Emerging markets are less developed markets that are at a later stage of development than other less developed markets. They are characterized by high growth potential, low market capitalization, and poverty. The most important difference between an emerging market and a developed market is that an emerging market is a market where buyers and sellers are not easily or efficiently able to come together. The recent growth of emerging markets given them increased attention. The world’s largest emerging markets include Brazil, Russia, India, and China and they account for more than a quarter of the world’s land area and more than 40% of the world’s population. In addition to the four largest there are many other countries that are starting to emerge into the world’s formal economy, and together they represent an enormous growth potential for Multinational Enterprises (MNE’s) from developed markets. Recent research have been investigating the differences in emerging markets from developed markets with emphasis on the growth potential in these markets, and the challenges for MNE’s from developed markets who want to enter emerging markets. These challenges are mainly attributed to market conditions that differ from their home markets to a varying degree. This report builds on recent research by taking the focus away from what challenges that are inherent in emerging markets for MNE’s from developed markets, by investigating MNE’s that are already successful in emerging markets and thereby identify how challenges are handled, not only where they can occur. The research has been carried out by using one case company: Norwegian Telecom company Telenor to provide general conclusions for all MNE’s from developed markets that are doing business in emerging markets using the scientific logic “If this is (not) relevant for this case it is relevant for all (no) cases presented by Flybjer (2004)
Contents

1. Introduction ............................................................................................................................. 3
  1.1 Telenor ............................................................................................................................. 5
    1.1.1 Company information ............................................................................................... 6
  1.2 Emerging Markets ............................................................................................................ 7
2. Hypothesis ............................................................................................................................... 9
3. Research Area .......................................................................................................................... 9
  3.1 Research Question ............................................................................................................ 9
  3.2 Topic Delimitation ......................................................................................................... 10
4. Method ................................................................................................................................... 11
  4.1 Methodology .................................................................................................................. 12
5. Theory .................................................................................................................................... 14
  5.1 International Production ................................................................................................. 14
    5.1.1 Transaction Costs and the Multinational Enterprise (MNE) .................................. 16
    5.1.2 Vertical and Horizontal Expansion into Foreign Markets ...................................... 17
    5.1.3 The Eclectic (OLI) Paradigm of International Production ..................................... 18
  5.2 Emerging Markets .......................................................................................................... 20
    5.2.1 Institutional Environment in Emerging Markets .................................................... 21
    5.2.2 The Consumers in Emerging Markets ................................................................. 22
    5.2.3 Strategic Choices for MNE’s from Developed Markets in Emerging Markets ...... 25
    5.2.4 The Multinational Enterprise from Emerging Markets (EMNE) ........................... 28
  5.3 Branding ......................................................................................................................... 30
  5.4 Strategy ........................................................................................................................... 32
6. Data Collection ...................................................................................................................... 33
7. Analysis ................................................................................................................................. 37
8. Telenor – From National Monopoly to Multinational Enterprise ......................................... 38
  8.1 Early Expansion ............................................................................................................. 38
  8.2 The First Moves Abroad ............................................................................................... 42
  8.3 The Pattern of Strategy in Telenor’s Early Expansion ................................................... 44
  8.4 Expansion into Emerging Markets ................................................................................ 46
1. Introduction

This report is for individuals in developed countries who want to learn more about how enterprises from the developed world can do business in emerging markets. The reader of this report is either a student with a specific interest for business operations in emerging markets, or someone from a developed market who wants to pursue business in an emerging market, but know little about emerging markets.

Lately differences in emerging markets compared to developed markets, and what implications these differences can have for traditional multinational enterprises (MNE’s) operating in these markets, have received increased attention. Much of the world’s economic power today is vested in MNE’s. The MNE has its origins in the second industrial revolution of the 19th century. Of the 100 largest economies in the world, 51 are now global corporations, and only 49 are countries. In our time it is widely assumed that globalization is driven by the west and imposed by the rest. It is assumed that CEO’s in New York, London and Paris control the process, and Western consumers reap most of the benefits. This is changing fast. Emerging-market champions such as India’s ArcelorMittal in steel and Mexico’s CEMEX in cement are out-competing Western companies. In knowledge-based industry Infosys and Wipro, which are operating out of Bangalore in India, are taking over office work. Other companies from emerging markets that are rapidly taking market share in the international market include Huawei from China and Tata Motors from India. Some companies from emerging markets are even reversing the traditional global supply chain: Brazilian airplane producer Embraer buys many of its component parts from the West and does the assembly work in Brazil. Consumers in emerging markets are also getting richer faster than their equivalents in the West, which enhances the opportunities for growth in emerging markets (Woolridge 2010).

It is argued by Woolridge, Guilén and Garcia-Canal (2010), and others, that the success of some companies from emerging markets has come from their business model that in many aspects differ significantly from the business models in developed markets. Today many MNE’s from developed markets are competing in emerging markets. The four largest emerging markets in the world (India, China, Brazil and Russia) alone currently account for more than a quarter of the world's land area and more than 40% of the world's population. In addition there are numerous
smaller emerging markets, and developing markets that are starting to emerge. In these markets there can be fierce competition, not only from other western MNE’s, but also from local competitors.

Recent research about business environment in emerging markets include Khanna and Palepu (2010)’s work *Winning in Emerging Markets*. The area received increased attention in the aftermath of the financial crisis of 2008. While the MNE’s from developed markets were recovering from the crisis, MNE’s from emerging markets went on a “shopping spree” and expanded their business by acquiring a wide range of developed market brands. Two examples out of many are that Jaguar and Rover are now owned by Tata motors from India, and IBM PC Systems are owned by Lenovo from China (Woolridge 2010). The economist dedicated a whole issue to the rise of emerging markets, and wrote a special report on emerging markets in April 2010 called “The world turned upside down – A special report on innovation in emerging markets”. Many other researchers, amongst them Woolridge (2010), and Guilén and Garcia-Canal (2009) are turning their research efforts towards this area. However, just as the flow of available research and literature in this area is developing fast, emerging markets are also developing and changing at an accelerated speed. Available research on emerging markets focus on investigating the operating environment in emerging markets, finding reasons for their rapid growth, identify success factors in emerging market-industry, identify the main differences between emerging markets and developing markets, and suggest methods for developed market MNE’s that want to enter emerging markets. Research has given less attention to the many MNE’s from developed markets that are succeeding in emerging markets. I want to build on research already provided by other scientists about emerging markets, keeping in mind that although there are increased competition from local competitors from emerging markets both in emerging markets, but also increasingly in international markets, many developed market multinationals are major players in both developed and emerging markets. My research will not focus on how the traditional global supply chain is starting to change due to rapid development in emerging markets, and the threats this represents to developed market MNE’s. Instead I want to investigate how a multinational enterprise from a developed market succeeds in an emerging market, by looking at companies that are already doing this.
1.1 Telenor

The Norwegian Telecom company Telenor’s operations in Eastern Europe and Asia have made them a major player in emerging markets. In this investigation Telenor is used as a critical case, or a case that is used as a representative of other cases. When searching for a case that could be used for this purpose I used an information-based strategy for selection of samples and cases. My goal was to find a critical case that allows me to achieve information that permits logical deductions of the type “is this (not) valid for this case, then it applies to all (no) cases” (Flybjerg 2004). Telenor is an especially good case to investigate the implications that can arise when a multinational company from a developed market is operating in emerging markets, for several reasons. Firstly Telenor fit my first criteria; they are a multinational company from a developed market who is operating both in developed and emerging markets. Being a company that has existed for more than 100 years they carry the typical characteristics of a developed market-based firm with their typical values and longstanding traditions. It is exactly this heritage that can create implications when adjusting to operating environments in emerging markets. Hence, if there are challenges in emerging markets due to being a typical MNE from the developed world, they should be encountered by Telenor. The value of investigating Telenor’s operations in emerging markets specifically, compared to many of their peers, lies in that Telenor was a first-mover in several emerging markets. This means that they had to deal with all the implications that are related to being a developed market MNE in that market, and hence their experiences in those markets will reflect the broadest range possible of the actual challenges and implications to business in that market. A company who enters emerging markets that is already inhabited by other developed market MNE’s will enjoy the benefits of efforts made by early entrants to adapt to the operational environment (Khanna and Palepu 2010). Therefore they may not have to deal with the same degree of challenges in emerging markets as first movers. Secondly Telenor is a good case for investigation because they are present in emerging markets in different regions. As stated by Khanna and Palepu (2010) emerging markets should be distinguished collectively from developed markets, but also individually from each other. By investigating a company that is present in emerging markets both in Asia and Europe I get the opportunity to investigate if emerging markets differ from each other, and the implications to strategy related to this.

There is a wide range of companies to choose from that fit these criteria. Early I narrowed my search for case companies down to companies that fit the criteria above, that is also in the
telecom sector. The reason why a company from the telecom sector is especially interesting when investigating business strategies in emerging markets is the rapid growth in this sector. Between 2000 and 2005 the number of mobile subscribers in developing and emerging economies grew more than a fivefold (Allen et al 2007). The use of mobile phone has improved living standards of millions of people by providing easier communication, access to quick medical help, job opportunities, and even banking. The benefits of the mobile phone has transformed into success for mobile companies in emerging markets and competition can be fierce, both from other multinationals, but also from local companies. By choosing a case company that operates in a sector that has international competition, but also local, I’m able to also analyze the broadest possible set of implications of operating in emerging markets. If I instead selected a case company from a sector that is dominated by multinational players, as the international airline industry, the analysis would be of competition between MNE’s from developed markets to capture emerging markets, and not so much strategies of developed market MNE’s in emerging markets. Last, the initial investments for telecom operators entering emerging markets can be high, while the growth potential is enormous, which means that profit margins can be great for those who succeed, but those who are unable to gain critical mass struggle (www.dn.no July 14th 2010). Therefore telecom operators must carefully plan and execute their strategies when entering emerging markets, which assures me that I will be able to identify distinct strategies to base my investigation on if I choose a telecom company as a case company.

1.1.1 Company information
Telenor started out as a government agency in 1855 and has been known under various names. When the monopoly over the sale of telephone sets in Norway ended, and the Norwegian market for telecommunications terminals opened up to competition in 1988, they were operating under the name Norwegian Telecom (Televerket). In 1995 Televerket changed its name to Telenor, but was not partly privatized and listed on the stock exchange before year 2000. Today Telenor is one of the leading mobile operators in the world, with 203 million mobile subscriptions, a growth from 15 million subscriptions in 10 years. Telenor was one of the top 500 global companies by market value in 2010 according to the Financial Times Global 500, and are among the top performers on Dow Jones Sustainability Indexes. They have 33,200 employees worldwide and revenues of NOK 95 billion in 2010, where more than 50% of these revenues
come from markets that are not developed. Telenor’s main operations are concentrated in three geographic regions that include developed, newly industrialized, and emerging markets:

**The Nordics**
Telenor is a leading provider of mobile and fixed services in Norway, Sweden and Denmark. The operations in Scandinavia represent Telenor’s operations in developed markets.

**Central and Eastern Europe**
Telenor Group has a strong position as provider of mobile services in Hungary, Serbia and Montenegro. They also have an economic share of 39.6 per cent in VimpelCom Ltd., who offers mobile services in Russia, Ukraine, Kazakhstan, Georgia, Uzbekistan, Tajikistan, Armenia, Kyrgyzstan, Cambodia, Laos and Vietnam. All markets in this group are defined as emerging markets according to the worlds Emerging Markets Monitor.

**Asia**
The Telenor Group is one of the largest mobile operators in Asia through their operations in Thailand, Malaysia, Bangladesh, Pakistan, and India. Malaysia is considered a newly industrialized economy, while the remaining countries are defined as emerging markets according to the worlds Emerging Market Monitor (www.telenor.com).

1.2 Emerging Markets
A market is a place where transactions between buyers and sellers of goods and services take place. We can define markets by geographical boundaries; a market can be a country, but also a region. Another way of defining markets is to categorize it based on its characteristics. In everyday speech we often talk about developed and less developed countries, and by that we also mean developed, or less developed markets. Between developed markets and less developed markets there are emerging markets. Emerging markets are less developed markets that are at a later stage of development than other less developed markets. Khanna and Palepu (2010) argue the importance of distinguishing emerging markets from developed markets. This is despite that economic globalization has brought down trade and investment barriers, and enabled the emerging markets to seemingly converge with the world’s rich industrial countries, and integrated less developed countries in the global supply chain.

The fundamental distinction of an emerging market compared to a developed market is that emerging markets are markets where buyers and sellers are not easily or efficiently able to
Emerging markets are also characterized by the many different informal institutions that have developed to serve intermediary roles, due to the lack of appropriate formal institutions. Other main characteristics that differentiate an emerging market from a developed market are:

**Poverty**: The market is in a low- or middle-income country, the average living standards are low, and the country is not industrialized.

**Capital markets**: Low market capitalization relative to GDP, there is a low stock market turnover and few listed stocks, and the sovereign debt ratings are low.

**High growth potential**: Characterized by economic liberalization, is open to foreign investment, and has experienced recent economic growth.

Emerging markets need to be distinguished *collectively from developed markets*, but also *individually from each other*. Emerging markets can share some similar characteristics, but amongst emerging markets there can also be great variations. A typical emerging market that fits into all of the three criteria above is India. However, if we were to compare India with the United Arab Emirates based on poverty level and their GDP, it would suggest that the United Arab Emirates are among the world’s most developed economies. Still they are also an emerging market nonetheless, because of the market structure in the country (Khanna and Palepu 2010).

For this investigation I will use the worlds emerging market monitor provided by Business Monitor International to decide if a market is emerging or not. I will define all emerging markets collectively when I’m using the theoretical framework related to emerging markets, and I will use country reports from the same monitor, and other external sources to separate each emerging market individually from each other.
2. **Hypothesis**

The hypothesis of this thesis rests upon the idea that there are several distinct differences between the business environments in emerging markets compared to developed markets. Hence there should be a difference between the strategies of successful firms for their operations in developed, versus emerging markets.

3. **Research Area**

The research area of this paper will be how a MNE from *developed* markets, create *strategies* that are sustainable to enhance growth in *emerging* markets. In terms of research this is an interesting area because it builds on recent research. However, while recent research focus on the conditions in emerging markets for developed market MNE’s that *want to enter* emerging markets, this research will focus on what MNE’s from developed markets are doing *right* in emerging markets. The approach I will use to investigate this research area will be constructivist. I will use theories from previous research to ask questions that will form the basis of my data collection. Conclusions will be made based on interpretations of collected data, and theories will be used as a tool to enhance understanding of data.

3.1 **Research Question**

In this research I will use one critical case; Telenor, to answer a research question that concerns all cases. My research question is based on the assumption that Telenor is successful in emerging markets, and the hypothesis that emerging markets are different from developed markets. These assumptions will be critically evaluated throughout the report to ensure quality. To answer my research question I need to separate the strategies of the Telenor Group as a whole, from their strategies in emerging markets. Hence my research question will be:

*How can a MNE from a developed market succeed in an emerging market?*

- Why does Telenor target emerging markets?
- Which of Telenor Group’s strategies can be identified as specific for emerging markets?
- How, and where in the organization, is Telenor’s emerging market-strategies created?
- Based on the coherence of their strategy in different emerging markets, does Telenor perceive emerging markets, as individual markets or as a collective group of markets?
3.2 Topic Delimitation

This thesis aims to give an overall view of Telenor’s strategies in emerging markets. Emerging markets can be distinguished from developed and less developed markets; however, there can also be great variations between each emerging market. I will give attention to this, but the scope of the investigation does not allow me to do a detailed analysis of every emerging market Telenor are operating in, instead I will look for overall patterns, taking the individual environments into consideration.

This thesis does not investigate the financial aspect of Telenor’s operations in emerging markets. I will sometimes use the sum of investments, profits or losses as a reference point, but the aim of this paper is not to investigate the financial perspectives regarding Telenor’s operations in emerging markets.

Business operations are to a large degree influenced by competitors. However, as this thesis main focus is on Telenor’s strategies for operating in emerging markets and due to limited time and resources I will not make an analysis of Telenor’s strategies for handling competitors.

Because this thesis will focus on Telenor’s operations in emerging markets I will give less attention to operations in developed markets. These operations will be used more as a reference point.

The operations of The Telenor Group are complex and it is important to do research on the organization as a whole to understand their operations in emerging markets, but this thesis will not focus on Telenor’s investments in markets where they are not directly operating through commercial activities.

To understand why Telenor are operating in emerging markets I must first understand why they are a multinational enterprise. I will present theory on this area that will be used in the early part of my analysis, and in the concluding part regarding emerging markets, but I will not go into a detailed discussion of the benefits of Telenor being a multinational enterprise in general.
4. Method

The approach I will use to investigate this research area will be constructivist. Theories from previous research will be used as a tool to identify relevant questions for the purpose of my investigation. These questions will be the foundation from where I start my data collection process. The purpose of the data collection is to create a basis for an analysis that can answer to my research question. The analysis will by a constant interpretation of data as a guide for what to do next, coupled with a constant curious self-observant effort. This means that there might be sections where interpretations of concluding character will occur during the analysis to be able to move forward to the next step. Interpretations in the analysis will be based on what I know from facts, assumptions created in previous research, and what I understand from collected data based on this. In the analysis theories will be used as a tool to enhance understanding of areas where collected data does not provide answers. Final conclusions will be a collection of concluding interpretations in the analysis about Telenor that is put in a broader picture to provide recommendations for how all MNE’s from developed markets can succeed in emerging markets.

Because I will use a constructivist method to solve my research question, it is important that the theories that will be used to create relevant questions for my research are also constructivist, in order to create the proper research tools. The process is guided by Flybjerg (2004) who has created a method for analyzing the nature of one specific case to make explanatory conclusions that aim to explain general tendencies. The remaining part of this section outlines my view on scientific method that will be used in this research, and the next section describes the view of Flybjerg in more detail.

