A Study of how Organisational Culture and Experience Affect Firms’ Political Risk Identification:

A Case Study of Ericsson, Motorola Solutions, Tecnotree and KVH Industries

by

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Abstract

The end of the Cold War marked the end of a dual world power system and an opening up of world markets. This has resulted in a more complex risk landscape, complicating political risks that firms face abroad. The 1990s and onwards also marked an increase in global interconnectedness, increasing companies’ exposure to political risks. Political risk identification has therefore become important component to incorporate into overall risk assessments when operating abroad. This paper argues that a company’s exposure to political risk is dependent on temporal aspects and the type of sector it is operating in. By isolating these aspects, this paper assesses how organisational culture and experience affect how four telecommunication firms - Ericsson, Motorola Solutions, Tecnotree and KVH - identify political risk. The overall purpose of this paper is therefore to assess how organisational culture and experience affect political risk identification. A framework for analysis is developed from existing literature specifying various sub-variables within organisational culture and experience. The thesis finds that organisational culture affects political risk identification. However, this effect differs depending on the type of organisational culture. Scandinavian organisational cultures make firms better equipped at identifying emerging political risks whilst American organisational cultures make firms more capable at identifying current political risks. The thesis also finds that experience affects political risk identification with mature firms with experiential market-specific knowledge being more proficient at identifying political risk. Finally, analysis finds a link between organisational culture and experience and their effect on political risk identification. It finds that the ability to incorporate experiences is dependent on organisational culture with Scandinavian organisational cultures making firms better at incorporating learned experiences to improve political risk identification.

Keywords: political risk, organisational culture, experience, political risk identification, risk management, Ericsson, Motorola, Tecnotree, KVH Industries
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1. Introduction

1.1. Background
The collapse of the USSR in 1991 hailed the end of two economic units within the global economy and signalled the increasing rate of globalisation and growing interconnectedness of markets around the world (Vaidya, 2006). The coinciding development of communication technology has increased the development of global value chains, further contributing to the creation of an ever interdependent economic landscape (OECD, 2013). However, such merging of global markets has also brought an increasing exposure to political risks among many firms operating internationally. As a result, managers have increasingly been faced with the challenge of guiding the course of risk between opportunity and threat, making risk assessments an ever-important part of management (Jarvis & Griffiths, 2007). The intense growth of firms combined with the dynamic and fluid risk landscape has made risk assessments an increasingly difficult task to pursue (Beck, 2009).

Risk in modern times has come to be defined as the possibility of change, accelerated by the dynamic character of modern social institutions (Giddens, 1990). The risk landscape can therefore be defined as ‘the totality of risks faced by a specific community, such as a nation, a business enterprise or a family. If the community changes, so does the risk landscape’ (Swiss Re, 2004: 5). Thus with the shift and rise of new asymmetric threats, the political risk landscape has also changed. Firms’ ability to tackle these political risks are therefore dependent on how they identify changes in this fluid risk landscape.

This paper will assess how organisational culture (OC) and experience affects telecommunication firms’ ability to identify political risks. Focus will be placed on Ericsson, Motorola Solutions, Tecnotree and KVH Industries. It will base its assessment of OC from two assertions; the first being that the political economy of a nation affects how a firm’s OC and how it responds to a market and secondly; national cultures are likely to shape organisational behaviour (Porter, 1990; Clark, 1990). Culture is hereby defined as a variable exogenous to the organisation, affecting and reinforcing behaviour and norms within firms (Selnes et al., 1996). It defines experience based on
a firm’s time duration operating abroad and actively engaging with locals in a foreign country. (Vahlne & Nordström, 1993). These definitions will be elaborated in the literature review.

This paper will firstly conduct a literature review discussing political risk, OC and experience. This is followed by a methodology section, specifying amongst other things a theoretical framework and how it will be used in the analysis. The data presentation section will then present methods used by the four firms in question to deal with political risk. This is followed by an analysis discussing how OC and experience abroad affect a firms’ ability to identify political risk. Analysis will be supplemented with interviews carried out with Ikano Real Estate (interview 1 March, 2016) and Scandinavian Risk Solutions (SRS) (interview, 14 April, 2016).

1.2. Problem Discussion

Current problems within international risk management involve grappling with political issues that sometimes surprise even the most experienced firms (SRS, 2016). PwC (personal communication, 8 December, 2015) argue that despite current efforts at understanding political developments, a high percentage of multinational companies (MNCs) believe they are not maximising their political risk identification. Furthermore, political risk assessments differ depending on the ambition of the firms, their organisational structure and experience, making it increasingly hard to establish a systemised method (SRS, 2016). Correspondence with Ikano Real Estate and SRS pointed researchers to focus on two variables that potentially affect political risk identification. An understanding of the causal effect of these variables on political risk identification can provide insights into how companies identify political risk and how these identifications strategies are influenced by different variables (SRS, 2016; Ikano 2016).
1.3. Purpose

The purpose of this paper is to assess how organisational culture and experience affects how firms identify political risk.

This paper will base its assumptions of political risk on the premise that it is dependent on temporal aspects and the type of sector a firm is operating in (Ramos, et al., 2000; SRS, 2016). Based on these assumptions, this paper will assess how OC and experience affects firms’ abilities to identify political risk, focusing on firms within an industry during a specific time period. This paper will not focus on risk mitigation as this is an entirely separate process from risk identification and would therefore lead the paper away from its original purpose (Swiss Re, 2004; Petersen, 2011).

1.4. Hypotheses

This paper sets up two main standpoints; the first being that firms’ OC helps to determine how they perceive political risks. In other words, Scandinavian firms with flat, horizontal structures and decentralised forms of management will detect and identify risks differently from American firms with typically hierarchical structures and strict guidelines of how to identify risks (SRS, 2016). The second assumption asserts that experience can help determine a firm’s success in identifying and dealing with political risk. As a consequence of the first standpoint, our first hypothesis is as follows;

- [Hypothesis 1]: OC will shape firms’ political risk identification. As a result, Scandinavian and American firms operating within the same industry in a specific location will arrive at different conclusions as to what political risks may affect their business activities.

Our second hypothesis states that;
- [Hypothesis 2]; the level of experience of a firm will partly determine its ability to identify political risk.

These hypotheses fit in with the purpose; analysis of firms’ OC and experience will help assess how they identify political risk. In terms of findings, it will allow for the researchers to expose current risk assessments and point to problems in current assessments of political risk (Collis & Hussey, 2003). The paper’s purpose allows the researchers to investigate existing situations and problems and explain new phenomenon - the increasing importance of political risk (Collis & Hussey, 2003).

1.5. Research Questions

Hypothesis 1 states that OC will affect a firm’s political risk assessment. Research question 1 therefore asks how OC affects firms’ ability to assess political risk. Hypothesis 2 asserts that the level of experience of a firm will partly determine its ability to identify political risk. Research question 2 therefore asks how a firm’s level of experience affects its ability to detect political risk. These questions allow the paper to evaluate both OC and experience and their relation to political risk. Since this paper analyses four telecommunication firms already established within high political risk areas and already confronted with political risks, the experiential factor become increasingly relevant to analyse since the four firms in question vary in experience and maturity.

Research also indicates the possibility of a relationship between the two variables; OC and experience. Data alludes to the possibility that OC affects how firms incorporate experiences to improve their political risk assessments. Therefore, if both hypotheses are confirmed as valid by their respective research questions, Section 6 will discuss the link between the two variables and its implications for how firms identify risk. This will help to understand whether certain OCs are better suited to incorporating experiences to improve risk identification. A flow chart of the paper’s hypotheses and the path to a discussion assessing a link between the variables can be seen in Figure 1. If one of the hypotheses is rejected in the analysis, then a discussion over the link between the two variables and their combined effect on political risk identification becomes invalid.
1.6. Objectives

As a consequence of the paper's hypotheses and research questions, several objectives have been established. The research paper has four main objectives; (i) establish the existence of a dynamic risk landscape and the importance of imposing criterions to limit spurious variables when assessing political risk identification; (ii) show how OC and experience affect political risk identification; (iii) discuss a relationship between OC and experience and their combined effect on political risk identification; (iv) provide a basis for more in depth research assessing further variables affecting political risk identification.
1.7. Limitations

This paper recognises that the OC and level of experience of four companies and their relation to political risk cannot be generalised. Rather the purpose for using four companies is to supplement the research questions in order to confirm or reject the stated hypotheses. Our specific findings from our case studies are more relevant to firms within the telecommunications sector. This is because the risks present to these companies will be more pertinent to telecommunication companies due to their industry (SRS, 2016). Nevertheless, coming to an understanding of how OC and experience affect political risk identification as a whole can be used as a foundation for future studies seeking to assess how firms identify political risk.

Furthermore, the paper recognises that the size-difference between the less experienced firms – Tecnotree and KVH. The size of the younger American firm is larger than the young Scandinavian firm. Nevertheless, they both fall within University of Michigan’s middle-market segment which constitutes any company with revenues between $10 million and $1 billion. Both companies therefore fall within the lower range of Middle Market companies (National Middle Market Center, 2016). Furthermore, the implementation of these two companies is related to the fact that they are newer and less experienced in international operations rather than their actual size.
2. Literature Review

2.1. Risk Management

2.1.1. Economic Perspectives on Risk Management

Economic approaches to risk management are characterised by anticipating and controlling future risks by taking preventative action (Petersen, 2011). The methodologies associated with economic risk management tend to focus on cost-benefit analyses and assume that risks can be classified, quantified and predicted and eliminated through rational behaviour (Petersen, 2011). Therefore, from an economic perspective, risk analyses are often based on an investment logic aimed at assessing whether the risks of associated projects are outweighed by benefits (Adams, 1995). The concept of risk is therefore positively correlated to the possibility of profit but the principal benchmark for success is utility maximisation through cost-benefit analysis (Renn, 2008).

