting empirical data we then started analysing it in order to put the data into contrast to the theoretical framework. We initially started by collecting and secure each company's composition of the board of directors' nationalities. When this was done for each year of the 13 companies we compared them in order for us to choose four for further analysing. Next step was to transcribe the interviews and select answers and suitable excerpts that could be used, notably those regarding questions about why directors from geographically interested markets were appointed. We used a similar structure in the analysis chapter as in the empirical chapter, however, instead of presenting the data for each company we choose to merge the companies' data and present an analysis of the different reasons for appointing/not appointing foreign directors in relation to internationalization strategies. By using this approach we believe we would achieve and provide better insight in the research purpose.

3.6 Reliability and Validity

The methods chosen in this thesis undeniably influences the quality of the study, in order to attain a high reliability and validity it is therefore crucial to evaluate methods and approaches used. Reliability refers to the question of whether the results achieved of our study can be repeated by another researcher at a different time with the same methods, resulting in the same result. In order to allow for such repeated research we are forced to document our chosen procedure and method (Yin, 2003). "*The goal of reliability is to minimize the errors and biases in a study*" (Yin, 2003, pp. 37), additionally (Bryman & Bell, 2007) states that reliability possibly is an issue when quantitative research is used, due to that the researcher is likely to be concerned about the stability of the empirical data. In order to conduct a reliable study we had to consider the trustworthiness of our resources. Reliability is a necessary ingredient for determining the overall validity of our study. Validity does not concern the result

but rather the whole concept of our measurement; to what degree we measure what we are supposed to measure. In other words, construct validity focus on to what extent our empirical measure reflects the thesis' concept being studied, to increase validity, it is further suggested to use multiple sources (Yin, 2003). When it comes to the generalization, or external validity, the key question is whether or not the sample of the population can be generalized to the whole population. According to Yin (2003) single or few cases offer a poor basis for generalization, as previously mentioned we only analysed four companies, thus our findings can be difficult to generalize for the population.

Our case study was based on both quantitative methods and qualitative interviews. All the empirical data were collected initially through each company's annual reports or similar releases that should be regarded as significantly reliable and later by interviews and other reliable academic work. In order to further verify the directors' nationalities we additionally used different web-based sources such as Bloomberg's Executive Profile & Biography. In this quantitative part of the study there are some aspects that reduced the quality of the study. First, the case study was limited to initially a 13 NASDAQ OMX Stockholm-listed companies, later resulting in four further analysed. Second, our previous mentioned definition of a *foreign director* arguably influences the outcome of the research. Therefore the achieved results should be difficult to generalize, however, this certainly does not imply that the results are valueless.

Performing interviews was a procedure for further add reliability to the study. We conducted interviews with two highly knowledge employees of the thesis' research area. Both were telephone interviews, but we still wanted to maintain an open-minded and friendly but yet effective conversation, thus we gave the interviewee the option to be anonymous, asked for permission to record the interview and offered to send the transcribed interview. Throughout the interview we were active, taking notes and adapting to the additional questions built on the respondent answers, in order to avoid interruptions. Considering the methods used to obtain the director's nationalities and with regards to our definition of foreign directors combined with the interview approach we are convinced we were able to measure what was supposed to be measured and simultaneously also increase trustworthiness, however the validity can to some extent be questionable with concerns to the size of the empirical data.

4. Empirical Data

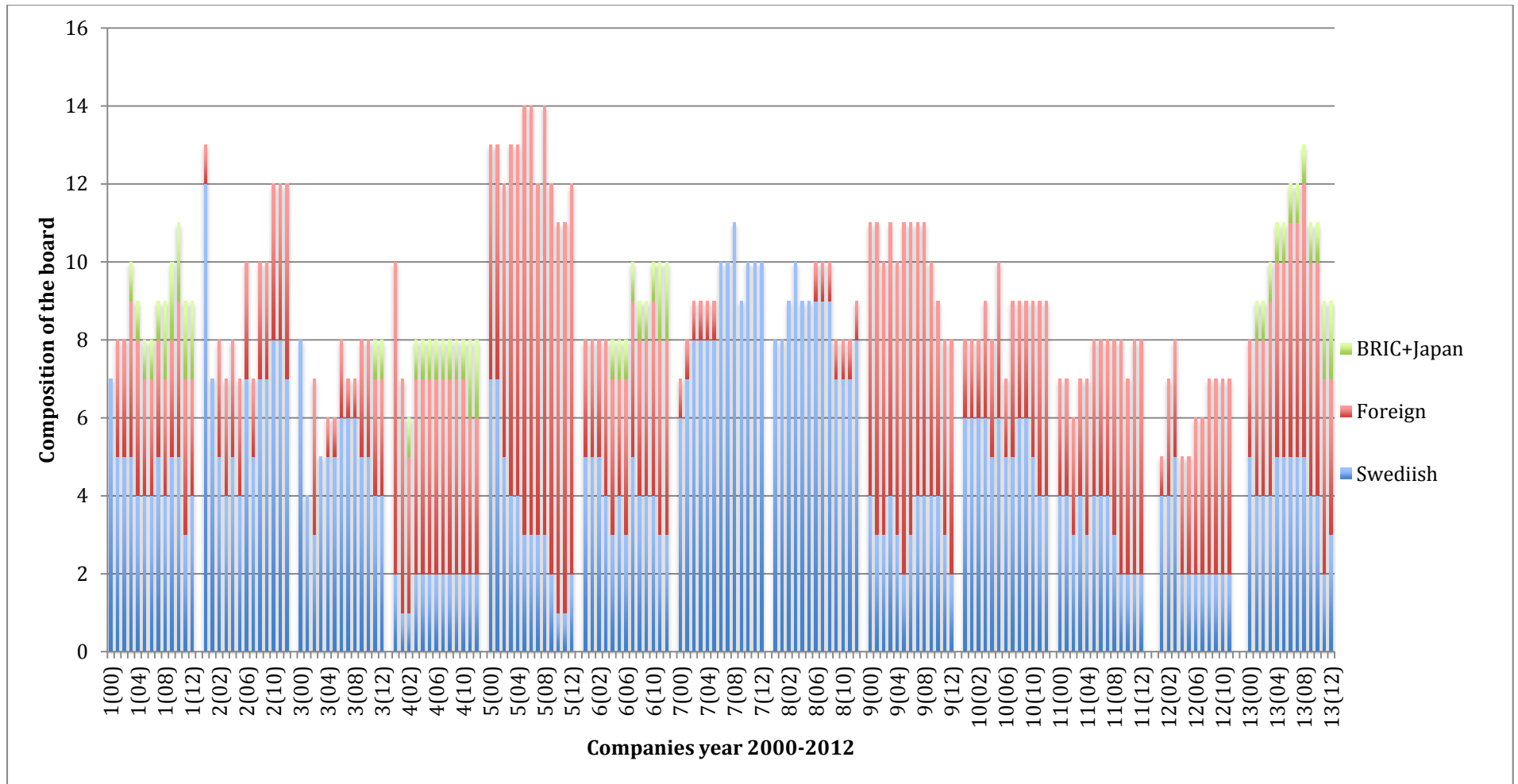
The data presented here will function as the basis for further discussion. The empirical data is based on public company releases and empirical data from both the initial analysed companies and the ones further studied are to be provided in this section. Initially we will present an overview of the 13 studied companies. Followed by the four companies we chose for further review. The data will then be discussed in regards to the theoretical framework and and previous studies.

4.1 General

Swedish MNCs began the internationalization process already in the end of the 19th century, but it would take another 100 years before the shift could be seen among board of directors. A country like Sweden is regarded as a small one and national companies are therefore highly dependent on foreign markets, thus Swedish MNC's are ahead of the internationalization curve (Oxelheim et al., 2013). The late internationalization of Swedish MNCs' boards can be explained by different factors, one was the regulation that for a long time hindered outside directors to be selected to join the boards. This regulation was removed due to Sweden joining the EU and the EEA-agreement (Sjätte AP-fonden-1, 2013). Through our empirical studies of the composition of board directors in Swedish MNC's we can see that the internationalization of board of directors have been increasing during the period of 1990-2012, notably during the more recent years. In the first ten years of our study there have been few foreign directors and the internationalization has only consisted of West Europeans and Americans apart from one Asian in AB Volvo's board 1992-1993.

Prior to 2000 foreign directors were uncommon, those appointed were mostly American or from Western Europe and often also the result of major mergers e.g. ABB, AstraZeneca and Autoliv. Furthermore, among the other companies the number of foreign directors was not startling but kept at 1 or 2. By only looking at the table there is a clear pattern only among the limited chosen companies. From 2000 and forward Swedish MNCs board have more foreign directors, not only from BRIC-countries that we focus on but also from the U.S, South America, Australia (Nordea and Electrolux), Eastern Europe and Western Europe. Although directors from Western Europe have been present before 2000 and the majority of foreign directors represents this region. 6 of the 13 companies have shown a history of directors from BRIC-countries + Japan, roughly half of them the whole period and the others starting just the last years. H&M and SCA have had the least internationalized boards, some years having only nationals and the only foreigner directors have been from neighbouring Scandinavian countries, one each per year.

Among the companies we looked in to more carefully, AB Volvo, Ericsson, Autoliv and SKF it is obvious that Ericsson is the Swedish MNC with the least internationalization in the boardroom. The directors have been, with the exception of one-two Americans, Western Europeans and last year a Russian, Swedish throughout the whole period of our study. Simultaneously AB Volvo has shown frequent representation from Asia in the 21st with Japanese, Indian and Chinese directors. A similar development is also displayed in both SKF and Autoliv. During the set of time, more than two Asian members have not been registered in any of the boards at the same time. However, comparing the first year of our study and the last, it is clear that all but Ericsson have increased their Asian representation from zero to two Asian directors. Swedish directors have been decreasing over time as other geographical areas are increasing. South American and east Europeans are rare and Africans are not represented in our choice of Swedish MNC's.



4.1.1 Table 1: Development of the composition of the board of directors

Table 1 illustrates the composition of board of directors for the 13 analysed companies during the period 2000-2012. Blue represents Swedish national directors, red represents foreign directors and green; directors from BRIC-countries + Japan, namely what this thesis mainly focus on. The company codes are following: 1; AB Volvo, 2; Ericsson, 3; Elekta, 4; ABB, 5; AstraZeneca, 6; SKF, 7; H&M, 8; SCA, 9; Nordea, 10; Electrolux, 11; MTG, 12; Alliance Oil, 13; Autoliv. The numbers in brackets are corresponding to the respondent year's last numbers; year 2000 being (00), 2001 being (01) and 2012 being (12).

