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**Location Factors and Managers' Mutual Knowledge
Networks in the Helsinki Region**

Kalevi Euro

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Abstract

This paper presents a theoretically emphasised research, with a minor empirical part, dealing with a tentative interpretation built on three main aspects of inquiry. These are: 1) the basic practical and psychological location factors causing MNC headquarters to cling to their traditional home-location, 2) whether the headquarters managers and staff in the course of 30 to 40 years of internationalization have consequently *locally* formed a mutual informal knowledge-cluster of global managers and staff, and 3) whether this potential knowledge-cluster still further has enhanced the clinging to the traditional home-location in the metropolitan Helsinki region in Finland. The core of the proposed knowledge-cluster consists of about 23 home-country MNC corporate headquarters (CHQ) and 75-80 home country MNC divisional headquarters (DHQ). The research thus aims at finding out, *firstly*, why the great majority of these MNC headquarters have remained in their traditional Finnish 'peripheral' location instead of relocating abroad to large West-European cities, despite some of them having been relocated; in other words, what are the relevant location factors of these HQ. The aim is, *secondly*, to study whether this headquarters entity has in its linguistically and culturally idiosyncratic national local context in the course of years developed into an informal, or possibly even formal, cross-industrial network of shared international management knowledge and skills, i.e. a dynamically creative knowledge cluster. Therewith the aim is in addition to find out, whether this knowledge cluster has developed into a more extensive informal and/or formal knowledge, skills and other HQ activities supporting resources network of national and local, private and public institutional actors, proposed in Figure #1. The *third* aim is to preliminarily understand, in case this two-tier core-cluster and cluster-network formation has taken place, how and when could these have emerged and developed, and by which ways kept up as social system processes and intentional networks, and importantly, do these two-tier networks have a feed-back effect of acting as additional location factors, effectively preventing relocation of HQ abroad. The *fourth* aim is, with reference to the real-life continued location of headquarters in Helsinki, to find out what the positive factors and negative factors and resource gaps of staying in

this Helsinki location are, thinking of these factors as potential objects of active private and public policy.

The main theoretical propositions in this paper refer to: 1) the phenomenologically based, propositional *identity-of-location*-termed emotional and rational factors, connected with social, cultural, language and external company image elements, 2) the logically consequent model of the *autopoietic social systems* theory of Niklas Luhmann, and 3) the fundamental *network models* subsequently applying the intentional principles of the *identity-of-location* and the *autopoietic social system* model.

One of the motives for the research is thus to empirically *understand the locational emergence, and continuance* of the theoretically and abductively construed propositions of MNC headquarters' knowledge-cluster entity. These are based on literature, and the preliminarily indicative empirical material on MNC corporate headquarters. Another motive is to find out *resource gaps* and regional *development hindrances*, evident as a background to the criticism by MNC managers concerning the potential to relocate CHQ abroad; on the other hand the motive is to find those *positive factors* which can be seen as having supported the continuance of the headquarters location in Helsinki. A third motive is to provide ideas for various policies to *enhance the conditions* of sustainable activity of the headquarters in the Helsinki region, basing on the negative and positive findings. A fourth motive is to *assess the potential role* of the propositional MNC headquarters' cluster entity in the further *development of the metropolitan region of Helsinki*, notably in relation to the nearby Baltic countries of the enlarged European Union, as well as the nearby St. Petersburg region of Russia, and Scandinavia.

Keywords

MNC headquarters; location factors; HQ core-cluster; HQ cluster-network; identity-of-location; autopoiesis; social systems theory; Niklas Luhmann; strategic networks; metropolitan Helsinki.

Introduction

The general background

In the light of economic globalisation and competitiveness it is rather realistic to say that in general Finnish companies have so far fared relatively well. This applies notably to the spearheads in this process, the Finnish multinational corporations (MNCs). Basing on modified classical Harvard criteria of wholly or majority owned production subsidiaries in at least 6 foreign countries, and a

total corporate turnover of at least 1 billion euros, there are about 23 Finnish MNCs with a total of about 450 000 workforce, of which over 50 per cent are employed in foreign subsidiaries. Of these 23 MNCs 15 companies could be regarded product-wise as high-technology companies (Talouselämä 500, 2008). On the other hand, high-technology industry as a whole has about 550 000 employees, of which some 280 000 are employed outside Finland (The Federation of Finnish Technology Industries, 2008). The total work-force of all Finnish companies' subsidiaries abroad was 575 000 people in 2008 (Statistics Finland).

With this expanding background of foreign presence an interesting area of study, particularly with respect to the globally operating MNCs, concerns the location of their headquarters, both corporate headquarters (CHQ) and divisional headquarters (DHQ). Besides the some 23 CHQ there are about 75-90 DHQ of these MNCs, depending on the definition of divisions and strategic business areas and units. With the exception of one CHQ and about a tenth of the DHQ which have been moved abroad, the rest of the headquarters are located in Finland, with the overwhelming majority in the metropolitan area of Helsinki. However, certain functions taken care of in CHQ, as the financial and investor relations function, or human resources function, have in some companies been relocated abroad to global centres as London and New York (Deschryvere, 2009). However, as a contrary phenomenon, some DHQ which previously have been relocated abroad have been repatriated to Finland (Ritala, 2006).

However, the interpretations or explanations in literature of HQ relocation abroad which already has taken place give evidently only a partial picture of the many factors which may be relevant for successfully carrying out the role and tasks of the headquarters of an MNC in a certain location. The essential and important question is, then, in the case of the Helsinki metropolitan area, why all of the some 23 CHQ and around 90 per cent or 70 to 80 of the DHQ of internationally and globally successful MNCs of Finnish origin *still have remained* in their historical present location? Due to the above described activities, the Helsinki region has evidently developed a strong knowledge and skills base in international management and business to be built on. Still, in order to be able to systematically further develop the metropolitan area as an international business knowledge and skills repository, and economic node, requires a thorough research and analysis of its actors and resource base, and in its role of the assumed managerial knowledge-cluster of international business, which rests on various categories of MNC headquarters, and contiguous institutions and stakeholders. The research should illustrate how that cluster functions as an interactive network, and what its internal dynamics are as a possibly creative and innovative entity. As the studies referred to above and also other studies show, successful activity of headquarters of various hierarchical categories depends on a host of factors. For a holistic picture of the local

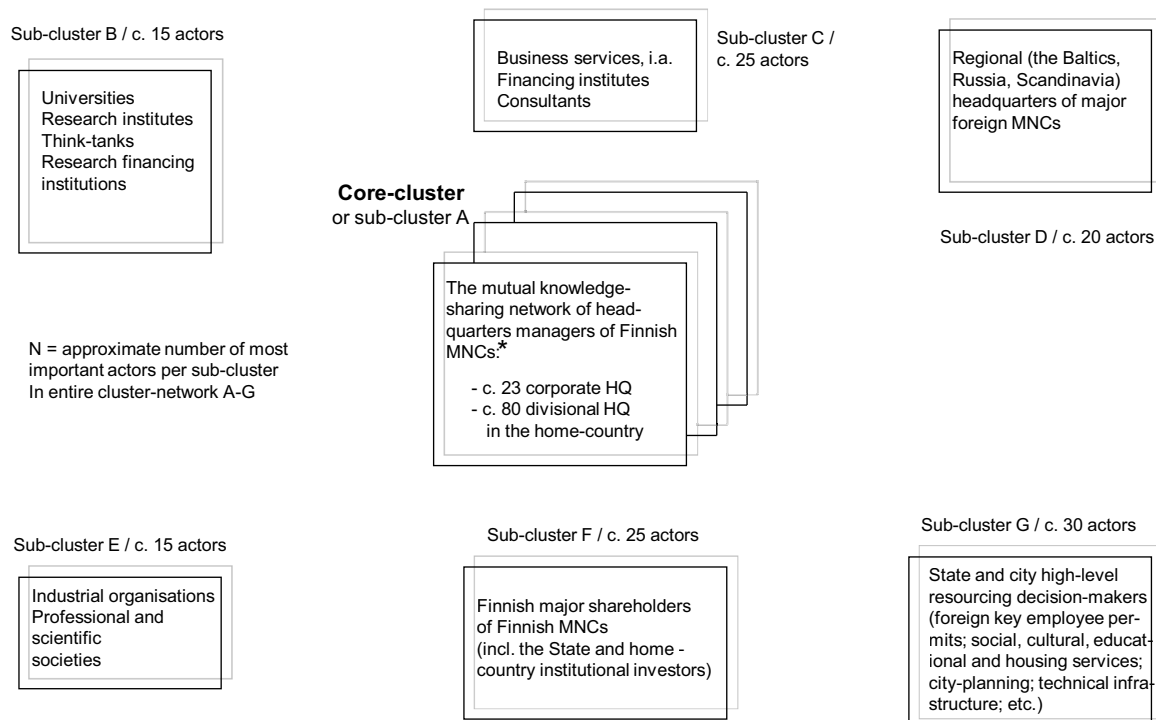
metropolitan network of the assumed cluster of CHQ and DHQ, business services as e.g. consultants, universities, research institutes, think-tanks, public authorities and central economic organizations, these are depicted in the network model in Figure #1. It has to be seen as one basic frame-of-reference group of factors, that we deal with a spatio-temporal matter, space and time being central dimensions. The nature of these factors is contingent on the very character and location of the international centre of metropolitan Helsinki under study.