Nevertheless, terrorism events such as the attacks on September 11, 2001 and the growth of asymmetric forces such as the growth of the Islamic State and the Levant (ISIL) have posed major challenges to the economic logic of calculability and seeing future risks as a mirror of past events (Gaspar et al., 2015; Petersen, 2011). Indeed, Ulrich Beck (2009) argues that we have moved from a first-modernity where perceptions of risks have been manageable and calculable to a second-modernity where risks have become uncontrollable and incalculable due to direct effects of human action and technology. Not only have they increased the risk of conflict in areas where firms seek to pursue FDI, but also affected countries’ institutional frameworks as well as affecting how firms organise their strategies and budgeting.

2.1.2. Risk Assessment Procedure

According to Yoe (2011), the process of risk management goes as follows: establishing a context, identifying risks, analysing/quantifying risks, monitoring and reviewing, integrating risks, assessing/ prioritizing risks, treating/exploiting risks and finally monitoring and reviewing (Yoe, 2011: 230). This standardised form of risk assessment can be seen in Figure 2 with ISO 31000: 2009 involving identification, analysis and evaluation. This can be extended to political risk
assessments with the contextual background and objectives of the actor being important starting points in assessing political risk. PwC (2016) argue that assessing risks before taking action delivers value and that as a result, a systematic framework for political risk management will protect investment.

Figure 2: The risk management process from ISO 31000:2009 (Purdy, 2010).

PwC (2006: 4) argue that evaluating a company’s exposure to political risk and assessing their impact ‘should be key components’ to any company’s risk management. By integrating political risk into firms’ overall risk assessments, global exposures can be better understood and a balance between a firm’s risk appetite and achievement of corporate objectives can be established. However, Purdy (2010) argues that firms should attempt to implement political risks into broader risk assessments such as ISO 31000 in order to optimise risk rather than mitigate it. Indeed, this paper seeks to assess companies already embedded within high political risk areas and must actively incorporate political risks into their strategies. Therefore, assessing political risk as a
means to optimise risk assessments rather than mitigate them becomes useful. Since this paper seeks to assess how firms identify political risk in high political risk areas, this research will focus on *operational risk* (Sadgrove, 2014). It measures ‘the risk of loss resulting from inadequate or failed processes, people and systems or from external events’ (Basel Committee, 2006: 3).

There are nevertheless differences in the requirements to report risk. In the United States, federal regulations require that public companies with 500 or more stakeholders and revenues of over $10m public companies to report risk factors and quantitative & qualitative disclosures about market risk in so called 10-K forms. These annual reports sent to the U.S. Securities and Exchange Commission and are distinct from annual reports to shareholders (SEC, 2011). This results in a standardised assessment of the risks faced by the company.

### 2.2. Political Risk

The concept of risk implies uncertainty about how the future will unfold in an increasingly dynamic, globalising world (Habbeger, 2008). Its broad diffusion in politics and business ‘unlocks some of the most basic characteristics of the world in which we now live in’, making risk more inherent in society than ever before (Giddens, 2001: 9). Risk concepts share an uncertainty about how the future will evolve (Ortwin, 1992). Indeed, this uncertainty is strongly linked to capabilities of conducting self-determined action. Thus, risk only becomes a meaningful concept in firms that are future-orientated and ‘want to break away from [their] pasts’ (Giddens, 2001: 40).

Future uncertainty is also a key preoccupation governing all political activity and ‘seems to be inherent in all political life’ (Dahl, 1991: 137). Both international business and international relations consist of identifying future trends that have a certain probability of occurring amongst an undetermined number of observable and unobservable trends (Habbeger, 2008). Risk analysis within international relations sub-fields such as security studies must assess the direct and indirect risks associated with political risk, such as human, economic, environmental and social risks among others (Human Security Report Project (HSRP), 2005). All these factors have the
ability to cause negative effects on both the microeconomic level (Collier & Hoeffler, 2004); (Fearon & Laitin, 2003) and the macroeconomic level (Justino, et al., 2013) within the country affected and consequently on the FDI of a MNC.

### 2.2.1. Political Risk Landscape

Risk landscape can be defined as ‘the totality of risks faced by a specific community’ (Swiss Re, 2004: 5). With the shift and rise of new asymmetric threats, the risk landscape has also changed. From a political risk perspective, today’s risk landscape is composed of three interlinked elements; interdependency, complexity and uncertainty, which are becoming ever more connected by increased dynamic global change (Habbeger, 2008). This can be seen in Figure 3. Interdependency has been fuelled by advances in communication and information-sharing, increasing international linkages between countries, international institutions, markets, multinational corporations, civil society and persons (Swiss Re, 2004). Indeed, transnational terrorism highlights the ability for small groups to achieve harmful effects that are disproportionate to their real political significance (Kamppinen & Wilenius, 2001).

![Figure 3: Political risk landscape composed of three interlinked elements (Habbeger, 2008).](image-url)
It is therefore evident that the risk landscape is composed of varying degrees of risk with differing time-frames of importance with some meriting immediate mitigation and others demanding long-term attention. These high levels of interconnectedness across geographical and functional boundaries increase the possibility for risk contagion with tightly coupled interdependent systems rendering it difficult to predict or contain specific geographical or functional subsystems (World Economic Forum, 2006). As a result of increased interdependency and complexity within the risk landscape, there is a higher degree of uncertainty. If future risk is to be managed successfully, changes must be recognised and systematically influenced in their infancy and require more active dialogue between individual stakeholders (Swiss Re, 2004).

### 2.2.2 Risk Identification

In a more dynamic and changing risk landscape, early risk identification becomes essential and helps firms prevent risks which have the likelihood of developing into issues that could threaten interests, goals and values (Habbeger, 2008). Early identification of risks also provides the firm with sufficient time to tackle the risks before they manifest themselves into problems that could affect business performance (Simpson, 2015). SRS point out that it is crucial for a firm to ‘detect weak signals’ when operating in a high risk area. This assertion resonates with Igor Ansoff’s (1975) observations on early strategic warnings. Ansoff (1975: 21) argues that risks do not emerge ‘out of the blue’ but rather always have a history of development. Thus, the earlier emerging threats and discontinuities are detected, the more options the firm has available and consequently the better equipped it will be to mitigate political risks. This rationale for early warning can be seen in Figure 4.

It can be argued that in today’s information age, the constant access and accumulation of information has increased the possibilities of identifying risk early on and detecting potential changes within the external environment (Brynjolfsson & McAfee, 2014). Nevertheless, Joseph Nye (2002) argues that whilst information has become more readily available and accessible, it has become increasingly difficult to filter decisive trends and signal from the vast amount of data available. This ‘paradox of plenty’ has resulted in what Nye (2002: 67) terms a ‘plentitude of information [leading] to a poverty of attention’. Young firms quickly expanding into new are
therefore faced with weak signals within the plenitude of information which leads to a failure to properly comprehend relevant political risks (SRS, 2016).

2.2.2. Establishing a Context

In order to assess political risks, ‘we need the ambition of the objects’ (SRS, 2016). If a MNC operates in Nigeria for example, latent threats will remain the same regardless of which industry it operates in (SRS, 2016). Nevertheless, the sector in which the firm operates in plays a role in defining whether these latent threats have the potential to become high risk (SRS, 2016). A company operating within the pharmaceutical sector will be exposed to the same threats as a company working within arms manufacturing; the risks however will be different due to their differing objectives and exposure to different actors.

Indeed, SRS argue that “you have the local, the local-local, the national-local, the regional, you have the global. They are not relevant until you put a client [in]” (SRS, 2016). In essence,
identifying political risk only becomes relevant once criterions and situational contexts have been established. By specifying for example, the host government within in a certain region and a firm operating within the tech industry, the business and geographical criterions will be established and then risk identification can ensue (SRS, 2016). Organisations and companies that find a methodology to support structures that incorporate relevant risks in line with their ambitions tend to be more successful (SRS, 2016). In other words, the key to establishing successful political risk assessments involves defining criterions and then incorporating them into the risk process.

These findings highlight the complexity of today’s risk landscape and fulfil this paper’s first objective of pointing out the complexity of the risk landscape and the need to restrict variables through the establishment of criterions.

2.3. Organisational Culture

Now that political risk and risk in general has been outlined, it becomes important to operationalise this risk landscape by discussing the variables used within the analysis. OC can be defined as ‘shared basic assumptions’ that the group learned as it solves its problems of internal integration and external adaptation (Schein, 2010: 18). If this process has worked well enough to be considered valid, it is taught and conditioned to new members as a correct method of perceiving, thinking and feeling. As stated, this paper defines organisational being affected by the political economy of a nation and that national cultures are likely to shape organisational behaviour (Porter, 1990; Clark, 1990). It has purposefully avoided delving into organisational design such as Mintzberg’s (1980) writings discussing different types of organisational structures. Analysing organisations from a design standpoint would arguably miss the point of what the paper seeks to discuss; namely how OCs derived from its political economy and culture have the potential to overlook political risk.

The political economies of USA and Scandinavia differ decidedly with level of government involvement reflected in the relative spending of GDP (Selnes, et al., 1996). In the Scandinavian countries government spending as a percentage of GDP is above 50% whereas in the U.S. it is around 38% (OECD, 2014). This section on OC will discuss organisational systems, management
styles within Scandinavian organisations and finally how certain OCs foster adherence to set guidelines to guide their organisation.

2.3.1. Organisational systems
Research within organisational theory has shown that flat, egalitarian organisations exhibit flexibility and learning and thus have the capacity to become learning organisations due to strong engagement with their functionally flexible, central workers’ (Asheim, 1996). As a result, these structures have the capacity to mobilise non R&D based knowledge and build trust among employees (Herrigel, 1996). Rigid hierarchical structures on the other hand tend to encourage employees to keep relevant information to themselves (Herrigel, 1996). In discussing organisational systems, the level of formalisation will be discussed and how this results in a static or dynamic OC.