4.2 SKF

SKF, founded in 1907, is a global supplier of products, services and solutions in the areas of rolling bearings, lubrication systems, seals and mechatronics. After SKF was founded they quickly became a major global player and in the 1920s they were present in all of the continents. They are involved in almost all businesses including aircraft, light trucks, cars, medicine, food, beverages, railway, metal and machinery. SKF is represented in more than 130 countries through their own sales organisations and local distributions. Production is taking place in a total of 28 countries (SKF, 2012).

4.2.1 Internationalization and composition of the board development

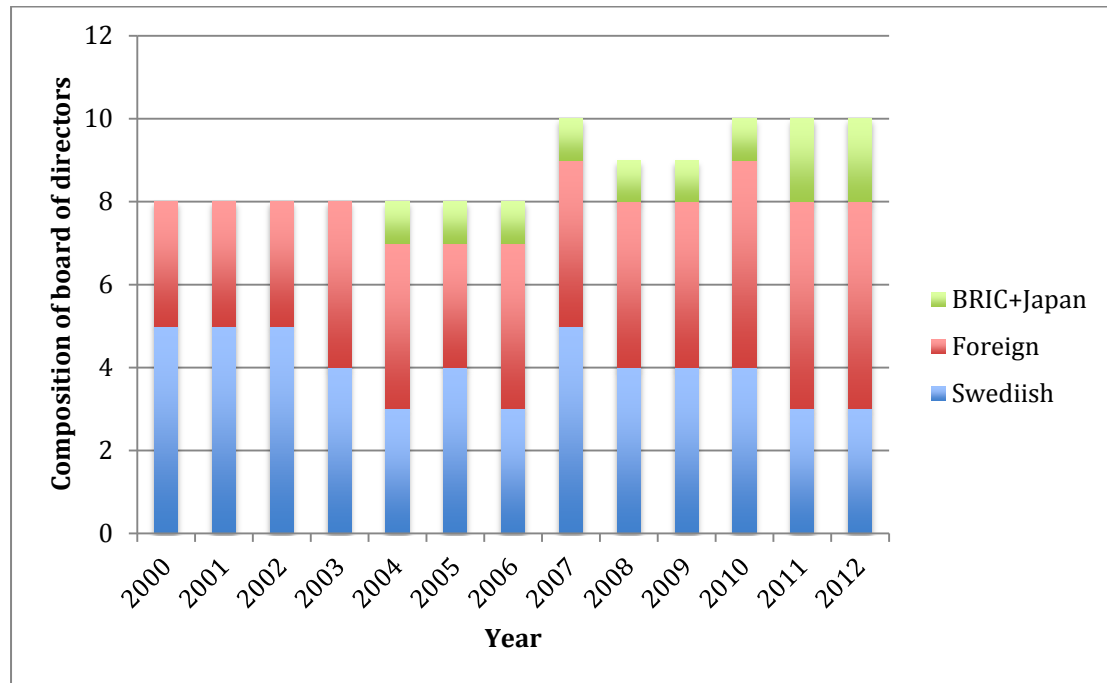
SKF has throughout the researched period had at least one foreign director sitting at the board table. The influence of foreign directors witnessed an increase in the late 1990s and since 2004 a significant growth when first Winnie Fok was appointed (left the board 2012), followed by Joe Loughrey 2009 as the first American and in 2011 the first Indian, Baba Kalyani was appointed. As SKF is one of the largest companies of its kind they have been operating internationally long before 1990, however, during the period they have gradually shifted focus and emerging markets, BRIC-countries have gained more attention.

In 1990 SKF's strategical focus were pointed to Europe and North America. Simultaneously they started their long-term program of serving the growing markets by starting building new factories in Bangalore, India and in Malaysia a wholly owned subsidiary was formed; SKF Malaysia Bearing Industries, the factory was completed in 1992 (SKF, 1993). Almost all of the products manufactured in India were sold domestically and from the factory in Malaysia mostly exported to serve the growing South East Asian markets. From 1990- 1995 the geographical sales remained low and together with "the rest of the world" accounting for around 17%. The importance of emerging markets was stated: *"Investments in marketing and production in Southeast Asia at the end of the 1980s and the beginning of the 1990s have established the foundation for a stronger presence for SKF in that market"* (SKF, 1992, pp. 27), the result was a share of 20% of the Asian market in the early 1990s, excluding Japan.

By 1991 they had established a supplier in South Korea to serve to rapidly growing automobile industry, this year they also formed an important joint venture subsidiary together with Finnish company Metra Oy Ab called Ovako AB. The growth of the automobile industry resulted in that SKF initiating feasibility studies regarding the prospects of establishing bearing manufacturing operations in China (SKF 1994). A joint venture agreement was signed in 1994 where SKF owned 60% of the new company. By 1993 sales in North America had grown to 27% and increased in Asia, Africa, the Middle East and the two most important markets in South America; Argentina and Brazil. In the very competitive Japanese market, with a market share of 0,5%, they succeeded to win a special deal to supply a bid drill in Tokyo against major domestic competitors. At this point SKF increased deliveries and sales in most of the emerging markets and prepared for a merger of SKF Bearings India Limited and Skefko India Bearing Company limited as well as signing the biggest contract so far with the Chinese railway organization. The highly important after-market experienced a 20% growth in the Asia-Pacific region and continued to grow the following years. In the mid 1990s they stated they will continue to consolidate its position in this expansive region, the Asia-Pacific share of sales of bearings had doubled to approximately 12% during the last five years. Simultaneously Brazil and Argentina broke sales records and plans for a new joint venture in China to become the leading bearings manufacturer. It is stated in the 1995 annual report for the first time that the company needs to mobilize as part of strategic investments but still maintain leading positions in established markets. The automotive industry is still growing in South Korea and China and is predicted to continue, it is further stated that they want to be the leader in China; *"it is essential to prepare the foundation for future operations in the Chinese market"* (SKF, 1996, pp. 55).

By 1996 SKF experienced the strongest growth in China and had signed more important agreements there, especially the acquisition of 20% of bearings producer Wafangdian Bearing Company. Later that year the American subsidiary Chicago Rawhide and Chinese ANZAG started a joint venture. Sales in Asia now accounting for 13%, which was expected to increase in the future as the assembly of rolling bearings for the use in the Chinese automotive industry began in a new plant in Shanghai as a result of a joint venture with Shanghai Bearing Corporation (SKF, 1997). Following years they built new plants in Indonesia and Korea, Asia was now the third largest geographical area in terms of sales. Joint ventures in emerging markets continued with companies in Mexico, two in India, two in Korea and two in China, furthermore Chicago Rawhide established a new subsidiary in Bangalore, India. Thanks to the manufacturing base that SKF developed from 1995-1997 they could recover strong from the financial crisis in Asia. SKF's major joint venture with the Chinese Railways, Beijing Nankou SKF Railway Bearings Co. Ltd., has developed favourably. The factory in

Nankou achieved a record output for the second year running. A decision was taken during the year to establish a new joint venture in Shanghai for the manufacture of high-quality deep groove ball bearings where production is expected to start in late 2002.



SKF: The composition of board of directors development from the year 2000-2012.

By 2002 sales in Asia were significantly higher than the previous year and SKF is now number one in Asia excluding Japan. The growth in China resulted in a fifth factory in a joint venture with Shanghai Bearing Company Ltd where SKF owns 60%. They grew 35% in China 2003, opened two new factories and were appointed to deliver parts to the production of Ford Mondeo. More competitors are offshoring to China as the country accounts for 13% of the world market; SKF has an advantage since they have been there for longer and gradually expanded. In 2005 they increased production capacity in Dalian and Shanghai to meet the growing domestic demand. Two years later SKF started production in three new facilities, China and Japan now accounts for 15%, Brazil, India, Thailand and South Korea noticed record high growth. The factory in Dalian has been successful and lately cooperated with Baosteel. A new factory in India is prepared and will be established in 2009. China is still showing the fastest growth and SKF was selected to locally develop and supply seals needed domestic brands. Later they acquired the remaining 30% of SKF Automotive Bearings Company in Shanghai. The first SKF Solution factory opened in Shanghai in order to place knowledge closer to the customers. Furthermore they announced the building of new factories in India; Haridwar, with start in 2009 and operations in 2010 and in Ahmadabad, with production starting 2009. Sales in Asia now accounts for 23% compared to 18% some years

ago. In 2008 SKF significant agreements in Europe, Russia and Asia for the railway industry, In China with Sinovel Wind Co, Ltd. They further established seven Solution factories around the world. China accounts for one fifth of the world demand and together with India are growing rapidly and will probably pass North – and South America in the seal business. In 2010 a new technical centre opened in Shanghai as a complement to the one opened in India 2009. SKF is continuously investing to further strengthen its Asian footprint. One of the world's largest turbine manufacturers, China's Goldwind, launched its new 2.5 MW turbine in 2010 where SKF has been working in close cooperation (SKF, 2011). Construction of two new factories in China and India will start in 2011, with production starting in 2012. The bearings market in India is growing, SKF are well aware of the importance in these market and local presence is important. They opened up a Global Technical Centre India in Bengaluru to serve domestic and other Asian customers. There is still a growing demand for private cars, therefore improve existing factories in China and Brazil have got an improvement. Half of the total production capacity is now located in emerging/fast growing markets. In 2012 SKF celebrated 100 years of doing business in China by opening a new factory in Jinan, continued on the next phase in the cooperation with Baosteel and signed a key agreement with Maanshan Iron & Steel in Nanjing.