The general approach of this research is pragmatist and abductive. The theoretical part consists of a few socio-psychological, sociological, network theoretical and institutional propositions. These propositions are construed to form a logical and coherent entity and they are based on current literature in these fields. The approach to the question of headquarters location is thus theoretically eclectic which also means that the research is in nature cross-disciplinary.

Being primarily theoretical the research also consists of a minor empirical part, as a preliminary test with respect to the theoretical propositions set forth.

The empirical part is qualitative in its research approach, consisting of top managers interviews which are analysed along the eclectic theoretical lenses set forth.

Figure 1. The cluster-network of knowledge and other resources serving Finnish multinational corporations in the Helsinki region: Sharing of knowledge **within** the core-cluster, and knowledge and/or other resources **between** any sub-clusters



* MNC (Multinational Corporation) = turnover min. 1bn €/yr, production subsidiaries in min. 6 foreign countries.

Research problems; research gaps

In the wide and well developed area of international business (IB) research, one of the most central themes has been the *dynamic process of internationalisation of businesses*, as such. This is represented by e.g. the Nordic stages model of new markets and new operation modes in new foreign countries of a growing firm. This research concentrates on a topic of the same classical theme, but instead on the very *opposite aspect* of why MNCs have been *statically retaining in space* their CHQ and DHQ in their traditional location. The more this theme is interesting, as there is also brought forth the ‘third degree of internationalisation’ in the form of relocating CHQ and DHQ abroad from their traditional home countries (Barner-Rasmussen et al., 2007, Benito et al., 2011) and suggested that “The time that European corporate centres were sticky and stayed home.....may soon be over” (Baaij et al., 2004). The aspects of either retaining the headquarters’ location or relocating the headquarters’ to another location is evidently not only a mirror picture situation with respect to particular known and more or less rationally measurable either-or factors, except for a certain part. Problematizing headquarters ‘stickiness’ could be supported by a notion by Reich (1991), in which he suggests that "like the (vanishing) company town, the multinational exuded a sense of hierarchy, place, and order. World headquarters was, very simply, both in the center and at the top of the worldwide corporate pyramid. The location of the headquarters was a reflection of company history (the founder had begun the company in this place) or of industry requirements". This ethos may still be relevant, as an ordinary MNC with its historical background is definitely an economic-cultural, material and mental resources based social phenomenon. In the case this research will uncover some feasible and relevant factors supporting MNCs to retain their headquarters in the traditional home-bases, these findings would on the other hand also mean, that concerning the ‘stickiness’ of headquarters this phenomenon then will represent a factor logical to the conceptual contents of the OLI paradigm, as also hinted by Dunning (1988), while being seemingly paradoxical to the application of the OLI paradigm in the physical context of an internationalising MNC. However, from a theoretical point of view in certain aspects, referring e.g. to closeness to markets, the reasons for relocation vs. non-relocation of headquarters differ between the CHQ and DHQ (Birkinshaw et al., 2006). Thus this research concentrates on the topic of retaining of CHQ location and not retaining of DHQ location. The *limitations of research* in this respect is more closely presented below, whereby also literature concerning CHQ relocation is presented.

Altogether, there is an interesting wide gap in theoretically understanding and explaining why MNC corporate HQ seem to be considerably sticky instead of relocating internationally abroad. It is also possible that they even remain sticky, despite contrary arguments in literature concerning

foreseeable legal developments concerning corporations within the European Union, as suggested by (Baaij et al., 2004). There are e.g. psychological and cultural aspects clearly to be expected which until now have not been well enough noted in connection with the 'stickiness' of CHQ. As a whole the question of the continuance of the traditional location of the CHQ and DHQ in times of globally foot-loose business of MNCs remains a theoretically open theme.

To start with the focus of this research, it is assumed that from the point of view of the MNC corporate headquarters in the Helsinki metropolitan area the economic, organizational and managerial needs and requirements are of internationally generic nature as to their material and immaterial quality and quantity. On the other hand, it is assumed that in those respects the contextual conditions offered by and within this region fulfill these generic needs, but additionally are of an idiosyncratic nature in quality and quantity.

The theoretical research problems are based on extant literature, the established fact being that CHQ and DHQ of MNCs require i.a. a very good infrastructure of logistic information processing resources, a many-sided knowledge base for all the functions in the form of business services, professionals and highly skilled personnel available (Shilton and Stanley, 1999, Braunerhjelm et al., 2001, Euro, 2001, Klier and Testa, 2002, Davis and Henderson, 2004, Birkinshaw et al., 2006), and an environment of many-sided urban activities, contact possibilities and recreation modes for these to a large extent international employees (Simmie, 2001, Acs, 2002, Cooke, 2002, Bogenrieder and Nooteboom, 2004, Amin and Cohendet, 2004). As noted, a limited number of divisional headquarters have moved away from the Helsinki metropolitan area abroad, to locations of Continental or Western Europe, primarily to the big international cities there (Euro, 2001).

On the other hand, entire corporate headquarters have not been relocated from Helsinki except for one (this one formally both as to domicile and CEO, but not majority of staff), even though in some cases certain key functions have been split off abroad to e.g. financial global centres (Stora Enso Corporation, 2006, Barner-Rasmussen, Piekkari and Björkman, 2007). The research problem, then, is that in spite of the geographically peripheral (Birkinshaw et al., 2006) and climatically northern location in a small and culturally idiosyncratic country with difficulties to attract needed foreign specialists and other key personnel, it is not known what factors have enhanced the globally operating MNCs' corporate and divisional headquarters, with growingly international and multicultural personnel, to stay in metropolitan Helsinki.

The factors for relocating DHQ have been researched rather extensively (Forsgren, Holm and Johanson, 1995, Euro, 2001, Braunerhjelm, 2001, Birkinshaw et al., 2006). However, there remains a lack of knowledge of the critical and decisive borderline conditions and factors in managerial

decision-making concerning CHQ location, either supporting non-relocation, home-country locational continuance, or supporting relocation abroad. The most challenging part in the theoretical paradigm construction in this research concerns its sociological part of the proposition of the emergence of the CHQ (and DHQ) core-cluster, of Figure #1. It is construed, as a kind of logical conclusion of the theoretical examination of this research, largely in terms of the communication-based social systems theory of Niklas Luhmann (1995, 2004), with its many idiosyncratic conditions of autopoietic information processes and knowledge. This distinctive system and model is ontologically and epistemologically regarded as clear and logical, and theoretically sound. As the final conclusive proposition in the theoretical paradigm of this research there is brought forth the institutional model of Scott (2001), encompassing the social systems and institutions presented through the various propositions.

Research problems: the managerial and societal aspects

Now and then there have been in public expressed worries by MNCs concerning some practical problems in their traditional home location, and even insinuations of their CHQ possible transfer abroad due to these problems. There is e.g. the traditionally held notion of Finland being geographically, linguistically and culturally peripheral and very idiosyncratic in the European context. Thereby the problems the companies face include i.a. difficulty to get much needed foreign specialists and key personnel to the MNC headquarters e.g. in the course of their career development. Likewise there are the long travel times to the main European international business cities (Euro, 2001). There have been notably problems with the personal taxation level as perceived by foreigners (Ali-Yrkkö and Ylä-Anttila, 2002, TT, 2002).