Formalisation involves the scale to which rules define authority relations, roles, communications and procedures (Hall et al., 1967). Scandinavian firms rely less on formalised procedures and routines in their control of domestic and foreign subsidiaries. There is less bureaucracy driving Scandinavian firms’ decision-making processes and problem solving compared to American firms (Selnes, et al., 1996). Thus, Scandinavian firms’ organisational systems are less formalised which results in a flexible and dynamic OC. Indeed, in his studies of MNCs and its subsidiaries, Hedlund (1986) finds that American firms use more coercive methods of control and granted less autonomy to its subsidiaries whilst Swedish firms relied to a greater extent on normative controls through socialisation within their international organisations. This suggests that Scandinavian organisational systems tend to be more fluid and dynamic whereas American organisational systems tend to be more static.

2.3.2. Management Styles
Within the top management of Scandinavian firms, managers tend to be consensus-driven rather than their American colleagues. Thulin (1988) finds that Swedish managers reported high levels of collegiality between all levels of the organisation with an underlying emphasis on informal decision-making. This is a stark contrast to American executives who give more directives to
subordinates and tend to exhibit greater top-down organisational structures compared to Scandinavian firms (Selnes, et al., 1996; Ikano, 2016). Such consensus-building management styles influences departmental relationships, creating positive peer relationships (Hofstede, 1985).

Centralisation deals with the lack of delegation throughout an organisational system regarding decision-making authority and the lack of participation of decision-making by organisation members (Aiken & Hage, 1968). Hofstede’s (1985) proposes a ‘power distance’ concept to describe the extent to which a society accepts an unequal distribution of power in institutions. He finds that Scandinavians score a much lower power distance score than Americans, suggesting a preference towards equal power and decentralised authority (Hofstede 1985). Indeed, ABB [global Scandinavian firm offering engineering solutions] has hundreds of foreign subsidiaries which are managed on a decentralised basis. As a result, its flat organisational structure and transnational ownership encourages local initiative, quick response and decentralised FDI decisions (Morschett et al., 2009). Nevertheless, Olsen (1976: 82) describes this decentralised organisational authority more like ‘organisational anarchy’ since subsidiaries, departments and even employees have the possibility to sanction processes and initiatives that are not grounded ‘properly’ within the organisation. Nevertheless, whilst Olsen (1976) may see such a low power distance as some form of anarchy, such a system fosters consensus and greater communication along the organisational system. This leads Selnes et al. (1996) to argue that such consensus and communication makes Scandinavian firms more open, receptive and more able to calculate risks around them.

Scandinavian employees typically behave [and are encouraged by managers to behave] in a way that supports and fosters group cohesion whilst U.S. employees working within a hierarchical organisational structure are more likely to pursue initiatives that promote their own position, sometimes even to the detriment of the group (Selnes, et al., 1996). Nevertheless, Gustavsen (2007) argues that flat organisational structures with no hierarchies provide little stability and are consequently less able to implement a systematic method for risk assessment. He argues instead that several managerial hierarchies operating together are more likely to foster a system of mutual
checks and balances, making decision-making and risk assessments more accountable (Gustavsen, 2007).

2.3.3. Adherence to Guidelines

Hedlund (1986) argues that Scandinavian firms are less oriented to short-term profits and more focused on long-term trends and goals. Given this future outlook, Selnes et al (1996) argue that the Scandinavian OC tends to be ‘more supportive of innovations, willing to take calculated risks, and accepting of occasional product failures as being a natural part of business’. Consequently, there are better able to adapt to changing scenarios. Hofstede (1984: 97) argues that ‘weak uncertainty avoidance stands for a willingness to take risks and to innovate’. Incidentally, both Sweden and Denmark score much lower in Hofstede’s (1984) uncertainty avoidance index than the United States. This suggests that Scandinavian firms are more inclined to adapt and pursue innovative solutions which as a result which may go some way to explaining their dynamic OC.

However, whilst their less formal structure makes them more adaptive in their operations and flexible in identifying risk, they lack a ‘manual’ or ‘checklist’ that American subsidiaries generally adhere to when conducting risk assessments (SRS, 2016). These normative controls may be useful due to different geographical areas exposing subsidiaries to different types of risk, the methodologies used to carry out these risk assessments are not consistent (Ikano, 2016). This may limit accountability and ability to assess what went wrong should a subsidiary be negatively affected by a political risk. It can therefore be argued that risk management becomes secondary to innovation while American firms with their rigid guidelines and high uncertainty avoidance tend to favour more coherent organisational structures in which to pursue risk management. Whilst Scandinavian firms may be more willing to take long-term calculated risks, their OC may make them less able to perceive it correctly or in a timely manner (SRS, 2016).

2.4. Experiential Factors

The process through which international firms reach their present international position is often called the ‘internationalisation process’ of the firm (Vahlne & Nordström, 1993). In today’s globalised business world, few industries are nationally structured and there is a need to know
and adapt to foreign markets (Porter, 1986). Vahlne and Nordström (1993: 532) argue the ‘learning-by-doing component’ is critical in the process of accumulating experience, with experience gained internationally important in operating efficiently abroad and gaining a competitive advantage over rivals. Hence, internationalisation and experience are closely interlinked with firms successful in their internationalisation process being able to benefit from previously accumulated experience.

### 2.4.1. Market-Specific Experience

These experiential factors also relate to risk identification. Depending on their previous experience, firms may differ in their ability to identify global, country and firm-specific risks. SRS (2016) argue that organisations can be very good at incorporating other risk other than financial risks because of their experience. Johanson and Vahlne (1977: 28) argue that the relevant market knowledge can be divided into two types of experiential knowledge; general knowledge and market-specific knowledge. General experiential knowledge involves knowing how to handle international operations including marketing methods, sales, purchases and common characteristics of certain types of suppliers and customers, regardless of their market location (Carlsson, et al., 2005). However, this general knowledge is not specific to any sort of market. Market-specific experiential knowledge involves understanding a specific market such as the telecommunications market and knowing its characteristics (Carlsson et al., 2005). Such traits may involve understanding culture, the structure of the market system, knowledge about individual customers and the overall business climate in general (Carlsson, et al., 2005). Indeed, Penrose (1959) argues that gaining such experiential market-specific knowledge is critical for a firm to successfully carry out internationalisation. It can therefore be argued that a firm’s uncertainty in identifying and anticipating political risks when operating within a foreign market can be caused to a certain extent by a lack of experiential market-specific knowledge (Johansson & Vahlne, 1977).

### 2.4.2. Incorporating Experience

Nevertheless, March and Olsen (1976) argue that experiential market-specific knowledge also depends on the firm’s capacity to absorb these experiences and shape their OC accordingly to
specific market traits. In essence, some firms learn faster than others which will also affect their ability to carry out political risk assessments. Furthermore, Vahlne and Wiedersheim (1977) argue that market-specific experiential knowledge also breaks down the barriers between the firm and the locals, decreasing the ‘degree of foreignness’ and making the firm more accepted within its host country. Constructive relationships with locals can instigate intelligence-sharing, which in turn can provide vital understandings about the political risk landscape and emerging risks (Anderson & Zandvliet, 2009). Thus, it can be argued firms with such experience will be better equipped to carry out risk assessments. Whether or not they actually take advantage of this is reflected within their internationalisation process with firms more open to incorporating such learning being the most beneficial from such experiences (Carlsson et al., 2005).
3. Methodology
This chapter will set out the thought process, design and data collection of the research as well as limits of the study (Roberts, 2010). The study was initially driven an assumption prevalent in international relations theory, namely that political risk is becoming an increasingly complex and relevant factor for firms operating internationally (Kegley & Blanton, 2014). This observation was supplemented with information derived from two interviews with experts within fields of risk management and political risk as well a review of existing literature. From there, it was shown that it is not the case that firms merely need to be aware of increased political risks, but rather that they need to be incorporated properly (SRS 2016, Ikano 2016). As the interviews and literature reviews demonstrate, this is not always the case leading to the question of how firms actually incorporate political risk. Therefore, two initial hypotheses emerged concerning organizational culture and experience. From that, a third hypothesis which links hypothesis one and two is discussed in Section 6.

3.1. Research Paradigm
Having two different authors with differing assumptions about social reality, it is important to establish clear ontological and epistemological standpoints in order to avoid as much dissonance between the two authors’ views as possible. Furthermore, there may be a clash between an author’s own assumptions about reality and the most suitable philosophy for a specific study (Saunders et al., 2016). A structured approach attempts to address these potential conflicts and provide the tools for future research in the subject matter to be dealt with systematically.

3.1.1. Ontology
The main themes of the study – OC and experience – are social phenomena which are affected by context and perceptions and may consequently change over time (Eriksson & Kovalainen, 2015). As previously mentioned in Section 2.3, the study has purposefully avoided looking at more tangible factors such as organizational structures and design. Therefore, a subjectivist ontological stance is deemed to be more pertinent to this study as it treats various social phenomena as being interlinked and in constant flux with various factors including the subjectivism of the researcher
(Saunders, et al, 2016). This is opposed to the objectivist view which discounts the role of the researcher, which may be more suited when dealing with quantitative data (Tavakoli, 2013). Furthermore, companies may treat risk management as a formality to report to its shareholders as opposed to making comprehensive assessments. It is the role of the researchers to discern the seriousness of the company statements as well as looking for implicit as well as explicit approaches to risk management. An objectivist view which treats statements as objective facts would miss the more implicit approaches to risk management.