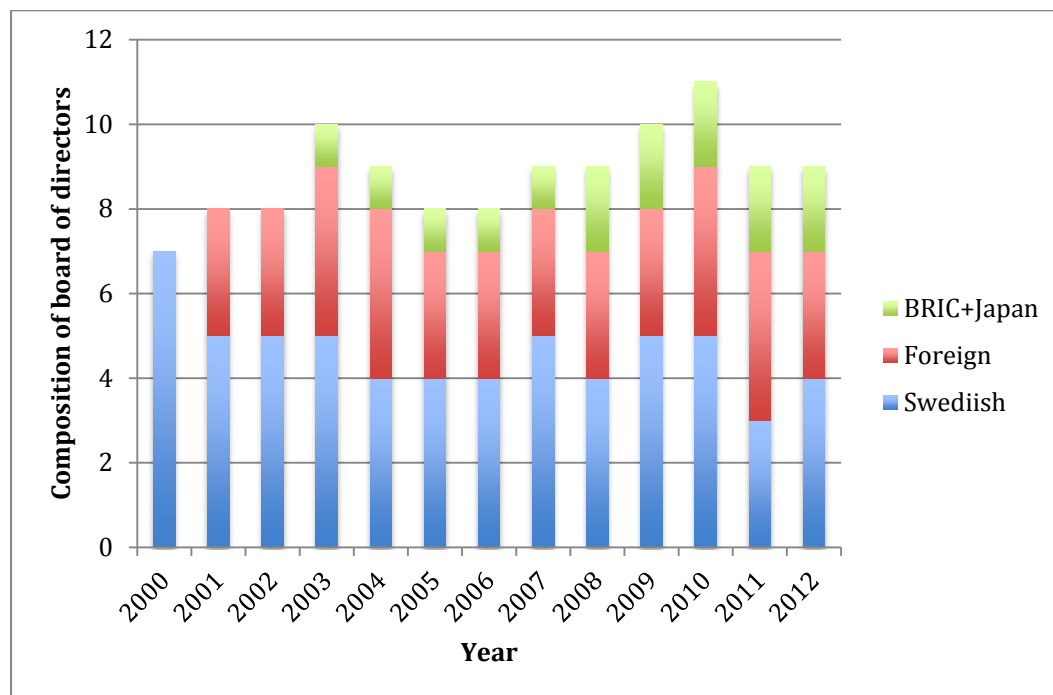
4.3 AB Volvo

AB Volvo is one of the worlds leading manufacturer of trucks, buses, marine- and industry engines and construction equipment, along with providing complete financial solutions and services. With their global presence the Volvo group employs about 115,000 people, have sales in more than 190 different markets and production in 18 countries. They are considered to have a strong position outside traditional markets like North America and Europe, and 47% of the turnover originates from outside North America and Europe in 2012 (Volvo Group, 2012)

4.3.1 Internationalization and composition of the board development

AB Volvo have had diversity in the board roam already in the early 1990's and have shown an increase in the matter over time, notably through including Japanese, Indian and Chinese directors in the more recent years. The vast majority of the directors were Swedish or West European. The eleventh director who was announced in 1991, Lydia Dunn was the first female board director in the company's history and she's originating from Hong Kong. Until this day Volvo has appointed 4 directors from Asia; in 2003 Japanese Haruko Fukuda who left the board after 2005, in 2006 Chinese Ying Yeh and in 2008 Indian Ravi Venkatesan. In 1993 Volvo faced a somewhat crisis after the plan of joining forces with Renault failed. The two corporations went in different directions, followed by an immediate disruption of the board (Volvo Group, 2013). In 1994 a new board was elected and the new corporate strategy

states that everything that is not directly related to the company's core business and related to the vehicle or transportation where to be disposed of. This is also the year when the first Volvo bus was produced in China. Through out the years between 1995-2000 Volvo Annuals reports displays only Swedish representation in the board of directors. Despite this fact Volvo deepened their cooperation with Mitsubishi in 1997, including the truck business and in 1998 Volvo Trucks initiated production in Bangalore, India.



Volvo: The composition of board of directors development from the year 2000-2012.

In year 2000 Volvo buses concludes an agreement with Shanghai Automotive Industry Corporation (SAIC) regarding a new bus company. They also acquired shares in Mitsubishi Fuso Truck and Bus Company. In January 2001 AB Volvo Renault Trucks and its subsidiary acquired Mack Trucks in the U.S. and the new business area Global Trucks was founded focusing on a global presence. In line with this the range of products went through a major renewal, including cooperation with Rolls Royce and the strategic partner programme Volvo Aero. The comprehensive product renewal also lead to introduction of new models in Asia during 2002, simultaneously Volvo established production facilities in Shanghai, China and cooperation between China Renault Trucks and Dongfeng Motors is agreed upon. It is not until 2003 we can see a change in the European/American composition of board directors, when a Japanese director, named Haruko Fukuda is brought in.

In the year of 2003 Volvo Trucks start production in Russia, becoming the first western truck manufacturer to initiate production under its own name. Concurrently assembly of trucks in

China is initiated along with a launch of new model in Brazil, which is developed for the South American market and produced in Brazil to meet the trend for heavier and longer truck combinations. The board composition with a majority of Europeans and Americans is kept during the period of 2003-2007 but in 2008 a second Asian board director is elected; Ravi Venkatesan from India. Before the board expanded its Asian directors, Volvo continued to acquire companies in the U.S. and increasing its presence in China with the cooperation with Dong Feng Motors (Volvo Group, 2013). In the following year AB Volvo increased its Asian focus through acquiring shares corresponding to 13% in Nissan Diesel and thereby became a major shareholder in the truck manufacturer. Renault signed an agreement with Nissan Motors regarding a new light truck, which would complement the existing range of products. Other major events taking place this year was AB Volvo's reached agreement with the Indian company Jaico Automobiles. The idea was to initiate a joint company for productions of bus bodies. The finalization of Volvo Construction Equipment's acquisition of 70% of the shares in Lingong (a major machinery manufacturer in China) is another example together with Volvos continued discussions with Dongfeng Motor Group and Nissan Motor about future possibilities for cooperation. During this period the board of directors consisted of six Europeans, one American and one Chinese member. With this in mind Volvo continued with previous strategies in growing markets by a major investment in Russia for assembly of trucks. They also signed a letter of content with the Indian vehicle manufacturer Eicher Motors. The idea is an establishment of a new Indian joint venture company.

In 2008 Volvo conclude a final agreement with the vehicle manufacturer Eicher Motors. The annual report of 2008 state that the frequent acquisitions and joint ventures in Japan, China and India reflect the strategy of strengthen the position in the Asian market. Something that can be seen in the composition of board directors as well, Ravi Venkatesan (India) joined the board. This means that the board of directors is expanded with another Asian to mark the internationalization in Asia. Simultaneously Volvo AB board continues to be represented by a majority of west Europeans. The board composition of one Chinese, one Indian, one American and a majority of Swedish/West European directors is kept through the period 2008-2012. The Volvo Group objective of supporting customers in the growing BRIC-markets (Volvo Group, 2010) continued during this period, notably with Volvo Construction Equipment's annunciation of a strategic investment in their plant in Bangalore, India to produce excavators. But also production of new medium-duty engines in India through an investment in Volvo Group's Indian Joint Venture company (VE Commercial Vehicles). In 2010 Volvo sold its U.S subsidiary Volvo Aero services, which is in line with the strategy to focus on the core business.

The development of the Volvo Group has led to changes also when it comes to organization. The changes were implemented in 2012 to better take advantage of the brands global potential, i.e. sales, brand responsibility and marketing was divided in three geographical units e.g. Asia and Pacific area instead of divisions through the different brand companies (Volvo Trucks, Renault, Mack Trucks and UD Trucks). Furthermore, notable in the internationalization of the Volvo Group is the deal made with Dongfeng Motor in the beginning of 2013. The acquisition of the new subsidiary Dongfeng Commercial Vehicles, which includes the major parts of the semi- and heavy commercial trucks, will make the Volvo Group the largest producer of heavy trucks in the world (Volvo Group, 2013).

4.4 Autoliv

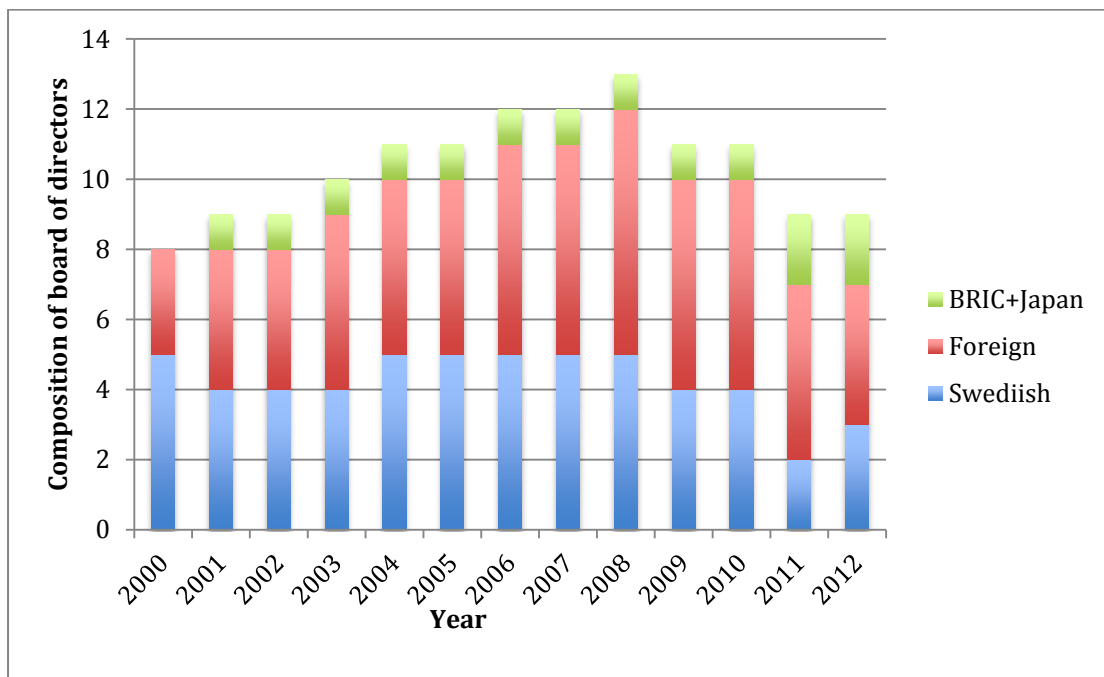
Autoliv is the largest automotive safety supplier in the world. Autoliv develop, manufacture and sell steering wheels, seatbelts, airbags and safety electronics systems to all the worlds leading car manufacturers. Business also involves production of anti-whiplash systems, child seats and pedestrian production systems. Autoliv global market share accounts for about 36% in passive safety and around 20% in active safety. With about 50,000 associates they have operations in 29 countries (Autoliv, 2012).

4.4.1 Internationalization and composition of the board development

As Autoliv AB merged with American Morton ASP INC 1997, forming Autoliv Inc this directly internationalized the board composition. In 1996 one member from West European was sitting together with seven nationals. After the merger, American directors went from none to three and has since been the majority in the board together with Swedes, ranging from three-five each year. It would take until 2001 to see a director from a country other than Sweden, West Europe or the U.S. Tetsuo Sekiya from Japan was appointed as a result of the acquisition of NSK in 2000. This was further explained by Mats Ödman: *"In order to attract the acquired company's employees it could be a good idea to let the top manager join the acquiring company's board"*. Tetsuo was a member of the board until 2007, the same year Kazuhiko Sakamoto was appointed. In 2011 Chinese Xiaozhi Liu joined and Autoliv have since had two directors from Asia.