On the other hand, the question of the location of the headquarters of MNCs is a matter of weighty social and societal importance. Their direct and indirect influence is notable concerning incomes generating private and public incomes and maintaining business services. In addition the CHQ and DHQ serve as mediators of global business vision, knowledge and skills for a host of minor internationalising companies through e.g. normal employee turnover, and business and social networking. As successful large companies the MNC also lend an important favorable international image for their home-base country. Retaining the MNC headquarters is thus in multiple ways an important matter for a country's global competitiveness. For this reason in small and peripheral countries with proportionally numerous successful MNCs, as in Finland and other Nordic countries, the relocation worry has been well grounded as CHQ and DHQ, or certain of the CHQ functions, seem gradually and potentially to be transferred abroad, primarily to Central and Western Europe

(Helle, 1989, Braunerhjelm et al., 2001, Birkinshaw et al., 2006). As previously noted, this process has been seen by some as a theoretically logical final phenomenon of a firm's long stage-wise internationalization process of the 'third degree', in and from a small peripheral market and country of limited resources.

The societal problem here is thus that the MNC headquarters, collectively seen as a multi-industrial cluster and agglomeration and regarded as a knowledge and skills resource base with positive support effects in the wider business environment and economics, has shown certain *disruptive* tendencies. This has happened through relocation abroad of headquarters of Finnish MNCs from the metropolitan Helsinki region, but in a much wider scale from Sweden and the Stockholm region (Braunerhjelm, 2001). Interpretations in literature for these phenomena have so far been principally organization political aspects between DHQ and strategic-centre subsidiaries (Forsgren, Holm and Johanson, 1995), space and time conditioned interactive cognitive-logistic information processes (Euro, 2001), and concerning CHQ, foreign mergers and acquisitions, but also needs for efficient communications with e.g. main shareholders and capital markets (Braunerhjelm, 2001, Birkinshaw et al., 2006).

These above described managerial and societal real-world conditions and potentially looming problems are the contingent background in this study. The theoretical research problem in this work inviting understanding or explanation is the *paradox of location change*: on the one hand MNC headquarters in Finland encounter the various above said unfavorable aspects in their present location, on the other hand the great majority of the globally active some 100 plus MNC corporate and divisional headquarters *still retain* their location in Finland, with reasonable success serving their organizations, and also with relocation cases abroad bringing several downsides to the headquarters' activities, as above noted on repatriations (Ritala, 2006).

Limitations of research

As Birkinshaw et al. (2006) point out, there are clear differences between CHQ and DHQ *when locating abroad* them, e.g. the keener actual business contacts for DHQ. It is on the other hand here assumed that relevant location factors for DHQ concerning *retaining of their locations* are in principle more or less the same as for the CHQ, when we are dealing with original home-country divisions which usually stretch their origins to the pre-divisionalised functional organization of the firm. (DHQ of divisions consisting entirely of subsidiaries and other units acquired abroad, tend to have their DHQ also relocated abroad (Euro, 2001)). However, the above notion of assessing relocation factors concerning DHQ may simultaneously mean, that the factors keeping these two

headquarters categories home-country bound may not be of same relative strength, e.g. thinking of firm history and organizational identity, but external business factors relating to customers, competitors, subsidiaries, joint-ventures and other cooperative arrangements cause a practical high information processing pressure to relocate abroad (Euro, 2001). On the other hand, the phenomenon of some abroad relocated DHQ to have returned after some years back to Finland (Barner-Rasmussen et al., 2003) may corroborate this similarity assumption. Thus supported by this assumption of relative similarity of location factors the empirical research here is based on and limited to interviews of MNC top management members within CHQ.

Another limitation concerns the exclusion of the important role of CHQ specialists and staff, and the firm's wider organization, thinking of their undoubtedly strong opinions and influence on location decisions.

The number of location factors studied is also limited to six factors, two of them termed roughly cognitive-emotional and four termed roughly rational-based; it could be thought, however, that these for the most part old firms with strong roots of various kinds might also have other idiosyncratic location factors, not dealt with here. As a whole the emotional and rational factors in real-life managerial perception and decision making are inherently intertwined (Forgus and Melamed, 1976, Damasio, 1996, 2000, Euro, 2001, West and Graham, 2004, Luo and Shenkar, 2006), and this basic human reality is assumed to be shared by CHQ managers. Thus the empirical material gives only a preliminary material ground for the orientation into a further research of these intriguing and challenging questions. It is very possible that there are other influential factors, both cognitive-emotional and rational-based, when dealing with large and very different firms as competitive knowledge organisations within their global business contexts.

As a limitation of the theoretical approach in this research it is herewith set forth that despite its evident role within a feasible holistics of this study, the research is not using the resource based view (RBV) as an essential theoretical aspect to the research problems, or as a research problem *per se*, despite certain references to points of view of resources.

The aims of the research; methodology

As it was above remarked, this work primarily aims at finding new theoretical insights to the theme of MNC headquarters being sticky in staying in their traditional home locations even when the MNCs' businesses has become extremely global and the centre of gravity of their markets far from the home country. In this research it concerns particularly the case of the peripherally lying country of Finland as seen from the main economic world city centres. The aim here is to open up the explaining basic factors both mental and material, abductively interpreted to be a multitude, for

staying in Finland. On the same hermeneutic grounds the aim is to analyse the possibility of the existence of a reciprocal knowledge network of these headquarters managers, born in the last 30 to 40 years of strong firm internationalisation, and how this network may further enhance the stickiness of the headquarters location. This stickiness-enhancing network is actually assumed to be of two spheres, the 'core-cluster' and 'sub-clusters network', as depicted in the Figure #1. In these respects this research aims at a contribution in both originality and utility, in line with the idea of "to publish new theoretical insights that advance our understanding of management and organizations" (Corley and Gioia, 2011).

Basing on interest of the above theoretical research problems, a subsequent matter and a further aim for doing this research, is lack of knowledge of the essential practical building blocks of conditions and resources for the possible enhancing of headquarters activities in their present Helsinki metropolitan location. Due to the geographical, cultural, institutional and other conditions, the headquarters clusters as a local phenomenon assumedly also includes some idiosyncratic features (Porter, 1998a, 1998b, Wood, 2001, Chen and Choi, 2004). Thus the general public development policy in the Helsinki metropolitan area as a knowledge and possible managerial innovation environment, enhancing retaining MNC headquarters, as well as other comparable international business service and other organizational activities is to be counted on in preserving the traditional headquarters' location. Analysing these processes and resources should also give an explanation and understanding why until now the headquarters are predominantly staying in the Helsinki metropolitan region, instead of relocating abroad despite certain even strong push and foreign pull factors as found in the studies above. This will in turn give grounds for a development policy to make home-country staying possible also in the future.

It can also be envisioned that there are possibilities to further develop the role of metropolitan Helsinki as a centre of international business. This is can be perceived as strategically important in the new situation where Poland and the Baltic countries Estonia, Latvia and Lithuania, all in the regional context of the Baltic Sea, have become members of the European Union. They, together with the quite close scientific research and economic growth and business centre of St. Petersburg in Russia, form a new sphere of strongly developing economic activity at the doorstep of Helsinki (Kivikari and Lindström, 1999).

As noted above, there is a notable theoretical knowledge gap concerning large international business organizations' retaining of the CHQ and DHQ in their traditional present locations. The approach of the research is in nature abductive and commences with a many-sided theoretical literature review on topics referring to spatial, cultural, socio-psychological, social and information

processing research which as theoretical approaches can preliminarily be thought to be valid in understanding and explaining the research theme.

Concerning the emergence of the assumed CHQ top managers' reciprocally acting network, this is centrally attempted at by means of the sociological systems theory of Niklas Luhmann (1986, 1995, 2004). Thereto, following that theoretical examination there are some notions on network theory and other systemic contexts of firms, which are interesting as a comparison with, and the light of Luhmann's approach. These are represented by Ebers, (1995), Grandori and Soda, (1995), Håkansson and Snehota, (1995), Jääskeläinen, (2001), Möller, Svahn and Rajala, (2002), Formica, (2003), and Maula, Keil and Salmenkaita, (2007). The entire research problem of the basic location factors and the role of the networks of Figure #1 in relation to these is in short considered also in light of the institutional model by Scott (2001).