Fig. 1. The scientific perspectives used in my methodological debate
I will use selected theories to reach a general objective view that explains strategic choices made in Telenor’s operations in emerging markets. As a starting point the theories will give me a conclusion that can provide an answer to the hypothesis that operating in emerging markets is different from operating in developed markets. This analytical view of method requires work with given techniques that confirms or rejects given hypothesizes. This provides objective facts that create parts of the objective reality (Darmer 1992). Using this method will however not provide me the full understanding that is required to answer my research question, because analytical rationality only provides context-independent knowledge. Therefore I cannot reach the conclusions I’m searching for using analytical methods. To reach a conclusion about how MNE’s from developed markets can succeed in emerging markets, I must as a researcher put myself in the context that is being studied (Flybjerg 2004). I do this by being constructivist. By continually interpreting and analyzing collected data I will create a more subjective view of Telenor’s operations in emerging markets. This view will help me understand, instead of explaining, Telenor’s strategic choices. Only that way I can fully answer my research question about how a MNE from a developed market can succeed in an emerging market. This also means that I do not use a deductive approach to my research, because the theories create the foundation for my investigation, but the research question will be answered inductively. The use of an inductive analytical approach opens for the use of existing theory in analysis (Bryman and Bell 2005). The collected information will be emphasized before theory, and the selected theories that are research conducted by other researchers will mainly be used to find explanations. I will then move from the concrete collected data and look for patterns and categories during the analysis that will be summarized with a discussion of my findings.

4.1 Methodology
To solve my research question I choose to focus on Telenor as a critical case, due to the criteria outlined in the introduction. Flybjerg illustrates the effect of using this method by quoting Karl Popper who said “all swans are white”, but the observation of one single black swan would falsify this proposition and in this way have general significance and stimulate further investigations and theory building.

There are many other optional approaches to investigate this subject. The investigation could also be done by obtaining and comparing data from a wide range of companies that fit the
selection criteria, or by doing random samples. However, a research project based on collected
data samples might not give me the necessary insight to the area I want to investigate. Flybjerg (2004) argues that when the objective is to achieve the greatest possible amount of information on a given problem or phenomenon a representative case, or a random sample, may not be the most appropriate strategy. This is because the typical or average case is often not the richest in information; it is often more important to clarify the deeper causes behind a given problem and its consequences, than to describe the symptoms and how frequently they occur. Random samples emphasizing representativeness will seldom be able to produce this kind of insight; it is more appropriate to select some few cases chosen for their validity.

Another option could be do a parallel investigation of business and operating environments in developed markets vs. emerging markets, and compare results. This would require an analytical method and lead to a theoretical conclusion. The disadvantage of this method is that the practical outcome of a real case that adds value to the investigation would be lost. This view is also supported by Flybjerg who says that the limitation of analytical rationality is that it is inadequate for the best results in exercise of a profession, a study, research or practice. Content-dependent knowledge and experience are at the very heart of expert activity; it is only because of experience with cases that one can move from being a beginner to being an expert. He argues that to make rule-based knowledge the highest goal of learning is regressive, and there is a need for both approaches because the highest level in the learning process. That is, virtuosity and true expertise are reached only via a person’s own experiences as a practitioner of the relevant skills. Concrete, context-dependent knowledge is therefore more valuable than the vain search for predictive theories and universals. For researchers, the closeness of the case study to real-life situations and its multiple wealth of details are important in two respects. First, it is important for the development of a nuanced view of reality, including the view that human behavior cannot be meaningfully understood as simply the rule governed facts found at the lowest levels of the learning process, and in much theory. Second, cases are important for researchers own learning process in developing the skills needed to good research.

It is important to recognize that when using case studies as a research method it is often difficult to summarize and develop general propositions and theories on the basis of the specific case. However, the question I asked myself when I decided to use this method is if it is desirable to
summarize and generalize results. I want to present the most correct picture possible of the reality I’m observing. This means that I might able to say something in general about the case outcome, but I will probably also come to conclusions that cannot be forced into tables or models. Instead I will try to explain the cause and effect of my observations and what results or implications they lead to, or may lead to.

5. Theory
The selected theories cover two main areas. The first are theory about international production, and the second are theory about emerging markets. Following this I introduce theory about corporate branding and the theoretical view of strategy. Each section starts with an overview of relevant theories within the area, and the relevance of selected theories for this investigation. I also discuss possible limitations of the selected theories and the consequence the theory selection may have on the investigation. The selected theories are context-independent and can be applied to “all” situations. My goal is to reach an understanding of Telenor in several different specific contexts. The context-independent theories can help me reach that goal because they will help me develop an understanding. By applying these theories the investigation of one specific case I will put myself into the context being studied, and hence theory will be used as a reference point, and a guide to maneuver.

5.1 International Production
I include theory about international production because it is that it is crucial to understand why Telenor is engaging in international business, before I can understand why they operate in emerging markets specifically. Although MNEs have existed for a very long time, scholars first attempted to understand the nature and drivers of their cross-border activities during the 1950s. The credit for providing the first comprehensive analysis of the MNE and of foreign direct investment goes to economist Stephen Hymer, who in his doctoral dissertation observed that the “control of the foreign enterprise is desired in order to remove competition between that foreign enterprise and enterprises in other countries. His key insight was that the multinational firm possesses certain kinds of proprietary advantages that set it apart from purely domestic firms thus helping it overcome the liability of foreignness (Hymer 1960).
The transaction costs theories of MNEs was developed simultaneously and independently by McManus (1972), Buckley & Casson (1976) Brown (1976) and Hennart (1977, 1982) and offered an alternative to traditional neoclassical theory. The advantage of these theories is that it considers that market imperfections that are not counted for in neoclassical theory. These imperfections are likely to be even stronger in emerging markets than in developed markets, therefore it is important to understand the nature and origin of transaction costs. I selected the theory about MNE’s presented by Hennart (2000) because he has in his work been building in these theories developed by the authors above since the 1970’s. In the article by Hennart that I choose from 2000 he critically evaluates his previous work and makes reference changes in the market space since the initial development of the transaction cost theories for MNE’s.

Building on the theories on international expansion based on transaction cost theory, the theories about international expansion presented by Guilén and Garcia-Canal (2009) will enhance my understanding of the expansion path of Telenor from developed to emerging markets, and from one emerging market to another. Because I found some limitations to the explanations given by Guilén and Garcia-Canal about how a firm expands horizontally, I decided to add the Eclectic (OLI) Paradigm presented by Dunning that goes into greater detail about how a firm expands into foreign markets based on intangible assets as ownership, location, and internationalization-advantages. These advantages might explain why Telenor are expanding in a pattern that cannot be fully explained by the horizontal expansion pattern described by Guilén and Garcia-Canal. The advantage of the theory about horizontal expansion is that it considers the intangible assets as brands, technology, know-how, and other firm specific skills that a MNE may possess that are not emphasized in older theory about international production. Dunning opens for the possibility of the existence of such assets with his ownership advantages, but they are emphasized to the same degree as location and internationalization advantages, that are more relevant for manufacturing firms. However, the theory of horizontal expansion does not take location specific advantages into consideration, and hence the two theories add value to each other when used together.

The disadvantage of these theories is that though they may take modern market conditions into consideration, they nonetheless build on research from the manufacturing industry after the 2\textsuperscript{nd} industrial revolution. Older research on international production are designed with the view that
MNE’s are large firms from developed countries that serve consumers in developed countries, and may use less developed countries for production. When using this theory it should be taken into consideration that Telenor is not a manufacturing firm, they deliver a service, and their value is to a greater extent in their technological know-how, and their organizational brand. It should also be taken into consideration that the goal of their operations in emerging markets is to serve consumers in emerging markets as suggested by Guilén and Garcia-Canal, not to create a product that will be exported back to consumers in developed markets as suggested by Hennart and Dunning.

5.1.1 Transaction Costs and the Multinational Enterprise (MNE)

According to Hennart (2000) MNE’s exist because there are circumstances where individuals located in separate countries are more efficiently coordinated when they are employees of a Multinational Enterprise, than if they are independent entrepreneurs responding to market prices. Further he uses Transaction Cost Theory to explain why firms engage in business abroad, instead of selling their assets, or rent them out to a local entrepreneur in another country who could combine them with local factors of production at lower costs than those experienced by foreign investors.

Transaction cost theories is an alternative to traditional neoclassical theory because transaction cost theory considers the market imperfections that are inherent conditions in real markets. In neoclassical theory these imperfections are ignored. In the real world knowledge is not perfect and people are not perfectly honest. This creates transaction costs, or costs for organizing interdependencies between individuals. In a perfect market without transaction costs, with a large number of buyers and sellers, prices would be determined by demand, bargaining would not occur, and everyone would be fully appraised of everyone else’s needs through prices, and incited to adapt to those needs to maximize social welfare. However, because people tend to be opportunistic we cannot expect them to take actions that increase the welfare of others at their own expense. Humans also have bounded rationality, which means that they do not have infinite intellectual abilities and are not perfectly knowledgeable. Because of this transactors cannot always predict who will be opportunistic and not. In other words it is possible for individuals to cheat, imperfect information creates prices that are not solely determined by demand, and bargaining can be profitable (Hennart 2000). In emerging markets, that are characterized by
weak formal institutions, uncertainty regarding law enforcement and political instability (Khanna and Palepu 2010) market implications are even larger than in developed markets, which increases the relevance of this theory presented by Hennart for this research.

MNE’s use hierarchy to reduce transaction costs when operating abroad. When independent entrepreneurs are transformed into employees their incentives to cheat is reduced. This happens because they are paid for their input instead of their ability to change the market terms of trade in their favor. However hierarchy also has its costs. Mainly that the incentives of the agents change. When rewards are no longer proportional to output, the management cannot always expect their employees to give their best in terms of input and efficient information gathering. The cost related to this is an expansion of resources to motivate and monitor employees. This means that the MNE does not avoid the market when it internalizes a transaction (transforming local entrepreneurs abroad to employees). Instead the transaction shifts from the market for goods and services, to the market for labor. The internalization of a market (the expansion of firms abroad) will take place when transaction costs in the product market are higher than those experienced in the labor market (Hennart 2000).

5.1.2 Vertical and Horizontal Expansion into Foreign Markets
When a company is expanding across national borders it can so vertically or horizontally. It is important to distinguish between the two modes of expansion to fully understand the basic economic principles behind the activities of MNE’s. Telenor are expanding horizontally into foreign markets. Horizontal expansion occurs when the firm set up a plant or service delivery facility in a foreign location with the goal of selling in that market, while maintaining its business in the home country. A firm may choose to set up a plant or service facility in a foreign market because they posses some intangible assets. This can be a brand, technology, know-how, and other firm specific skills. The possession of such skills makes licensing a risky alternative because the licensee might appropriate, damage, or otherwise misuse the firm’s assets (Guilén and Garcia-Canal 2009). To understand Telenor’s expansion pattern it is then important that I understand which intangible assets they possess.

While these intangible assets explains why Telenor is expanding into foreign markets, this theory also states that firms expand abroad horizontally on a country-by-country basis, starting with
those who are more similar in terms of sociocultural distance. The Firm commits resources to foreign markets as it accumulates knowledge and experience, managing the risks of expansion and coping with the liability of foreignness. The firm expands abroad only as fast as its experience and knowledge allow (Johanson & Vahlne, 1977; Johanson & Wiedersheim-Paul 1975; Vernon 1966, 1979, cited in Guilén and Garcia-Canal 2009). Based on this I assume that Telenor has chosen their strategy of expansion based on experience and knowledge of the markets they enter. However, if this is true, that implies that Telenor should have more knowledge and experience in Eastern European and Asian markets than countries as the UK, USA or Canada that in many aspects are closer to Norway in terms of sociocultural distance. In my analysis I will try to find an explanation to Telenor’s expansion pattern based on the theory of horizontal expansion, but to fully understand Telenor’s expansion pattern I will also use the Eclectic (OLI) Paradigm developed by Dunning (2001).

5.1.3 The Eclectic (OLI) Paradigm of International Production

When expanding abroad Telenor has chosen a specific expansion path, from its neighboring countries in northern and Eastern Europe to Asia. The strategies behind this expansion path can be explained using the Eclectic (OLI) Paradigm of International Production, created by John Dunning. This theory is designed for the US manufacturing industry, but because its purpose is to explain the extent and pattern of international production I can apply this theory to Telenor to analyze if Telenor has ownership, location, or internationalization advantages that can explain why Telenor have chosen this specific path of expansion.

International production is defined by Dunning as “production financed by FDI and undertaken by MNE’s”. The three sets of forces that determine this is 1) the competitive advantages that arise from a firm’s ownership, or access, to income generating assets. Their ability to coordinate these assets with other assets across international boundaries, in a way that benefits them relative to their competitors and potential competitors. 2) The extent to which firms perceive it to be in their best interests to internalize the markets for the generation and/or the use of these assets; and by so doing add value to them. 3) The extent to which firms choose to locate these value-adding activities outside their national boundaries (Dunning 2001).
Dunning’s primary inspiration for the Eclectic Paradigm came from research by Rostas (1948) and Frankel (1955), which showed a 2 to 5 times higher productivity in the US manufacturing industry than the productivity in the UK manufacturing industry. Dunning set out to investigate if the difference in productivity was a result of immobile resources in the US home-economy, or if it was due to the structure and management of the US firms, a resource Dunning argues that at least to some extent, is transferable across national boundaries. (Dunning 2001)

**O:** The OLI paradigm is the tripod in explaining the scope and geography of value added activities by multinational enterprises. Dunning’s initial hypothesis was that the advantages of the mother company in terms of the organization, structure and management, would be transferable to the foreign subsidiary in the UK; the **ownership effect advantages** (trademark, production technique, entrepreneurial skills, returns to scale). This represents the “O” in the paradigm, where “the productivity differences are presumed to rest on the spatially transferable intangible assets of the parent companies” (Dunning 2001 p.174).

**L:** The “L” was assed when Dunning discovered that the US affiliates were not as productive as their parent companies, but more productive than their local competitors in the UK. If the foreign subsidiary does not perform according to the standards of the mother company Dunning assumes that this might be because of location specific characteristics of the environment of the mother company. Hence the “L” in the OLI paradigm describes the **location specific advantages** (existence of raw materials, low wages, special taxes or tariffs) component of any productivity differential. (Dunning, 2001)

**I:** To distinguish between the competitive advantages of countries and the competitive advantages of firms, Dunning extended his research in 1976 with a paper that suggested that a country’s economic space could be considered in two ways. The first was the value of output produced within its national boundaries independently of the ownership of that production. The second was the output produced by its own firms, including that part produced outside its national boundaries. This introduced another variable in explaining the determinants of foreign production. To understand why a firm succeeds, (or does not succeed) abroad, we must also understand the way firms organize and generate their resources and capabilities in different locations where they are available. This variable is called **internationalization advantages**
(advantages by producing through a partnership arrangement such as licensing or a joint venture) and represents the “I” in the OLI paradigm (Dunning, 2001).

Identifying the ownership, location, and internalization advantages of Telenor will add value to conclusions regarding Telenor’s expansion pattern using horizontal expansion theory. When looking at a firm based on their intangible assets I assume that the firm can operate in any environment, as long as they have the necessary advantages, and hence I ignore the institutional aspect. While Dunning touches on this with the location-specific advantages I also need to carefully consider the operation environment in emerging markets specifically when I investigate Telenor’s operations there. The next section will take us through emerging markets from an institutional perspective.

5.2 Emerging Markets

Theories about emerging markets will help me understand the conditions that separate emerging markets from developed markets and the opportunities and limitations this creates for MNE’s from developed markets. Understanding the market context will also help me understand strategic choices made in that context.

Emerging market theory is a relatively new area, just as emerging markets are developing rapidly the theory within this area develops rapidly. When I searched for theories in this area I searched for theories that would be fairly new, to ensure relevance of the theories to analyze operations in emerging markets today. Emerging market theory can to a greater extent be found in newly released articles than in books, and also include analyst reports on consumers and business environment in emerging markets. In addition to publications from large international business schools, publishers such as The Economist and the Financial Times are contributing to large part of the publication of articles about emerging markets. Another important source of information about emerging markets are reports conducted by consultancy firms for their clients about operations in emerging markets, and the firms themselves. This section rests heavily on the theories of Khanna and Palepu (2010) from their book *Winning in Emerging Markets*. The problem with these theories is that while Khanna and Palepu state that emerging markets should be differentiated collectively from developed markets, they should also be differentiated separately from each other. Still Khanna and Palepu does not offer a theoretical framework for differentiating emerging markets from each other, but instead theories based on the general
characteristics that can be found in most emerging markets. This means that the user of these theories at all time need to consider the context they are analyzing and selecting the part of the theoretical framework that applies to the relevant context. The benefits of the theories presented by Khanna and Palepu is that they are specially designed for MNE’s from developed markets operating in emerging markets, which makes them very relevant for this research. These theories also cover a wide area of characteristics that are typical for emerging markets and hence the theories can be applied in most situations. They also provide practical suggestions for action, which gives an opportunity to compare and contrast the strategic choices being made in the actual context, to the theoretical context-independent suggestions for action. There is however sometimes a need to go into greater detail than Khanna and Palepu are doing in some areas. I have supplemented this theory section that is mainly based on Khanna and Palepu with theory from Allen et.al (2007) about the bottom segment of the consumer pyramid, and Woolridge (2010) and Guilén and Garcia-Canal (2009) about the competitors from emerging markets.

5.2.1 Institutional Environment in Emerging Markets

According to Khanna and Palepu (2010) emerging markets are hardly uniform in the nature and extent of their institutional voids. The development of business strategy in any economy is driven by three primary markets – product, labor, and capital – and institutional voids can be found in any, or all, of these markets in emerging markets. To spot these institutional voids is a key first step when entering emerging markets.