3.1.2. Epistemology
In terms of epistemology, a pragmatist position is taken as the authors believe that both positivism and interpretivism can be resourceful in explaining and analysing different sets of data which vary and require different ways of grasping the subject matter (Creswell, 2007). On the one hand, it is difficult to separate the author’s interpretations of knowledge acquired from interviews and annual reports (Saunders et al., 2016). At the same time however, a conscious decision was made to avoid getting too embroiled in debates regarding what encompasses political risk. In some areas, political risk is used interchangeably with political threats and in others, a political risk encompasses macroeconomic risks whilst others distinguish the two (OECD, 2010). Therefore, some elements of deep interpretive enquiry have been dampened in order for there not to be too much disconnect with the analysis section which partly analyses’ data with varying definitions of political risk. Therefore, the basis for employing this mix is to utilise on varying forms of analysis which are best suited for the relevant section. This according to Driscoll et al. (2007) has the benefit of not limiting a study to one approach which can be useful in studies where a pragmatic approach has been taken. This fits with such a study which has adopted a flexible process from the outset.

3.2. Approach and Framework
The study aims to see how these hosts of different political risks are identified rather than interpreting how the companies view the concept of risk. It is exploratory and analytical: research dedicated to hypothesis’ one and two are primarily exploratory as it attempts to explain reasons behind why these companies identify political risk the way they do (Bryman & Bell, 2015). It
does therefore not seek to find a definitive answer, but rather seeks to assess what the current trend in terms of risk assessments point towards (Collis & Hussey, 2003). The outcome of this exploratory question will provide findings for the discussion section and form the basis for further research.

It has taken an inductive approach, starting from broad observations regarding political risk assessments and narrowing down the subject matter into looking at two variables – OC and experience. These are analysed with the aid of a framework which is adapted from existing literature (Creswell, 2007). The measurement of three variables (i) Dynamic vs. static; (ii) centralised vs. decentralised and; (iii) adherence to guidelines for organisational culture. For experience; (i) long time risk vs. short term gains and (ii) market specific vs. general knowledge. The variables and its aspects are shown in Figure 5.

![Figure 5: Theoretical framework to assess how organisational culture and experiential factors affect political risk identification.](image)

The chosen sub-variables, their relevance and ways assess them are listed below. The interviews with experts coupled with literature provided the sub-variables which can be assessed. The assessment looks at links between the OC or experience sub-variables and how that forms affects
political risk identification. The assessment modes follow the pragmatist line of thinking, both interpretivist and positivist modes are adopted depending on which best fits the variable. Table 1 presents a description of the sub-variables, how they will be measured and why they have been chosen. The sub-variables within OC have been shaded green and the sub-variables for experience have been shaded blue.

<table>
<thead>
<tr>
<th>Sub-Variables</th>
<th>Description</th>
<th>Relevance</th>
<th>Measurement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dynamic vs. Static</td>
<td>Organisational system and normative controls guiding its organisation</td>
<td>Help determine how firms react to a changing political risk landscape</td>
<td>Restrictions imposed on firm from within its organisational system</td>
</tr>
<tr>
<td>Centralised vs. Decentralised</td>
<td>Management style – direct orders or delegation</td>
<td>Help determine how employee autonomy contributes to political risk identification</td>
<td>Level of delegation and centralisation of management</td>
</tr>
<tr>
<td>Adherence to guidelines vs. Adaption</td>
<td>The degree of external controls imposed on risk assessments</td>
<td>To see the effects of externally imposed organisational guidelines on political risk assessments</td>
<td>Level of external guidelines imposed on the firm</td>
</tr>
<tr>
<td>Market-Specific vs. General Knowledge</td>
<td>The level of knowledge a firm has about local actors and stakeholders compared to general knowledge of a market</td>
<td>To help determine how knowledge of local environment affects ability to foresee political risk</td>
<td>Amount of initiatives to interact with local stakeholders</td>
</tr>
<tr>
<td>Long-term Outlook vs. Short-term Gains</td>
<td>Prioritisation of fast growth as opposed to mapping out long-term consequences</td>
<td>To see whether focus on short-term gains impedes a firm’s ability to detect political risks</td>
<td>Strategic discourse in annual reports during periods of growth</td>
</tr>
</tbody>
</table>

Table 1: Analysis framework used as a guide within the analysis
3.3. Research Design

In order to garner a more proficient foundation for inquiry, the study is aided by latest existing literature covering risk management, OC, experience and political risk as well as reflections from experts within the field of political risk management. Interviews conducted with Ikano Real Estate and SRS are a useful tool for acquiring more thorough insights from which hypotheses can be derived from (Saunders et al., 2016). From the interviews, relevant information is critically selected and utilised throughout the study, opening up for a comparative analysis to be made. The comparative qualitative case studies focus on political risk, involving examination and reflection rather than measuring scale, frequency etc. of phenomena (University of Bradford, 2014).

The companies selected have been chosen in order to compare Scandinavian telecommunication firms to American telecommunication firms. With regards to the Scandinavian firms, focus will be on Ericsson; a large Scandinavian telecommunication firm with experience operating in foreign countries and Tecnotree; a young and relatively inexperienced telecommunications firm. Regarding the American firms, Motorola Solutions will be compared with the smaller and less experienced company KVH. Due to the blurred boundary between the growth of the internet together with the increasing role in the transfer of telecoms data, this paper will define telecommunications as telecoms equipment and IT hardware (The Economist, 2006). This paper has chosen firms varying in experience and OC in order compare and contrast how political risk is affected by these respective variables. Figure 7 shows the distinction between the firms within the case study. Nevertheless, all the companies within this case study operate within the telecommunications sector producing hardware and all of them have employees on the ground in foreign countries. It has chosen to analyse firms within the same sector since they will be more likely to deal with the same types of actors, have similar goals and therefore be exposed to similar types of risks (SRS, 2016). All types of firms will face same threats within a geographical area but risks will manifest themselves depending on the firm. Therefore, choosing to analyse firms within the same industry will limit spurious variables and put the paper in a position to better extract answers.
<table>
<thead>
<tr>
<th>Level of Experience</th>
<th>Organisational Culture</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Scandinavian</td>
</tr>
<tr>
<td>High experience</td>
<td>Ericsson</td>
</tr>
<tr>
<td>Low Experience</td>
<td>Tecnotree</td>
</tr>
</tbody>
</table>

*Experience based on a firm’s time duration operating abroad and actively engaging with locals in a foreign country.

Table 2: Firms used within the case study, highlighting their differing levels of experience and organisational culture

The data is primarily qualitative whilst some hard data deployed includes annual financial performance from telecommunication companies as well as risk indexes which are established based on predetermined objective criterion such as how many conflicts have occurred within a specific region within a specified timeframe. However, this data mainly acts as supplementary information to the qualitative data. Since understanding is the goal of this paper, the researchers are the primary instruments for data collection and data analysis as they are able to be responsive and adaptive to collecting and analysing data (Merriam, 2002).

3.4. Data Collection Method

Data is typically hard to gather in areas with high political risk since these areas are typically in developing countries where micro-level data on firm activity is usually limited or unavailable (Amodio & Di Mario, 2014). Identification of firm performance is reliant on the accuracy and coverage of data used to measure political risk, which in many cases is quite low (Amodio & Di Mario, 2014). Data collection will therefore result from multiple information sources including interviews from firms in direct contact with the high-risk area as well as documents, secondary sources and direct observations (Yin, 2003).
3.4.1. Semi-structured interviews

Data collection in the form of interviews was semi-structured at the start but became more structured and closed towards the end of the interview. The interviews with Ikano and SRS covered a wide range of instances regarding risk management and political risk. Thus, at the beginning, a series of questions were formulated in the general form of an interview schedule, but the sequence of questions were varied. This was done in order to better extract responses from the interviewee and ask further questions in response to what were seen as significant replies (Bryman & Bell, 2015). Furthermore, since the researchers only conducted two in-depth interview, there was no need to carry out a structured or standardised interview throughout since replies would not be aggregated (Bryman & Bell, 2015). In line with the mixed approach, the aim was therefore to extract as many answers as possible from the respondents and allow them a wide range of topics to focus on. The researchers then gradually honed in the questions towards a specified topic and increasingly asked more closed questions. This allowed for both open and closed answers which helped to both contextualise the topic whilst simultaneously focusing on a specific area to yield new findings (Bryman & Bell, 2015).

The interview was conducted by two interviewers which is not uncommon for a semi-structured interview within a qualitative study (Bechhofer & McCrone 1984). A second interviewer within a structured interview would not yield any added value due to its structured context. However, within a semi-structured interview, two interviewers allow for a wider scope of questioning and discussion since there is more chance to perceive an opportunity to press on a certain question or topic (Bechhofer & McCrone, 1984). Indeed, Bechhofer and McCrone (1984: 99) argue that the second interviewer ‘is often in a position to observe reaction that elude the other [interviewer]’. It also allowed for the initial part of the interview to take the form of a conversation between four people [two interviewers and two interviewees] rather than a strict interview in order to allow for the respondent to become ‘relaxed and - unperturbed’ and become more open to discussing Ikano and SRS (Bechhofer & McCrone, 1984: 98).
3.4.2. Secondary sources

Annual reports have been chosen for the comparative analysis as they offer a comprehensive source of information from which organisational behaviour and experiential traits can be observed (Hasset & Paavilainen-Mäntymäki, 2013). A longitudinal analysis, looking at company reports as far back as 1995, with the exception of Tecnotree which only has reports from 2001, is adopted. This enables the authors to detect any repetitiveness and formalities over actual developments and trends which also better serves the interpretivist position. These factors become more evident when looking at a bigger sample. They are analysed in five year intervals as there are presumably fewer differences between reports annually. Also, one of the initial assertions made is the changing nature of political risk. Therefore, looking at annual reports over time better highlights these developments.