The theoretical study is followed by a set of grounded propositions concerning certain base-disciplines using aspects which are regarded as the solid background of CHQ location. The propositions are followed, then, by a limited empirical qualitative research of five case companies. This serves as an empirical test of the abductive theoretical assumptions for a more thorough interpretation and understanding of the research questions phenomena. Additionally it tries to serve the aim of finding an overarching theoretical model, assumedly eclectic, helping to holistically clear the psychological, cultural, social and logistic research problems. The case-study research is on these grounds qualitative in nature in its attempt at theory-building (Eisenhardt, 1989).

As noted, the particularly important and challenging aim of this research is to construct *a generic conceptual model* of the assumed MNC headquarters' *information and knowledge cluster network* in the context of a metropolitan region. This takes place through a set of logical consecutive *questions* and *propositions*. Following the research questions and building on the said research literature there are presented several propositions. These serve to give a general conceptual background for an orientation to the space and dimensions of the phenomena of social systems expected to exist. Altogether, this research by its very nature is both multi- and cross-disciplinary.

The theoretical approach

The main research question themes and the subsequent main propositions

The main themes for the research questions posed focus on the following matters:

1. What are the factors enhancing the *locational continuance* of the Finnish MNC headquarters, both corporate and divisional HQ in the Helsinki metropolitan region, under the particular local circumstances, and the *possible decision-making issues* with respect to this continuance?

2. Does there exist a local top-managers' mutual information and knowledge on international matters exchanging and cooperating network or *core-cluster*, consisting of the some 23 CHQ and 75-80 DHQ headquarters of Finnish MNCs, depicted in Figure #1? This core-cluster would have autonomously evolved during the last 30 to 40 years of Finnish firms' dynamic internationalization.

3. Does there exist a local network on the one hand between the MNCs individually (and the *core-cluster* collectively) and on the other hand the private and public *sub-clusters* presented in Figure #1, capabilities supporting material and immaterial resources enhancing firms' international business?

4. In case there exists the above, in research question 2 presented network or core-cluster, does this network of mutual information and knowledge sharing affect in an enhancing way on the *location continuance* of the MNC headquarters in the Helsinki metropolitan area?

In the following there are presented the research questions with several *detailed propositions*. These propositions serve the construing of the *empirical research questions* of the subsequent empirical phase of the research. The *theoretical propositions* refer to three main aspects, which are proposed to be ontologically and methodologically linked, forming the theoretical paradigm of the research and this paper: 1. the phenomenologically based, *identity-of-location*-termed emotional and rational factors, connected with social, cultural, language and external company image elements, 2. the logically consequent phenomenology-based model of the *autopoietic social systems* theory of Niklas Luhmann (1995), 3. the *network models* consequently applying the intentional principles of the identity-of-location and the autopoietic social system model, and 4. the overarching *institutional model*, as suggested by Scott (2001), of the whole research problem area presented in this research.

Research question #1: What are the reasons for the continuance of the traditional location of the Finnish MNC corporate and divisional headquarters in the Helsinki region, with subsequent propositions

The conceptual background, construct development, and propositions

As it is noted in some studies (Forsgren, Holm and Johanson, 1995, Euro, 2001, Birkinshaw et al., 2006), there are several reasons for relocation abroad of both CHQ and DHQ, the reasons for these two categories being rather different. But as Birkinshaw et al. point out in the conclusion of their study, concerning the CHQ there is clearly a distinction of the role of the CHQ *internally* with respect to the organization itself, and *externally* with respect to various stakeholder groups, and they suggest that "it may be interesting to reconsider what the concept of 'home' country really means". With this we come to the human underlying phenomenological aspects of emotions and cognition,

concerning in generic terms managers' perception of space, time, personal and social cultural identity, and the historical tradition and perceptual image of managers' own organization, and the aspects of subsequent behaviour as managers. However, these very same aspects may also be applied to DHQ managers concerning the meaning of home country location. This space-time connected phenomenological approach in the contexts of (prospect theory based) strategic reference point theory and transaction cost theory is well presented in the literature-based study by Euro (2001). As Golledge and Timmermans (1990) argue, "preferences are located in multidimensional psychological space, which may or may not have attributes of physical space. It is as important to determine the dimensions of psychological spaces as it is to determine the significant dimensions of physical space". Thus the above mentioned are factors which would not be, as to their strategic meaning for an MNC, eliminated by primarily current investor relations, as has largely been the case in the study by Birkinshaw et al. (2006). As Shamai (1991) notes, "*sense of place* is part of the social and political reproduction process of each society", whereby he includes under that umbrella concept "attachment to place, national identity and regional awareness". He applies the concept *place* to any spatial scale and underlines the encompassing perceptual unity of place with an artist's view that place is "a piece of the whole environment which has been claimed by feelings". Likewise according to Reich (1991), "The location of the headquarters was a reflection of company history (the founder had begun the company in this place) or of industry requirements", or as expressed by one of the chief corporate officers of the BMW car manufacturer in connection of choosing, among alternative global sites, the traditional German site for its big production investments, "Who wants to act globally, needs stable roots. These roots are located in Munich" (Höpner, 2002). Also Murphy (1991) underlines the character of regions not only as physical backgrounds but as social constructs produced in "social dynamic....with functional and symbolic significance." Thus the headquarters also have a strong *symbolic* spatio-temporal and cultural role for the company and its products in the perception of managers in a phenomenological sense, both as they themselves personally perceive it, and as they perceive others to perceive them, and thus consequently reacting to these perceptions in decision-making. As Barner-Rasmussen, Piekkari and Björkman (2007) remark in their study on Finnish MNC headquarters, "In line with previous research, we emphasise the importance of the symbolic dimension. This dimension is often downplayed by corporate actors in favour of the pragmatic dimension, perhaps because the latter is felt to be more legitimate and easier to argue for".

This study does not take any stand, *per se*, with respect to the phenomenon and concept of explicit ethnocentricity and the possible role of it concerning companies' decisions in retaining the headquarters in the Helsinki metropolitan region. The question of organizational ethnocentricity in

this study would be, as such, easily close to being meaningless and thereby invalid, as headquarters, firstly, must have their place somewhere anyway, in any country. Secondly, traditional locations retaining headquarters likewise have a time-space bound firm-connected history, even though there are certain deviations in this respect, often as a result of international mergers, as in the form of locationally split headquarters, or virtual headquarters (Ferlie and Pettigrew, 1996, Birkinshaw et al., 2006, Barner-Rasmussen, Piekkari and Björkman, 2007). Thirdly, in practice all human beings have at least certain language, cultural and location-bound roots as individuals, aspects dealt with in this study, and the separation of these from organisational decision making is *per se* impossible. The question of explicit ethnocentricity and its possible role is thus left open in this study, and for it to be a strategically and institutionally relevant concept in management research it requires further research.

Approaching the question of a continued stay in the traditional MNC headquarters location in metropolitan Helsinki evidently leads to phenomenological background factors both of emotional, cognitive and rational character, and the interplay of these factors, supporting the following proposition:

Proposition #1: *The continuance of the CHQ and the great majority of DHQ of Finnish MNCs in their present geographically and culturally peripheral historical home-country Helsinki location is due to **interweaving socio-cultural and rational** factors --- despite abroad-pulling market, competitor, ownership and other cognitive and logistic information processing factors.*

When closer dealing with the question of location continuance of the HQ, whether CHQ or DHQ, the problem is thus to be divided into an *socio-cultural* and a *rational* aspect. These aspects are, however, in a reciprocal, interweaving relationship (Damasio, 1996, 2000, West and Graham, 2004, Luo and Shenkar, 2006). When concerning managerial level perceptions in connection of decision making and thus the power of influence of managers (Dutton et al., 1994), the approach here is both from the aspect of the individual, i.e. manager, and to some extent the bidirectional influence between managers and the further organisation as presented by Wood and Bandura in their Triadic Causal Structure (1989). However, the central processual question of the relationship between the individual level and the social level, e.g. managerial sense-making and organizational sense-making, or of social cognitive processes sharing within the organization, whether concerning the top management team (TMT), the headquarters' immediate staff or the wider organization is not closer dealt with herewith (Weick and Bougon, 1986, Wood and Bandura, 1989, Corner, Kinicki and Keats, 1994, Weick, 1990, 2006). Meanwhile this aspect is approached below in the form of

Luhmann's sociological systems theory (1994). Thereby conceptually the headquarters are here represented by their managers as individuals, still the ultimate decision-makers or the proposers formally of the strategic matter of an MNC's headquarters location.