In the early 1990s Autoliv had manufacturing factories in ten countries mostly concentrated to Europe. In the mid 1990s they went into several key joint ventures in especially Asia; in the Philippines with Qualibrand with production starting in 1997, in Malaysia with Autobelt in 1995 and with Nanjing Hongguang Airborne Equipment from China. They also continued strengthening the position in the established markets in Europe and the U.S by acquiring 49% of Isodelta SA of France and the mentioned merger with Morton ASP. In 1998 they bought

most of the assets of the Japanese company Sensor Technologies. Two years after the merger Autoliv opened up plants in Turkey, Argentina, Brazil and North America and a new technical center in Japan. Looking at sales by market, "the rest of the world" accounts for 35% and includes countries such as China, India, Malaysia, South Africa and Turkey Japan is at this point one of the most important and contributing markets (Autoliv, 2000). In 2000 Autoliv made two strategically important actions; acquired Izumi and NSK from Japan, resulting in the first Japanese director in the board and a joint venture with Korean Mando Corporation (Autoliv, 2001). The acquisitions in Japan would enable them to double the market share to roughly 25%, the joint venture in Korea was significant as it was a country where they did not have a production facility before. In the established markets experienced some weekend demand after the airbag boom in the 1990s, however (Autoliv, 2002), the interest of Asia is increasing and they acquired Visteon Restraint Electronics and China's first airbag plant opened (Autoliv, 2003).



Autoliv: The composition of board of directors development from the year 2000-2012.

A key event in 2002 was that order intake was record high mostly due to strong contribution from Asian car manufacturers. It is further stated in the 2002 annual report that they want to expand particularly in Asia and sales are forecasted to double within two years (Autoliv, 2003). In 2003 Autoliv highlights that their strategy is to increase investments in Asia. Following years they went through with the acquisition of steering wheel assets of the Japanese Nippon Steering Industries followed up by the outstanding 40% shares in its Chinese airbag company Autoliv (Shanghai) Vehicle Safety Systems. Simultaneously they

started to invest in six new crash-test sleds in China, Korea, Malaysia, Thailand and Australia (Autoliv, 2005). Until 2004 sales in "the rest of the world" had increased most, the last five years they point out that they have invested aggressively in primary Japan, Korea and China to meet the vehicle production growth that is twice as fast as in Western Europe and North America. Furthermore they do not only focus on establishing factories in China but also in North America and Europe as Asian vehicle manufacturers have set up production there (Autoliv, 2006). During this stage in the company's history most of the focus is targeted to the Asian market opportunities as demand for safety systems in the growing vehicle industry is increasing, in 2005-2006 they expanded the capacities and built three new plants in China and Korea and followed up by acquiring remaining shares in joint ventures in these countries plus India. Not only did they expand in these areas but they also began shrinking its workforce in the U.S and Europe as more production was situated in low-cost countries e.g. a bag cushion plant in Utah was relocated to Mexico.

In 2006 Autoliv strengthened its presence in Asia by opening a ninth plant in China and made the joint venture in Korea wholly owned. Additionally they planned for the following year to build India's first airbag plant, a new plant in China and one in Mexico. By this year, sales in the "rest of the world" (mainly Asia Pacific) have experienced rapid growth, from 4% in 1997 to 12% in 2006, the trend is likely to continue due to the strong market position. In 2007 the acquisitions in Korea, China and India continued, they made their few remaining affiliated companies wholly owned in order to take full advantage of the market and they additionally added a new tech center in Shanghai. The importance of Asian presence is not only to serve international car manufacturers but also the local ones, especially in China. Good relations with those is significant as they only account for 1% of their consolidated sales but are expected to grow in the future. In the annual report (2008) it is stated that safety content in mature markets is expected to increase but in emerging markets not as strong increase, especially in Asia where the safety content in India is less than one fifth compared to North America. Although there is a tendency for increase as China launched a safety program similar to those in Europe. The relationships with local Asian manufacturers are of key importance as they now account for 29% of Autoliv's sales and competition from domestic actors still is high.

Between 2007 and 2010 Autoliv further strengthened its positions in Asia through acquisitions of Delphi's occupant restraint business in Asia, North America and Europe, the remaining shares in the Chinese company NHA and the consolidated subsidiaries Autoliv (Changchun) Maw Hung Vehicle Systems and Autoliv-Mando in Korea (Autoliv, 2008-2011). By 2010 the markets in China and India for Light Vehicle Production (LVP) had

increased by 109% and 66% since 2007, thus to take full advantage of the opportunities 60% of Autoliv's expansion-related capital was allocated to these regions. Since they at this time also were approaching maximum capacity in manufacturing facilities in their growth markets they initiated a three-year plan including seven new plants in China, India, Brazil, Poland and Thailand (Autoliv, 2011). Mats Ödman stated the process of entering markets and directors as *"first entering the market, then create a small joint venture, let it grow and then often buy the remaining shares from the cooperating company"*. He further notes that if the market appears to be successful, important and that they need to take in competence with local knowledge to process the market and customers they do that. The importance of these markets continue to increase but Autoliv also faced different competition as local competitors have close ties with domestic manufacturers. As a result of the work with diversifying the market mix China now accounts for 12% of the sales compared to 4% in four years earlier (Autoliv, 2012). This balance was further stated in 2012 when sales in Europe, America and Asia accounted for 32%, 35% and 33% respectively compared to 56%, 31% and 13% in 2003. In China alone sales increased by 36% in 2012 and they announced the largest capital investment ever, a \$33 million new gas generant plant there (Autoliv, 2013). Autoliv's continued strategy is based on the expected growth of global LVP, however a majority of this growth will be concentrated to China and other significantly growing markets.

4.5 Ericsson

Ericsson was established in 1876 and is a major provider of communication networks, support solutions and telecom services. As a leader in telecom services, recent years have been focusing on information and communications technology, which is mainly offered to the worlds leading telecom operators. Ericsson is serving its costumers in over 180 countries with the help of 110,000 employees.

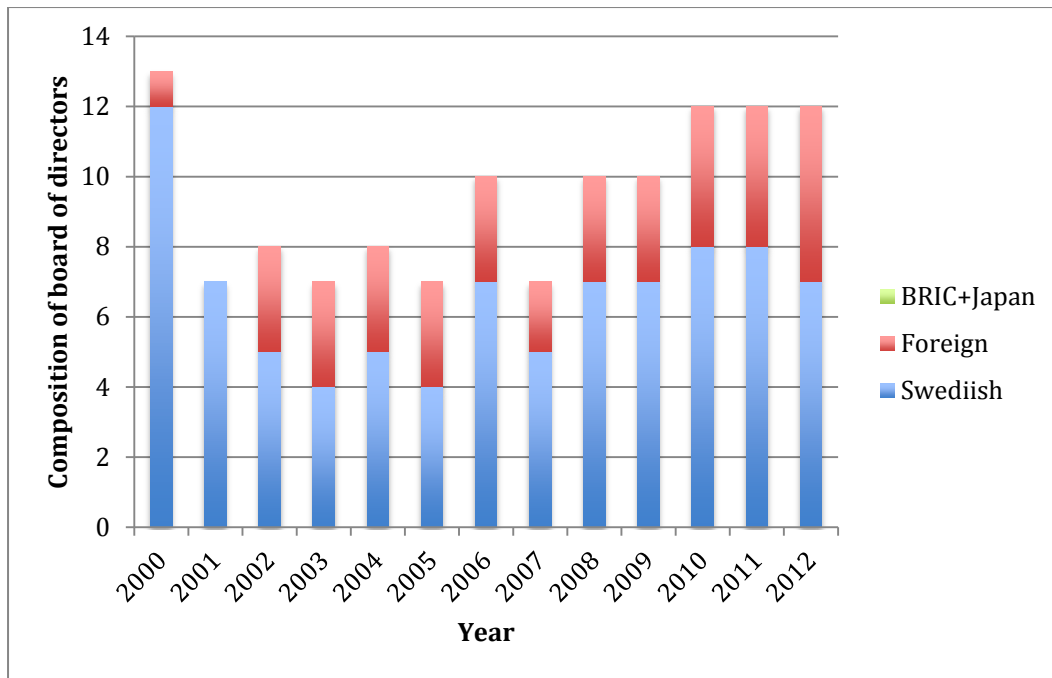
4.5.1 Internationalization and composition of the board development

During the period of our study Ericsson have shown fewer signs of internationalization in the boardroom in comparison with the other companies in our study. Ericsson has been a global player for long time, with strong presence in Europe and the U.S. Board directors have mainly been Swedish, West European and American. However, in 2012 when the Russian director Alexander Izosimov was appointed.

Looking into Ericsson 's exploitation of the emerging market it is clear that there have been increased activities over the years. *"Ericsson was early an international business, we did business with Chinese 120-130 years ago. Also when it comes to South America we had a premature market presence"*, Åsa Konnbjer, Ericsson Investor Relations. In the beginning of our study in 1990, Ericsson has had a presence in several parts of Latin America. Ericsson's

annual report (1990) further states that they have been exploiting many countries since the beginning of the century. Ericsson is the strongest telecom communication company operating here with averaging market shares of 40% and present that they will continue to focus on this region. During this time Japan also becomes an important new market through the participation in developing the future Japanese digital mobile telephone system. Ericsson annual report (1991) notes increased activities in eastern and southeastern Asia, partly due to equipment for the peoples republic of China. According to Ericssons annual report (1991, pp. 6) *“the Chinese deal represents a very important strategic breakthrough for Ericsson mobile telephone technology in one of the worlds largest and most attractive markets”*. Similar activities are also developing in Indonesia, Malaysia, Singapore and Japan. In the following year Ericsson formed a jointly owned company together with Japanese Toshiba in order to carry out large orders and simultaneously established a plant in India jointly with an Indian company (Ericsson, 1992). Sharp growths are projected in India and China, e.g. China installed twice as many systems compare to previous year and more than half of the Chinese provinces have signed contracts including mobile telephone systems with Ericsson. Through these contracts, Ericsson recorded a real breakthrough in China (Ericsson, 1993).

Despite the growing numbers of competitors, Ericsson managed to increase market shares in the mid 90's through cooperation's such as joint ventures with the China national post and telecommunication. By the time of 1994 Ericsson had six established joint venture companies in China (Ericsson, 1994). In the annual report of 1995 they state that a strong international presence becomes an important asset at a time when competitors are becoming increasingly global. Businesses have shown a fortunate development for Ericsson in all markets, notably in Asia and North America, but it is also pointed out that the trends in Brazil is especially pleasing. As of 1997 China becomes the largest single market in terms of order bookings and Russia is for the first time one of the ten largest markets for Ericsson. This is also the first year in our study when a non-Swedish director takes place in the boardroom, named Peter Sutherland (Ericsson, 1997).



Ericsson: The composition of board of director’s development from the year 2000-2012

The following years we note continued increasing business in the emerging markets, with joint ventures, expanded production and sales. The set up of a regional headquarters in Hong Kong in 2000 marks the development in the BRIC-countries. Ericsson states that they will continue to develop relationships with global and local operators, and be active at a local level in both mature markets and fast-developing areas such as China, Latin America and India. Simultaneously China overtook the U.S. and became the country with the most mobile subscribers. An important event in the history of Ericsson is the 50-50 owned joint venture with Sony, which was concluded in 2001, creating Sony Ericsson Mobile Communications. Notably also the year when Ericsson went from zero to three non-Swedish board directors (West European) (Ericsson, 2001).