A problem with such reports is that they may be subject of financial manipulation, but nevertheless offer some of the best available information about companies (Klarner, 2010). According to G.A Churchill (1999), annual reports are a primary source of secondary data. This is helpful in tackling the problem of data accuracy with secondary sources. The difference with annual reports is that they come directly from the company itself rather than being subject to reflections from business analysts and pundits (Klarner, 2010). Also, as has already also been noted, it is the role of the author to distinguish company jargon from relevant information. The literature review consists of secondary sources in the form of books, journals and other academics publications. This section was compiled in order to provide a strong knowledge base for the study, as well as developing a framework for political risk analysis (Saunders et al., 2016). It was noted by both Ikano and SRS (2016) that there may be some disconnect between academic literature and real world practices in risk management. Therefore, the authors have a role in highlighting such differences in the analysis section.
3.5. Reliability and Validity

The reliability, validity and generalisability of the study is heavily based on criterion set out in by Saunders et. al’s (2016) book; ‘Research Methods for Business Students’. Reliability is described as being a reflection of how replicable a study is. This is more crucial in quantitative studies as they analyse more concrete measurable variables which can be adjusted or improved upon in later research. The role of reliability is a bit more problematic in qualitative studies as they are more interpretivist in their approach, based on the subjective standpoints made by the authors. Nevertheless, it was previously noted that the established paradigm seeks to converge the authors’ views as much as possible and set forth both a positivistic and interpretative paradigm that are at least partially replicable. This is done by avoiding value laden assumptions about political phenomena for example and avoiding ideologically-driven frameworks.

The validity is subject to consistency mechanisms. Internal validity is achieved by cross-checking findings where both researchers critically agree about what conclusions can be made from the data. Even here however, subjective differences are likely to exist as has previously been noted. A further measurement validity control is comparing findings from the literature review and the framework with real life practices at the risk management companies as well as looking at how these findings are reflected in annual reports. During the interviews, we sent the interviewees questions one week in advance in order to for them to prepare their answers and have time to look through the questions highlight any inconsistencies with the questions. The interviews were transcribed by one author and cross checked by the author in order to increase accuracy (Saunders et al, 2016).

In terms of generalisability, as mentioned in Section 1.6, the authors are aware that sampling four companies to analyse political risk incorporation will not yield highly generalisable results. Rather, the aim is to gain an understanding of how OC and level of experience affect political risk identification. This exploratory study therefore contributes to shifting the pre-existing focal points and contributes to filling an academic void in assessing how certain variables influence firms’ identification of political risk (Ikano & SRS 2016). This can help to supplement future studies seeking to assess political risk identification strategies from this perspective.
4. Empirical Data: Telecommunication Firms Case Study

This part of the paper will gather data from annual reports of telecommunication firms and outline how they assess political risk. This will allow for the paper to consequently analyse in Section 5 how OC and experiential factors have on the firms’ identification of political risk.

4.1. Ericsson

4.1.1. Company Profile

Ericsson was founded in 1846 and is today a world leader in communications technology and services, with its networks making up 40% of the world’s mobile traffic and over 116,000 employees in 180 different countries (Ericsson, 2014a; Ericsson, 2015). It has been present in large markets such as China, India and Brazil for over 100 years, commanding experience and knowledge within these regions (Ericsson, 2015). It has a market leading position within communications technology, a global presence and ‘regional and local competencies as well as close customer relationships’ (Ericsson, 2015: 11). Its strategic direction involves (i) excelling in its core business such as radio, core and transmission and telecom services; (ii) establishing leadership in targeted areas such as IP networks, Cloud services and TV and media; and (iii) expand into new areas with future possibilities of growth (Ericsson, 2015). Its three main operating segments are networks, global services [such as managed services, consulting and systems integration (CSI)] and support solutions. In terms of segment sales, the North American market is the largest, followed by the Mediterranean and Western and Central European markets (Ericsson, 2015). The CEO of Ericsson - Hans Vestberg - claims that its major competitors include Accenture, Huawei, IBM and Nokia/Alcatel-Lucent (Ericsson, 2015).

Its organisational structure involves a solutions-based go-to-market approach based on close cooperation between segments (networks, services and support) and the 10 geographical regions it operates in (Ericsson, 2015). These regions work with engagement practices including mobile broadband, IP and transport and managed services. The relationship between segments and regions is designed in such a way that the segments develop the products and the regions nurture relationships with customers (Ericsson, 2015). Its Collaborative Idea Management (CIM)
programme was launched in 2008, aiming to give all its worldwide employees agency to innovate throughout the organisation (Karlsson, 2010).

4.1.2. Ericsson’s Political Risk Assessment

Ericsson’s annual reports have been analysed within a 20-year timeframe with 5 year increments. This paper has therefore assessed Ericsson annual reports between 1995 and 2015. In its 1995 and 2000 annual reports, there were no mention of risk management and no mention of political risk or how Ericsson’s global operations might be affected by political risk (Ericsson, 1995; Ericsson 2000).

Discourse on risk and strategies to implement risk management appear in Ericsson’s 2005 annual report and onwards. In their 2005 report they state that within their operational risk management ‘each risk is owned and managed by an operational unit that is held accountable with oversight made through unit steering boards and Group Management’ (Ericsson, 2005: 37). Hence there is clear delegation of risk assessments with Ericsson (2005: 37) stating that ‘approval limits are clearly established with escalation according to a well-defined delegation of authority’. With regards to political risk, they claim that they are subject to ‘political, economic and regulatory changes in the various countries in which [they] operate’ which could limit their ability to enforce their rights and ‘limit [their] operations and make the repatriation of profits difficult’ (Ericsson, 2005: 119). Upon reviewing its value statement on enterprise security, Ericsson state that ‘following the 9/11 attack and the Thailand Tsunami 2004, the need to instantly know who is where became evident’ (Ericsson, 2011). Their crisis management organisation therefore seeks to remove threats to safety, protect commercial interests of Ericsson, protect the brand and ensure that Ericsson acts as a responsible corporate citizen (Ericsson, 2011). They do this through the Group Crisis Management Council (GCMC), the Crisis Management Task Force (CMTF) and Customer Unit/Company Site Crisis Management. Indeed, Ericsson (2011) argue that there is a growing sense of urgency to conduct Business Continuity Management (BCM) due to environmental factors and acts of violence.
4.2. Tecnotree

4.2.1. Company Profile
Tecnotree is a Finnish telecommunications firm that develops and supplies messaging and charging solutions for the management of products, customers and revenue, helping businesses transform towards a marketplace of digital services (Bloomberg, N.D.). Founded in 1978 and headquartered in Espoo, Finland, it today serves around 90 service providers in the Americas, Europe, the Middle East, Africa, and Asia Pacific (Tecnotree, 2016). Its product portfolio comprises a range of business management systems for telecom operators including solutions for fixed networks and mobile and broadband services (Tecnotree, 2016). Notable clients include América Móvil Group, MTN Group, Swisscom, Tele2 and Vodacom South Africa among others (Tecnotree, 2016). In 2015, their net sales totalled €76.5 million with the majority of sales stemming from Europe, Middle East and Africa (EMEA) (Tecnotree, 2015).

Tecnotree has placed greater emphasis on developing new products and enhance its old product portfolio due to mobile penetration rates reaching 100% in some of the countries it operates in (Tecnotree, 2015). In line with this trend, communications service providers such as Tecnotree have started focusing more on retaining existing customers instead of investing heavily with acquiring new customers at decreased returns. Regarding its structure, the product development unit focuses on developing and modifying products whilst customer deliveries are handled by one global and four regional solution integration units, ensuring on-time solutions deployment and local integration of third party solutions (Nasdaq, 2013). Tecnotree (2015) claims that its delivery entities are aligned to improve productivity, predictability and quality.

4.2.2. Tecnotree’s Political Risk Assessment
Tecnotree’s annual reports have been analysed within a 15-year timeframe with 5 year increments. This paper has therefore assessed Tecnotree’s annual reports between 2000 and 2015. The reason for not analysing Tecnotree’s annual reports within a 20-year time frame is due to the lack of availability in annual reports before 2000. In its 2000 annual report, there is no mention of risk management and no mention of political risk or how Tecnotree’s global operations might be affected by political events on the global, country or firm level. Its 2005 annual report introduces
risk management in which it states that Tecnotree must ‘manage and track the major risks in the company’s business and business environment to enable the company to achieve its strategic and financial goals in the best possible way’ (Tecnotree, 2005: 20). They state that their risk management obtains support from the risk management work group ‘which meets regularly and consists of the President and CEO and financial and sales management’ (Tecnotree, 2005: 20).

With regards to their operational risk, business units are responsible for risk management for the rest of their operations. The risk management work group reports major risks to the Audit Committee which in turn is assessing the adequacy of the Group’s internal auditing, reporting and proactive risk management’ (Tecnotree, 2005: 18).

Discourse regarding political risk appears in Tecnotree’s 2010 annual report, with the firm stating that ‘net sales come from developing countries and some of these contain political and economic challenges’ (Tecnotree, 2010: 33). In 2014 they experienced poor economic performance within Q2, citing ‘dramatic macro level events in our market areas included the Ebola epidemic in Africa - and the strong decline in oil price affecting the business environment in markets that depend on oil exports’ (Tecnotree, 2014: 1) As a result, operations in these countries ‘may delay in the payment of invoices in these countries and that Tecnotree will have to record credit losses’ (Tecnotree, 2010: 33). Its then-CEO Kaj Hagros claims ‘that with critical revenue-generating solutions completely at the core of the operator’s business, we engage in much deeper customer relationships’ (Tecnotree, 2010: 3). This alludes to a realisation of a growing need to understand local markets and locations in order to anticipate future risks, including political ones. Indeed, in their 2015 annual report, Tecnotree (2015) lays out its risk management process stating that the Management Board defines the biggest operational risks while the Board of Directors approve the significant principles of risk management. In other words, its Management Board is in charge of risk identification, a process whose principles are approved by the Board. It elaborates on this saying that ‘actions and a person in charge are defined for each significant risk’ (Tecnotree, 2015: 13). Once these persons have been assigned to relevant risks, risk mitigation is carried out. Since risks are always changing and evolving, Tecnotree’s risk management process would suggest an ad hoc approach to dealing with risks.
4.3. Motorola Solutions

4.3.1. Company Profile
Motorola Solutions grew out of Motorola Inc. in 2011 when its Mobile division was sold off to Google. The company states that it creates ‘innovative, mission-critical communication solutions and services that help public safety and commercial customers build safer cities and thriving communities’ (Motorola, 2016). Based in Schaumburg, Illinois, the company has since 1928 been operating in the telecommunications industry and it has shifted its focus away from traditional telecommunication manufacturing towards more service oriented products (Motorola, 2015). In 2015, services accounted for $5.24 billion of sales and whereas sales of products were $1.23 billion. Within its products segment, 72% of its sales came from devices and the remaining came from systems and software. The company has a large international presence, employing 14,000 people in 60 countries.