An umbrella working concept is chosen herewith, '*identity of location*', to represent the various socio-cultural and emotional aspects of managers as decision makers in the traditional home-base location for not having relocated the headquarters abroad. The concept comes close to the above *sense of place* concept (Shamai, 1991). Identity is here understood theoretically from the structural symbolic-interaction perspective (Stryker, 1992). This can be thought of to fit, in generic terms of the construct of self-concept (Felson, 1992), the role managers have as decision makers concerning decisions of the magnitude of a relocation instance of headquarters abroad. However, a manager's '*identity of location*' is here not only an individual's social reproduction process, from perhaps childhood springing perception on location, in Shamai's (1991) terms in general, but is formed by way of his or her own identification with the company's and its management's history, on behalf of which this identity is perceived and interpreted in one's actions. This means that, in trying to interpret the identity of a manager, the reciprocal societal role of the manager also has to be taken into account. As Stryker (1992) notes, "the meanings which persons attribute to themselves, their self-conceptions, are especially critical to the process producing their action and interaction". This is intimately connected with the sociological concept of symbolic interactionism, where the basic formula embeds a reciprocal process where "social behavior impacts self and society, and self can impact society" (Stryker, 1992). This interactionist approach is, however, phenomenologically extended below in Luhmann's autopoietic systems theory approach as the concept '*double contingency*'. However, it has to be seen that, even when being a distinct and with rational aspects intertwined propositionally operative attribute --- thinking of factors of decision-making on headquarters location --- '*identity of location*' is only one aspect of managers' entire perception of their own identity in the context of a far-flung global and multinational and as such a multicultural company.

Proposition #1.1: *The locational continuance of Finnish MNC headquarters derives, inter alia, from emotional and value-oriented factors of the company's successful history, national language and culture, and social relationships aspects.*

An MNC's proven successful company history and its connection to managers' spatial cognition
'*Identity of location*' comprehends company history and tradition (Euro, 2001, Hibbert, 2006), national culture and language identity, and social networks. An essential part of managerial identity

is also the external image of the company in the context of its home-base, which enhances a reciprocal image-identity process (Dutton et al., 1994). As Euro (2001) remarks with reference to Shamai (1991), Golledge and Timmermans (1990), and Reich (1991), "the usually long history of the Finnish MNCs and DHQ has assumedly enhanced, in a symbolically and emotionally important way, the locational identity or socio-spatial perception of these Finnish multinational companies, which have existed for a long time and become large". Thus the small, open and competitive Finnish home market which years back had forced the companies to internationalise their businesses in order to survive and grow (Luostarinen, 1979), led with adaptive aspirations (March, 1988) and still higher strategic reference points (Fiegenbaum, Hart and Schendel, 1996), commitment and forward momentum, in a cognitive process described by Weick (1990), and subsequently to global growth and success (Luostarinen and Welch, 1990, Luostarinen, 1991). This success is visible arguably *by definition* in the shape of MNCs, the companies having been managed globally from the traditional locality with its capable human and other resources. This has taken place *interweaving* the national location as a part of the positive company image in the perception of managers, and as they perceive customers and competitors mutually also to see them. This general view has been rendered valid by a one respected manager (Lilius, 2006). In the same way as Shamai (1991) above remarks about sense of place as a part of the social *reproduction* process of a society, in a semiotic sense a company's international success story as a narrative can be understood to affect in managers' perception, their spatio-temporal mental map, as a location-attributed sign (Fisher, 1987) reproducing the company's survival and success. In the context of the so called canonic story, more closely applying the 'actant model' by Greimas (1980), it is suggested by Euro (1992) that in this mental map the historical home-base location with its competitive advantages and cultural values acts as the canonic 'sender', with the MNC and its headquarters with its capabilities and human and other resources being the 'subject', and the MNC's rational mission, work and products being the 'object'. The customers and potential markets are the canonic 'receivers', the 'adversaries' and 'helpers' having their pertinent roles in the classical narrative. A comparable narrative 'actant model' study of a Finnish MNC's development during crisis and recovery abroad, in connection of a strategic subsidiary, is made by Lamberg and Pajunen (2005). Also Nahapiet and Ghoshal (1998) in organization research bring forth the central role of narratives as a component of the cognitive dimension of social capital. In the study of various semiotic approaches to spatial semiotics Lagopoulos (1990) brings forth the strong social aspects in spatial analysis in the research of environmental psychology and behavioural geography, with i.a. geographic, climatic, demographic, economic, administrative, aesthetic and social aspects.

In the area of human geography Golledge and Timmermans (1990) set forth of cognitive mapping that "preferences are located in a multidimensional psychological space which may or may not have attributes of physical space". Successful history as a location-conditioned sign can be well compared with the both internally and externally mediating very usual sign indicating trustworthiness, that of old age denoting founding year included in many companies' logos, implicitly often also connected to a larger cultural space. This 'identity of location' is proposed to have a strong emotional component, as the concept identity as such includes, following the definition by Kaplan (1992). Taking into account the roles managers and their commitment have in their respective organizations, there is to be noted the essential meaning of a person's identity. As Stryker (1992) brings forth, according to identity theory "commitment impacts identity salience impacts role choice", and that commitment to social networks, in this case the headquarters' TMT and staff, ultimately also the entire international organization, is the source of the salience manifested by managers' identities. Stryker further argues that "emotional expressions carry important messages from self and.....that the experiences of emotions are messages to self informing those who experience those emotions of the strength of commitments and the salience of identities", underlining thus the reciprocity of perception between self and others in the environment.

In dealing with the identity-concept in connection of the place-concept, Rose (1995) notes that "although senses of place may be very personal, they are not entirely the result of one individual's feelings and meanings; rather, such feelings and meanings are shaped in large part by the social, cultural and economic circumstances in which individuals find themselves". This sense-of-place identity is further enhanced reciprocally in managers' and other organisation members' perceptions by the positive perceptions of outsiders, e.g. international customers, competitors and other stakeholders of the company (Dutton et al., 1994, Hibbert, 2006).

The identity-of-location variable can be thought of to be, due to the mostly high-technology MNC firms, further symbolically strengthened by the national capital region as Finland has as a country for many years profiled positively in numerous international comparisons concerning e.g. economic competitiveness, technological development and overall education level, and economic growth. As Brouwer (2005) with reference to Rose (1995) notes in her study of the spatial impact on old, although mostly small and medium sized firms' identities in the Netherlands, "the meaning given to a place by a firm may be so strong that it becomes a central part of the identity of the firm, in the embeddedness of the firm in the place", and that this meaning given by managers to a place was connected with an external image of trustworthiness and reliability of the company.

In their study in the field of human geography on cognitive representations of space and therewith spatial structures, Medyckyj-Scott and Blades (1992) bring forth the way spatial hierarchies affect thinking and language. In line with Golledge and Timmermans (1990) above, emphasising the home-place perception may also be enhanced by some of the phenomenological gestalt psychology processes of *distortion* of the mental map in the social and socio-spatial cognition, comparable to that of distorting physical maps in remembrance and imagination, as in human geography shown by Tversky (1992), and thoroughly elaborated concerning perceptions in managerial information processes by Euro (2001). Notably this could be thought to concern the gravity or pull force of the distortion called 'landmark'. Here the Finnish managers may inversely see, in a phenomenological process in the perception of 'The Other', in the eyes of the *foreign subsidiaries* the role of the HQ as unproportionate in its importance, together with its home-location.

With the perceptual background of managers concerning the successful growth history of the company, the transferral of the MNC headquarters abroad very possibly would be seen as a grave symbolic loss for both the internal and external image of the company, a detachment of the company from its roots of the proved and generally perceived competitive advantage, and supportive business system (Haake, 2002, Höpner, 2002, Tainio and Lilja, 2003, Lilius, 2006). It could also be seen as a risk concerning future identities and thus internal and external images of the entire international organization. These shape its members' behavior "by affecting the content and evaluation of possible selves.....what they might become and what they are afraid of becoming", affecting thus the motivation and commitment of organization members (Dutton et al., 1994).