When using an institutional approach to consider emerging markets we specify the particular combination of features that prevent efficient exchange in each market. Some countries might lack specialized intermediaries in the labor market but have them in abundance in the capital markets, because product and factor markets within developing countries often develop at different rates.

Institutional voids have real effects on business strategy. Companies rely on intermediaries as market research firms for to understand customer preferences. Identifying and segmenting the market are immeasurably more difficult without market research specialists acting as intermediary. In terms of company operations, firms’ options for supply chain management depend entirely on available logistics intermediaries. Financing options depend on capital market intermediaries, such as commercial and investment banks. Human resource capabilities depend
on intermediaries such as business schools and executive search firms, because identifying and screening candidates for managerial positions entirely in-house carry significant costs.

Politics, history and culture affect the development, form, and function of institutions and the existence and persistence of institutional voids. For example the rule of law and the regulatory institutions that govern efficient transacting in developed markets may be missing in economies that have significant asymmetries of power resulting from a transitional country's sociopolitical heritage. MNE’s who are entering emerging markets can identify voids in the institutional environment before they establish their business there and tailor solutions that fit the particular market they have chosen to enter, and also evaluate if this is an environment that the company are able to work in (Khanna and Palepu 2010).

5.2.2 The Consumers in Emerging Markets

Understanding the consumers in emerging markets is crucial when designing strategies for operating in emerging markets. Different consumer groups require different levels of products and product adaptation, which also means a different level of strategy adaptation. Identifying which consumer segments Telenor are targeting in emerging markets then provides insight into some of their strategies in emerging markets. One of the main characteristics of an emerging market is its general level of poverty. The market is a low- or middle-income country, and the average living standards are low (Khanna and Palepu 2010).

In most emerging markets there is also a growing middle class. However the purchasing power of this middle class is not equivalent with what is characterized as middle class in developing countries. The top part of the income pyramid in emerging markets, and the consumers that are considered upper class, often have a purchasing power more equivalent to the developed country middle class, and represent only a small part of the country's population. The pyramid below roughly illustrates how income is typically divided in an emerging market:
This must be taken into careful consideration when doing business in emerging markets. We can distinguish consumers in emerging markets in general from consumers in developed markets by that they are «poor». However, within emerging markets there are many different segments of consumers with different purchasing power, and different strategies that best suits the need of each segment. Market segments in emerging markets are distinguished not only by income and prices, but also by needs, tastes, and psychographic characteristics. Targeting particular segments requires particular capabilities and knowledge, not simply different price points. Khanna and Palepu (2010) divide the consumers in emerging markets into four categories: Global, Emerging Middle Class, Local, and Bottom Segments. The three variables that distinguish these four consumer categories are: price, quality, and features. Other similar categorizations are available from other researchers and there can be more or less layers. These categories are a rough illustration of millions of consumers in hundreds of markets, therefore the actual division is not as important as the specific traits of each segment and the strategies required reaching them.

**Global:**
The global segment of consumers in emerging markets consist of consumers who want offerings having the same attributes and quality as products in developed countries, and who are willing to pay global prices for them. When emerging markets open up, multinationals based in developed markets quickly come to dominate this segment of consumers because it is their natural niche. Also many multinationals find it difficult to serve anything but this segment because of the institutional voids in emerging markets.

**Local:**
The local segment of consumers represents the layer below the emerging middle class. The local consumers in emerging markets look for products with global (or near global) quality, but with local features and prices. The consumers in the local segment typically consist of lower middle class. Local knowledge is a powerful source of competitive advantage in this market segment, both to tailor products, and to navigate voids. This makes local companies market leaders in this segment and multinational enterprises need to adapt to reach this consumer segment.

**Emerging middle class:**
The emerging middle class segment of consumers in emerging markets is consumers who demand products or services having a combination of global and local price, quality, and features. An example of this is that Chinese and Indian executives might prefer Shangri-La
hotels over Four Seasons. **Both local and multinational companies that are separately established in the local and global market segment look to the emerging middle class for growth opportunities.** However, they both need to adapt to reach this segment. MNE’s need to localize their products to reach local price points and to do this they need local knowledge to redesign products without sacrificing quality. Local companies need to deliver higher quality items, and to design products that satisfy unique local needs.

**Bottom:**

The bottom segment is people who can afford only the least-expensive products. This group represents the largest group of consumers in many emerging markets. The very poorest consumers in emerging markets have been receiving increased attention from MNE’s. C.K. Prahlad of the University of Michigan has called this market segment «the bottom of the pyramid». The interest in this market segment has created an area of research called BOP theory. In their article from 2007 Allen, et al. states that 4 billion consumers, a majority of the world’s population, constitute the base, or the bottom, of the economic pyramid. They have daily incomes below $3 (in local purchasing power). Yet together they have substantial purchasing power: the BOP constitutes a $5 trillion global consumer market. The BOP makes up 72% of the 5,575 million people recorded by available national household surveys worldwide, and an overwhelming majority of the population in the developing countries of Africa, Asia, Eastern Europe, and Latin America and the Caribbean - home to nearly all the BOP. New empirical measures of their aggregate purchasing power and their behavior as consumers suggests significant opportunities for market-based approaches to better meet the needs of the BOP, increase their productivity and incomes, and empower their entry into the formal economy. (Allen et al. 2007)

**Consumer patterns at the bottom of the pyramid:**

Research has also shown that there are some striking patterns in the spending behavior of consumers from the bottom of the pyramid. Food dominates BOP household budgets, but as incomes rise the proportion spent on food declines, while the share for housing remains relatively constant, but the share of income spent on transportation and telecommunications grow rapidly (Allen et al. 2007).

So far perhaps the strongest and most dramatic BOP success story is mobile telephony. Between 2000 and 2005 the number of mobile subscribers in developing countries grew more than
fivefold to nearly 1.4 billion. A strong value proposition for low-income consumers has translated into financial success for mobile companies. Celtel, an entrepreneurial company operating in some of the poorest and least stable countries in Africa, went from start-up to telecom giant in just seven years. Acquired for US$3.4 billion in 2005, the company now has operations in 15 African countries and licenses covering more than 30% of the continent. (Allen et al. 2007). Growth in the telecom sector has been rapid in all emerging regions. Household surveys confirm substantial and growing mobile phone use in the BOP population, which has clearly benefited from the access mobile phones provide to jobs, to medical care, to market prices, to family members working away from home and the remittances they can send, and, increasingly, to financial services (Vodafone 2005, cited in Allen et al. 2007).

The section below will take us through the strategic choices MNE’s are faced with when reaching for the different consumer segments in emerging markets according to Khanna and Palepu.

### 5.2.3 Strategic Choices for MNE’s from Developed Markets in Emerging Markets

The opportunities for traditional MNE’s in emerging markets should now be fairly clear, but in order to operate in a market with a variety of institutional voids MNE’s are faced with a set of strategic choices. MNE’s from developed markets have built businesses on foundations of strong market infrastructure. These institutions play a critical role in the ability of developed market-based multinationals to execute their standard business models, and are often noticed only when they are missing. In emerging markets these institutions cannot be taken for granted (Khanna and Palepu 2010).

These strategic choices are closely tied to the various market segments within emerging markets. Both output and input markets can be segmented into global, emerging middle class, local, and bottom segments. Different strategies in response to institutional voids position traditional MNE’s to reach different market segments.
Table 1. Responding to institutional voids in emerging markets

<table>
<thead>
<tr>
<th>Strategic Choice</th>
<th>Options for multinationals from developed markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Replicate or adapt?</td>
<td>• Replicate business model, exploiting relative advantage of global brand, credibility, know-how, talent, finance, and other factor inputs</td>
</tr>
<tr>
<td></td>
<td>• Adapt business models, products, or organizations to institutional voids</td>
</tr>
<tr>
<td>Compete alone or collaborate?</td>
<td>• Compete alone</td>
</tr>
<tr>
<td></td>
<td>• Acquire capabilities to navigate institutional voids through local partnerships and JV’s</td>
</tr>
<tr>
<td>Accept or attempt to change market context?</td>
<td>• Take market context as given</td>
</tr>
<tr>
<td></td>
<td>• Fill institutional voids in service of own business</td>
</tr>
<tr>
<td>Enter, wait, or exit?</td>
<td>• Enter or stay in market despite institutional voids</td>
</tr>
<tr>
<td></td>
<td>• Emphasize opportunities elsewhere</td>
</tr>
</tbody>
</table>

Source: Khanna and Palepu (2010) Table 4-1, Responding to institutional voids in emerging markets

This model covers a wide area and suggests general strategic choices. Because every emerging market is different it is impossible to make a context-dependent model for such decisions. Therefore this model is only valuable when it is developed with context knowledge and variables such as the actual degree of adaptation required are added.

**Replicate or Adapt?**

**Replicate:** This strategic choice has two options. A company who is looking to serve the global segment of the market should choose to replicate its business model. The competitive advantage of MNE’s tied to their global brand, credibility, know-how, talent, and resources are valuable in emerging markets, and MNE’s can exploit them by replicating their home-market business models with little modifications. By doing this they are able to bypass domestic rivals that lack intermediaries that help companies’ acquire and build these capabilities. **This strategic choice is suited for companies serving the global market segment** because this segment features infrastructure, tastes, talent, and resources that are similar to those in developed countries (Khanna and Palepu 2010).

**Adapt:** If the company wants to reach customers and access talent and resources in the emerging middle class, local, and the BOP segments, they should instead adapt their business model. To reach these segments MNE’s need to adapt not only their product offerings, but also business processes to reach price points, and organizational structures in the light of the institutional voids that they may sidestep if they choose to replicate their business model and serve only the global
market segment. This is a difficult strategy for MNE’s in emerging markets for a number of reasons:

- Local knowledge is critical to target segments efficiently
- Acquiring local knowledge is difficult in the absence of sophisticated market research intermediaries
- Local knowledge is critical to tailor products to local needs
- Meeting lower price points can be a source of internal stress
- Absence of retail chains and third-party logistics providers requires adaptation of the approach to distribution to reach customers outside urban centers
- To attract talent in the absence of information and certification intermediaries the MNE’s need to create new methods to attract, sort, and motivate employees

The pitfalls for companies who choose the strategic choice of adapting their business model is that they may localize too much, and thereby undermine their advantages of scale and branding while creating operational complexity. Different emerging markets also often require different forms of localization and these divergent adaptations can strain multinational organizations. It is important that organizations that choose this strategy decide which parts of their business model that should remain untouched, and carefully manage any modifications of the rest (Khanna and Palepu 2010).

**Compete alone or collaborate?**

Partnerships or joint ventures with local companies can be the price of admission for MNE’s to some emerging markets. When faced with a choice between collaborating and competing alone partners can also serve as a valuable source of local knowledge and substituting for missing market intermediaries. However, institutional voids can also make partnerships more difficult. The first challenge is to evaluate potential partners (Khanna and Palepu 2010). Further technology transfer agreements and lack of property right enforcement can create powerful competitors out of former partners. A MNE should compete alone if there is a high degree of uncertainty related to trust and property protection even if they have little market knowledge. When there is a low degree of uncertainty the company can access valuable knowledge and resources by pairing up with a local partner (Khanna and Palepu 2010).

**Enter, Wait or Exit?**

By entering an emerging market early a firm can enjoy the benefits of being a first mover. The risk of doing so is that you are faced with a high risk environment and an unknown range of institutional voids. This risk can be mitigated by waiting to enter. This option also gives time to
learn about the local market and customer needs, and you can enjoy the benefits of efforts made by first movers when faced by institutional voids, but you lose the advantage of being a first mover, and face disadvantages of being a late mover. Advantages of being a first mover include high growth potential and low competition, while a late mover might enjoy the benefits of investments and market openings made by first movers, but they also have to deal with established competition (Khanna and Palepu 2010).

Due to these advantages and disadvantages a firm should enter an emerging market early if they think they have the capability to survive in a high risk environment characterized by institutional voids, perhaps due to a local partner. A firm that does not want to be exposed to high risk should wait, and a firm that has already entered but are making losses should exit if the cost of doing so is lower than their losses.

5.2.4 The Multinational Enterprise from Emerging Markets (EMNE)

In their article from 2009, Guilén and Garcia-Canal discuss to what extent there is need for new theory on MNE’s to explain the international growth of MNE’s from Emerging Markets (EMNE). The basis for this discussion is a change in the global market competition since the 1990’s, as the global market is becoming increasingly populated by MNE’s originating from countries that are not amongst the most advanced in the world. The number of companies from Brazil, India, China or Russia on the Financial Times 500 list more than quadrupled in 2006-08, from 15 to 62 (Woolridge 2010). With the increasing competition from EMNE’s it is becoming increasingly important for traditional MNE’s to understand how they work. This is especially important if they want to grow in the EMNE’s home market. I have included theory about how EMNE’s work differently from traditional MNE’s from developed markets because large multinational enterprises from emerging markets are both Telenor’s competitors, and also sometimes their partners, and by understanding how they work, we might get insight to some of the reasons behind potential difficulties in emerging markets. As every emerging market is different, every EMNE is different therefore value is added when this framework is applied to specific contexts.

**Competitive advantages**

The EMNC have home-grown competitive advantages that easily can be transferred to other emerging, or developing countries, where they can generate profits, and gain size and operational
experience. The traditional MNE’s have longstanding traditions, organizational cultures, and structures that is difficult to change. EMNE’s have been able to adapt a number of organizational forms that suits their needs. Because they do not face the constraints typical of the developed market-MNE, the EMNE’s enjoy more freedom to implement organizational innovations to adapt to the requirements of globalization (Mathews, 2006, cited in Guilén and Garcia-Canal, 2009). The EMNE’s also are known to make moves that make little sense to Western managers. A property company might suddenly move into computers and an electronics company might start producing baby strollers. Rather than worrying about synergies or core competencies, they see opportunities and seize them (Woolridge 2010).

**Political Capabilities**
The EMNE’s have an advantage towards traditional MNE’s because they are more used to dealing with discretionary and/or unstable governments in their home country and hence better prepared than the traditional MNE’s to succeed in foreign countries characterized by a weak institutional environment. Because the most attractive markets in the world today for many multinational enterprises is in emerging markets, the experience with unstable political environments has been an extra powerful advantage for EMNE’s. (Guilén and Garcia-Canal 2009)

**Innovation**
One of the main characteristics of EMNE’s is that they are coming up with new products and services that are dramatically cheaper than their Western equivalents: $3,000 cars, $300 computers and $30 mobile phones that provide national service for just 2 cents a minute. They are able to do this by reinventing systems of production and distribution, and experimenting with entirely new business models. All the elements of modern business, from supply chain management to recruitment and retention, are changed or reinvented on one emerging market after another (Woolridge 2010). Woolridge argues that old assumptions about innovation are now being challenged with the success of the EMNE’s. While people in the west like to think that ideas are created in their home laboratories and exported to the developing world, and that technological breakthroughs is revolutionary new products created by the elites and sold to the masses, this does not necessarily reflect reality of business innovation today. Innovation in emerging markets is about more than redesigning products to fit new groups of consumers, it is
about redesigning the whole business process. EMNE’s have become pioneers in “innovative innovation” and when competing with them in their home markets MNE’s from developed countries must also learn to adapt to this way of thinking.

5.3 Branding
The limitations of the theories of international production described earlier are related to its origin of being designed for manufacturing firms. When analyzing Telenor we are looking at a company who does not deliver a physical product, but the service of a phone connection, and hence their strength must lay in the service they provide and organization specific advantages, such as their brand. I therefore also need to supply on traditional views of MNE’s which does not consider the importance of brands, with modern theories of the MNE that highlight the role of brands in corporate success. Another advantage of brand theory for this investigation is that it builds on research of MNE’s from developed markets, that also has consumers in emerging and less developed markets. The limitations to using brand theory to analyze and organization is that it does not take into consideration all the other aspects of being a MNE that is outlined earlier. Only by combining these two views on the MNE we can fully analyze Telenor’s operations.

The term brand has its origins of burning a symbol in the skin of cattle to indicate who the owner of the cattle is. In this paper the word brand is used to deal with corporate brands. A corporate brand is the brand of the whole enterprise, opposite to a product brand that is the brand of a product or service, or a group of closely related products (Hatch and Schultz 2008). During the 1980’s and the 1990’s the awareness of the importance of a corporate brand started to increase, and theories about why consumers select one specific product started to take form. Examples of major brands that have been receiving a lot of attention are Coca Cola, McDonalds, and Nike. The reason why these brands are receiving attention is that their products can be almost identical to the products of their competitors. The preference for these brands by consumers is explained by characteristics in their brand, and not the product they are delivering. Today’s theory about corporate branding come mainly from theories developed around the millennium and include amongst others, publications as Jacobsen (1999), Klein (2000), Hatch and Schultz (2001), Sorensen and Birk (2004), Buhl (2005), and Healey (2008).

In this research I will use the theories by Hatch and Schultz (2008) about corporate branding and VCI alignment. These theories will help me investigate how the Telenor Group works as a whole
and make conclusions about if they are a strong multinational company, or a collection of successful individual divisions in different markets that are owned by Telenor. This understanding is crucial when I’m investigating how, and where in the organization, Telenor’s strategies for emerging markets are being created. This will also help me determine to what degree success in emerging markets is related to branding. To observe how Telenor has worked with their brand during their expansion also gives a valuable insight to their strategies in different stages of expansion, if it is deliberately, or a result of trial and error.