The company’s stated strategy is to provide a link to its customers in order to deliver high-end core products which they have a leadership position in. The core products are ‘standards-based voice and data communication devices and systems and the related Integration and Managed & Support services’ (Motorola, 2015: 4).

4.3.2. Motorola’s Political Risk Assessment
In 1995 annual report, it is mentioned that the global market is booming in the technology sector, particularly in Asia as well as in Latin America (Motorola, 1995). However, there is no mention of political risk in the report. The risk factors which is mentioned is a section concerning federal requirements whereby the corporation has to send risk factors to the Securities and Exchange Commission (SEC) in their filings; so called uncertainties which could affect the financial performance and future operations. These are primarily risks related to credit. That said, a geopolitical element is also evident, with the company stating that Motorola combines new technologies with geopolitical forces ‘to create an exciting new world’ (Motorola, 1995: 12). Therefore, there is an implicit mention and connection made between risk and geopolitics, but the way in which this is handled is not stated in the annual report.
By 2000, the risk section of the annual report was still marginal. No direct mention of political risk is made, rather it is stated that the company in compliance with SEC framework has published its cost reducing discontinuation plans and simplified product portfolios (Motorola, 2005). It is not until 2005 that we see a marked change in the annual reports in regard to political risk. A more extensive risk section in the 10-K form template established by the SEC is incorporated, and risk management takes up a more significant part of the previous annual reports. The global risk climate is accounted for and 13 areas of risk are identified. Of particular interest are risks 1, 9 and 10; trade barriers and disputes, protecting intellectual property abroad as well as instability in economic and political conditions (Motorola, 2005).

In terms of continuity and risk mitigation, Motorola states that acquisitions are made strategically where significant risks and uncertainties are integrated into the cost calculations of acquired businesses. Global political risks which are accounted for are; conflict, terrorist attacks, the global economy, public health issues as well as environmental risks. The political risks seem to be quite extensive, with a mention of social conditions from emerging markets as well as political hostilities in the Middle East (Motorola, 2005). The increased focus of risk factors in this edition demonstrates a more comprehensive and systematic approach to risk which on surface value is related to the fact that the post 9/11 climate necessitates American companies to be more aware. Furthermore, the adoption of the 10-K filing from the SEC has a broader scope and more specific requirements in regard to reporting company risks.

This shift towards more extensive risk reports is even more evident in the 2010 and 2015 reports. In terms of political risk emanating from the Middle East, the risk it poses globally is stated in terms of global market instability. On a more country specific level, it mentions that customers face considerable financing in order to purchase Motorola’s solutions. Political economy barriers, such as lower tax revenues and falling oil prices affect the ability for funding in certain countries. Regulations regarding privacy which has been a political issue in the United States and Europe following the NSA scandal are also mentioned. There is an increase of imposing requirements from the European Courts upon third-party users connected to Motorola, which poses a risk should their operations be suspended.
4.4. KVH Industries

4.4.1. Company Profile

KVH Industries is a global manufacturer of solutions that provides internet, television and voice services via satellites to mobile users (KVH, 2016). Based in Middletown Rhode Island, the company’s history goes back to 1982, when it developed the first digital compass for sailing boats. Throughout the 1990s, the company grew its operations resulting in a focus in two core areas – mobile/satellite guidance and stabilisation. The company has an international presence, with offices and facilities across Europe and Asia employing more than 500 people. Its clients come from both the commercial and military sphere, with the US military being a significant customer. The company’s revenues in 2015 were $184 million which places the company into the category of Middle Market companies (Nasdaq, 2016; National Middle Market Center, 2016). It sells its products both directly and through an international network of independent retailers, chain stores and distributors, as well as to manufacturers of vessels and vehicles (KVH, 2015).

4.4.2. KVH’s Political Risk Assessment

The period of analysis for KVH’s annual 10-K filings starts from 1996 as the oldest available one and is followed by 2001, 2006, 2011 and 2015. Looking at the company’s 10-K filing from 1996, political risk factors are detected in the fact that the company deals heavily with the US military, foreign governments and their contractors. Indirectly there is an implicit suggestion that the contractors in particular are unreliable compared to the US government. They state that “there can be no assurance that such governments or their contractors will continue to purchase the Company's products in similar amounts” (KVH, 1997: 14). Whilst no direct mention of political risk is made, the nature of dealing with foreign governments which are subject to political events poses risks that are not evident when dealing with the US military due to them being abroad.

In KVH’s annual 10-K filing for of 2001, a more comprehensive take on political risk is apparent. The events of September 11, 2001 have created many economic and political uncertainties which on a global level have had a negative impact on the economy (KVH, 2001). They go on to say that the attacks will have an impact on future operations and these effects are as of yet unknown. Another global political development which is highlighted is a shift towards
rapid deployment over long military planning. This development poses new uncertainties as the demand for new equipment will be more rapid and ad-hoc, but also an opportunity from the firm’s perspective should such deployments become more common.

By the next report in 2005, the company only had full operations in one foreign country, Denmark. The company does note however that they planning on expanding abroad but such an expansion is subject to a number of risks, amongst which are the restriction of sales of certain military equipment in some countries and political instability in certain markets (KVH, 2006). The foreign policy of the United States is highlighted, with a prognosis of continued reduced sales of military equipment compared to the beginning of the invasion of Afghanistan and Iraq. In the following report (2011), the political risk indicators are pretty much identical to those reported in 2006. This is also the case with the latest report in 2015, with the exception of the inclusion of political economy risks coming from the global economy. It is noted that pending economic turmoil in Europe and South America is a major concern for the company and has potential to affect sales.
5. Analysis

In order to assess how OC and experience affect political risk identification, we will evaluate different sub-variables within these two variables through the use of the case studies. Nevertheless, before assessing how OC and experience affect political risk identification, it is important to know the ambition of the firms in question (SRS, 2016). Whilst Ericsson, Motorola and KVH all state in their annual reports that they aim for expansion, Tecnotree has explicitly stated that its goals are to retain customers rather than to expand (Tecnotree, 2015). This can be seen in Figure 6. As a result of this difference in goals, Tecnotree’s management culture is one that is risk averse and geared towards retaining sales rather than expanding into new markets. However, it still operates in foreign areas prevalent with political risks, therefore still making it relevant for this study.

Figure 6: Ambition of the firms operating abroad.
5.1. Organisational Culture

5.1.1. Organisational System: Dynamic vs Static

The management at Ericsson strives to enhance this level of dynamism by making ‘communication and development of the Ericsson culture a key task’ in managing the company (Ericsson, 2008). It has implemented this by employing a three-way approach to leverage their globality involving; (i) decentralised decision-making processes, (ii) an organisational structure geared global collaboration and; (iii) knowledge transfer and cross-regional subnetworks to facilitate information-sharing (Ericsson, 2015). This can be seen in Figure 7.

![Figure 7: Ericsson’s three-way approach to its organisational structure (Ericsson, 2015).](image)

Mechanisms are therefore in place to deal with anomalous events such as terrorist attacks. In such cases, Ericsson’s CMTF steps in to deal with severe incidents not managed by normal incident management procedures. As a result of this three-tiered approach, Ericsson can remain dynamic in their identification of risks and communicate them through the organisation. Furthermore, safeguard tools such as CMTF and site crisis teams complement these unit-level political risk assessments, allowing for a more coherent form of analysis.
However, whilst these safeguard mechanisms provide extra political assessments, their actual deployment highlights a failure in Ericsson’s separate business unit’s ability to anticipate emerging political risks. Ericsson’s delegation in risk assessments allow for regional units to adapt to their surrounding environment, resulting in risk assessments relevant to that region’s characteristics such as government policies and level of corruption (Ikano, 2016). Thus, whilst such an OC is adapted to specific regional risks, it lacks rigorous and systematic guidelines for identifying risk. This also diminishes accountability among unit managers, thereby limiting the urgency for risk identification due to the lower probability of facing consequences (Dubnick & Frederickson, 2011). Hence whilst Ericsson’s dynamic organisational system allows it to adapt to external stimuli to improve political risk identification, this same dynamism also results in less concrete guidelines and reduces accountability.

With regards to Motorola and KVH, their organisational systems are strictly formal, with clear parameters set out for their divisions and where risk is handled at a board level (Motorola, 2015; KVH, 2016b). This allows little room for new strategies for risk identification to flow through the organisation (Hedlund, 1986). This static structure makes them less equipped to deal with emerging risks and trends. The 10-K format becomes repetitive year by year, especially in the case of KVH. American organisations therefore run the risk of not updating in line with changing trends (SRS, 2016). The structural immobility inherent in American OC makes them static in a risk landscape constantly evolving. As a result, their static organisational system makes less able to detect political risk within their foreign subsidiaries located in different parts of the globe. This has an adverse effect on their ability to identify political risk.

5.1.2. Management Style: Centralised vs Decentralised

SRS (2016) argue that ‘the way to approach a risk management is a good reflection of the management culture within an organisation’. Tecnotree’s management style does not seem to adhere to standard Scandinavian OC. Rather than promote innovation and delegation, it has adopted a hierarchical approach to risk assessments, placing emphasis on sales and the risk of sales rather than decentralising risk assessments and incorporating the views of employees. Ericsson on the other hand follows a management style typical of Scandinavian organisations;
namely decentralised with low levels of formalisation with management styles driven by consensus. Its go-to-market approach based on close cooperation between segments (networks, services and support) and the 10 geographical regions it operates in allows for significant delegation. This results in a system based on mutual recognition and understanding rather than direct orders and subordination.