Proposition #1.1.1: *The reality of the 'identity of location' construct, as understood by means of MNC managers' identity through **the role choice of managers** according to identity theory, is suggested to be supported by the fact that the great majority of corporate and divisional headquarters have not been relocated from Helsinki abroad.*

Home-country social relationships of managers

The construct of 'identity of location', based in part on the *social relationships* aspect of managers, can be seen to overlap with one of the main research questions, which is dealt with further below in this study concerning the proposed collegial *core-cluster* of the MNC headquarters. However, thereto social relationships have a role also outside the strictly occupational context. Social relationships of managers are here also assumed to include an emotional component, as noted above concerning language-cultural identity and symbolic interaction (Stryker, 1992). Relationships are

intimately tied to e.g. an emotions-based creative use of one's native language with family, friends and colleagues, a host of language-based cultural, cognised and unconscious social reciprocal aspects, an existentially experienced world-view. With respect to relocation abroad, then, a central problem area is connected with family matters directly or indirectly, concerning social relationships and ties of managers to family members and to family contingencies. Relocating headquarters abroad can from the practical organizational point of view be seen as an instance of collective expatriation, as it entails the physical moving of at least a core group of managers and staff abroad. The potential problems encountered hereby are very much those dealt with concerning expatriation in international human resources management (IHRM) literature, particularly matters concerning dual careers, and children's education (Dowling and Schuler, 1990, Harzing, 2004, Scullion and Paauwe, 2004). Together with the above already presented company history, language and culture pertaining 'identity of location' aspects, the role of social relationships of Finnish MNC managers thinking of non-relocation of the headquarters abroad could also be approached from a culturally *relative*, idiosyncratic view. This could mean that e.g. the cultural dimensions of Hofstede (1989, 1995) and Trompenaars and Hampden-Turner (2003) as *inversely* perceived, through the eyes of the 'Other', could have a role with what Dowling and Schuler (1990) bring forth as the emic-etic distinction concerning research issues in international HRM, the distinction between culture-specific and culture-common or culturally universal aspects. In other words, it could be proposed that Finnish managers could be seen from outside to have for reasons based on language, national culture, social relations and customs a relatively seen *more* home-country tied emotional attitude *not to relocate* headquarters abroad. Thinking of the above characterised identity of MNC managers' in these terms, and their role in the respective organizations and the surrounding wider small-nation society, it can be suggested that these values are mediated between managers as individuals, 'persons', and their organizations as 'social systems' in cognitive, explicit 'meanings' carrying communication processes, which systems-theoretically are termed 'interpenetration' and which are further collectively communicated within the social systems of company organizations, and the core-cluster of headquarters, as autopoietic information processes according the sociological systems theory of Luhmann (Luhmann, 1995: 212-216, 272-276, Seidl, 2005a), suggested and more presented below.

Proposition #1.1.2. Home-country social relationships and family relationships tend to inhibit company management from the decision to relocate headquarters abroad.

National language, culture, and home-country environment

National language and home-country culture can be also seen as strong location binding identity factors. This may be particularly true concerning the Finnish language and language attributed culture, referring to the very idiosyncratic, from the neighbouring Indo-European languages differing language. It is a well-known fact that philosophical, ontological world-views, order of values and modes of social existence of an individual existentially are represented in a nation's language. The native language carries in itself thousands of years of collective experience in particular environments and the language and the concomitant culture is learned by the individual immersed in the socio-linguistic interaction. For authors, poets and translators of belles-lettres this has been long a self-evident matter, and the fact is vividly explicated by the literature-prized bilingual Greek immigrant author in Sweden, Theodor Kallifatides (2005: 113-116). There are differing opinions within socio-linguistics and philosophy of language of the level of strength of the tie between language and thinking, both in the *generic* human meaning, and from the point of view of language *differences*. However, it is generally accepted that also language differences have a strong influence. The influence is both strong as such, in ways of thinking, and indirectly through the innumerable correlates of the national immaterial and material culture in the language. As Vygotsky (1962/1934) sets forth it, "words play a central part not only in the development of thought but in the historical growth of consciousness as a whole. A word is a microcosm of human consciousness". And as he further notes, the core of the word is its meaning, "the meaning of a word represents such a close amalgam of thought and language that it is hard to tell whether it is a phenomenon of speech or a phenomenon of thought....meaning, therefore, is a criterion of "word"". Or as Damasio (2000) notes, "language - that is words and sentences - is a translation of something (else), a conversion from nonlinguistic images which stand for entities, events, relationships, and inferences....If self and consciousness were born de novo from language, they would constitute the sole instance of words without an underlying concept." The same idea is expressed by Heidegger (2000) when dealing with individual existentiality in togetherness, and it is implicitly embedded in his notion of historicalness of being in the present. The way of thinking, carried over by the meanings embedded in ones language and thereby the subsequent perception of and behaviour with respect to one's socio-cultural values, is also in an interesting and convincing way empirically measured and brought forth by West and Graham (2004) with respect to managerial values, basing on Hofstede's (1989) cultural distance criteria,.

The role of language is also embedded in the sociological symbolic interaction theory concerning the constituting of the 'self', which interaction according to the theory "reflects society and organizes behavior, and by a related imagery addressing the nature of society and the human being,

the nature of human action and interaction.....interaction is "symbolic", conducted in terms of meanings persons develop in the course of their interdependent conduct" (Stryker, 1992). As Stryker further notes, within the symbolic interaction theory a growing role has been attributed to emotion in the context of an individual's social life, besides cognitive aspects of social interaction, as this was above noted in connection of managerial roles in locality bound social networks. MNC managers' Finnish identity in the language and cultural, and even natural environment concerning respects may also be strengthened inversely by cognised cultural and environmental opposites, or cultural foreignness abroad in the potential headquarters' transfer destinations of Western European cities. Even when managers and other employees may be very international in experience and also education, in connection of a permanent relocation abroad with families an alien 'sense-of-place' and a perception of 'otherness', interpreted in the phenomenological sense (Heinämaa, 1996), may affect in a deterring way concerning Finnish MNC headquarters' relocation. As Evans et al. (1989) note, failure rates on expatriates' foreign assignments may be significant due to problems in family adaptations in foreign cultures.

In addition to the above expressed, a decision of non-relocation could also be thought to be supported by Finnish national characteristics when thinking of the expatriate study by Caligiuri (2000), as she notes that the personality traits of openness and sociability positively relate to cross-cultural adjustment. The important role of relational skills to interact with host country nationals, and perceptual skills with respect to host country culture, i.e. openness, are likewise underlined by Black, Mendenhall and Oddou (1991). As it is anecdotally well known and generally agreed, openness and sociability in the international context and using foreign language is not a particular Finnish trait and skill (Louhiala-Salminen et.al., 2005), a conclusion which can implicitly also be drawn from the studies by Marschan (1996) of intra-organisational information processes in a Finnish MNC, and Irrman (2006) on communication in French-Finnish cross-border acquisitions. Additionally, this insufficiency of openness and sociability, when cognized by Finnish managers themselves, can be thought to be perceived by them reciprocally in the eyes of the 'Other' in a phenomenological mirror sense and to thereby strengthen the self-perceived lack of openness and sociability. Particularly this could be seen valid concerning headquarters potentially to be relocated close to or within the francophone area with many French and Southern European subsidiaries of the MNC.

Proposition #1.1.3. *Managerial identity is also based on **emotional** Finnish **language-related** and other **cultural** and home-country **nature** and **environment** values, the role as managers of large MNC's also expressing itself in commitment and efficacy towards the home-based organization, as well as the national society with respect to the values hitherto above presented.*

Proposition #1.1.4. *Lesser openness in character and sociability in **foreign language-expression** of Finnish managers enhance the inclination for native language usage in headquarters' information processes, and thus enhances non-relocation of headquarters abroad.*

Proposition #1.2. *The locational continuance of Finnish MNC headquarters derives, secondly, from an 'identity of location' construct, basing partly on certain **rational** factors contingent to headquarters **communication efficiency** and company external and internal **image**.*

Home-country native language as a means of most effective means of communication of top management team and staff

The idea of relocating headquarters abroad from Finland to e.g. Western Europe rests mainly on the thought-of positive practical consequences in order to better share the much bigger pool of international specialists (Braunerhjelm, 2001, Ali-Yrkkö and Ylä-Anttila, 2002, Baaij et al., 2004). This event might, however, turn out to be paradoxical in consequences, when thinking in terms of primarily daily oral communication in knowledge sharing within the HQ for knowledgeable and quick decision making.