From the year 2001 Ericsson continued with a mix of Swedish, West European and American board directors, until 2012 when Alexander Izosimov from Russia became the first director from a BRIC-country to be included. As an answer to the question if his Russian background is of strategic relevance, Åsa Konnbjer Investor Relations explains that *“of course his background have influenced the election, Alexander Izosimov has experience in governing telecom operators”*. When asking why he’s the first “BRIC-director” in the board she points out that various nationalities is rather reflected on management level than in the boardroom.

Prior to this development, a significant amount of Ericsson’s sales originated from developing markets in Eastern Europe, Latin America, the Middle East and Africa. In 2004 Ericsson

announced that they expect sales in developing markets will be a cumulative portion of total sales since such regions grow their investments in telecommunications (Ericsson, 2004). Something, which also could be confirmed one year later, China and Russia reported the largest number of new mobile subscribers among Ericssons markets (Ericsson, 2005). In regard to Ericssons internationalization strategies, Åsa Konnbjer, Investor Relations states *“Ericsson is an extremely global company and is present in 180 countries today. The focus on China, Japan and Korea has been prevailing, which was not the case earlier and both Russia and India has been major markets for quite some time. Principally, you can say that we want to be present in all the worlds markets”*. The strong increase in the BRIC-markets and especially in Asia is noted through the 21 st century. Despite this, 2012 displayed decreased sales in Asia (Ericsson, 2012). As a response to the decreased sales in Asia 2012, Åsa Konnbjer, Investor Relations says; *“Laws and regulations have made it hard to merger with other operators, which could be seen as a reason for the decrease sales numbers”*

5. Analysis

In the following chapter the empirical data presented in the previous chapter is analysed with regards to the relationship between a company's internationalization strategies and foreign directors. Throughout the analysis we will compare the empirical data to the theoretical framework, namely *The five dimensions of board composition and internationalization strategies model*. This analysis provides an adequate foundation that the conclusion will be built upon; therefore the analytical chapter is significantly important in order to help us answer our research questions.

5.1 The trend among Swedish MNCs

Despite that Sweden is highly dependent on foreign markets and are ahead of the internationalization curve (Oxelheim et al., 2013) the shift of bringing in foreigners in the Swedish boards is rather delayed in regard to the early internationalization of Swedish MNCs. As a result of new regulations, need for more competent board resources, changing principals, increasing degree of internationalization and an established international mindset we can note that internationalization in the boardroom have increased during our period of study. Year 2000 works as a threshold, previous to this year foreign directors were uncommon and the development of foreign directors have increased rapidly during the more recent years. From this threshold and forward directors from the BRICs have become more frequent, but also from the U.S., South America, Australia (Nordea and Electrolux) and whole Europe.

When looking at the conducted data from SKF, Volvo, Autoliv and Ericsson we can see a similar pattern in board composition in all the companies except for Ericsson. Despite the lack of foreigners from BRIC-countries in Ericsson's board of directors we can however conclude that from being only Swedes to include expertise from Western Europe, the U.S. and finally, in 2012 a Russian director was brought in. The Russian director is also the first indication of change of pattern. Even though Ericsson has become more internationalized this fact it is not reflected among the board of directors, which can have various explanations. However, with the resources and data we have, we argue that a company with such long experience of international business and dealing with BRIC-markets is likely to possess the required knowledge without foreign directors. Åsa Konnberg, Ericsson, said: "*We see ourselves as a local player given our long presence in the Chinese market*". Hence, we can understand that the company do not see the need for foreign expertise since it has already been a part of the company for years and relations with foreign local companies were well developed a long time ago. SKF have a similar history, especially in China and has been

operating there for over 100 years. We earlier provided a quotation by former SKF board director Winnie Fok in the beginning of this thesis about her view of what particular knowledge is needed in the boards. If we put the significantly important factors she mentions in comparison to what Ericsson says about their composition of directors we get to a point where we cannot generalize a pattern. Therefore we question, with regards to their similar history, what foreign directors actually contribute to the companies. The fact that they are in different industries could be one of the driving forces. As SKF's foreign directors have been members for less than 10 years, the future will tell if there is a positive relation of these and internationalization strategies. But again we can see a small but positive relation of foreign directors from BRIC-countries and the sampled companies' strengthened focus on these markets.

5.2 Regulations

In our model the *regulations* constitute an important element for board composition. Sweden entering the EU constitutes a major breakthrough when it comes to the composition of boards of directors. Previously foreign directors had limited allowance to the boards, despite this it took a while before any development could be noted and the new provisions applied. Volvo is a good example of such late development and presented only Swedish directors between 1995 and 2000. From 2000 until 2012 the composition has gradually been developed. Hence foreign directors in the composition of the board are a reactive approach to change in regulation.

In accordance with ABL it is clear that all of the companies chosen for our research follow the law and have at least three board directors. The nominations committee chose suitable candidates for election, which later are elected at the annual general meeting. However, the work of the election committee is confidential, which makes it hard to get an insider to confirm reasons for electing a director. This was also stated by Åsa Konnberg, Ericsson, who said; "*questions regarding the work of the nominations committee are confidential and not for anyone to answer since it is up to the committee to make such decisions*". But she further explains that diversification is something that they always are looking for in various areas, such as relevant background, competencies and nationalities to mention a few. Although the nominations committee chooses suitable candidates we suggest that it is clear that they are influenced by the company's strategic future plans. As stated by Mats Ödman, Autoliv about the appointed foreign directors; "*As the nomination committee in practical terms actually consists of directors from the board they choose the suitable candidates. They are aware of the fact that to handle the company's success they need directors with competence on these new markets (with regards to Xiaoxi Liu)*". A statement, which also is

in compliance with Swedish Corporate Governance Code, which states that board members elected by the shareholders meeting are to exhibit diversity and breadth of qualifications (Swedish Corporate Governance Board, 2010).

When it comes to regulations provisioning residency of the board of directors, we can confirm that at least half of the board directors have residency within the EU and this have been the case during the whole period of our study. The rule of European residency can be seen as one reason hampering Swedish MNCs development in bringin in more directors from outside the EU. However there are few signs of companies trying to reach the upper limit of 50%. Autoliv is the exception and have almost half of the directors originating from outside the EU during the 21st century. The non-European directors are mainly American, which can be explained by the merger between Autoliv and the American firm Morton Automotive Safety Products, taking place in 1997 (Autoliv, 1997).

There are no restrictions regarding the number of boards, which a director is allowed to serve on (NASDAQ OMX, 2013) and as far as our study concerns a vast majority of the directors have other board commissions. We would like to point out that there are no direct relations between current board commissions and being elected into one of the boards we have studied. But it is often pointed out that previous work in other boards tends to be a merit when looking for the right competencies. As stated in our theory by Hambrick & Mason (1984), directors are frequently chosen because they have a suitable background. A suitable background will later reflect the outcome of the organization and becomes essential when a Swedish MNC select internationalization strategy. This further supports the Swedish Governance code that demonstrates that elected board members together should exhibit various experiences and backgrounds. But also that proposals of board of directors should be done with regards to both future challenges and and company strategy (Swedish Corporate Governance Board, 2010). To sum this up we argue that the regulations create the basis and provide prerequisites for electing board of directors. Regulations are stated and the companies have to work in accordance with the rules, hence is board internationalization and strategies a reactive result of the regulations. For this reason the relationship between regulations and board composition and internationalization strategis is substantial. Futher we argue that the regulations could bee seen as hampering towards the development of foreign directors. Despite this it is not clear if the board would be composed with more foreigners if the board composition were less regulated.

5.3 Board resources

Throughout the analysed period of the four sampled companies there has been a total of 8 directors from China, India or Japan and only one from Russia. According to Hambrick & Mason (1984) and in comparison to the Swedish Corporate Governance Code, we found, not surprisingly, that all companies elected their directors because they had the best suitable background. This was noted either in the annual reports and/or during the interviews. All these foreign directors have proved to have significant and suitable knowledge, background and work experience; thus not only appointed in order to serve a networking purpose or to attract foreign principals and stakeholders. Hence the companies in our study are well in line with one of the most important roles of the board, to make sure that directors use significant resources (Pearce & Zahra, 1992).

To exemplify how board resources such as experience is important in relation to board composition and internationalization strategies one can look at Ravi Venkatesen in the Volvo board. He has experience from engine manufacturer Cummings, and director and responsible for the marketing in India at Microsoft; Xiaozhi Liu in the Autoliv board used to work for GM for over 10 years and after that for Chinese subcontractors Fuyao Glass Industry group and Neo Tek and Baba Kalyani in the SKF board have experience from Kalyani and Group Bharat Forge (part of the Kalyani Group), both within the engineering, automotive and industrial to name a few. As Volvo's sales have developed less than expected in India they now figured out that products developed for the local demands is essential. A part of this process was the joint venture with Eicher; Ravi states this collaboration has enormous growth opportunities (Larsson, G., Gotander, M., 2011). With this background combined with the empirical data we can have come to the understanding that there is a clear relation between Volvo's internationalization strategies in India and the appointment of Ravi Venkatesan 2008. Hence this constitutes a good example of how the relation between board resources and composition of board directors and internationalization strategies is applied.

Continuing on *Board resources* we could note during the data collection and further mentioned in the interviews, that in Autoliv's case, they have not only internationalized the board but also to a larger extent the top management level. Here we can see a difference when compared to Ericsson that had the least internationalized board but with a similar internationalization development as the other companies. They have rather, as stated by Åsa Konnbjör; focused on employing foreign managers to execute the running business. With the increased activities in the BRIC-regions in mind we can with regards to *Board resources* highlight that these resources and characteristics of directors; relationships, experience and

networking skills are contributing to the board's role in firm internationalization and board composition. In comparison with Barney and Clark (2007), stating that resources like competencies is used to produce competitiveness and strategies, resulting in value added. However we cannot generalize if foreign managers or foreign directors are the main focus when looking into relevant background and resources.

5.4 Principals

We believe that appointing a BRIC-director is a signal for principals, which express that we are here to stay and to expand further in the worlds fastest growing markets. Depending on how the directors are appointed it also possible this means a higher probability for the principals' agenda to come true, if foreign principals have representation in the board (Adams et al., 2010). A scenario, which is very likely when looking at the Volvo acquisition of Dongfeng Commercial Vehicles, if Dongfeng will have representatives among the board of directors their principals are likely to practice influence.

One can wonder why the developments of directors from the BRIC-regions have not been seen before, but we think that the rapid growth for example in China and India has been more intense during the last decade. This rapid focus on these markets has lead up to a point were its time to appoint a director from one of these regions. Mats Ödman, Autoliv, confirms that it is a strategic choice to bring in someone with knowledge of the Chinese market by saying "*It was about time to bring in someone from the region*". He futher explains that they probably would not have brought in a Chinese director if the market had not shown such a rapid increase during the last 20 years. Important for the election of a Chinese director is that China has become a major strategic market for Autoliv. Yet we don't know if this is something resulting from principals' influence. But passing over control to a Chinese director could, as pointed out by Jensen and Meckling (1976) solve potential problems between ownership and management as Autoliv among others increase their presence in Asia.