The origin of the corporate brand is the company's heritage and the values and beliefs that members of the enterprise hold in common, and not created by advertisers informed by market research as product brands. The target audience for a corporate brand is not only customers, but multiple stakeholders that include employees, managers, customers, investors, NGO's, partners, and politicians. The responsibility of a corporate brand lies in the hands of CEO's or executive teams, and the planning horizon of the corporate brand is the company's lifetime (Hatch and Schultz 2008). A strong visual brand cannot be taken for granted. International expansion of a company to the degree Telenor has expanded with different branches in different countries and regions with different market conditions can be difficult to manage. According to Hatch and Schultz (2008) every corporate brand that is successful have a coherence between what the company's top managers want to accomplish in the future, what has always been known and believed by company employees, and what its external stakeholders expect or desire from the company. In other words: Vision, culture, and image are aligned. The basic principle of the Vision-Culture-Image (VCI) Alignment Model, is that the greater the coherence of vision, culture and images, the stronger the brand.

![Fig. 2. *Source:Hatch and Schutz (2008) Fig 1.1. The VCI Alignment model, p 11](image-url)
The limitation by making assumptions based on brands is that the brand is what the company communicates to the outside world, because that is what they want the outside world to see. Therefore it is important to look for weaknesses in the brand and search for explanations for those, more than putting emphasize on the success of the brand. Collected data about the brand are obtained by observing the frequency and consistency of Telenor’s name and logo in different foreign operations, and looking for indications that there is, or there is not, alignment across the group. The limitation to my application of the VCI model is that I’m not able to do a detailed VCI analysis of the company from the perspectives of stakeholders, shareholders, and employees as suggested by Hatch and Schultz due to limitations of time and resources. Instead I will limit my use of their models to evaluating Telenor’s brand with focus on their name and logo. The VCI model will help me say something general about the strength of Telenor as an organization because Hatch and Shultz argue that the strength of the organization lies in the brand. However, it should be noted in any conclusions made in this matter that they are not built on a full VCI analysis and that may lead to some limitations in conclusions.

5.4 Strategy
The aim of this section is to give the reader an understanding of the term strategy, and how this investigation relates to it. The theoretical framework around strategy is divided into several different “strategic schools”. A strategic school is one or more coherent theory- and method creations that have come from a common and internationally recognized research environment. The different theories and methods are created with a specific logic and often with a specific goal that you need to relate to when working with that theory or model. In practice there is not one method, or one set of methods that work best for all situations, or in all companies. According to Mintzberg, Lampel and Ahlstrand (2009) the term strategy can be refer to a plan, a pattern, a position, a behavior, or a perspective, depending on the specific situation strategy is applied to. In this paper I will analyze identified strategies with regard to different strategic schools and use theories on identified strategies as a reference point for a deeper analysis.
6. Data Collection
The selected theories have created a framework from where I can start my data collection process. Theory suggests certain behaviors that should apply to all MNE’s. As a researcher I want to investigate if these assumptions are true for Telenor, and consequently, if they are true for all cases. In other words; assumptions in theory raises areas for investigation that can help me answer my research question by collecting relevant data. When data are collected theory helps me understand and interpret data, and collected data can challenge theory.

To get a full understanding of Telenor’s strategy in emerging markets I need to understand how Telenor entered emerging markets, and why. To get an insight into the previous I need to understand how and why Telenor became an international organization. The answer to this lies in events that occurred in the company and its environment after the abolishment of the Norwegian Telecom Monopoly in 1988. Therefore data collection will emphasize events that occurred from 1988 until today. The goal of the data collection is to systematically create a timeline that will identify key events, strategic decisions, and new directions of strategy. The analysis will be based on a discussion of key events and I will make interpretations about the meaning of these events. The basis of the data collection process is a timeline of key events in Telenor’s history provided in written form by Telenor. The timeline helps to identify important areas to investigate but will only serve as a starting point for the timeline I will create using collected data. When any event is identified I will collect external data on that particular event to help me reach triangulation. External data will also introduce other events that are not presented in Telenor’s timeline for different reasons.

Collected data will be interpreted using the hermeneutic circle, or the spiral. This will be done by first identifying a key event. This event will then be further investigated by collecting a wide range of external data on this event. New data will lead to new information and new questions that will start another data collection process. By doing this I will work towards the centre of the spiral. The goal is to reach the core of the spiral to find concrete answers to my research question. Due to limitations related to time and resources I will not get further into the spiral than information from external sources allow. Below is a detailed description of how I worked with the spiral in the data collection process to ensure reliability:
Before I started to analyze events it was crucial that I was aware of what sort of environment the event was taking place, to be able to interpret outcomes. Here the events can be divided into two categories. The events early in the timeline concerned Telenor changing from being a government agency to a private company. The data collected on the environment was then information about political climate, and business climate in Norway, that formed the background for this transformation. The second category of data collected on environment is the events that regarded Telenor moving into, or making decisions in, new markets. Data on these environments was collected from country and business environment reports from Euromonitor and the worlds emerging market monitor. I also searched for other external business environment analyses if I did not find the answers I was looking for in their libraries.

The next step in the data collection process on one particular event was to gather newspaper articles and business cases written on the event. According to Bryman and Bell (2005) one of the benefits of using this sort of documents as data in qualitative research is that because they are created for other purposes than research there is less reactive effects (factors of influence) that limits the validity of the data. When analyzing newspaper articles I will use the guidelines for judging validity of public documents presented by Bryman and Bell (2005) that regards how authentic they are, reliability, representativeness, and clarity of the given information. This data is the most crucial for my understanding of why an event is taking place. Bryman and Bell (2005) emphasizes the importance of reliability. To ensure reliability of my findings I read many different articles on the same event according to their advice, and identified common denominators. In the case of a failed merger between Telenor and their Swedish counterpart Telia I made sure to read Swedish business cases on the reasons behind the failure, as well as Norwegian. When I found events that were related to competitors I searched also for articles written in the competitor’s home market. It was more difficult to obtain these articles because I was not able to search using keywords in the local languages, but I managed to find online newspapers with English editions both in Thailand, Pakistan, Bangladesh and India, which gave me an indication on how the event was interpreted in the country where the event took place. At all time I tried to consider whose opinion I was reading and be open to that the writer can have a bias. Either as a Norwegian journalist promoting a Norwegian company, or perhaps a foreign journalist who has close relations to Telenor’s competitors. Only by critically evaluating all sources I could obtain the most neutral timeline possible to base my analysis on.
I also used Telenor’s press library and compared press releases from Telenor with what was actually printed in the newspapers. The collection of these data was guided by Bryman and Bell (2005)’s advice for how to interpret documents from organizations. By using the guidelines for this area and continually reading newspaper articles and business cases on events I was also able to identify events that are not presented by Telenor in their company timeline. This could be unsuccessful investments, or other poor choices that are valuable for my analysis. The continuous identification of new information proves that I’m not able to gather all relevant information using this method. New information raised new questions and started another data collection process, and because there is probably some information that I did not manage to identify there is a risk that some questions that could have added value was not asked.

- When collecting data about Telenor’s operations in emerging markets I also had to look beyond written information provided by others to find an answer to what consumers Telenor are targeting in emerging markets. This is crucial information to understand Telenor’s objectives for their operations in emerging markets. Because I could not find any consistent data on targeting of consumer groups in the different emerging markets I investigated Telenor’s product offerings in different markets by making lists of the different product offerings on their websites in different markets. I determine that this is an efficient method because by looking at the products offerings in different markets I can make assumptions about what consumers they attract with these products using theory on the consumer segments in emerging markets presented by Khanna and Palepu (2010) and Allen et al (2007). I made a list over product offerings based on country, and this list was used in the analysis to make conclusions about what consumer segment the product offerings were tailored to attract. However, collected data simply on product offerings was not enough, I also had to look into the technological requirements of consumers in every market to determine if they were offering products of high or low level of technical development. I did this by searching for offers made by other telecom providers in the same markets and use what I estimated to be the standard of technological development in that particular market as a benchmark for how advanced Telenor’s offerings were. In addition to this I also categorized the product offerings on Telenor’s website in each market as being offers that focused on prize, or offers that focused on quality based on the assumption by Khanna and Palepu that the top segments of the pyramid look for quality, while the bottom segments put more emphasis on price.
• The data collection was done with the perspective of an outsider. Collected information will be interpreted with the same emphasis on information obtained from Telenor, as external information obtained elsewhere, to reduce bias towards Telenor in interpretations and conclusions. The other option would be to investigate Telenor from the inside using interviews with key decision makers and strategists. The nature of the information obtained using these two methods are very different but they could both be used to reach the same goal. However, because this thesis aim to investigate Telenor in emerging markets, with equal emphasis on Telenor, and emerging markets I would prefer to use an inside approach to both subjects. It would indeed be interesting to investigate emerging markets from the inside as well, by interviewing key persons and decision makers in emerging markets. That could be CEO’s and key decision makers of competitors, politicians, market analyzers, and perhaps consumers, and compare this view with information obtained from inside Telenor. However the time limit set to this research, and my available resources does not allow an in depth study of this kind. Also there is a language barrier that prevents me from doing an insider’s analysis in some of Telenor’s foreign markets because I cannot expect competitors and other local sources to be fluent in English.

Because I’m investigating emerging markets with the perspective of an outsider by being a researcher from a developed market analyzing available third part information, it makes sense to also analyze Telenor as an outsider. The reason for this is that the collected data about the two areas will be of a similar nature, and hence it will be easier to compare and contrast. Despite the limitations to approaching the area with an outsiders perspective, the approach of using an outsiders perspective to investigate two areas where an insider perspective is difficult to obtain for one of them, can add quality to the analysis of the area as a whole. I also determine that external data may be more relevant to solve a research question that aim to say something in general about all specific cases based on one case, than an insider’s analysis of this specific case, combined with an analysis from an outsider’s perspective of emerging markets.
7. Analysis

The analysis will be conducted in two parts. The first part (section 8) will be based on collected data on key events in the timeline that will be analyzed as follows:

1) Compare and contrast the collected data of the descriptions identified events in the timeline. Are they coherent? Is there any additional information in the external source that is not provided by Telenor? Is this event linked to other key events in the company that are not mentioned by Telenor?

2) Put the event into a greater context. Analyze the event based on previous events, and suggest the events impact on future events further down in the timeline.

3) Put the event into local context using collected data. Where is the event taking place, and where in the organization is the key decision being made? What are other possible choices in the given environment?

4) Analyze the event using relevant theories. This means that theory will be used as a support for argument, and to find solutions to problems. I will search for theoretical explanations for the event and suggest possible future scenario’s based on theory. I will test theory by comparing actual outcome with possible outcomes according to theory.

In the second part (section 9) of the analysis the results obtained in the first part by analyzing the company following their timeline will be used as a basis for a deeper analysis of Telenor’s actual operations in emerging markets. The second part will not follow a straight timeline. Instead key events will be used to identify an overall pattern. I will compare events with similar events, regardless of environment and discuss their origin, implications and possible solutions with reference to theory. I will identify situations from the time-line investigation to see if implications occur, and if they do I will identify the character of the implication, see if they are reoccurring, if they occur in one specific environment or one specific part of the organization, or in the organization as a whole. Because the second part of the analysis builds on the first part, the final conclusion will rest mostly on the second part of the analysis. The second part ends with a discussion of concluding character, of the findings in the analysis supported by the theoretical framework (section 9.8). In the final conclusion Flybjerg’s method for making general conclusions based on one single case is combined with the results in the analysis to make general recommendations.
8. Telenor – From National Monopoly to Multinational Enterprise

Telenor’s history dates back to 1881 when The Norwegian government passed the Monopolies Act, which gave the state, under the name *The Norwegian Telegraph Administration*, exclusive rights to convey messages by means of telegraph lines and similar installations. This monopoly was extended in 1899 with The Telegraph Act, giving the state exclusive rights to run telephone services. (www.telenor.com). By the millennium The Norwegian Telegraph Administration had changed from being a state monopoly in the market for telecommunications terminals, into a public company named Telenor. By the year 2000 Telenor was present in Russia, Czech Republic, Ireland, Austria, Hungary, Lithuania, Montenegro, and Bangladesh (1995) through joint ventures. Further they were licensed to Develop GSM networks in Bangladesh and Montenegro (1995), and also in Austria, Greece, Ukraine, Germany (1997, with partners). Right before the millennium they also expanded their operations to Southeast Asia by acquiring at 33% holding in Malaysian company DiGi. Today they have also started commercial business in Thailand, Malaysia, Hungary, Montenegro, Serbia and India.

8.1 Early Expansion

In 1969 The Norwegian Telegraph Administration changed name to *Norwegian Telecommunications* (Televerket), and the year 1988 marked the end to the end of Norwegian Telecom’s government granted monopoly over the sale of telephone sets, when the Norwegian market for telecommunications terminals opened up to competition (www.telenor.com)


Companies, as well as public administrations and national governments, prefer an exclusive position which allows them to pursue their individual goals independently of competitors. (Eekhoff and Moch 2004) Norwegian Telecommunications had such an exclusive position for more than 100 years until 1988. When the market opened for competition Norwegian Telecommunication was forced to adapt their strategies to this new environment. The configuration school describes the relative stability of strategy within given states, interrupted by
occasional and rather dramatic leaps to new ones. In their description of the school Mintzberg, Ahlstrand and Lampel (2009) argue that while the process of strategy making may set out to change the direction in which an organization is going the resulting strategies stabilize that direction. The resulting strategies can take the form of plans or patterns, positions or perspectives, or else ploys, but again, each for its own time and matched to its own situation.

The following year (1989) Norwegian Telecom develops international business, and development of international fixed network services begin. According to Telenor’s websites Norwegian Telecom was ahead in terms of technology and in a position to transfer knowledge to new partners and markets abroad. Many of the telecommunication solutions could be implemented across national borders and in diverse countries. The Telenor management saw the opportunity to exploit the value of the innovative technological solutions by implementing these abroad. Norwegian Telecom cooperated with international partners in developing new technological solutions within the satellite and mobile businesses. Telenor possessed extensive technological knowledge that attracted partners who in turn provided funds for investments. Together these ‘historic’ activities contributed to creating the unique and strong position from which Telenor could launch its international expansion (www.telenor.com).

In 1993 Norwegian Telecom declared the GSM-system (Global System for Mobile Communications) officially opened as the first country in Europe to have this system (www.telenor.com). Multinational Enterprises become international because they engage in business abroad instead of selling their assets, or rent them out through licensing (Hennart 2000). According to Guilén and García-Canal (2009) firms choose to set up plants or service facilities in foreign markets because they possess some intangible assets that makes licensing a risky alternative. As an owner of new technology as the GSM system licensing could be a risky alternative due to risk of misappropriation of technology. Firm specific advantages as technological knowhow may have been a motive for Telenor's decision to pursue an international expansion strategy.

Through the 1990’s Telenor took on contracts to develop satellite and GSM networks in several countries, including the Czech Republic (1995), Montenegro (1995), Bangladesh (1995), Austria (1997), Greece (1997), Ukraine(1997), Germany(1997), and Ireland (1997), where that last five
was done in cooperation with other international partners (www.telenor.com). These contracts are part of Telenor’s international business. However we must distinguish between Telenor making a contract with a country’s government to develop satellite networks, which is a contract where Telenor provides a service for a client, and Telenor establishing commercial operations in a market, through an acquisition, joint venture, or a Greenfield operation.

In the 1990’s there was a large increase in the use of mobile phones and Norwegian Telecom cooperated with international partners to create technical solutions such as satellite services, the NMT 450 (Nordic Mobile Telephone) and GSM mobile systems (www.telenor.com). The development of international business is a new position in the market place for Norwegian Telecom. From being a national monopolist over telecommunication services, Norwegian Telecom attempted to change their position so that they would become a developer of modern technology in an international perspective. If we look to the positioning school of strategy, it argues that only certain strategies are desirable in any given industry, and those are the strategies that can be defended against competitors (Mintzberg, Ahlstrand and Lampel 2009). With the opening for competition in the Norwegian market for telecommunications Norwegian Telecommunications position is changed from being a market monopolist to being a telecommunication operator in a market that is facing increased competition. We can see Norwegian Telecommunication's move towards international business, and development of new technology in response to the increased use of mobile phones, as a way to take a position in the market place that can be defended against competitors. Firms that occupy such positions enjoy higher profits than other firms in the industry which provides a reservoir of resources to expand and consolidate position (Mintzberg, Ahlstrand and Lampel 2009).

We should take into consideration that Telenor was not threatened by major competitors in the Norwegian Tele-market in the early 1990’s. The steps towards establishing international business and develop technology related to mobile phones can be interpreted as a move to keep their position as market leaders in Norway by offering excellence in technological development and thus following the recipe for success according to the positioning school, but also as a leap towards a new strategy that will, according to the configuration school, create stability after a period of change.
The use of market positions as strategy has been subject to critique. One of the main weaknesses of the positioning school is that there is a bias in favor of the economic side of strategy making over the political (Mintzberg, Ahlstrand and Lampel 2009). Norwegian Telecom was a government owned agency and their strategies was very much determined by political factors. The opening of the Norwegian telecom sector to competition was a political decision that complied with development in Europe in general at this time. Throughout the 1990's a large part of European government monopolies was dissolved and government owned agencies had to change or adapt to fit into a new environment where government agencies had to adapt. They were still were supposed to work in favor of the general public interest, but without full protection from potentially more efficient competition from the private sector (Eekhoff and Moch 2004)

Also the positioning school has a bias towards conditions of stability (Mintzberg, Ahlstrand and Lampel 2009). In a stable market we can more easily determine which positions that are occupied by competitors and find the ones that allow us to differentiate from them. However, the Telecom market in Norway in the 1990's was more characterized by uncertainty. While there was uncertainty about how much competition Norwegian Telecom would experience after the opening of the market, the market itself was changing with increasing use of mobile phones and rapid development of new technology. There is a lot of potential questions Norwegian Telecom would have to ask themselves at this time, regarding what technology would be important in the future, which emerging consumer trends would dominate in the future, which parts of excising technology and services was important to maintain and develop etc. This fast development made it difficult to predict which strategies that would be sustainable in a long term perspective and it was a difficult environment to calculate perfect positions in the marketplace from.