On the one hand, when there are at the traditional home-country location of the HQ foreign nationals in staff and management, and the corporate language is English, the majority of headquarters personnel still are Finns and the dominant shared language used consequently Finnish. Using the native language can be thought of as a communication enhancing aspect (Zander and Kogut, 1995) in the mutual exchange of knowledge both formally and informally, whether it is a question of rational, with complicated and nuanced strategic and operational details, or emotional leadership enhancing influence (Tietze, Cohen and Musson, 2003). In their elaboration on the role of social capital in creation of intellectual capital, Nahapiet and Ghoshal (1998) bring forth the meaning of a non-sharing of a common language, i.e. a different language, in restricting the access to common concepts, codes and perception and thus knowledge combination. This in new conditions and situations important combinatory ability would thus be severely undermined by the event of relocation, as there may be difficulties to bring along, with families (Dowling and Schuler,

1990, Harzing, 2004, Scullion and Paauwe, 2004), more of the members of staff and managers of the headquarters, who would communicate in a common language.

On the other hand, locating in international 'world cities' in Western Europe (Helle, 1989, 1991) makes it much easier to hire foreign specialists and managers (Birkinshaw et al., 2006), whether from inside the MNC organization or from outside, and the overwhelming joint everyday working language among the very international personnel becomes English, the non-native and third language to the majority of staff. However, as West and Graham (2004) bring forth, there prevails between words and expressions, formally equivalent, in different languages considerable semantic equivocality, and that ways of thinking in various linguistic groups is similar to the comparable cultural and mutually divergent value groups presented by Hofstede (1989, 1995). As they conclude from their empirical study, there is "strong support for the association between language spoken and managerial values", thus also a basis of misunderstandings. Tietze, Cohen and Musson (2003) in their work on the role of language in organizations, when discussing language and culture and the question of linguistic determinism and linguistic relativity with respect to the role of one's native language in seeing and thinking about the world, remark that "no two languages are ever sufficiently similar to be considered as representing the same social reality". It is relevant to see that the way of thinking and expressing oneself is carried over, transmitted, from the native language to another language used, as Louhiala-Salminen, Charles and Kankaanranta (2005) show in their study of two Nordic MNC mergers appropriating a third language, English, as the lingua franca for the corporate language. They point out that lingua franca speakers do have their cultural backgrounds, bringing these with all the possible diversities into discourse practices. Additionally, there is always the practically relevant basic question of the level of language skills in English, the official lingua franca of the company, of a relocated and very multinational management and staff of the HQ. Unless the command of English is very good and multifaceted, the information conveyed in workplace jargon and 'company speak' within the management and staff will easily suffer from dearth and insufficiency (Welch and Piekkari, 2006). This is the very opposite of the necessary communication and information requirements in reality, thinking of dealing with weak signals of the competitive environment and other fine-tuned language requiring operational and strategic matters in the very varied and demanding tasks of the top management and staff in the headquarters of an MNC (Euro, 2001). This concerns particularly using a foreign language in oral communication, in telephoning and meetings, at "being prepared to suddenly and effectively express opinions or convey nuances" (Louhiala-Salminen et al., 2005).

Thus, as a *motive*, non-relocation of the HQ gives the possibility to an important extent to retain the use of the native home-country language as a sharp and efficient tool of enough substantial

coverage in managerial intra- and inter-organisational knowledge exchange and understanding at the Finnish home-base location. It is also evident that the home language is the most effective means of socially enriching interaction, and thus *creativity and innovation*, both in its explicit dimension and its 'between the lines' implicit tacitness. Due to its inherent effectiveness as a means of transferring maximally exact, since childhood internalised meanings (Vygotsky, 1962/1934) in the course of decision-making processes, the native home language has strategic value, whether it is a question of formal or informal information and knowledge sharing, explicit knowledge or tacit knowledge, matters of rational or of emotional aspects. This is the view also argued for by Nahapiet and Ghoshal (1998), as above mentioned. Likewise Zander and Kogut (1995) set forth in their study on organizational capabilities, in connection of innovations, that the role of speed and effective transfer of information, knowledge, interpretations and views within the organisation are crucial factors in a turbulent competitive environment, and that language has an important role for this mutual effectiveness in understanding. But this, of course, also applies to any marketing, financial, company social, or managerial innovation or new aspect worth of promoting. Basing on a social capital perspective study of over 300 Finnish and Chinese MNC subsidiaries, their sister units and headquarters, Barner-Rasmussen and Björkman (2003) note that "our results concerning the influence of language fluency on both shared vision and perceived trustworthiness are consistently positive and highly significant. Language seems to be a very strong determinant of both relational and cognitive social capital. This indicates that fluency in the language of communication is much more important for interunit relationships than has previously been acknowledged in the MNC literature". The more this must be so in the internal headquarters communication thinking of its due requirements of oftentimes swiftness and high quality in the mutual information sharing.

It can be well suggested that from personal to work group levels among managers and staff also the role of tacit knowledge is essential. The role of a shared language is herewith slight, emotional expressions carrying instead of explicit information, and thus at the same time more neutral as to the language used. As Athanassiou and Nigh (2000) show in their study on the role of tacit knowledge of top management teams in MNC internationalization processes, the managerial level mutual cooperation in foreign subsidiaries brings about valuable knowledge, there tacitly accrued, and transferred from abroad to the MNC's top management teams (TMT) in the headquarters in the home country. As Nonaka (1994) and Nonaka and Konno (1998) describe when presenting the socialisation-externalisation-combination-internalisation (SECI) - process, the knowledge process is a spiral taking along further individuals and continues into the next socialization phase with the newly enriched knowledge. The tacit knowledge transfer taking place in the socialisation phase within the mental and physical space of the originating 'ba' are also assumed to contain emotional

aspects, "individuals meet face-to-face, share emotions, feelings, experiences and mental models" (Nonaka, von Krogh and Voelpel, 2006). This can also be applied to the headquarters with managers and staff, and as Keenoy et al. (2002) set forth, emotional factors can have a definite impact on managerial decision making. The holistic mental process of interaction in the physical and mental space of 'ba', for the part of each individual, is based on the phenomenological approach (Nonaka, 1994) with ideas from Polanyi (1966). Polanyi explicitly brings forth the ontological holism in the human knowing process, referring to Gestalt psychology, complementarily adding to it a physiognomy of perception, so that he sees the organizing principle of Gestalt "as the outcome of an active shaping of experience performed in the pursuit of knowledge. This shaping or integrating I hold to be the great and indispensable tacit power by which all knowledge is discovered and once discovered, is held to be true" (Polanyi, 1966). It is to be noted that the Gestalt organising principle of phenomenological psychology is regarded to cover all the senses, and *also psychic events* in i.a. imagination (von Fieandt, 1977). As Damasio (1996) in his neuropsychological work on the holistic consciousness of body and mind in the process of human experiencing and thinking underlines, the role of imagination, emotions and feelings are essential in the multifaceted process of thinking.

On the aforesaid grounds it can well be assumed that sharing of thoughts, ideas and indirect hints of the very demanding managerial level of communication in top management teams, and staff, with the mission to cover information and knowledge of tacit nature will include details, nuances, expression modes and features, where one's language always acts as the most essential medium of communication directly and indirectly. Herewith the transfer of tacit knowledge is far from optimal in a managerial group where the language used is for most of the members a more or less professional, in expressive quality poor foreign language, 'company speak' (Welch and Piekkari, 2006). As Keenoy et al. (2002) note, emotions have a definitive impact which requires keen discerning and ability for linguistic distinguishing, thinking in connection of e.g. critical moments in strategic reorientation, competitiveness, liabilities, or top management and key specialist position matters, in decision making. But besides being an essential instrument in the socialisation phase in the phenomenological holism of tacit knowledge transfer, one's language is unequivocally the quality instrument in the externalisation phase of tacit knowledge into explicit knowledge, and further in the combinatory phase into larger sets of explicit knowledge.