Futhermore, a higher degree of internationalization means more employees in the BRIC-regions and an appointed directors work as a symbol for the principals but also for stakeholders such as the workers, and as stated by Mats Ödman, Autoliv; "*when people in leading positions move, the rest will follow*". Hence there is an important nexus between the degree of internationalization, principals and appointing directors from strategic important markets such as the BRIC-countries. If this would not happen, principals might suffer company performance, which also could affect board composition and strategies.

Foreign representation among the board of directors was put forth in *Principals*, our findings suggests that foreign directors have not been appointed to simply satisfy this criteria. But applying the *Principals* part of our model one could discuss what would suit foreign principals best. In a proactive way in order to prepare for prospected market growth or even helping the company to establish themselves, or could it be in a reactive way as a result of the success in the country and the need for continued growth and deepened knowledge about the certain market to strengthen the position. Foreign principals would probably prefer a reactive approach as this would have resulted in a better investment, our empirical data shows that the companies in general have succeeded in the countries where they later appointed a director from. Foreign principals would also be satisfied if directors were appointed in a later stage, this could be clearer in our markets of interest as they experienced substantial growth for two decades and are expected to continue.

5.5 Degree of internationalization

Looking at the international development of the four companies it is evident that they have been operating internationally long before we started conduct information about them. However they showed a very clear tendency throughout the studied period from first shifting their strategical focus towards emerging markets, especially in Asia, to later claim them as key strategic markets. Connecting the empirical data to the *degree of internationalization* in the theoretical model we can see several similarities. The degree of internationalization described by Sullivan (1994) including the share of sales, subsidiaries, assets and management experience is evident in the empirical data as all the companies are world leaders in their business. Especially sales and subsidiaries are spread out over the world, not only in their key markets but subsidiaries can also be found in low cost regions. However, many of the emerging markets e.g. China and India, that used be the home for offshore subsidiaries, now hosts subsidiaries that directly provide sales and other belonging departments instead. This has become a fact, as these markets now are more developed and key regions for the companies in our study.

Looking at sales figures a similar pattern is noted, although sales also have been spread out. Throughout the years sales have decreased in both the domestic and established markets and simultaneously increased in the BRIC-countries through various strategic moves. This is a fact that applies for all the four companies in our case study. Furthermore they all to an extent, fit in under Andersson & Svensson (2009) description of an internationalized firm due to that they relatively fast could adapt their organizations for new desirable geographically markets. A similar strategy can be supported by Åsa Konnbjer; “*Managed capacity means that we operate a network according to the ‘pay-as-you grow’ principle. This means that we*

provide capacity when and where it is needed. Operators then pay accordingly, reducing the need for large up-front investments". A further example is when Autoliv expanded their operations to China, even though they had small operations there in the mid 1990s they gradually and relatively fast adjusted their operations in the country and prepared for a future growing market by mostly joint venturing with domestic companies.

The increased depth of internationalization in the BRIC-countries among our studied companies with increasing foreign sales of total sales, number of foreign countries where a company has research labs, production et cetera has eventually resulted in directors from these regions taking place in the boards. In comparison to theory by Andersson and Svensson (2009), most of the value chain has been internationalized, hence the companies in our case study are internationalized and one can expect the composition of board directors to follow the same pattern. Following, the relation between degree of internationalization and board composition provides a nexus when the degree of internationalization has been established and once established directors have been elected. There is a clear pattern among the 8 directors with a foreign nationality to be appointed either after their respective company has established strong sales, successful joint ventures etc. or while being in the process of. The delayed effect of foreign directors from BRIC-countries as a result from a higher degree of internationalization is noted and composition of directors is a reactive result from degree of internationalization.

As we have pointed out earlier, BRIC-markets are the future for the MNCs we have conducted research on, hence where the challenges and company strategies are aiming. Our empirical data displays various examples of activities proving such development with numerous joint ventures, increased sales, new productions plants and R&D in the BRIC-countries. When putting this together one can wonder why representation from these regions has been so modest among the sample companies. Appointing directors originating from BRIC-countries in the board is in line with taking establishment in strategic important markets to a level that previously was not achieved. During our period of study they have showed a consisted increase of activities, become major players if not market leaders in the region and stating continued ventures in the BRIC-countries as well as forecasting sustained growth. But as competition is ever more competitive, we argue that the need for superior knowledge is needed and likely to be found in a director who consider the BRICs her home market. In connection to theory, Oxelheim et al. (2009) expresss that commercial internationalization embraces foreign employees and further suggest that importing foreign directors is a signal of compliance when internationalizing to a market with strict corporate governance systems.

5.6 International mindset

Continuing with the *international mindset* there were three given examples of different mindsets and MNCs (Perlmutter, 1969), further constituted with the different organizations of MNCs provided by Bartlett & Ghoshal (1989; 1992) that should be implemented in our sampled companies. Again, they are world leaders in their respective industry; thus we could disregard the Ethnocentric, despite this we would like to point out that this step is important to bear in mind to create an understanding for the development of the MNC and where it originates. Furthermore, we can to some extent also exclude the Polycentric MNC with regards to the Polycentric view of nationals and their supposed better awareness of a particular host-country.

The Geocentric approach for MNCs and the transnational organization suits the sampled companies best as they adapt to the different customers and markets by employing the most suitable people irrespectively of nationality (Bartlett & Beamish, 2008). This is evident in the empirical data, not only in the board (except for Ericsson) but also rather more on management level as stated by Mats Ödman, Autoliv; *“I think it will start at that level, for us it has to a greater extent”*. When we asked if we can expect an increase of foreign managers in the future he answered: *“presumably”*. Diversification on management level was also noted by Åsa Konnbjer, Ericsson, about their established management group: *“...with e.g. women from the middle east and Asian background. It is more (diversification) now than we could see 10 years ago”*. Further they proved theory by expanding to markets where local competitors are strong and have close ties to domestic companies. Companies they were not afraid to compete with in order to take advantage of possible opportunities. This is a central characteristic for Geocentric MNCs and all the companies have experienced this situation, notably in China where national competitors are strong but opportunities even greater (Bartlett & Beamish, 2008). Finally we want to determine that even though all the sampled companies have proved they have a Geocentric approach, they haven't reached the ideal state because they are still constrained by historical ties to Sweden. We argue that this also includes Autoliv, despite that they merged with an American company 16 years ago they are not truly Geocentric.

A Geocentric MNC does not focus on an individual that best exemplifies the host or home country and the company employs the best people regardless to their nationality (Bartlett & Beamish, 2008). In comparison to, and without contradicting this theory we often find that “the best” people and most suitable person for the job is a director who considers the strategic market as a domestic market. The reason for this is that they are often found to have the needed superior knowledge. Hence the Geocentric mindset is in relation to board composition

due to the organizations willingness to always appoint the most suitable and best people. In regards to theory the Geocentric MNC is more significant when looking at international mindset and the two previous stages becomes less relevant. As previously stated, the Geocentric MNC suits best to describe the sampled companies, thus being able to adapt to markets by employing the best suitable people. In a country like India, described by Ravi Venkatesan as both complex and full of opportunities but few companies have managed to attain a satisfying position (Larsson, G., Gotander, M., 2011). He further argues that controlling global strategies from the head quarter in the U.S and selling products according to that strategy in India is not appropriate. The companies have to adjust to local demands and not apply a global approach. It is essential to point out that directors are a result of selecting people best suited for the companies goals and worldwide problems (Andersson & Svensson, 2009; Bartlett & Beamish, 2008). Our studied objects have pointed out that goals and future challenges are focused on the BRIC-regions. With this in mind it is suitable to appoint directors from these regions.

5.7 Evaluation of the model

Finally, our findings suggest that there are additional contributing elements to the composition of the board. The elements are still all non-equally contributing that has been evident in the empirical data, however, we argue that the model should include two additional elements. We call them *Type of market* and *International heritage*. They are highlighting the fact that there are differences in what kind of market a company enters and to also the historical relations with a specific country. Within the *Type of market* we suggest that differences in aspects such as culture, national historical relations and complexity of country compared to the home market is affecting the composition of the board. Brazil has experienced almost similar growth and attention as China and India, which also has been stated in the annual reports, however, not a single director of Brazilian heritage has been appointed. It is possible that Brazil and other South American countries are too similar to Western countries that the need for foreign directors is not as substantial as the situation is with China or India. Although India's history is highly influenced by the Europeans colonization it still differ, as stated by Ravi Venkatesan to e.g. Brazil for reasons that we are not able to discuss. However, India's neighbouring country China differs substantially to most markets, during the 20th century they had almost none relation to the western world, hence being more complex than countries that what western companies are used to encounter.

Furthermore, *Type of market* is also related to *International heritage* where we highlight the historical relation of a company to a particular country. Ericsson for example, have done business in India for many decades, Åsa Konnbyer also states that their historical presence in

these markets has resulted in a very good relationship with both domestic companies and government. Hence, they argue that the need for foreign directors is minor. Further we also argue that *International heritage* influence the *International mindset* especially when the companies are to employ the “right“ persons, they could be affected by the company’s heritage in that country. Autoliv and Ericsson are examples of this; Autoliv has only had significant operations in China for the last two decades and Ericsson has operated for many more. Our findings is applicable with the development of the companies’ composition of the board as Autoliv arguably was in moore need of local knowledge but in Ericsson’s case their history and foundation did not require appointments to the same extent.

Finally, we modified the model and highlighted the degree of each element’s contribution to the composition of boards and added a relation between the *Degree of internationalization* and *Principals*. Our findgins suggest that depending on what degree of internationalization the company is looking for this affect principals interest, this is also argued by Oxelheim et al. (2009) that suggest that financial internationalization is more related to appointing foreign directors. With regards to that we have been focusing on commercial internationalization and the limited data collection we could not see that *Principals* contributed considerably in the model. This is also noted in comparison to theory on principals, which state that foreign owners are often known to have a modest interest in corporate governance (Adams et al., 2010). However, in the case of Autoliv and their first Japanese director the company states that he was appointed to signal compliance with the employees of the acquired company. In comparison to Oxelheim et al. (2009), explaining that different categories of owners could act differently and therefore has different effects on the composition of the board.

Hence, we argue that depending on what degree of internationalization the company perform this affects the shareholders’ interest in whom is a member of the board. We further argue that *Principals* works as a two-way elemet, both as a reactive and proactive approach to appointment of directors. The compositions of directors influence principals interest of the company and the board of directors are simultaneously composed to some extent satisfy shareholders. Additionally we state, with regards to our empirical data, that the contribution of *Degree of internationalization* in itself is less than the other elements as the sampled companies are all operating internationally and fit in the description of the Geocentric MNC.