The development of new business in Telenor can also be seen as a response to changes in the environment. The environmental school describes strategy formation as a reactive process where the environment is the central actor in the strategy making process. However, this school also argues that an organization shapes itself in response to its environment in its formative period but is thereafter increasingly unable to respond to the environment and the organizations long time survival depends on the early choices made during the formative period (Mintzberg, Ahlstrand and Lampel 2009).
In 1994 Norwegian Telecom becomes a publicly owned corporation, and the name also changed to Telenor. Telenor remained state owned, but because they were not a government agency anymore they were allowed to undertake commercial activities on behalf of the Norwegian government, and pursue financial objectives. At the time when Telenor became a publicly owned corporation international expansion had become a distinct strategy (www.telenor.com).

We can interpret this change from government agency to publically owned corporation with international expansion as a distinct strategy, as the end of the formation period. After a period of change and uncertainty the company has found a new form and a new direction where Norwegian Telecom has reformed itself from their long time structure into the new company Telenor. The international expansion strategy can be seen both as a response to the environment, a way to position the company to defend themselves towards competitors, and as a plan to enable the organization to grow in an environment with increased competition.

If we now look to the environmental school, the decision to establish international expansion as a distinct strategy should then be crucial to the organizations long term survival, while if we look to the configuration school, international expansion and the transformation of Telenor into a publically owned corporation can be seen as another step in strategy formation in the process of constant transformation, that can take another form at another time as a response to other changes.

8.2 The First Moves Abroad

If we put the international contracts to develop satellite and GSM networks aside, Telenor’s international expansion starts in 1995 when Northwest GSM, in which Telenor has a 13 per cent ownership share, officially opens in St. Petersburg, Russia and Telenor invests in a joint venture in Bangladesh. Around the same time Telenor invests in several international telecom companies (www.telenor.com). While Telenor is beginning to expand their business abroad internet has its real breakthrough in Norway and Telenor builds a new, high capacity infrastructure for the Internet in Norway. The investment amounts to more than NOK 100 million (USD 1,913
(43 million) and provides a network with a capacity for more than 400,000 users. Telenor also consolidates its position in TV distribution and becomes the market leader in satellite-based broadcasting in the Nordic region (www.telenor.com). At the same time, Telenor is responding to technical development and cooperates with Canal Plus (Europe’s largest broadcasting company) in developing a digital standard for satellite broadcasting. The Norwegian telecommunications network became fully digitalized by 1997 (www.telenor.com).

The investments in Norway while expanding abroad indicate a horizontal expansion strategy where Telenor wants to expand their business abroad, without abandoning their operation in the home market, Norway (Guilén and García-Canal 2010).

1998 is the year when the last part of the monopoly on telecommunications ends: the Norwegian telecommunications market is opened up to full competition after the first deregulation of the market 10 years earlier. In 1999, Telenor is set for a merger with their counterpart in Sweden, Telia, but this is stopped by Norwegian and Swedish authorities. The negotiations broke down largely due to the underestimation from both sides of the cultural differences between the negotiating parties and has been referred to as one of the largest unsuccessful projects in modern Nordic history (Fang et al. 2004). According to Eekhoff and Moch (2004), mergers is a common instrument for companies seeking control of a market. If the merger of Telia and Telenor had gone through, they would have formed one of Europe's largest Telco’s, valued as high as $82.7 billion (www.bnet.com). The proposed merger with Telia also shows that Telenor has a strong wish to become a market leader in their home market, and being one of Europe's largest telecom operators they would also have gained significant power in the other markets they were about to enter at that time. Companies have strong incentives to avoid or suppress competition and to gain monopoly power, and the temptation to gain monopoly power will not disappear as long as there are rivals competing in a market (Eekhoff and Moch 2004).

The attempt to gain market control in Sweden and Norway can be interpreted as an attempt by Telenor to gain back their monopoly position. We do not know what Telenor would have looked like today if the merger had been successful, but perhaps the failed merger was an additional push on Telenor to continue to pursue their international expansion strategy. After all, Telenor has a long history as market monopolist, and operating as a market leader was probably well
incorporated in Telenor’s corporate culture at this time so it is understandable why they were taking measures to ensure continuation of this position. With expectations of continually increasing competition in their home market, the merger with Telia was a perfect tool to secure Telenor’s strong market position in Norway, and also in the rest of Scandinavia. When this is no longer an option Telenor is forced to think outside its home market to ensure future growth.

In 1999, the same year as the Telia merger falls through, Telenor acquire a 33% holding in DiGi in Malaysia and thus they expand their operations to Southeast Asia. They also acquire part of VimpelCom in Moscow when they enter a joint venture agreement with Russian business group Alfa, and hence get directly involved in commercial operations in Russia (www.telenor.com).

With the new investments we can see the strategy of Telenor emerging as a pattern. The overall plan is not yet completely clear based on the different markets they are making investments, however it seems like a pattern is taking place where Telenor invests more and more in emerging markets. In their description of the premises of the learning school Mintzberg, Ahlstrand, and Lampel (2009) concludes that strategies appear first as patterns out of the past, only later, perhaps, as plans for the future, and ultimately, as perspectives to guide overall behavior. They also make reference to the work of McGill University's faculty of Management that defines strategy as pattern or consistency in action. In the positioning school strategy is deliberate, whereas in the learning school strategy is seen as emergent. Emergent strategies are strategies that are created by understanding through actions what their intentions should have been in the first place. In other words it is the consequences of actions or planned strategies that lead to a pattern.

Following I present evidence that Telenor’s international expansion strategy after the failed merger with Telia takes on a pattern as international expansion into emerging markets, but that this may not have been a defined strategy at the beginning of their international expansion.

### 8.3 The Pattern of Strategy in Telenor’s Early Expansion

Based on the writings on horizontal expansion into foreign markets by Guilén and Garcia-Canal (2009) there should be a pattern in Telenor’s foreign expansion where they start with countries that are closer in socio-cultural distance, and then commits resources to foreign markets as they accumulates knowledge and experience to manage the risks of expansion and coping with the
liability of foreignness. This pattern is not completely clear in Telenor’s early expansion. A common trait is that they expand into European markets. While they make an attempt to enter Sweden by merging with Telia, the emphasis seem to be on markets that are more emerging than their home market Norway, as Russia, Check Republic, Hungary, Lithuania, and Montenegro. However they also make investments in telecom companies in developed markets. There is also an early movement into a joint venture in Bangladesh in 1995; a market that you would expect is very different in terms of sociocultural distance from Norway.

According to Malaviya (2004) there are several reasons for why Telenor decided to enter Bangladesh in 1995. He considers the most important reason to be the Village Phone Project, a pioneering initiative to empower rural women of Bangladesh, started by Telenor’s joint venture partner in Bangladesh, GrameenPhone. Grameen Telecom Corporation is a non-profit sister department of the internationally acclaimed micro-credit pioneer Grameen Bank. The name GrameenPhone translates to “Rural phone” (www.grameenphone.com). Malaviya (2004) claim that the Village Phone Project added a dimension to the venture. To pursue a win-win socially responsible bottom line became a personal crusade for Telenor’s CEO Tormod Hermansen. He identifies the two other main influences on Telenor’s decision to enter Bangladesh as the low financial risk with an initial investment of US$40 million, and a potentially large market with relatively no competition. To some degree this explains why Telenor at an early stage of their international expansion entered a socioculturally distant country as Bangladesh. In addition to the opportunity to enhance an image as a socially responsible corporation, Telenor’s move to Bangladesh helped them accumulate knowledge and experience in emerging markets in Asia with relatively low financial risk. When Telenor later started to expand their business to other Asian countries it may have been an emergent strategy, a result of the action that was the decision to enter Bangladesh, which enabled them to learn about Asian emerging markets which in hindsight open for a strategy to pursue international expansion in emerging markets in Asia.
8.4 Expansion into Emerging Markets

While international expansion was established as a strategy for Telenor in the 1990’s and they entered several foreign markets through joint ventures or as developers of satellite networks during that time, the year 2000 marks the beginning of Telenor’s commercial international expansion. At December 4 in the year 2000 Telenor AS was partly privatized and listed on the stock exchange. The same year they enter into a joint venture agreement with DTAC in Thailand and make an agreement with British Telecom which results in the sale of shares in Irish Telecom Company Esat Digifone. Telenor exercises this option and a gains approximately NOK 9 billion (USD 1.72 billion).

When Ownership shares in Germany and Ireland are sold at a profit of more than NOK 21 billion (USD 4.02 billion) in 2001, profits are reinvested in emerging markets; Telenor acquire Hungary's Pannon and increase their share in Malaysia's DiGi where the made an initial investment in 1999 to 61 per cent. In 2002 Telenor increased their investment in VimpelCom, who operates in Russia, Ukraine, Algeria, Armenia, Bangladesh, Burundi, Cambodia, Canada, Central African Republic, Georgia, Italy, Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, Zimbabwe, Laos, Pakistan, and Vietnam (www.vimpelcom.com). Before 2010 Telenor had also entered Montenegro, Serbia, Pakistan and India.

When Telenor moved into their new headquarters in Fornebu, Oslo, in 2002 Jon Fredrik Baksaa succeeded Tormod Hermansen as CEO. After the change of CEO’s the expansion of Telenor becomes more aggressive, and while they continued to expand in emerging markets Telenor also took a big leap into the Scandinavian markets.

The pattern we can extract from Telenor’s expansion by the early 2000 is that they are aggressively seeking market control in Scandinavia, while gradually expanding into more socio-culturally distant countries. In a way this can also be described as seeking market control in their home market, while expanding abroad as described by Guilén and Garcia-Canal (2009) in their description of horizontal expansion into foreign markets.

If we look at Telenor’s presence in the world the Scandinavian countries, Sweden and Denmark can be defined as Telenor’s home market. I base this on the close sociocultural distance between these countries that include similar languages and some degree of cultural understanding. The
Scandinavian customers are also similar to each other. Despite some variations, there is a similar degree of common wealth and a similar level of technological development when it comes to the use of mobile phones and the Internet. This means that when expanding into Sweden and Denmark Telenor are able to use mainly the same products and strategies as in Norway, and hence I argue that from a business strategy point of view, the expansion into Sweden and Denmark can be regarded as an expansion of their home market. Already in 1999 there was an attempt to gain significant market power in the Scandinavian markets with the Telia merger. When this merger fell through Telenor continued to increase its investments in Southeast Asia and they gained size by selling their ownership shares in developed countries England, Ireland, and Germany and reinvesting the profits in emerging markets. These profits also made Telenor able to increase their presence in Sweden and Denmark significantly: In 2003 Telenor acquired 100% of Sonofon, Denmark. The same year they also and dispose of half of its shares in Greek mobile operator Cosmote at a profit of NOK 2.1 billion (USD 401.74 million). The remaining shares in Cosmote are sold at a profit of NOK 2.6 billion (USD 497.4 million) Telenor then further enhance their position in the Nordic region by acquiring the broadband suppliers Cybercity in Denmark and Bredbandsbolaget in Sweden. Telenor’s Scandinavian position is further strengthened in 2006 when they acquire Vodafone Group’s Swedish mobile operation that has an estimated 17% market share in Sweden.

8.5 Introducing the Telenor Group


In 2005 Telenor launched a new Group logo and visual design to build stronger ties across the Group. Vodafone Sweden were branded Telenor, and also Mobtel the second largest mobile operator in Serbia, and Promonte, who is the largest mobile operator in Montenegro, that had both been acquired 100% by Telenor, and Telenor Pakistan which was a Greenfield investment made by Telenor.
According to Hatch and Schultz (2008) growth often causes a company to drift into territory that is unfamiliar and dangerous because it means bringing people on board who have not grown up with the founding organizations intuitive connection to key stakeholders. Also the values and ideas of new employees can alter the original values of the company. They argue that the change that accompanies growth is natural, and even if much of it will be welcomed, it is required to provide some mechanism for relating past and future to protect the identity of the enterprise, and that mechanism can and should be corporate brand management. At some point in an organization's development, integration starts to break down and different functions cease to inform one another about things that should be of mutual concern. Without communication and cooperation, an organization cannot implement new strategy to maintain its fit with the environment and hence its competitiveness. Telenor’s expansion into different foreign markets through joint ventures and acquisitions could in the worst case scenario have ended in turf wars, and therefore it was necessary for Telenor to create a common brand that the whole group could identify with.

By creating a logo that is common for the whole Telenor group, Telenor did not only build stronger ties across the group, but they also enhanced their image to their stakeholders as a large multinational organization with market presence around the world. A common logo works to dare employees and other stakeholders to be a part of their organizational culture (Hatch and Schultz 2008).

9. Telenor’s Operations in Emerging Markets

9.1 The Learning Process – Telenor in Bangladesh

In their description of the main strategic choices multinational enterprises are faced with when operating in emerging markets Khanna and Palepu (2010) state that by entering an emerging market early, a firm can enjoy the benefits of being a first mover, but the firm also exposes itself to high risk in an environment with unknown institutional voids. The firm should enter early if they think they have the capability to survive in a high risk environment, perhaps due to a local partner. In the case of Bangladesh which Telenor entered in 1995, all these factors were in place. The economic risk for Telenor was relatively low, and they had a local partner that could help them maneuver through institutional voids. In addition there were large potential benefits of being a first mover in a market with virtually no competition.
Further Khanna and Palepu (2010) suggest that a company who wants to reach the emerging middle class, local, and BOP segments should adapt their business model, rather than replicate their home grown model. While Telenor’s business model was more or less replicated when they later expanded into emerging markets in Europe they adapted their business model to a large degree in Bangladesh through the Grameen phone project. The project aimed to reach the BOP segment of the population, rural women.

By 2004 GrameenPhone had achieved spectacular results in Bangladesh that exceeded their financial goals. However, their profits came mainly from urban markets where their primary customer base resided. The Village Phone Project represented about 6-8% of GrameenPhone’s total revenues in Bangladesh. GrameenPhone have also contributed positively to Bangladesh by placing almost 70,000 mobile phones in 40,000 villages by 2004, creating employment for between 300,000 to 400,000 people, being the largest source of foreign investment (Norway) and the second largest tax payer after British Tobacco. The people and the government of Bangladesh was also very appreciative of the extra efforts made by GrameenPhone during the floods of 2004 to keep the network running and hence serving the national interest. A research report commissioned by Grameen Bank found that each mobile phone in Bangladesh had improved the GDP of the country by approximately US$2,500 (Malaviya 2004).

As an early mover Telenor did indeed encounter many of the problems described by Khanna and Palepu (2010) as being typical for an early mover. Here I will discuss what problems Telenor encountered in Bangladesh, what initiatives that were taken to solve them and how Telenor approached the market in Bangladesh with emphasis on spotting institutional voids.

9.1.1 Lack of Infrastructure

Within the product market Telenor was facing problems related to the infrastructure. According to Khanna and Palepu (2010) this leads to implications because it can put strains on flexibility. Telenor’s biggest challenge in Bangladesh was related to the infrastructure of the phone network. The Bangladesh Telegraph and Telephone Board (BTTB) had a state monopoly on the fixed line network and the interconnections between the various mobile networks. However, the BTTB did not have sufficient interconnection capacity to meet the demands of the mobile service providers. The consequence was that each mobile operator had a limit to their subscribers, due to the
limited number of interconnections to the national phone system. Even within this limit users often had to try for an hour to call a fixed line phone number in the capital Dhaka. There was even more problems in the rural areas, and even if more phones could be deployed; users would have significant problems when trying to call another phone operator. GrameenPhone had obtained a better interconnection agreement with BTTB than their competitors. This arrangement combined with GrameenPhone's ability to deploy phones on the rural fringes of its urban coverage and along its network corridor, enabled GrameenPhone to offer much wider rural coverage than their competitors. However, as GrameenPhone's subscriber base grew, the interconnection agreement was unable to meet demand and customers experienced interconnection problems (Malaviya 2004).

In rough there are two solutions to these kinds of problems and those are accepting, or try to change the market context. Simply accepting the void usually means that the firm needs to adapt to the market context in order to compete in the market. A firm can change the market context by filling a void independently by expanding their business to building the missing infrastructure. Another option is to induce other businesses in the emerging market to fill the void by offering a guaranteed stream of business through contracting (Khanna and Palepu 2010)

GrameenPhone found a temporary, partly solution, in delivering phones that could connect to other mobile subscribers, but not to fixed lines. However it was hard to convince the customers of the value in this because the mobile phones at that time were mainly used for practical issues, and with this solution they could not even call emergency numbers. By doing this Telenor is accepting the market context, and also adapting their business to the market context. As stated by Malaviya (2004, p.5) “Telenor had come to Bangladesh to pursue a full-scale mobile telecommunication business, not just a mobile-to-mobile business”. However, the BTTB monopoly over the fixed lines and the interconnection between the mobile networks left Telenor with little choice other than accepting the market context. Still, Telenor still had a goal of pursuing a full-scale mobile telecommunication business, and they started to invest in an independent fiber optic network that would work independently of BTTB and hence they aimed to fill the void in the market.
Another option when a multinational enterprise is faced with voids in an emerging market is to exit the market because it is impractical or uneconomical to adapt their business model and daunting to attempt to change the market context. However, exit is only recommended when losses due to voids are so great that they need to be cut, and Telenor’s financial performance the first ten years of operating in Bangladesh was greater than anticipated. This was to a large degree due to their main revenues coming from urban areas (Malaviya 2004). Waiting is another option. Telenor has already entered the market, but the ability to enter a market under the radar and spend time learning about the local market and customer needs can be an excellent entry path into developing regions (Khanna and Palepu 2010), and it seems like that is exactly what Telenor is doing by accepting the market context. They are in the market to stay, but they decided to wait and accept the market context, for now, while they are building their own fiber optic network.