Annual reports suggest that Tecnotree has suffered financial losses because of their inability to foresee political risks, leading the company to file debt restructuring proceedings (Tecnotree, 2015). Its Board of Directors directly hands down risk principles for the Management Board to follow and implement. This centralised, top-down method of identifying risk for the entire organisation arguably leads to a less coherent assessments of current risks. It can be argued that the Board of Directors have less knowledge of foreign events than the workers on the ground in those locations. Had they been more open to incorporating employee views and employing a more decentralised management style with room for delegation, weak signals could have been picked up and the said political risks could have been avoided.

Motorola’s management style mirrors that of a typical American with a very typical top-down form of management with a clear decision-making process from the management to the line. Its OC therefore makes risk identification a centralised process. Indeed, process is highly valued as a cornerstone of risk management for the company. This seems to fall in line with SRS’s (2016) assumption that American companies are more scrutinizing in terms of risk. The top-down OC is reflected in the way the company makes political risk assessments. As stated with Tecnotree who have a similar centralised managerial style, this centralised process incorporates little insight from employees on the ground in high-political risk areas. As a result, political risk identification become standardised. However, the question then becomes whether this top-down managerial style resulting in a standardised political risk identification process comes from a need to satisfy the criteria in their 10-K format. If managers did not have to adhere to a 10-K format, there would perhaps be more incentive to develop more inclusive forms of political risk identification which involves workers. The 10-K annual reports are repetitive and its strict requirements arguably deter innovation (Hedlund, 1986). Freeing the organisation from the 10-K format would allow for innovative risk identification strategies such as delegation to employees. Such
decentralisation of managerial authority would enhance the first sub-variable within this analysis; namely the level of dynamism to adapt to changing political risks and improves their ability to identify new risks.

5.1.3. Adherence to Guidelines Vs Adaption

As stated above, Motorola and KVH’s ability to identify political risk seems to be limited by its need to satisfy the 10-K format. As a result, they are more likely to adhere to guidelines rather than to adapt to a changing environment. Their adaptation occurs instead when the 10-K format adapts. Risk assessments bound by federal requirements as well as hierarchical and rigid organisational systems further embeds their inclination to follow guidelines when identifying political risks (SEC, N.D.).

This resonates with Ikano’s (2016) assertion that risk management may be a formality for some American companies, with adaptation becoming secondary to following federal requirements within their risk assessments. Scandinavian firms on the other hand are free from such requirements. Even though Tecnotree differs in its managerial style to other Scandinavian firms, it can alter this easily than American firms due to not being bound by systemised guidelines such as the 10-K. Being able to form their own risk identification, Scandinavian OC foster adaptation whilst American OC encourage firms to stick to set guidelines in their identification of political risk. Ericsson’s decentralised and flexible approach to political risk analysis allows it extra leeway to adapt and incorporate new and emerging political risks in a fluid risk landscape.

However, adaptation also has its disadvantages. It can also be argued that the ability to adapt might lead Scandinavian firms to adapt their risk assessments to perceived political risks that do not perhaps affect them as much as they had anticipated. Many political risks that emerge might not have an effect on the firm. The key is to select political risks in the risk landscape that may actually have an impact on operations. Thus, adapting too much may lead the firm to de-prioritise political risks that do have an impact on the firm in favour of identifying emerging political risks before others in order to gain a competitive advantage. As a result, this might have adverse effects on firm in question. Scandinavian firms need to be aware of this and mediate over which
political risks might actually have an impact on them and avoid focusing on political risks that have no bearing on their operations.

5.1.4. Findings
Our findings from our case studies firstly confirm that OC has an effect on how firms identify political risk and these political risk assessments differ depending on the firms’ OC. Both Scandinavian and American OC foster risk assessments. However, the literature review’s discussions of Scandinavian OC highlight its flat organisational structures, decentralised power structures, drive to innovate and high levels of adaptation. Through the findings of our case studies, it can be argued that this type of OC makes firms better equipped to deal with new, emerging political risks than current ones. The drive for consensus and lack of hierarchy allows employees to report developments occurring within different areas, with managers being more receptive to these suggestions than American managers. American firms on the other hand seem better equipped at detecting current political risks due to the 10-K template that they follow. They have more legal obligations and criteria to follow within their risk assessments, making them adept at detecting current risks (SRS, 2016). However, their hierarchical structures allow for less leeway to incorporate new political risks and emerging trends. Scandinavian firms’ dynamic culture and differing risk guidelines within their respective business units makes them less able to detect current political risks. Loose delegation may foster lack of accountability which may also impede current risk assessments. This may partially explain Ericsson’s use of crisis management units in the event of political risks harming their business strategies. Furthermore, too much adaptation may lead to a lack of focus on which political risks to deal with.

5.2. Experiential Factors
Apart from having been chosen due to their different OCs, the firms within this case study also differ in terms of experience within foreign countries. SRS (2016) argue that ‘the level of maturity - could also be very different [between firms]’ with some ‘very good at incorporating other [types of] risk than financial and traditional because of their experience’. Ericsson and Motorola are mature and established firms with extensive experience abroad whilst Tecnotree and KVH are younger firms with less experience in foreign countries. This sets up a suitable
platform to use the case studies to investigate research question 2; how a firm’s level of maturity and experience affects its ability to detect political risk.

Ericsson (2015: 26) state that it has ‘extensive experience of managing carrier-class projects and multi-vendor networks’ around the world, making them a ‘leader in telecom services’. It often emphasises its ‘unrivalled experience of networking technologies and large-scale projects’, allowing them to gain a competitive advantage over other firms (Ericsson 2016). Motorola (2015: 19) also states that it relies on experience of our senior management that has been with Motorola for many years and as a result has ‘specific knowledge relating to us and our industry that is difficult to replace’. Its management bases its estimations and judgements on a wide variety of factors including ‘historical experience’ when offering services in different geographical locations (Motorola, 2015: 40). Neither KVH nor Tecnotree elaborate on their experiences and how their history has come to shape the way they conduct business abroad and identify risks.

Vahlne and Nordström’s (1993) ‘learning-by-doing component’ provides an interesting starting point for assessing how experience affects political risk identification. From an objective standpoint, this would infer that the more experience a telecommunication firm has abroad, the more it will learn and be able to anticipate political risks within a specific market and location. In this case, Ericsson and Motorola have more experience operating abroad than KVH and Tecnotree. Thus, through logical inference, their level of experience and maturity will have allowed them to learn about political risks and be better equipped to identify them. Nevertheless, the political risk landscape is continuously changing as is the ability to access information about political risks (SRS, 2016). Analysis therefore needs to proceed narrowed down.

5.2.1. Market-Specific Vs General Knowledge

A useful method of using experience to address this constant flux in information would be to break down the degree of ‘foreignness’ and conduct relationship-building with local actors in order to increase intelligence-sharing (Vahlne & Wiedersheim, 1977; Anderson & Zandvliet, 2009). An understanding of local surroundings and ‘inside information’ will enhance a firm’s
ability to detect weak signals and emerging political risks (Ansoff, 1975; Anderson & Zandvliet, 2009).

Data suggests that both Ericsson and Motorola’s experience has given them market-specific knowledge of areas in which they operate whilst KVH and Tecnotree have general knowledge of where they operate. Consequently, Ericsson and Motorola are in a better position to use their experience to identify political risk. With regards to breaking down the degree of foreignness, both Ericsson and Motorola aim to collaborate with local suppliers in order to expand its ‘regional and local competencies’ (Ericsson, 2015: 11). Ericsson’s Women in Leadership programme is an example of such efforts (Ericsson, 2014b). Ericsson’s transition into new locations through its development of cloud services and Motorola’s strategy of partnering with local actors enabling them to work together with locals to ‘efficiently deliver reliable services’ (Ericsson, 2015; Motorola, 2015: 4). As a result of their size and experience, they are able to implement physical security frameworks to ‘achieve cost effectiveness [by] taking local threats and vulnerabilities into account’ (Ericsson, 2011: 4).

With around 950 employees working in over 20 different countries, Tecnotree seems to have the tools to engage with local stakeholders and learn about their foreign surroundings to help foresee any potential political risks. Nevertheless, its primary focus is on sales and developing deep customer relationships. This therefore takes precedence over efforts to engage with local suppliers and practice CSR. This limits its ability to gain the market-specific knowledge needed to understand the political risks prevalent within their areas of operation. Incidentally, they have been subject to numerous political risks in their foreign operations such as cancellations in government funded projects and delays in payments (Tecnotree, 2015). Whether the lack of anticipation to these political risks is due to its lack of engagement with local actors or not is debatable. However, it can be argued that had it made efforts to understand cultures, norms and customs on a local level, it could have used these experiences to better anticipate political risks. KHV also states little about its level of experience despite having foreign sales offices in seven different countries as well as a subsidiary in Brazil that manages local sales (KVH, 2015).
Data shows that the experienced companies have used this market-specific knowledge to implement local-based mechanisms to deal with political risks. Whilst it can be argued that efforts to work with locals is needed more by Ericsson and Motorola due to their larger size; their use of experience serves to help them better detect political developments in the periphery that may affect their business operations. Annual reports seem to back this up with Ericsson and Motorola reporting little about negative effects of political risk whilst the smaller firms - especially Tecnotree - reporting adverse consequences of being exposed to political risks. As a result, market-specific experiential knowledge gained as a result of interacting with local stakeholders will provide firms with tools to improve their political risk identification.

5.2.2. Long-term Outlook vs Short-Term Gains

All four firms have experience operating abroad. Yet only the larger ones explicitly state this and take advantage of this. SRS (2016) argue that there are quite a few companies that ‘grow very quickly to become global players basically but in their enormously extensive growing - they can’t keep track of their own success and expansion’ like security and risk management. It can therefore be argued that these younger firms have grown and expanded too quickly in their global corporations to be able to effectively recognise and implement political risks.