6. Conclusion

Following concluding section will provide our findings of the relationship between the development of companies' internationalization strategies in key markets and their composition of board of directors. Throughout this section we will provide an answer to our research questions and further proceed by providing significant findings of the analysed data, which have been compared to the theoretical framework. This will be summed up by beliefs and how we think our study has contributed to existing research and provided a foundation for future research.

6.1 Research Conclusion

This thesis and the results we found is a step towards a deeper understanding of what factors that influence board composition with regards to companies' internationalization strategies. In the initial phase of studying the composition of the board, each year since 1990-2012, we could see a positive development of foreign directors. These were as previously stated mostly from America, Japan and Western Europe, some were from the BRIC-countries China and India. The trend of BRIC-directors can be seen more clearly during the recent years. When analysing the empirical data we presupposed from the fact that there was a clear relationship between internationalization strategies and the composition of the board of directors.

However, it would turn out that there were more contributing aspects to the composition of the board than we initially anticipated. We conclude that Swedish MNCs still are in an early stage of the internationalization of the board. However, it is clear that the companies' international strategy and activities such as sale is far more developed when it comes to regions and nations, such as the BRIC-countries, than what is reflected among the board of directors.

All the companies we choose to analyse further are world leaders in their area of expertise and fully internationalized. However, it is clear that since the 1990s' they have been more focused on the emerging markets and notably the fast growing regions in Asia, mainly China and India. Even if our trend display some obvious relations between internationalization and board composition it's not possible to make a general conclusion regarding the development. Ericsson provides a similar company history as Autoliv, Vovlo and SKF, but despite this they haven't followed a similar development in the boardroom compared to the internationalization that the other companies displays among the board of directors. However, it is clear that in general all the companies have a degree of internationalization. From the beginning of our study in 1990 to the end in 2012 an increased part of the directors has become foreign, but depending on the company the amount of foreign directors varies. Ericsson is the only company not having any Asian directors. Nonetheless they brought in a Russian in 2012. Autoliv and SKF have a similar composition of board directors, although

Autoliv is a merger. We cannot conclude that a merger is in relation to internationalization in the boardroom. Autoliv, Volvo, SKF and Ericsson have increased sales in the BRIC-countries, notably in China and India and eventually directors from these regions have been brought in. Significant to point out here is the delay of BRIC-directors in the boardroom in regard to when the BRIC-countries became strategic important markets. Even if sales has shown a significant increase for quite some time, even longer time and confirmation of the markets strategic importance have to be certain before directors appear in the boardroom. Hence we can conclude that the directors are rather a reactive than a proactive effect of internationalization. Throughout the analysed period of the four sampled companies there has been a total of 8 directors from BRIC-countries + Japan. Finally, with regards to our study and findings there is a possibility to see an increased number of directors from Russia and Brazil in the future, as well as additional Asian directors given this pattern.

One conclusion that is of significant importance to take into account is the *Regulations*. Regulations create the basis, it implicate board composition and have initially hindered an early development of foreign directors. The changed regulations emerging from Sweden entering the EU have not resulted in an obvious change in the board composition but rather a delayed effect that change can be noted in our sampled companies. Thereby the major importance of a director's suitable background, experience and expertise consists when looking into reasons for election (Hambrick & Mason, 1984) rather than nationality. It is possible to discuss the board composition if it was less regulated. Furthermore, tendencies to attract directors from strategic important markets is noted but with regards to our research limitations we cannot conclude that this confirms the relationship between internationalization strategies and board composition in general. Among the sampled companies it is evident that directors were all elected because of their suitable background and to satisfy the role of directors using significant resources pointed out by Pearce & Zahra (1992). Ravi Venkatesen, Xiaozhi Liu and Baba Kalyani are three recent proof of this relation of specific resources and internationalization strategies. Not only have the case companies internationalized their boards but also at management level, which is a clear case in the two interviewed companies Autoliv and Ericsson.

Both the theoretical framework and our empirical findings suggest that principals are important contributing elements to board composition. Not only stated by Mats Ödman that a Chinese director was suitable for the time, but also evident in the empirical data that directors are rather appointed as a reactive approach. However, as stated we cannot conclude that directors are appointed as a result of principals' interest, but taking Jensen and Meckling (1976) into account we can argue that Chinese and Indian directors could have been

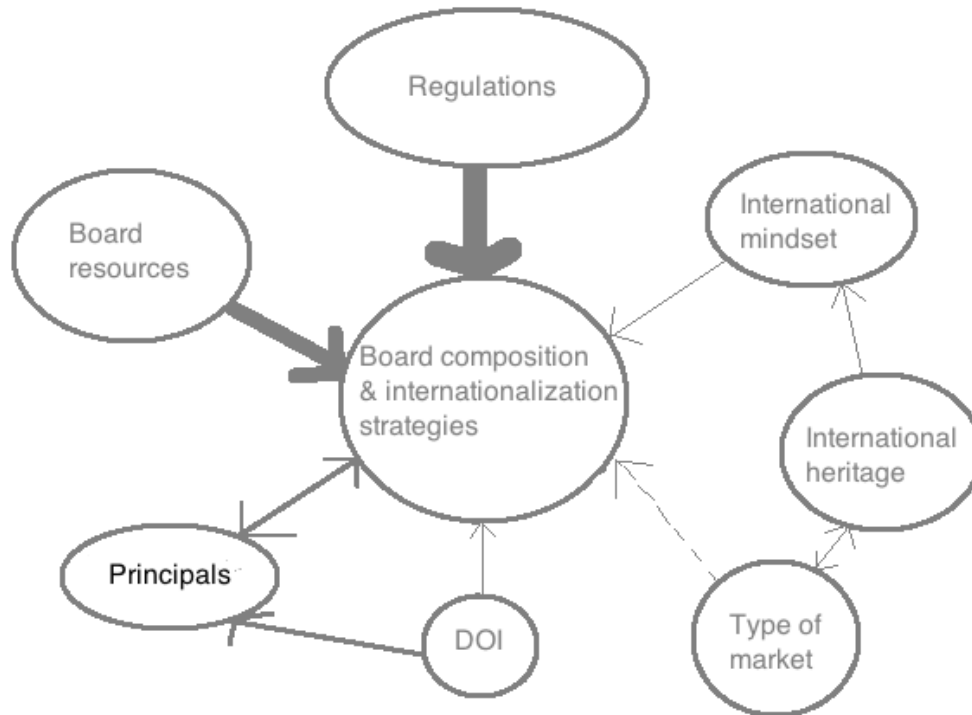
appointed to solve problems between ownership and management. This is further strengthened by the fact that employees tend to follow their leader if he also is appointed and gets a leading role in the acquiring company (Mats Ödman).

Continuing with DOI, which we believe affects the Principals we can see that the four companies all have developed and now claims Asia as key markets. China and India used to be the location for first-phase offshoring i.e. simple subsidiaries, but now they are the most important markets in the world. Part of the companies' now successful situation in Asia can partly be described by the fact that they fast could adapt to changing circumstances by early establishing long-term future plans. Considering the companies' situation we can, from our findings conclude that appointed foreign directors are the latest and (so far) final step of a company's internationalization process of activities, again either a reactive approach or while being in the process of growing in the specific country. However, representation from these BRIC-countries pointed out as the future's most important is modest compared to the rest of a company's internationalized activities. But we still argue that it is evident that the directors appointed this far is a result of that superior knowledge is demanded that cannot be found elsewhere. The findings of directors as being appointed due to their suitable background is further stated in *International Mindset*. Here, especially background and the right knowledge is evident, and as stated by the interviewees it is initially, and to a greater extent clear on management level. They argue that diversification is greater on management level and that they start by appointing foreigner there and implicitly wait with directors to see how the company is doing in the particular market. As the companies are stating that they employ directors because they are most suitable it goes well in hand with this element. What we end up with is the initial five elements and two additional as well as connections between the elements that contribute non-equally to the board composition & internationalization strategies.

6.1.1 Model 2: The five dimensions of board composition and internationalization strategies

During the analysis of the data with regards to the *The five dimensions of board composition and internationalization strategies* model, we found that there were other elements contributing and affecting a company's composition of the board and internationalization strategies. These, highlighted in the analysis chapter resulted in a modification of the model as presented below. The elements, containing established theories and previous academic work are the ones contributing the most to board composition & internationalization strategies. With regards to our focus and limited study we cannot conclude that the model will look the same when other parts of a company is studied. However, key theories and

significant work and journals are contributing aspects in both the model and our research. The model is a mix of elements that on their own have proved to contribute to either board composition or internationalization strategies. We on the other hand, when putting the two parts in relation to the other, can see that the elements also affect each other and are all non-equally contributing.



6.2 Contributions

With this thesis we wanted to attentive the changing global shift and the relationship between companies' adaption to it and internationalization in the board. We believe that we have answered our research purpose as we found a positive relation between internationalization strategies and board composition. However it should be noted that this development is in an early stage and therefore time will varify the significans of our contribution. The vast growing markets China and India are predicted further growth; we have seen internationalization in Swedish MNCs' boards with an increase of directors from these countries. We believe that this typ of internationalization in the board will continue as the sought for knowledge nowadays can be found outside home markets and possibly rather in the growing markets. Our findings contribute to previous research about boards and different parts of company performance. As we have been looking into internationalization with sales and joint ventures

in particular, we believe that our research is of importance. Especially as the world is more and more seen as an entity and importance of nationalities is decreasing.

6.3 Future Research

In this thesis we chose to study Swedish MNCs and their development of directors in the board with regards to the development in respective internationalization strategy. We found a positive relation between strategic important markets and directors appointed from these countries. For future research we believe that it would be interesting to investigate the development of foreign members on management level as this was noted in the empirical data of our thesis. Regarding our research, it is limited by the size of the empirical data and only focus on board and internationalization strategies. Therefore we find it interesting to study the internationalization of other parts of a company such as CEOs, owners or simply just production facilities. Moreover, we suggest that future research can investigate the development among SMEs or MNCs from other western countries. It would also be interesting to study the topic built on only a qualitative approach, i.e. interviews with inside employees as our study was built on annual reports that usually does not constitute a fair explanation to a company's actual being. Finally we would like to know if our model can be used in suggested future research or other similar research in order to see how useful the foundation of it is. These are suggestions of possible studies that would add further knowledge to the important and interesting topic of composition of board of directors.

Appendix 1 – Main interview questions

Provided in Appendix 1 is a compilation of the main questions (mixed order) asked during the interviews.