9.1.2 Institutional Voids

The problems above can be traced back to a lack of an appropriate regulatory framework that created uncertainty for both customer and mobile service providers in Bangladesh. The state owned monopoly Bangladesh Telegraph and Telephone Board (BTTB) created bureaucratic hurdles. The telecom sector was still regulated by outdated acts as like the telegraph act of 1885, and the wireless act of 1893 and the lack of an independent regulator enabled BTTB to maintain monopolistic behavior. In addition to this the political climate in Bangladesh is very unstable. In 2004 Bangladesh was ranked as the most corrupt country in the world, a stark contrast to Telenor’s home country Norway. This instability and the lack of appropriate laws are creates problems in day to day business. When the former Telenor managing director of Asia was asked about the future in 2004, he said: “In another three to four years, we may have 3 or 4 million subscribers in Bangladesh; then again in three to four years there could be a military coup.” (Malaviya 2004)

Another problem for Telenor that is related to their relationship with the Bangladesh government was the question of dividends. In the first 10 years of operations in Bangladesh Telenor re-invested profits back into GrameenPhone instead of taking earnings out of Bangladesh in the form of dividends to their shareholders, due to fear that it would be heavily taxed, and that GrameenPhone would lose their favorable position with the government. However, through dialogue with the Bangladesh government their view on Telenor taking earnings out of
Bangladesh in the form of dividends became positive because it would send a positive message to other foreign investors about the business environment in Bangladesh (Malaviya 2004).

From the text written by Malaviya (2004) it comes forth that it is not entirely evident within Telenor how these issues should be tackled in general. GrameenPhone had managed to get a better interconnection agreement with BTTB than their competitors. However, as we will see in the case of Telenor in India, special deals can come with a price in emerging markets. The approach to reaching special deals also might be different from what Telenor is used to in their home country. What is considered normal behavior of a firm in an emerging market might be considered corrupt behavior in a developed market. Because GrameenPhone is incorporated in the Telenor Group, GrameenPhone also needs to show a pattern of behavior that is consistent with Telenor’s image to maintain their brand. Operating in environments with such great contrasts to their home market creates implications because Telenor must portray an image to their shareholders that is in consistence with their values, at the same time as they must adapt to succeed in emerging markets.

9.1.3 Challenges in the Labor Market

When Telenor first entered Bangladesh about 30 expatriates from Telenor was transferred to Bangladesh and was involved in activities such as installations, sales, marketing, technical development and rollout plans. After the start-up phase GrameenPhone had to change the organization from being a start up venture to a mature organization to realize the significant growth potential in Bangladesh. To do this they had to start looking into the local labor market for recruitment. The investment in an independent fiber optic network because of the problems with interconnection through BTTB also increased the demand for talent.

Telenor faced difficulties here because Bangladesh did not have many big industries from which talent could be extracted so they were forced to develop a pool of talented local managers. The challenge was in efficiently recruiting and training across the entire organization. However, as other multinationals started to establish themselves in Bangladesh talent developed by Telenor often was grabbed by other new multinationals, leading to a technical brain drain from GrameenPhone (Malaviya 2004).
9.1.4 Increasing the Customer Base

From the middle of the 1990’s GrameenPhone experienced increased competition from other telecom providers. As the telecom market in Bangladesh became more developed there was also a change in customer demands. There was a need to change the strategy of the company from stimulating primary demand to capturing secondary demand to ensure a stable customer base that was also growing. In order to grow GrameenPhone also had to reach out to the BOP segment of the market which represents the largest pool of potential customers in Bangladesh, and do so without making losses.

In their first efforts to reach the BOP through The Village Phone Project GrameenPhone had created problems for themselves with the structure of the project. The village phone ladies received a 15% cheaper calling rate than regular urban GrameenPhone customers. These ladies started to move out of their villages and into small towns where they were competing against each other aggressively by cutting prices, and hence they became competitors of GrameenPhone itself (Malaviya 2004). Earlier GrameenPhone had served the emerging middle class and the local segments of the market in urban areas of Bangladesh. To reach these segments a global company must adapt their business model to some degree (Khanna and Palepu 2010). The BOP segment are customers who can afford only the least-expensive products and therefore the product, and often the whole delivery and production process must be adapted to reach this segment (Allen et.al 2007). In 2004 it was financially viable for GrameenPhone to attract customers who spent an average $10 to $12 a month on mobile technology. To reach the BOP they had to adjust to customers who could only afford to spend $5 to $6 a month on mobile usage. Because of substantial and growing mobile phone use in the BOP population it was crucial for Telenor to build a strategy to enter the BOP segment of the urban market in Bangladesh. Later we will see that the efforts made towards BOP in Bangladesh also proved to be an important learning process for Telenor before entering other emerging markets in Asia. To make targeting the BOP profitable GrameenPhone had to develop economies of scale, create cheaper distribution channels and sell cheaper phones. One initiative was the $1 prepaid scratch card, instead of the standard $10. The new mobile phone subscribers in Bangladesh were younger and more cost conscious and technologically demanding than the initial GrameenPhone subscribers who used their phones primarily for practical issues as calling the local market or the
doctor. As the calling pattern in Bangladesh was starting to become a natural way of connecting there was a need to develop the new marketing approach based on local knowledge and the need to build a talented local workforce became even more important (Malaviya 2004).

9.2 Dealing with Partners and Competitors in an Emerging Market – Telenor in Russia

When you look at Telenor’s official website there is no mention of their presence in Russia on their global presence map. However, Telenor has been involved in commercial operations in Russia through their joint venture with Russian business group Alfa since 1999. The joint venture is called VimpelCom and also consists of other small shareholders. The partnership with the Alfa Group has imposed a series of legal disputes on Telenor.

In 2005 VimpelCom purchased Ukrainian mobile operator Ukrainian Radio Systems (URS). Here start Telenor’s legal battles in Russia. Telenor opposed the purchase because they believed that the company was overvalued, lacked prospects, and that the deal was not transparent. Their operations in Ukraine also put VimpelCom in direct competition with Kyivstar that was majority owned by Telenor. Telenor was also sued by British Virgin Islands-registered Farimex - a tiny shareholder of VimpelCom, in a Siberian court, claiming the Norwegian company's opposition to VimpelCom’s purchase of URS delayed the deal and imposed a loss to VimpelCom. After a retrial another Siberian court ruled in Farimex's favor and ordered Telenor to pay VimpelCom $1.7 billion. Telenor refused and the court seized its VimpelCom shares. In 2007 Telenor was forced to deconsolidate Kyivstar, Ukraine's largest mobile operator, due to "insufficient control" over the company.

In April 2009 Telenor and Alfa signed a “peace treaty” to resolve their long-running differences over VimpelCom's strategy. They agreed to merge their Russian and Ukrainian holdings into New-York listed VimpelCom Ltd. In the deal it was decided that both parts would have three board members each and appoint the rest of the board together, including the chair of the board (www.reuters.com January 17, 2011). However, this year Telenor and Alfa Group are once again in dispute. VimpelCom has made a merger with Egyptian company Wind against Telenor’s wishes. The merger has decreased Telenor’s ownership stake in the company significantly (e24.no April 18, 2011) and their vote in the company was reduced to 25%, while Wind Telecom was given 30% of the votes. Because Alfa sold down their own votes to under 25% the peace treaty from 2009 that ensured Telenor's influence on the board are no longer valid because the
two parts no longer have equal ownership in VimpelCom, and Alfa declared in April this year that they want to terminate the contract made in 2009 (e24.no April 18, 2011).

Although Russia is increasingly being considered a country with a stable investment climate many foreign investors avoid investing in Russia due to poor legal safeguards as well as high levels of bureaucracy and corruption (PWC 2010). Russian business group Alfa seem to be more equipped than Telenor to deal with the business environment in emerging markets. Telenor seems to make to quick assumptions about their protection through the legal framework and written agreements, while the Alfa group continually considers options to protect their own interests.

According to Khanna and Palepu (2010) a MNE should compete alone if there is a high degree of uncertainty related to trust and property protection even if they have little market knowledge. There are grounds to raise questions about if Telenor should be in a joint Venture agreement in Russia due to the insecurities regarding law enforcement in the country. When they still choose to do so, they should carefully consider the options that their partners may not be trustworthy, or at least unreliable. It is apparent, but not surprising, that Telenor are not properly prepared for the challenges that may arise from having a joint venture partner with thorough experience from the unstable environment in emerging markets.

9.3 Expanding in Asia – Telenor in Malaysia and Thailand

After the success in Bangladesh and the formation of a new strategy to target emerging markets Telenor bought shares in Malaysian telecom company DiGi in late 1999 and raised its stake to 61% in 2000 (they shortly after had to cut their equity to 49% due to local restrictions for foreign shareholding) (www.cn-c114.net May 2007). Instead of going for a full acquisition Telenor is in an equal partnership with DiGi. This might be due to a more stable business environment in Malaysia than other Asian markets. Malaysia is not an emerging market per definition, but is considered a newly industrialized country. With its strong economy, supportive government policies, educated workforce, and developed infrastructure and quality of life, Malaysia is very attractive to foreign investors (UHY 2009). Due to their high level of technological development compared to other countries in their region the market is also more mature and establishing a Greenfield operation or doing a full acquisition in Malaysia does not comply fully with Telenor’s
strategy of capturing the emerging markets with high growth potential. However, expanding into Malaysia provides a great learning platform to gain more experience with the Asian markets.

The venture in Malaysia was Telenor’s first step into South East Asia after Bangladesh and DiGi has performed above the expectations of Telenor Group. In 2006 it was decided that Telenor would open a research and development centre in Kuala Lumpur. The centre was made to build market competency for Telenor in Asian markets and increase the competitive power of the Telenor Group. The R&D centre in Malaysia is working together with the R&D centre in Norway to create a window to Asia for Telenor’s headquarters in Norway, and provide global competency and experience for Telenor Group's Asian departments. Services and product concepts are developed in the Malaysian R&D centre using Malaysian and Asian technology in corporation with local and regional partners and passed on to Telenor’s global operations. The employees in the Malaysia R&D centre are from the headquarters in Norway, and Telenor’s other operations in Asia (DiGi, DTAC, GrameenPhone and Telenor Pakistan).

Shortly after the investment in Malaysia Telenor entered Thailand in August 2000 when they purchased a 65.5% ownership share in Thai mobile operator DTAC, and hence DTAC has a minority ownership and is a local strategic partner. DTAC is the second largest mobile operator in Thailand with a market share of 30%. The company is incorporated in the Telenor Group and has carried their common logo since 2007 (www.dtac.co.th). Recently DTAC has encountered problems because their competitor True Move claims that Telenor’s ownership in DTAC is larger than what is allowed according to domestic laws (e.24.no June 2011). Telenor claim that they have the laws on their side to the Pakistani newspaper «The Nation». The paper put the claims in context to an ongoing battle for the development of 3G networks in the country (www.nationalmultimedia June 2011). Licenses were supposed to be given through an auction in autumn 2010, but this process was stopped by a lawsuit from the state-owned telecom company Cat. Telenor’s competitor True Move has started to build a 3G network together with Cat, and is therefore avoiding the problem by building a 3G net that is formally owned by the state. Telenor asked for a legal evaluation of this shortcut, and consider True Move’s recent claims as a reply to this. True Move is governed by a wealthy Thai family that is well connected with the authorities in Thailand. At the moment the Thailand Parliament is dissolved, and if there is a change of
When operating in an emerging market it is important to understand the behavior of your competitors. Similarly to Telenor’s joint venture partner in Russia, Telenor’s competitor in Thailand is searching for opportunities to bypass the regulatory framework, and they do so at the expense of Telenor. Family run business groups are common in emerging markets, and personal connections to authorities sometimes can prove more valuable to business than following local laws. Already in 2004 Malaviya stated that it is not evident within Telenor how issues of this nature should be tackled, and it appears that Telenor has not found a solution to these problems seven years later. When their emerging markets start to become more mature and competition increasingly are coming from local companies who are more used to dealing with this kind of business environment Telenor might risk falling behind unless they adapt their strategies to the markets they are operating in.

9.4 The First Steps towards Branding the Telenor Group – Telenor in Hungary

In accordance with their expansion strategy from year 2000 Telenor purchased Pannon who is the second largest mobile operator in Hungary, in 2002. Pannon is 100% owned by Telenor and incorporated in the Telenor Group. After the acquisition Telenor made drastic changes to the management of Pannon. Shortly after the acquisition Norwegian Telenor employee Ove Fredheim took over as CEO and in 2006 Pannon switched to a new, modern image in the framework of which the Telenor logo was introduced. In 2010, Pannon adopted the Telenor name and brand identity when they changed name to Telenor Hungary. Today Christopher Laska is the CEO of Pannon. He is the previous CEO of Telenor Montenegro and he was Chief Corporate Affairs Officer in Telenor Serbia, the two other East-European countries Telenor
made investments in after entering Hungary. Before he started his international venture he was Project Director for marketing and advertising at Telenor’s headquarters in Telenor International Mobile. His Chief HR Officer is Norwegian Anne Birgitte Kverum who previously worked in Telenor’s head quarters in Norway. Fellow Norwegians in the management include Chief Market Officer Fridtjof Rusten who was previously Senior Vice President for Telenor’s Central Eastern Europe division, a member of Board of Directors in VimpelCom and Vice President for the Department for Strategy and Business Development at Telenor’s headquarters in Norway, and also Sigvart Voss Eriksen who is Chief Market Officer of Telenor Hungary. His experience within Telenor includes being CMO and head of HR in Telenor Pakistan, and Vice President in Telenor Nordic Mobile.

Amongst the two Hungarian members of the management Jozef J. Huszlicska who is Chief Technology Officer also had experience from Kyvistar that was previously majority owned by Telenor, and Director of Network Operations in Pannon before the Telenor acquisition. Telenor Hungary’s Chief Corporate Development Officer Frak J. Klausz III is the only one in the management with no previous experience within Telenor or Pannon (www.telenor.hu).

By looking at the management of Telenor Hungary we see that Telenor is creating a management team that is likely to be prepared to the challenges of operating in emerging markets, while still maintaining Telenor’s corporate culture. The management consists of mainly Telenor employees, and several Norwegians, who have previous management experience from Telenor’s operations in emerging markets. This is despite the lessons learned in Bangladesh, Russia and Thailand about the importance of local knowledge to capture the growth potential in emerging markets that lie in the Local and BOP segments, and to deal with local partners and competitors.

9.5 Expanding the Telenor Brand – Telenor in Montenegro and Serbia

In a country with a population of less than 700,000, Telenor has more than 465,000 mobile subscriptions, and is the largest mobile provider in Montenegro. Telenor entered an agreement with the government to develop their mobile network in Montenegro in 1996, but they did not get involved in commercial operations in the country before they purchased 100% of Promonte in 2004 and rebranded the company to Telenor (www.telenor.com). After the acquisition they installed a management similar to the management team in Hungary consisting of expats from
Norway and other Telenor operations in emerging markets. The year of the acquisition was the same year as Pannon adopted Telenor’s logo, but Pannon did not change name to Telenor before 2010. After the acquisition in Montenegro Promote changed name to Telenor immediately.

A very similar path of events occurred when Telenor acquired 100% of Mobtel, the second largest mobile operator in Serbia in 2006. Mobtel was immediately rebranded to Telenor and a new and committed management was installed.

9.6 Identification of New Opportunities in Emerging Markets – Telenor in Pakistan

Telenor Pakistan is a wholly owned subsidiary of Telenor. They started their operations in 2005. Telenor is the single largest European investor in Pakistan and Telenor Pakistan is the second largest network in Pakistan with a market share of 24% (www.telenor.com.pk).

Telenor’s entry into Pakistan was to a large degree based on their positive experience in Bangladesh. Telenor was the only company who made a bid on the US$291 million mobile telephone license in Pakistan, no one else dared to enter the unstable country. At the time of entry Telenor installed a top management team in Telenor Pakistan that consisted of managers from Telenor's operations in Norway, Hungary, Russia, and Bangladesh (Malaviya 2004).

This shows that Telenor is extracting knowledge gained in other developing countries by employing managers mainly with experience from these countries, while at the same time including managers from Norway to maintain their corporate culture and values. Similarly to Bangladesh Telenor could expect challenges in the labor market in Pakistan when searching for talent and there were not any native Pakistanis in the first management team in Pakistan, while the operations in Eastern-Europe usually had one or two representatives from the local labor market. The first CEO of Telenor Pakistan was the Norwegian Tore Johnsen. Today the CEO is Jon Eddy Abdullah who took over for Johnsen in 2008 when Johnsen became the CEO of DTAC. Abdullah was previously the Chief Technology Officer at DiGi in Malaysia so also he has experience from within Telenor from before (www.cellular-news.com July 2008).

Initially after the launch Telenor targeted small towns and rural areas of Pakistan to gain support of the people living there in sight to become the 1st Mobile Operator to cover such areas. This
strategy has contributed to quickly gaining customer support over the country and is a clear parallel to the strategy of GrameenPhone in Bangladesh.

### 9.6.1 Introducing Mobile Banking

Telenor made one of their greatest technological breakthroughs for succeeding in emerging markets in Pakistan when they launched EasyPasia in 2009. EasyPasia is a service for mobile banking that allows customers to make payments, withdraw cash and create saving accounts using their mobile phone subscription. In emerging markets a large proportion of the population is often not connected to a bank, and in some emerging markets consumers are now going directly from operating with cash, to mobile banking. *In 2010 approximately 89% of the adult population in Pakistan was not connected to a bank, while 62% used a mobile phone.* There are more than 20,000 EasyPasia shops all over Pakistan serving all customers with Financial Services. In comparison the entire banking network in Pakistan has 8,500 branches.