Indeed, SRS (2016) emphasise the importance of assessing the maturity of firms with older firms often operationalising issues and incorporating political risks due to experience. Younger expanding firms or ‘sell like hell companies’ as SRS colloquially categorise them, often fail to see the value of experiences due to their fast growth. This is evident in Tecnotree’s strategy with focus on sales and retention of market share in foreign countries. Its fast and expanding growth has made it focus on short-term gains rather than long-term consequences of operating in an area with high political risks such as the Ivory Coast and Malawi. Its early annual reports displayed an almost exclusive focus on growing. However, its latest reports suggest that it is increasingly focusing on consolidating market share and becoming more aware of political risks. This may arguably be a sign that it has gained enough market-specific experience and learned from previous errors.
It can be argued that firms - especially young expanding ones - understand the value of experience in identifying political risk. However, their focus on short-term gains due to their fast and expanding growth into foreign markets makes them less aware of the political risks they expose themselves to. Their lower level of experience and the little use of the experience gained from entering new markets make them less oblivious to the inherent political risks they face.

5.2.3. Findings
Findings firstly suggest that prolonged experience in foreign areas with political risks provide learning tools to make firms better equipped at assessing political risk. Secondly, firms that actively incorporate these experiences into their organisations will be better equipped to identify political risks. As inherent in Ericsson and Motorola, market-specific knowledge is crucial and provides firms with a competitive advantage over other firms with general knowledge. Mature firms with more experience have more mechanisms in place to deal with political risk. This may simply be because they are older and larger and had more time to incorporate these mechanisms. There may also have been a greater need to implement these mechanisms to encompass the scale of their business activities. Nonetheless, market-specific experiential knowledge seems to make firms better equipped to identify political risks with firms incorporating these experiences becoming better equipped at anticipating future political risks. Furthermore, firms experiencing fast expansion such as Tecnotree tend to focus on short-term gains rather than long-term ones which make them less focused on the risks they face.

This section has analysed the effect of OC and experience on political risk identification through comparing and contrasting firms within this case study. It has yielded findings about OC and experience and therefore complies with the second objective of this paper of assessing how OC and experience affect identification of political risk.
6. Discussion

6.1. A Link between both Hypotheses?

Findings in the analysis also lead the paper to discuss whether OC affect firms’ capacity to incorporate their experiences to improve their political risk assessments. Indeed, findings in Section 5.1. indicate that Scandinavian OC makes Scandinavian firms better at anticipating new and emerging political risks whilst American firms are better suited to identifying current ones. It has also been found that experience will make firms better at scanning the political risk landscape. Nevertheless, this in itself is dependent on the firms’ ability and willingness to incorporate these experiences into their OC.

It can therefore also be argued that OC determines how firms use experience to improve their risk assessments. Furthermore, it can be argued that the Scandinavian OC will be better suited to using experiential-knowledge to improve political risk assessments. Due to their looser organisational structures, workers on the ground will have more independence and gain greater experiences and understandings of country-specific risks than superiors at the firm’s home country headquarters (Kobrin, 1982). Ericsson’s CIM programme is an example of the effort to incorporate employee experiences into the firm. The culture encourages employees to bring these experiences into the firm which can then be used as learning-experiences and improve existing practices. American firms’ OC on the other hand are built on strict levels of hierarchy that disincentives employees to incorporate experiences and discourages learning.

Thus, firms with a more open OC will be more willing to learn and more able to incorporate such learnings into their organisation. It can be surmised that Scandinavian firms are better equipped at using their experiences to better their political risk assessments. The level of experience of a firm and its effect on political risk is therefore dependent on the firm's willingness to use these experiences which is partly determined by their organisational culture.

This section has discussed the link between both variables and come to new findings about how they affect each other. This complies with the third objective of this paper seeking to understand the relationship between the two variables.
7. Conclusion

7.1 Research Purpose and Objectives

7.1.1. Purpose
The overall purpose of this paper was to assess how OC and experience affected firms’ political risk identification. Hypothesis 1 stated that OC shaped firms’ political risk identification. Hypothesis 2 stated that firms with less market-specific experience in foreign countries had less coherent forms of political risk identification than more experienced firms. Research questions were consequently asked to accept or reject their respective hypotheses.

7.1.2. Objectives
In order to fulfil the purpose, several objectives were laid out by the authors. The first objective was to establish the existence of a dynamic risk landscape and the importance of imposing criterions to limit spurious variables in assessing factors affecting political risk identification. All firms are exposed to threats, but how these threats manifest themselves into risk is dependent on a firm’s goals, industry and interaction with stakeholders. The second objective was to demonstrate how OC and experience affected political risk identification. Through the use of case studies and a theoretical model proposed by the authors, sub-variables within OC and experience and their effect on political risk identification were assessed. The third objective was to discuss the relationship between OC and experience and their combined effect on political risk identification. The final objective was to demonstrate how an analysing of OC and experience could offer insights into political risk identification and provide a basis for more in depth research assessing further variables affecting political risk identification.

7.2. Main Findings
Sticking to the overall purpose of this paper, the authors analysed how OC and experience affected political risk identification. With regards to OC, it was firstly found that OC had an effect on how firms identify political risk. Furthermore, these effects differed depending on the type of OC. Through the use of the case studies, it was found that the Scandinavian OC makes
firms better equipped to deal with new, emerging political risks than current ones. American firms adhering to the American OC were found to be better equipped at detecting current political risks. The legal obligations and criteria they follow within their risk assessments make them better equipped at detecting current risks. Furthermore, as a result of their top-down management styles, there is less room for new political risks and emerging trends. However, it was also found that Scandinavian firms’ differing risk guidelines within their different geographical business units made them less able to detect current political risks. Such delegation also raised issues about accountability.

Findings regarding experience found that prolonged experience in foreign locations provided learning tools to make firms better equipped at assessing political risk. It was also found that market-specific experiential knowledge rather than general-knowledge seemed to make firms better equipped to identify political risks. Firms incorporating these experiences become better equipped at anticipating future political risks. Furthermore, it was also found that firms experiencing fast expansion tend to focus on short-term gains rather than long-term ones, making them less focused on the risks they face.

However, findings in the experience section found that learning from experience was dependent on whether the firm actively incorporated these experiences into their organisation. This paper therefore also found a link between OC and experience. It was found that OC partly determines how firms use experience to improve their risk assessments. The Scandinavian OC was found to be better suited to using experiential-knowledge to improve political risk assessments. Due to the looser power structures within Scandinavian organisations, workers had more opportunities to contribute to the firm’s strategy, therefore making them able to bring in learned experiences into the organisation. This was especially evident within Ericsson and their CIM programme.

7.1.4. Fulfilment of Objectives

The main findings fulfil the purpose of this paper; they answer how OC and experience affect political risk identification. Nevertheless, it is important to assess the main conclusions and how the fulfil the objectives of this study. The literature review fulfilled the first objective. It found
that the risk landscape has become increasingly fluid, resulting in a growing need to incorporate more coherent risk assessments with greater focus on political risks. The second objective was to assess OC and experience and how they affect the identification of political risk. These questions were answered and detailed in the analysis. The paper also met the third objective, showing a relationship between OC and experience. The final objective of supplementing future research is discussed in the section below.

7.3. Implications & Future Research
The study started with looking at existing literature in the political risk assessment field and with the help of risk companies, deeper inquiry into the relatively unexplored area of OC and experience in relation to political risk identification were suggested. Therefore, the implication of the study has been to provide a new focal point from which to look at political risk identification. This is a humble attempt to provide a new perspective on the subject matter.

The fourth objective was to provide a basis for future studies assessing variables that affect political risk identification. It has been specified how OC and experience affect political risk. The authors nevertheless recognise that other variables have the potential to affect political risk identification. This paper can therefore serve as a basis for future papers seeking to understand political risk identification and supplement future researchers’ use of variables.
8. Reference List


9. Appendix

Appendix 1. Interview Guide, Scandinavian Risk Solutions

. In your own words, what does SRS offer to its clients?

. Your mission states that you offer ‘sustainable solutions for people, profit and planet’. What methods do you use to achieve this?

. What do SRS’s risk management services consist of?

. What is the most popular method clients use when expanding into foreign markets? (FDI, licensing, joint ventures, exports)

. Our research aims to analyse how political risk affects FDI. Is this something that SRS has investigated?

. The ‘conventional text-book’ way of risk assessment involves establishing a context, risk identification, risk analysis and risk evaluation (Purdy, 2010). Do you believe SRS falls in line with this process? If not, where does SRS differ?

. Current research points towards a cultural element within risk assessments - different cultures seem to view risk and risk assessments with different degrees of enthusiasm. Do Swedish view risk assessments as less useful compared to American firms? If so, what do Swedish firms’ risk assessments lack?

. How does SRS fill this lack of foresight?

. We have formulated a framework for assessing political risk based on classifying political risk into three levels; firm-specific, country-specific and global-specific risk. We would therefore like to understand:

- How SRS assesses political risk?
- How do you classify different types of political risks? E.g. Armed Conflict, corruption, ownership structures, transfer risks (blocked funds).
- Do political risk assessments differ depending on geographical region? If so, how do you decide on how these assessments should differ?
- Is there a specific sector that experiences greater political risk than others?
- What type of political risk of most concern to your clients and are they geographically contingent?
- What are the most efficient methods for addressing these political risks?
Appendix 2. Interview Guide, Ikano Real Estate

. Could you define Ikano’s process of managing risk?

. How do you define political risk and how does this fit in within your risk management process?

. How do you assess external risk at Ikano Real Estate?

. What mechanisms do you use to measure risk?

. How do you measure political risk?

. Do your analyses differ depending on long-term and short-term risks?