Autoliv

- How is your internationalization strategy designed with regards to sales, production, joint ventures etc?
- How important is the board's role in these questions?
- The world economy has shifted focus to Asia and especially China, was it a strategic choice to appoint a Chinese director? As China is predicted to grow further, is it possible that you will appoint an additional one?
- What specific competence are you looking for at a foreign director?
- Have you seen a positive development in the markets that foreign directors have represented? Namely Japan twice and now China.
- What has been the reaction among current directors to appoint these foreign directors?
- Is it a part of your strategy to diversify the board? What do you think about the future development of the composition of the board in general?
- Has the international diversification been perceived positively by stakeholders?
- If diversification cannot be witnessed in the board or would it rather be seen in the management level?
- What has the development in diversification on management level been like? Can we expect an increase of foreign managers in the future?
- If China would not had been so interesting, would a Chinese with suitable knowledge still be appointed to Autoliv's board?
- Do you appoint directors in a reactive or a proactive solution?
- How do you believe other BRIC-countries will develop?

Ericsson

- How is your internationalization strategy designed with regards to sales, production, joint ventures etc?
- Sales in Japan, Korea and China decreased last year, can you further explain this?
- Have competitors performed better?
- Alexander Izosimov has relevant knowledge and experience from the telecom industry, was he appointed as a part of your strategy?
- What do you think the development regarding foreign directors from e.g. China will look like as this market is growing in importance?

- In general, what is your view on foreign directors in Swedish boards? Do you think foreigners have more presence on management level instead?
- Can you explain the development on management level?
- Since Ericsson have been present internationally in many of the growing markets today for several decades, would you say that Ericsson is not as dependent on local knowledge (from directors) as other companies are?
- As your markets have been shifting in importance through the history, would you say that secure ground works better than frequently changing directors?
- Can you see a connection of appointed directors and managers and entering/expanding in markets?
- Do you think that a representative from China with local knowledge and a different network would help competition?

References

- Adams, R. B, Hermalin, B. E, & Weisbach, M. S. (2010) The role of boards of directors in corporate governance: A conceptual framework and survey. *Journal of Economic Literature*, vol. 48, no 1, pp. 58-107.
- Andersson, S. & Svensson, G. (2009) *Glocal Marketing; Think Globally and Act Locally*. Lund: Studentlitteratur AB. pp. 127, 180-181.
- Autoliv (1994-2013) Autoliv Annual Report 1993-2012.
- Barney, J. B. & Clark, N. C. (2007) *Resource-based theory - creating and sustaining competitive advantage*. New York: Oxford University Press Inc.
- Bartlett, Christopher, A. & Beamish, Paul, W (2008). *Transnational Management: Text, Cases & Readings in Cross-Border Management*. 5th ed. New York: McGraw-Hill
- Bartlett, Christopher, A. & Ghoshal, Sumantra (1989) *Managing across borders: The transnational solution*. Boston: Harvard Business Press.
- Bartlett, Christopher, A. & Ghoshal, Sumantra (1992) *Transnational Management. Text, Cases and Readings in Cross-border Management*. Homewood: Irwin.
- Boeker W. & Goodstein J. (1991) Organizational Performance and Adaptation: Effects of Environment and Performance on Changes in Board Composition. *Academy of Management Journal*, vol 34, no 4, pp. 805-826.
- Brandinger R. (2011) *Det nya styrelse arbetet*. Malmö: Liber AB. pp. 20, 160, 164-165.
- Bryman, A. & Bell, E. (2007) *Business research methods*. 2nd ed. New York: Oxford University Press Inc.
- Carter, D. A., Simkins, B. J. & Simpson, W. G. (2003) Corporate Governance, Board Diversity, and Firm Value. *The Financial Review*, vol. 38, issue 1, pp. 33-53.
- Carter, D. A., D'Souza, F., Simkins, B. J. & Simpson, W. G. (2007) The Diversity of Corporate Board Committees and Financial Performance. <http://ssrn.com/abstract=1106698> (Accessed 2013-05-13)
- Cochran, P., Wartick, S., & Wood, R. (1984) The average age of boards and financial performance, revisited. *Quarterly Journal of Business and Economics*, vol. 23, no 4, pp. 57-63.
- Doz, Y. (2011) Qualitative research for international business. *Journal of International Business Studies*, vol. 42, pp. 582-590.
- Earley P. C. & Gibson C. C. (2002) *Multinational work teams: A new perspective*. New Jersey: Mahwah.
- Ericsson (1991-2013) Ericsson Annual Report 1990-2012. pp. 6.
- FARs Samlingsvolym 2013 - Redovisning. Stockholm: FAR Akademi AB
- Fama E. F. (1980) Agency problems and the theory of the firm. *Journal of Political Economy*, vol 88, no 2, pp. 288-307.

- Fama E. F. & Jensen M. C. (1983) Agency problems and residual claims. *Journal of Law and Economics*, vol 26, issue 2, pp. 327.
- Finansdepartementet Förtroendekommittén, SOU 2004:47 (2004) *Näringslivet och förtroendet*. Stockholm: Regeringskansliet, pp. 203
<http://www.regeringen.se/sb/d/108/a/20445> (Accessed 2013-04-16)
- Gregersen H. B., Allen A. J. & Black J. S. (1998) Developing leaders for the global frontier. *Sloan Management Journal*, vol 40, no 1, pp. 21-32.
- Grinyer P. & McKiernan P. (1990) Generating Major Change in Stagnating Companies. *Strategic Management Journal*, vol 11, pp. 131-146.
- Swedish Corporate Governance Board. (2010) *Swedish Corporate Governance Code*. Stockholm: Hallvarsson & Halvarsson Trosa Tryckeri. pp. 17
- Hambrick D. C. & Mason P. A. (1984) Upper Echelons: The Organization as a Reflection of Its Top Managers. *Academy of Management Review*, vol 9, no 2, pp. 193-206.
- Hedelin, J. (2011) Få från Asien får styrelseplatser. *Dagens Industri*, April 27. pp. 1. (Accessed 2013-04-10)
- Hood, J. (2008) The Organization as a Reflection of its Followership: Servant Leadership as a Model for Leading in the Upper Echelons. *Regent University: School of Global Leadership & Entrepreneurship*.
- Jensen, M. C. & Meckling, W. H. (1976) Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, vol. 3, issue 4, pp. 305-360.
- Larsson, G. & Gotander, M. (2011) Så vill han att Volvo växlar upp i Indien. *Dagens Industri*, October 10. (Accessed 2013-04-12)
- Larsson, T. (2011) Få utlänningar i svenska styrelser. *Svenska Dagbladet Näringsliv*. pp. 1. (Accessed 2013-04-10)
- Luo, Y. (2005) How does globalization affect corporate governance and accountability? A perspective on MNEs. *Journal of International Management*, vol. 11, issue 1, pp. 19-41.
- Mallin, C. A. (2010) *Corporate Governance*. Third ed. Oxford: Oxford University Press Inc. pp. 1
- Masulis, R. W., Wang, C. & Xie, F. (2012) Globalizing the boardroom: The effects of foreign directors on corporate governance and firm performance. *Journal of Accounting and Economics*, vol. 53, issue 3, pp. 527-554.
- Norburn D. (1989) The chief executive: A breed apart. *Strategic Management Journal*, vol 10, issue 1, pp. 1-15.
- OECD (2004) Principles of Corporate Governance. Paris: OECD. pp. 11.
<http://www.oecd.org/daf/ca/corporategovernanceprinciples/31557724.pdf> (Accessed 2013-04-12)

- Oxelheim, L. & Wihlborg, C. (2008) *Corporate decision-making with macroeconomic uncertainty*. New York: Oxford University Press Inc.
- Oxelheim, L., Gregoric, A., Randøy, T. & Thomsen, S. (2009) Internationalization of the firm and its board. *Lund Institute of Economic Research, Working Paper Series*. 2009/6. pp. 1.
- Oxelheim, L., Gregoric, A., Randøy, T. & Thomsen, S. (2013) On the internationalization of corporate boards: The case of Nordic firms. *Journal of International Business Studies*, vol. 44, issue 3, pp. 173-194.
- Pearce II, J. A. & Zahra S. A. (1992) Board composition from a strategic contingency perspective. *Journal of Management Studies*, vol 29, issue 4, pp. 411-438.
- Perlmutter, Howard, V. (1969) The Tortuous Evolution of the Multinational Corporation, *Columbia Journal of World Business*, vol. 4, issue 1, pp. 9-18.
- Pfeffer J. & Salancik G. (1978) *The external control of organizations: A resource dependence perspective*. New York: Harper & Row.
- Ramaswamy, K. (1992) Multinationality and performance: A synthesis and redirection. *Advances in International Comparative Management*, vol. 7, pp. 241 - 267.
- Sambharya, R. B. (1996) Foreign experience of top management teams and international diversification strategies of US multinational corporations. *Strategic Management Journal*, vol. 17, issue 9, pp 739-746.
- Sanders W. M. G. & Carpenter M. A. (1998) Internationalization and Firm Governance: The roles of CEO compensation, top team composition and board structure. *Academy of Management Journal*, vol. 41, no 2, pp. 158-178.
- Sherman H. D., Kashlak R. J. & Maheshkumar P. J. (1998) The effect of Board and Executive committee characteristics on the degree of internationalization. *Journal of International Management*, vol 4, no 4, pp. 311-335.
- Sjätte AP-fonden-1 (2013) Styrelserna allt mer internationella. *Sjätte Ap-fonden*.
- Sjätte AP-fonden-2 (2013) Internationella styrelseledamöter-genväg till ökat värde?. *Sjätte Ap-fonden*.
- SKF (1991-2013) SKF Annual Report 1990-2012. pp. 27, 55.
- Solomon J. (2010) *Corporate Governance and Accountability*. Third ed. Chichester: John Wiley & Sons Ltd. pp. 78.
- Sullivan, D. (1994) Measuring the degree of internationalization of a firm. *Journal of International Business Studies*, vol. 25, no 2, pp. 325–342.
- Teece, D. J. (2002) *Managing Intellectual Capital: Organization, Strategic and Policy Dimensions*. Oxford: Oxford University Press Inc.

Tihany, L. D., Griffith, A. & Russel, C. J. (2005) The effect of cultural distance on entry mode choice, international diversification and MNE performance: A Meta analysis. *Journal of International Business Studies*. Vol. 36, no 1, pp. 270-283.

Thomas, D., Brannen, M. Y., & Garcia, D. (2010) Bicultural individuals and intercultural effectiveness. *European Journal of Cross-cultural Competence and Management*, vol. 1, no 4, pp. 315–333.

Van der Zee, A. & Swagerman, D. (2009) Upper Echelon Theory and Ethical Behaviour: an Illustration of the Theory and a Plea for its Extension Towards Ethical Behaviour. *Journal of Business Systems, Governance and Ethics*, vol. 4, no 2, pp. 27-43

Volvo Group (1991-2013) Volvo Annual Report 1990-2012.

Yin, K. R. (2003) *Case study and research: Design and methods*. 3d ed. London: Sage Publications Ltd. pp. 37, 89.