In preparation Telenor purchased Tameer Microfinance Bank in 2008. The services offered by EasyPasia are Utility Bill Payment (UBP), Money Transfer (Domestic & International money transactions), Mobile Wallet, and Airtime Top up, all through the customers’ mobile phone. Because Telenor Pakistan used their normal retailer shops as merchants it became easier for people in Pakistan to make money transactions through the EasyPasia’s branches than by going to a bank. The merchant branches also offer cash in and out services. Telenor has more than 22 million subscribers in Pakistan and they are now able to open a bank account at an EasyPasia merchant. Over PKR 11 billion (USD 120 million) has been moved through 6 million transactions from Telenor Pakistan’s merchant shops.

Because Telenor purchased Tameer Microfinance Bank, who has a full banking license, they are also able to offer saving accounts. This is part of the reason why CNN in an article in 2010 predicted that Telenor's mobile banking is probably the model for the future, thought there is similar models provided by other companies, most notably Safaricom in Kenya with its profitable M-Pesa that have made the life of millions of people better with a service that allows customers to send remittances and pay bills via SMS. However, because they do not have a banking license like Telenor they are not allowed to open bank accounts.
For Telenor in the near future a largely untapped market waits. There are about 1 billion people across Asia, Africa and Latin America who do not have a bank account but do have a cell phone, according to CGAP and the GSMA. In a few years that number that should reach 1.7 billion (edition.cnn.com January 2010).

9.7 Entering an Emerging Market as a Late Mover – Telenor in India

In 2008 Telenor entered into an agreement to take control over a 67.5% stake in Unitech Wireless India, that was later named Uninor, to the price of NOK 6.5 billons (USD 1,18 billion) (e24.no April 27th, 2011). Telenor has experience and knowledge about emerging markets that few other western telecom companies can match and the Indian mobile market is the world's second largest with its 1,2 billion people and it is a market where the mobile phone is something many people still only dream of.

Despite this Telenor’s investment in India has been subject to critique from analytics who doubt that the profitability of the venture can defend the large investments made, At the time of the investment the Swedish bank SEB Enskilda evaluated the present value of the project to NOK -13 million (USD -2,4 million). Telenor CEO Jon Fredrik Baksaas have admitted that the Indian market have proved to be tougher than initially expected. Critics point to that despite Telenor’s expertise in emerging mobile markets, the investment in India is in many aspects different from their previous experience (www.dn.no July 14th 2010).

In many ways Telenor’s entry strategy to India was different from how they previously entered emerging markets. Similarly to their entry to Bangladesh and Russia Telenor choose to enter unfamiliar territory through a joint venture. They have not attempted to rebrand Uninor as Telenor, as their other emerging market ventures the past 10 years, instead the name Unitech changed to Uninor. Though Telenor has a majority stake in Uninor they have not imported a typical Telenor management team as seen in Bangladesh, Hungary, Montenegro, Pakistan and Serbia. Shortly after the acquisition CEO of Telenor Serbia, Stein-Erik Vellan was appointed manager of Uninor, on board he also brought the marketing manager of Telenor Serbia David Meneghello. Johan Lindgren of Telenor Sweden was appointed financial director while the remaining part of the Uninor management remained unchanged (www.idg.no February 2009). Today Telenor is represented in the Uninor management through Managing Director Sigve Brekke, and Chief Human Resources officer Elisabeth Stene, both Norwegians. The rest of the
management team consists of heads of geographical areas and key business areas and functions at Uninor/Unitech (www.uninor.in).

Telenor is also a late mover in India. The Indian mobile market already has established actors’ and competition in the Indian mobile market is tough. Telenor’s previous experiences in emerging markets are either as a first mover, or from acquiring a country’s second largest mobile operator and hence battling competition with an initially large market share. Telenor’s investors are in doubt about if Telenor will be able to reach a market share great enough to generate profits. India is an enormous market, and that demands large financial resources and creates high operating costs for telecom operators that enter the market (www.dagensit.no July 27th, 2010).

It is critical to gain market share because in the mobile market fixed costs are large, but the variables are small. It is expensive to build infrastructure, but the costs related to a new customer are close to zero. This means that margins can be great for those who have a large market share, while it will be financially difficult for those who do not succeed in attracting critical mass (www.dn.no July 14th 2010). Because the Indian telecom market has more than 14 operators that are aggressively competing on price, consolidations in the market are expected. So far Uninor’s operational strategy has been to grow organically, but to reach their goals in the Indian market they may need to consider the opportunity of growth by acquiring a competitor (www.dagensit.no July 27th, 2010), preferably before the market starts to consolidate.

There are several possible reasons for why Telenor are not able to grow organically in India. While the Indian mobile market increased with 16 million subscribers in May 2010, Uninor lost 8000 subscribers the same month (www.dn.no July 14th 2010), despite a distribution network of 210,000 branches and almost 1000 distributors (www.digi.no December 3, 2009). Reaching consumers in emerging markets are one of Telenor’s core competencies, so what are they doing wrong in India? According to Karthik Jayaraman in an article in IT Today Indians appreciate products that they feel an emotional connection with, and a marketing campaign that do not communicate some sort of emotion will lead to a loss customers. 80 percent of the Indian mobile phone market consists of consumers who use prepaid phone cards, and a large proportion of these consumers go to local stores to buy prepaid SIM cards. The Indian consumer are opportunistic and known to change phone operator when prices change, and a local shop often sells prepaid SIM cards from up to 12 different mobile operators. Unless there is any extra
incentive for the shop-owner to promote one phone operator over another there is little chance of him doing so. One of Uninor’s largest competitors Airtel have invested heavily in their strategy towards these shop owners and offer a wide range of compensation to shop owners for selling their prepaid SIM cards.

This means that Telenor in addition to establishing an emotional connection with their consumers, need to develop a strategy for continually winning over the users of prepaid SIM cards through the small shops where they are sold. The sale of mobile phones that can have two or three SIM cards have exploded in India and according to Jayaraman this is treated as a threat, rather than an opportunity in Uninor. Due to the above, combined with high investment costs, growing operational costs and falling average revenue per user Jayaraman does not expect a positive cash flow into the Telenor Group from Telenor in the near future (www.dagensit.no July 27th, 2010).

In addition to critique related to the high investment and slow growth in India Telenor has encountered severe legal problems that can potentially harm their business. In 2010 Uninor was accused of corruption. Together with India’s previous telecom minister and several other bureaucrats and business leaders one of Uninor’s directors is charged for illegally obtaining cheap licenses in the telecom market and Uninor risk losing their mobile licenses (e24.no April 27th, 2011). The corruption took place in Unitech before Telenor bought their stake, however, any punishment will appeal to the company as a whole (e.24.no June 15th, 2011). The case is still not solved today, but it is likely that Uninor will get to keep their licenses in India, however they risk having to pay a much higher price for them than they did initially. In that case Telenor will probably claim that the part of the company owned by Unitech will be responsible for the charges, which will lead to conflicts in the partnership (www.nrk.no November 11th, 2010).

When an investment prove to be a loss making project the option of exiting the market should be considered as a serious opportunity. Many critics have raised the question about an exit strategy for Telenor in India. However, the financial results in India in the first quarter of 2011 has been better than excepted with an increase in 5,2 million fixed customers, and Telenor claim that they are confident that they will stay in the market (stocklink.no May 4th, 2011).
The opportunities for Telenor in India lies a half billion people who does not own a mobile phone, a rapidly growing economy and the possibility for consolidations in the market. If Uninor are able to turn these opportunities into advantages they can ensure growth and financial profits in the future (www.dagensit.no July 27th, 2010). However, if they are unable to grab these opportunities they must consider the option of an exit strategy from the market carefully.

9.8 Discussion – Telenor’s Operations in Emerging Markets
Telenor’s strategy to target emerging markets has emerged as a pattern where actions taken in the past have been a roadmap for the strategy for the future. It is viable to believe that Telenor’s continued strategy into the future will emerge as a pattern of the strategic choices being made today. The past ten years we see Telenor moving from a Norwegian company with heavy emphasis on their operations in Scandinavia, who are also experimenting with business abroad, and increasingly emerging markets. After the millennium there seems to be a distinct strategy to target emerging markets, and Telenor starts to build their brand as an emerging market telecom operator. While it seems all in all as if Telenor have found the recipe for success in emerging markets after stumbling a few times, mainly with regards to VimpelCom, there is a turn of events when Telenor enter India in 2008. In the previous section I described how the entry to India differs from Telenor’s previous ventures in emerging markets. At the moment the entry to India has not proved as successful as Telenor’s ventures in Eastern Europe and other Asian countries.

Below is a summary of the pattern that can be extracted as Telenor’s strategy for expansion in emerging markets.

9.8.1 Growth and Market Share
To understand why they succeed in emerging markets specifically we must understand the way Telenor generate their resources and capabilities in different locations where they are available. This is described by Dunning (2001) as internationalization advantages – the advantages by producing through a partnership agreement.

When Telenor enters markets with high growth potential, but also with an established telecom sector they choose to gain market share through acquisition. Common for Pannon of Hungary, Mbotel of Serbia and Promonte of Montenegro is that they were the second largest, or the largest telecom operator in their country, also before they were acquired by Telenor.
In countries with less developed telecom sector as Bangladesh, that was very little developed, and Pakistan where the telecom sector was basically absent, Telenor choose an organic growth strategy. Through The Village Phone Project in Bangladesh GrameenPhone created a large rural network by placing almost 70,000 mobile phones in 40,000 villages, at the same time as they concentrated on growth in urban areas. In Pakistan Telenor targeted small towns and rural areas of Pakistan to gain support of the people living there in sight to become the 1st Mobile Operator to cover such areas. When Telenor started their operations in Pakistan they established more than 20,000 local branches around the country. While this has proved to be a successful strategy in Bangladesh and Pakistan Telenor has gained critique for implementing the same growth strategy in India where Uninor introduced more than 210,000 local branches at the time of its launch. The major difference between India and the two previous countries is that India has an established telecom sector with fierce competition, despite a similar low degree of mobile penetration in the Indian market, to Bangladesh and Pakistan at the time of Telenor’s entry to these markets.

Malaysia and Thailand are other cases that do not fit the overall pattern. First of all Telenor is in an equal partnership with DiGi, the company was not acquired and taken control of by Telenor as their other operations in emerging markets. This is partly due to local restrictions on foreign ownership, but does not explain why Telenor entered Malaysia if we look at Telenor’s overall pattern of entry strategies into emerging markets with high growth potential due to low mobile penetration. Malaysia is not either an emerging market per definition but Telenor’s joint venture with DiGi can easily be explained by Malaysia being a newly industrialized economy with mature telecom market, but not any less an Asian market, and an excellent hub for research and development for a company that wants to grow in Asian emerging markets.

In Thailand there are, as in Malaysia, restrictions on foreign ownership and hence Telenor has no other choice than entering a joint venture with DTAC. Telenor’s recent legal problems in Thailand are coming from a discussion about if their ownership share in DTAC is larger than allowed according to local restrictions to foreign investment. Telenor is a majority shareholder in DTAC, and hence DTAC is not an equal partner, but Telenor’s strategic partner. Telenor also entered Thailand before they started to acquire and rebrand the main parts of their foreign operations to Telenor, and visually incorporating them in the Telenor Group. Thailand was Telenor’s first move in Asia after Bangladesh and Malaysia. We could ask what Telenor wants
from their presence in Thailand today. But at the time of entry Thailand was part of the learning process for Telenor in Asian emerging markets. Thailand is a quite politically stable monarchy, as Malaysia that was entered around the same time is a quite stable democracy, and the reduced uncertainty due to this are probably contributing factors to why Telenor entered joint venture agreements in Thailand and Malaysia at the beginning of their Asian expansion.

9.8.2 Target Consumers and Technological Development

While all countries discussed in this investigation unless specified otherwise can be characterized as emerging markets, emerging markets should be distinguished collectively from developed markets, but also individually from each other (Khanna and Palepu 2010). While both Pakistan and Hungary are considered as emerging markets due to voids in the institutional environment, they differ strongly from each other. Differences can be found in almost every aspect of the market, but most importantly regarding consumers and their needs.

When it comes to technological development and customer needs Hungary, Serbia, Montenegro and Bangladesh, together with Malaysia and Thailand can be distinguished from Pakistan and India. In Pakistan and India one of the main challenges is reaching the BOP, while in the writings about Telenor’s operations in emerging markets in Eastern-Europe I have found no mention of such challenge. In Bangladesh there is an aim to reach the BOP, but the mobile market has advanced the 16 years since the opening of their mobile network, which is also equal to the time Telenor has been present there. Hence Telenor are also serving a more technically demanding consumer group in Bangladesh. In comparison there has only been a mobile phone sector in Pakistan for six years.

While Telenor are making innovations from mobile banking in Pakistan, to simpler adaptations as the $1 prepaid scratch card in Bangladesh right after the millennium, their main product offerings in Eastern-Europe, Thailand, Malaysia, and Bangladesh today are products similar to what they offer in the developed markets in Scandinavia. While Telenor will introduce many of their customers in India and Pakistan for their first mobile phone, and increasingly their first encounter with banking in Pakistan, the focus in Hungary, Montenegro, Serbia, Bangladesh, Thailand, and Malaysia is on keeping current customers and winning new ones by offering modern technology.
On the official websites of Telenor Pakistan the promoted products offerings are Talk Shawk that is a service that provides the ability to call, send text messages and also access the internet. The promotion for accessing internet with the phone focuses on entertainment value, as searching for songs or finding food recipes. They are also promoting a new auto-charge service so that customers’ calls will not disconnect – again – due to running out of prepaid calling balance, because as consumers in India and the BOP segment in Bangladesh, the mobile users in Pakistan prefer to buy their phone credit in advance. They also promote packages where you get a discount in calling price to family and friends, because the mobile phone is to a large degree still used mainly to stay in touch with friends and relatives. There is also mention of their postpaid service where you receive bills according to your usage that is the standard solution amongst developed market consumers, but the main emphasis in this promotion is to convince consumers of why this is a good option. The third main promotion on Telenor Pakistan’s website is mobile banking, so in short the focus is on calling, text messaging, the ability to connect to the internet for entertainment use, and mobile banking (www.telenor.com.pk). Similarly Uninor’s websites focus on promoting low calling rates, the ability to send text messages, their prepaid services, and access to internet. Mobile banking is not introduced in India (www.uninor.in).

GrameenPhone’s promoted services are slightly more advanced. In addition to promoting postpaid and prepaid deals, they promote modern handsets as the Blackberry, International Roaming that allows users to browse the internet on their phone while travelling in foreign countries, and they also offer internet for computers through a USB device (www.grameenphone.com). These offers are identical to the services provided by Telenor Montenegro (www.telenor.me/eng).

While the product offerings of GrameenPhone and Telenor Montenegro starts to look a little more advanced there is a stark contrast to the promotion of services on the websites of Telenor in Hungary and Serbia. Telenor Hungary also puts emphasis on mobile internet, but instead of convincing the customers of the entertainment value in the internet, they promote freedom with anytime and anywhere access to web-based information and the speed and capacity of their mobile internet connection and their discounts on high-end Smartphone’s (www.telenor.hu). This is similar to the product offerings at Telenor’s Norwegian websites (www.telenor.no). Similarly the website for Telenor Serbia is filled with advertising for high-end Smartphone’s,
and being the first company in the Balkan to provide a deal that includes a Samsung Galaxy Tab 10.01 (www.telenor.rs/en) that is a very popular device in developed markets.

Therefore we cannot say that Telenor has one specific strategy for reaching consumers in all emerging markets. Which customer segment they are targeting differs from the market conditions they are facing and where they see opportunities. In Hungary, Serbia, Montenegro, Thailand, Malaysia and Bangladesh Telenor are serving the global, emerging middle class and local consumer segments. Notice that in Bangladesh this is a transformation from aiming to serve only the local and BOP segment in the start-up phase in the market, and that Telenor is also reaching for the BOP in Bangladesh today. In Pakistan and India there seems to be a more heavy emphasis on serving the Local and BOP segments of the market. Both countries do have a global and emerging middle class consumer segment that demand global products and services, but these services are not included in Telenor’s promotions in India and Pakistan. Most notably the Smartphone is completely absent in the advertising on the websites of Telenor Pakistan and Uninor.

The emphasis on reaching the BOP in these countries is natural. In India in 2008-09 the BOP consisted of approximately 27.7 million urban households and 159 million rural households (indicus.net) and in 2007 84.7% of Pakistan’s population was living for less than US$2 per day (Yasmeen, Begum and Mujtaba 2011). The global and emerging middle class markets in these countries are also getting saturated due to competition from other multinationals who also find it easier to serve these segments because they can replicate their home grown business models (Khanna and Palepu 2010), while there is a large untouched territory in the BOP. As a comparison “only” 7.3% of the population of Hungary was living for less than US$2 per day in year 2000 (Earthtrends 2003)

Reaching different consumer segments requires different levels of adaptation of business models. Because Telenor target different consumer segments in different emerging markets the degree of adaptation to current models also differ. Here we can separate the Eastern European operations from the Malaysia and Thailand operations. In Malaysia and Thailand product offerings are made in accordance with the product offerings of their local strategic partner and Telenor use their partner’s market knowledge. In Eastern Europe Telenor is more or less replicating their business model from developed markets in Scandinavia with regard to product offerings and
consumer targeting. Bangladesh, Pakistan and India can be separated from the two previous groups, and individually from each other. Similar for the three last markets is a larger degree of adaptation of homegrown business model to reach the BOP, than in the wholly owned subsidiaries in Eastern Europe, however the degree and form of adaptation is different in every market. We have analyzed the difference in product offerings above, which are custom designed to reach specific customers. In Pakistan and India, though the product offerings are different, they are designed to meet the basic needs of consumers, while in Bangladesh product offerings are tailored to also meet a more technologically demanding segment of customers.

There is no single strategy to reach the BOP in any one of the three last countries that are applied to all three markets. While Telenor makes a major effort to reach the BOP in Pakistan with the mobile banking system EasyPasia, this system has not been introduced to India and Bangladesh and I have not found any evidence of the initiative with $1 scratch cards from Bangladesh being implemented in Pakistan and India.

9.8.3 Brand, Management and Corporate Culture
Wherever Telenor engage in operations in abroad they make an effort towards incorporating the foreign department into the Telenor Group. In emerging markets management is also changed to a typical Telenor management, which consists of Telenor employees that have previous experience with Telenor operations in emerging markets. There is always at least one Norwegian on board, often a CEO who also has experience from Telenor’s head quarters in Norway. These efforts increase VCI alignment.

The Telenor Logo is implemented on all Telenor operations in emerging markets except VimpelCom and Uninor. In addition to these DiGi in Malaysia and DTAC in Thailand are the only emerging market operations that are not named Telenor. This indicates that there are some VCI misalignments in Telenor’s otherwise strong brand. The brand of Telenor is not only exercised through their visual brand and a typical Telenor management in every foreign operation. The brand is also strengthened by other organizational initiatives as common research centers, and corporation between the research and development centre in Asia and the main R&D centre in Norway that creates a coherent corporate culture. If Telenor did not succeed in creating a strong common brand there are many possible implications that could have come as a result, the most likely according to Hatch and Schultz (2008) being turf wars, where the separate
operations in separate markets distinguish themselves from the organization as a whole, important information is not passed on to other operations in other markets. We see this happening in VimpelCom. Telenor’s partner in Russia does not see themselves as a part of the Telenor Group, and are willing to enter markets where they will be in direct competition with other Telenor operations. The result has been that today Telenor is more of an investor in VimpelCom than an equal partner after recent events. In Uninor in India and DTAC in Thailand Telenor is a majority shareholder and they are operating under the Telenor brand. Generally it works the same way in DiGi in Malaysia, the only difference is that Telenor and DiGi has an equal amount of shares.

Through their brand and sound knowledge about emerging markets Telenor has obtained ownership specific advantages as described by Dunning (2001) in the Eclectic (OLI) Paradigm of International Production. These advantages are the competitive advantages that arise from a firm’s ownership, or access, to income generating assets and their ability to coordinate these assets with other assets across international boundaries, in a way that benefits them relative to their competitors, and potential competitors. These ownership advantages are valuable firm-specific resources that carry the Telenor Group in their expansion into emerging markets. Continued efforts regarding the branding of Telenor’s operations abroad are crucial to maintain these advantages.

The experience and knowledge about emerging markets has given Telenor location-specific advantages in these markets. The advantage is not in the market itself; an emerging market can instead create many disadvantages for operations. The advantage is in Telenor’s ability to handle challenges in emerging markets specifically. Therefore, when investigating Telenor’s international expansion pattern it is not enough only to look at the sociocultural differences between the markets they are entering. While India might be similar to Pakistan, both countries are very different from Hungary, but they all represents emerging markets and the expansion pattern for Telenor can be explained by Telenor searching for opportunities in markets where they have location specific advantages; emerging markets.

10. Scientific requirements
Before presenting the general conclusions of my case study I want to clarify the scientific requirements of this study to the reader. This is a constructivist investigation, and this specific
method has some distinct criteria that a researcher must follow to ensure quality of their work. Constructivism is an ontological view which means that certain social happenings and their meaning is something that are created by actors, and can be opposed to objectivism and essentialism. Firstly to ensure reliability of presented interpretations the researcher consistently must work with a set of methodological tools. Because the collected data consist of documents, this research rests on the criteria outlined by Bryman and Bell (2005) for judging validity of documents as outlined in section 6. However, this method only helps increasing reliability; it is not given that every document that is analyzed using this method is reliable. Therefore I take some precaution regarding the conclusions. Another criterion for quality is the consistency in the paper as a whole. Because it is necessary to provide the reader a background into the area of investigation the first part of this paper introduce areas that are not mentioned later in this report because they fall outside the specific research area, but contribute to giving the reader a broad picture of why this report is written. Also, because the aim of this research is to provide general conclusions the reader might experience a gap between the discussion part relating to Telenor’s operations, and the general conclusions where some of the findings in the discussion that are context-depended is not brought to the concluding chapter. It should also be clear to the reader how the researcher reaches their conclusions, through transparency regarding key decisions and interpretations. It should not be unclear why an event was interpreted in one direction instead of another. I have made an effort towards carefully explaining all interpretations to the reader. However, there are areas where I assume the reader have certain background knowledge, especially regarding institutional theory. A reader who knows nothing about this area may experience some confusion when interpreting conclusions.

11. Conclusion
This study does not aim to provide a detailed plan of action for a MNE for how to succeed in emerging markets. However, from the analysis of Telenor’s operations in emerging markets I can extract some general advice that should apply to all MNE’s in emerging markets. The general conclusions rest on the theory about emerging markets and branding. Other theory has been used as tools in the research process, and their relation to collected data and results are outlined in section 9.8. These theories are relevant for understanding the specific case of Telenor, and evaluation of Telenor based on theories about international production as outlined in the
discussion enables me to make conclusions using the selected theory about emerging markets. I have used context-independent theory to analyze a specific context to produce general advice. In other words the conclusions from this research are also of context-independent nature. A researcher or a practitioner who wants to use the results of this investigation should put themselves into the context that they wish to apply the recommendations to, and use them as a general guide for action, not a concrete solution to every situation. Because these conclusions are context-independent and target all MNE’s regardless of their intangible assets, one should not be demotivated to pursue a venture in an emerging market due to negative recommendations produced here if the firm has some special competitive advantages. By putting recommendations into context I also mean that one specific MNE that want to use these recommendations should in addition to evaluating the environment in the emerging market they are operating, also evaluate their own competitive advantages compared to potential competitors and make strategies for action that suits their context.

The research question “how can a MNE from a developed market succeed in an emerging market” was investigated by smaller support questions regarding Telenor specifically. Shortly I can conclude that Telenor target emerging markets to capture a high growth potential. I have identified several strategies in Telenor that are specific for emerging markets, mainly their adaptation of business strategies to reach different consumers. Many elements in Telenor’s operations indicate that their strategies for emerging markets are made in their headquarters in Norway. Evidence of this is the typical “Telenor management” that is commonly implemented in emerging market operations and their work with a unified brand for the Telenor Group as a whole. Still there seem to be a close communication between the emerging market operations and the headquarters in Norway which means that the decisions for Telenor’s emerging market operations made in their headquarters are not dethatched from the actual operations in emerging markets. An evidence of this is the R&D cooperation between Asia and the R&D centre in Norway. I have also identified that every emerging market is approached more or less differently, with certain regional similarities, and hence emerging markets are not approached by Telenor as one large unified market.

The general advice that can be extracted from these answers by using Flybjerg approach “is this (not) valid for this case, then it applies to all (no) cases” is not limited to Telenor, or the telecom
sector, but to all MNE’s from developed markets, and similarly to all emerging markets they may operate in. These conclusions are based on the analysis of Telenor. The general advice is extracted from situations that are so general in their nature that I can conclude using the logic if this applies to Telenor is should apply to all MNE’s. Therefore certain results that are presented in the discussion of the findings in the Telenor investigation (Section 9.8) is not included in the conclusion because they are not general in their nature, but related to the specific context being studied.

The consequences of the outsider approach that have been used to conduct this study have been discussed earlier. The reader should be aware that these results are based on a general, not an in-depth study of Telenor, and emerging markets. However, because the goal of this investigation is to obtain general advice that applies to all MNE’s, an insider’s approach to Telenor may have made obtaining general advice more difficult. Therefore I consider the outsiders approach, despite its general limitations, to add value to this research. In section 6 I discussed the consequences of using documents as data sources. By following the methods suggested by Bryman and Bell (2005) to analyze such data, and by working with the hermeneutic circle and triangulation I have enhanced the reliability of the collected material that makes the basis of my analysis. However, it should be noted that one of the difficulties regarding analyzing mass media documents as a data source specifically according to Bryman and Bell is that it is difficult to determine how authentic they are. I section 6 I also outlined how I worked to determine if a document was authentic or not; still the reader of this report should be aware of this challenge that may have caused limitations in my collected data.

General conclusions make direct references to specific findings in the case study, and value is added to general conclusions by considering the findings in the analysis and the discussion of the findings while reading the general conclusions. Conclusions are also based on an analysis that is based on certain methods outlined in section 4, 6, and 7. The selection of method has a real impact on outcomes and the reader should be aware of the approach used to answer the research question of this investigation. The collected data is affected by the selected theories because the theories are the tools a researcher use to ask questions. The reader should also be aware of the possible impact the theories have had related to this, and that a different set of theories may have provided a different data collection to base the analysis on. The selected theories in this research
are selected because of their relevance to the research question. If the research area were to be approached using a different research question the theories may have been different and hence the analysis and conclusion may have been different.

11.1 General Conclusions
An important identified success factor for MNE’s from developed markets in emerging markets is local knowledge. My research supports Khanna and Palepu (2010)’s view that every emerging market is an individual market with individual characteristics, opportunities and challenges. Therefore a MNE that wants to be successful in emerging markets should consider every emerging market as an independent investment, and tailor their strategies to each market. The importance of local knowledge to reach consumer segments at the lower part of the consumer pyramid in emerging markets was already stated by Khanna and Palepu (2010). My research shows that while this is true, local knowledge is also valuable, and in some cases necessary, to be able to deal with partners, competitors, and local environments in emerging markets, regardless of which consumer segment the MNE is targeting. I have also found that local knowledge obtained in one market can provide valuable knowledge about similar markets, despite my conclusion that every emerging market is different. Because high financial risk often equals high possible returns, and the other way around, the MNE can benefit from entering a market with less financial risk, but similar environment with the goal of learning, to improve their performance in the high financial risk-market. This is relevant both for MNE’s that are already operating in a market with high financial risk, and a MNE that want to enter such market. If the MNE are already operating in this market they may want to search for an alternative that allows them to “wait” in the high risk environment. That is, adapt to local environment and accept conditions and postpone investments while experimenting to gain knowledge in a similar environment with less financial risk. Despite the possible value of transferring local knowledge from one similar market to another, the impact of small differences between similar markets should not be ignored. I have also found that there are cases where it is difficult to obtain local knowledge before entering the market. In the specific case of Telenor the local knowledge from Bangladesh contributed positively to their operations in Pakistan. Culturally Pakistan and Bangladesh are similar to India, but India is also a very unique market and the local knowledge from the two previous was not as valuable there, mainly because the competitive environment in India differs from the two other countries. This can be difficult to predict in advance, and
therefore the transferability of local knowledge between similar markets should be seen as an opportunity, but never be taken for granted. In such situations the MNE must carefully consider the uncertainty regarding returns because they may not be prepared to handle the local environment, before making investments. They should consider an exit if they are present in the market but uncertainty about returns is higher than the cost of staying in the market.

While theory suggests that a local partner can be helpful to obtain local knowledge, my research shows that local partners in emerging markets may also represent threats that, if realized, may cost more than the added value of their local knowledge. The advice regarding foreign partners is closely tied to local knowledge. A partner can be a valuable source of local knowledge, but it is also difficult for a MNE with little local market knowledge to choose a suitable local partner. Telenor’s experiences show that there can be dangers, or at least severe possible implications to business, when pairing up with a local partner in emerging markets if the partner proves to be not trustworthy. However, the case of Telenor also shows evidence that a local partner in an emerging market can add value to the venture. My research shows that local partners from the emerging markets that are considered quite stable have worked according to theory (added value), while partners in more unstable emerging markets have in some cases affected the venture negatively. The recommendation is therefore that a local partner should not be seen as a solution to local challenges related to absence of local knowledge, and not be considered as an option if the MNE has little market knowledge and/or the market is considered unstable.

The presented theories do not suggest how a MNE should grow in an emerging market. My research shows evidence that a MNE from a developed market benefits from entering an emerging market alone and grow organically, if there is a low degree of competition in their industry in that market. This approach has several benefits. First, this strategy builds solid local knowledge from the process of trial and error. Secondly, the MNE will build a foundation for their business and brand in that market that are independent of partners who may become competitors in the future. This foundation will reduce uncertainty regarding their operations when the market starts to mature.

However, my research also shows that this approach may not be the best for a MNE that operates in an emerging market with a high level of competition. A market with high competition naturally increases the need for local knowledge. If there is little competition the main focus will
be on developing a business model that captures the relevant consumers in the specific market. When there is already established competition it is more difficult to capture consumers, often they have to be won over from competitors which may be more challenging than capturing new customers. Also there will be a need for local knowledge regarding how to deal with established competitors in the market. Due to the risks related to pairing up with local partners in emerging markets MNE’s should try to capture such markets by acquiring competitors and hence gain market share. If the MNE is competing in such market but are experiencing difficulties with growth to the extent that it generates losses, and are financially unable to acquire competitors, they should consider exiting the market. If a MNE want to enter a market with such conditions they should consider not entering or waiting while they obtain knowledge about the market. According to theory there are benefits of being a late mover in a market. These benefits are related to the efforts made by others to change the institutional environment in favor of their industry. However, from my research I have not found any evidence of these benefits weighing heavier than the benefits from entering a market as a first mover when a preparation regarding local knowledge is done in advance.

The relative strength of the brand of the Telenor Group seems to work in their favor and reduce organizational stress. However, there are VCI misalignments. The examples of VimpelCom and Uninor show the negative consequences of not fully incorporating departments in emerging markets in the MNE’s business operations and hence leave a gap between the vision and the culture. According to Hatch and Schultz (2008) VCI misalignments indicates an underperforming brand. However, the absence of problems related to this in Malaysia and Thailand shows that a strong corporate brand is helpful, but not necessarily a determinant for success for developed market MNE’s, in emerging markets. It may be argued that in some cases it might be beneficial to keep the name of a local partner or an acquired competitor if they have a strong position in the relevant market. However, it is important to ensure that there is a flow of knowledge and technology through the organization to ensure development and hence competitiveness.

12. Perspective
The results of this report are useful for a person from a developed market who wants an introduction to the challenges of doing business in emerging markets. It is also useful for persons
who want to get an insight into how they can create strategies for business in emerging markets, giving an insight both to opportunities, restrictions and challenges. The reader should be a person who has some knowledge about institutional theory and previous research within the area but knows little and want to learn more.

Because this research has showed that every emerging market is different, there is reason to question the value of a report that investigates all emerging markets collectively. Instead it may be argued that a context-independent analysis of emerging markets is not valuable and that emerging markets should be analyzed independently for research to have significance. Because this research also shows that some emerging markets differ from each other significantly while others are more similar, there may be reason to argue that the term “emerging market” as presented in existing theory today has little value. This means that the term should be subject for reconsideration and that there is a need to separate the broad term emerging markets into smaller categories based on characteristics, using the same approach as the one that has contributed to distinguishing emerging markets from less developed and developed markets in today’s theory.

Assuming that emerging markets can be investigated collectively value can be added to this research with combining it with a financial analysis to determine the real financial opportunities that lie in the growth potential in emerging markets. This report deals only briefly with the challenges in emerging markets related to competitors, which can be both local and other MNE’s. A detailed analysis of the degree of competition a MNE from a developed market can expect in an emerging market would add value to this research. Because emerging markets are developing rapidly such analysis should include a prediction about future competitive landscape in emerging markets with a ten to five years perspective based on trends seen today. The general advice in this report is based on an investigation of one case company in one industry. Despite that industry specific advice has not contributed to conclusions, a cross-industry analysis in different emerging markets would add value to the results of this report.

Last, this report concludes that local knowledge is the key to success in emerging markets. This conclusion is a problem, not a solution, to success in emerging markets for MNE’s from developed markets. Therefore further investigation that aim to give practical advice for MNE’s from developed markets that are operating in emerging markets should investigate how local knowledge can be obtained.
Bibliography

Articles


Pitelis, C.N., 2002 “Stephen Hymer: Life and the Political Economy of Multinational Corporate Capital” Contributions to Political Economy, 21(1), 9-26

Online Articles


Books


Websites
www.grameenphone.com http://www.grameenphone.com/about-us retrieved at 09.06 2011.06.16
www.telenor.me/eng http://www.telenor.me/eng/home retrieved at 09.08.11
www.telenor.no http://www.telenor.no/privat/ retrieved at 09.08.11
www.telenor.rs http://www.telenor.rs/en/ retrieved at 09.08.11
www.uninor.in http://www.uninor.in/Pages/home.aspx retrieved at 09.08.11

79
Articles from Websites

www.bnet.com  http://findarticles.com/p/articles/mi_m0BMD/is_244_5/ai_58309260/ retrieved at 14.35 2011.06.21


www.dagensit.no July 27th, 2010  http://www.dagensit.no/article1944734.ece retrieved at 10.24 2011.08.03


www.dn.no July 14th, 2010  http://www.dn.no/forsiden/kommentarer/article1936180.ece retrieved at 10.17 2011.08.03

e24.no April 18, 2011  http://e24.no/it/ikke-myve-ki-kan-gjoere/20048268 retrieved at 12.20 2011.06.10

e24.no April 27th, 2011  http://e24.no/it/telenor-handles-med-india-rabatt/20050317 retrieved at 10.07 2011.08.03

e.24.no June 2011  http://e24.no/it/telenors-thailandske-selskap-politianmeldt/20069026 ) retrieved at 13.26 2011.08.03


www.idg.no February 2009  http://www.idg.no/computerworld/article121666.ece retrieved at 15.05 2011.08.03


www.nrk.no November 11th, 2010  http://www.nrk.no/nyheter/okonomi/1.7385004 retrieved at 10.33 2011.08.04