In conclusion it could be set forth that the vast multitude of information and knowledge processing tasks taken care of by the headquarters (Euro, 2001), demand from the management outstanding communication skills in concepts and expression for success. As Nonaka, Toyama and Konno (2000) set forth in their study on leadership in knowledge creation, with particular reference to the

key role of middle managers as knowledge producers in implementing top management's knowledge vision, "knowledge producers need to be able to create their own concepts and express them in their own words and thus should be able to use language effectively. Language here includes tropes (such as metaphor, metonymy, synecdoche), 'grammar' and 'context' for knowledge.....therefore, knowledge producers should carefully choose and design language according to the process of knowledge creation." It is very evident, then, that in basically multilingual headquarters where most of the managers, staff and key persons use English as a foreign work language, the quality of the information and knowledge contents in mutual communication is not, on one hand, up to the levels of the native languages of people. Nor is it, on the other hand, doubtlessly up to the standards and requirements needed for optimally efficient successful activities. This thought would be indirectly supported by the study of Harzing and Sorge (2003) in their research on the relative impact of country of origin factors in strategy and control of MNCs. They conclude i.a., that "one is led to infer that the language of international control in multinationals can never be a de-contextualized sort of Esperanto. For coordination and control to happen consistently and in legitimate form, they might have to be more firmly based on a parsimonious choice of cultural repertoire, institutional background....In this perspective, a multinational with a truly footloose strategic apex will experience the fate of the tower of Babel: it will collapse.....Societal context and domestic economic strengths appear to define a particular 'rationale' of international organizational practice". This comment in its contents also comes near the discussion over national business systems (NBS) and their role in general, compared to the normative, much in international business research literature used approach of global convergence in values and managerial and social practices (Williams and Geppert, 2006). Also with the question of home-country language it can be suggested, as above with the Proposition #1.1.3, that it is an element of the concept 'meaning' in the organizations of MNC headquarters as social systems, according to the systems theory of autopoietic communication by Luhmann.

Proposition #1.2.1: *The continuance of Finnish MNC headquarters location in the Helsinki region can be understood on **rational** and **practical** reasons from the aspect of **effective and contents rich communication**, concerning information and knowledge sharing in top management teams and staff in the headquarters, in order to attain high class straightforward and quick decision making through the use of the native language.*

Risking of firm identity, and internal and external image of an MNC by relocating the headquarters abroad

As Birkinshaw et al. (2006) in their study on relocation of headquarters of MNCs present, concerning an old global Swedish case company, its relocation to a Western European 'world city' (Helle, 1989) was justified by the possibility to "build a more cosmopolitan image for the company", in other words the headquarters location was taken as a symbolic tool for the company. On the other hand, Birkinshaw et al. remark that "when an MNC moves its corporate HQ, its 'home' moves as well", and they further continue, "it may be interesting to reconsider what the concept of a 'home' country really means". This question, far from a purely technical one, is relevant and poses a triple question concerning any firm: the question of a company's both external and its internal *image*, and ultimately its *identity*. As the headquarters have great symbolic value for the entire company, so also has the historical home-country location as the background of a company and its headquarters semiotically important symbolic value (e.g. in the above case since old the strongly positive industrial image of Sweden). This is well set forth above, concerning the "roots" of the BMW car manufacturer in Germany, and by the CEO of Nokia Corporation in his comment that 'he doesn't know a single successful firm without its distinct home-base', as he refers to the relocation of headquarters discussion amongst the globalising company's managers years before; "A company must have an identity, roots, values. They usually strongly stem from the home-base" (Lilius, 2006). Finally, also the relocation *event*, as such, has an important symbolic indicative value, as this might also be semiotically a sign of managers' internal equivocalness with respect to its identity and image in some cases (i.e. abandoning, as in the above case, the positive home-country image), and by that token being not a particularly positive sign.

The symbolic value of the headquarters as both the communicational activity node and symbolic conception stems in essence from it as a locus of upon top management attributed company mission, company visions and values, strategic aims and for the company survival strategic decision making and leadership (Schein, 1985, Goold and Campbell, 1987, Cresap/BIM, 1988, Ferlie and Pettigrew, 1996). The external and internal image and identity of the company, the successful history of internationalisation, as above set forth (Luostarinen and Welch, 1990), and the currently through success witnessed global credibility and company leadership are intimately tied to and embedded in the *psychological space and time of location* of the headquarters (Golledge and Timmermans, 1990, Reich, 1991, Shamai, 1991).

Perception of successfully continued leadership, "embodying the spirit of the community and helping it hold together, to represent symbolically the identity of the group" in the words of Nicholson (2000), has its basis in psychology of evolution of social groups and societies, and

metaphorically this leadership can also be applied to the *locus* of that leadership, the headquarters as its psychological space, following Golledge and Timmermans (1990) with their notion that "preferences are located in multidimensional psychological space, which may or may not have attributes of physical space". As Dutton et al., (1994) set forth, the external image and internal image of the organization and the identity of the organization are closely interrelated: organizational identification and continuity of self-concept and self-esteem of organization members are strongly enhanced by how they see outsiders to perceive and value the organization. The successful international development of the MNC organisation, symbolized by its leadership in the guise of the headquarters and its historical managerial knowledge and skills resources-supplying location (Kogut, 1991, Harzing and Sorge, 2003, Brouwer, 2005, Hibbert, 2006), logically by time create a positive external location-connected image of the company. This external holistic image in turn, following Dutton et al., (1994), support organisation members' self-enhancement and strengthens organisational identification and consequently enhance internal cooperation and external competitive behaviour, ultimately enhancing the company's competitiveness and the positive external image of the firm and its location in a virtuous circle.

Thus, the headquarters and its location having the historically strong symbolic role for the *successful MNC* as presented above, it is well conceivable that the *relocation abroad* of the headquarters, or as Dutton et al. (1994) put it, "when members believe that the organization actions are inconsistent with its collective identity", that event casts the company image both externally and internally into question and doubt. Here there may be repeated the above presented semiotic aspect of narratives, as Gahmberg (1991) sets forth a conceptually enlarged organisational ideology with leadership and commitment as an actantial structure and narrative with reference to Fisher (1987). According to him "Narratives (stories) are enactments of the whole mind; they contain both fact and value, both intellect and imagination, both reason and emotion. They are also moral constructs.....". With this notion in this work the actant *sender* is represented by the home-location and the *subject* by the MNC's headquarters. Incorporated in the narratives' time process is the *implicit holistic time* aspect of *past-present-future*, in the semiotic notion by Uspenski (1991, 1995): "Time is seen in spatial categories, not vice-versa; space is seen by perception, time by cognition, they are conceptualized as correlated categories". From the point of view of the managers' mission and commitment and leadership, it is comprehensible then that a narrative also includes the reaching out towards the *future*. Thereby through the headquarters' *retained identity- and images-laden location*, the narrative of company's success includes by transition the headquarters' location as the *actantial sender*, with the headquarters-*subject* reaching out towards the future.

In other words, an instance of headquarters relocation abroad would be seen as renouncing the anchorage, the symbolic fixation point of the company's image and trust which the firm has accrued with proven results of success, having enjoyed this internally and externally, and with relocating abroad risking these by setting them adrift, open to public questions and uncertainty.

Proposition #1.2.2: *The locational continuance of Finnish MNC headquarters derives from an 'identity of location' construct, basing on aspects which also can be termed **rational** and **practical** from the point of view of a deliberate non-risking of the **organisational identity**, and internal and **external image** which is embedded in the traditional home-country headquarters location.*

The non-relocation abroad of MNC headquarters interpreted as a phenomenon on general societal and cultural institutional grounds in top managers' perception

As Abdi and Aulakh (2012) in their theoretical background presentation, with reference to several authors on institutional embeddedness of firms, bring forth “The institutional environment in which firms are established and developed *imprints* itself into their structures, policies, and practices”.

With this approach in mind it is consequently assumed that, from the aspect of institutionalism, the emergence of social systems and institutions has been *normative* and *cultural-cognitive* in the mode presented by Scott (2001), from the point of view of the factors set forth in the Propositions #1 - #1.2.2 above. Scott presents institutions of three basic kinds which he calls ‘pillars’: *the regulative, the normative, and the cultural-cognitive pillar*.

The regulative pillar represents formal, binding and coercive elements even with sanctions; this pillar is not regarded to fit the individual and organisational characteristics of the location factors introduced above.

The *normative* pillar represents *social obligation*, binding expectations, *appropriateness*, features of certification and accreditation, and a *morally governed* basis of legitimacy; this pillar could possibly be seen *partially fit* (fit for this research here indicated in italics) with respect to the location factors propositionally assumed.

The *cultural-cognitive* institutional pillar embeds *taken-for-grantedness*, *shared understanding*, *constitutive schema*, *mimetic behaviour*, *common beliefs* and *shared logics of action*, and *culturally supported comprehensibility*; these institutional dimensions are regarded as very fit for the individual and organisational characteristics of the above presented CHQ location factors, and forming the ontological base of the ‘*core-cluster*’.

Thus, thinking of the location factors as propositional forms of institutional dimensions as being perceived by MNC headquarters' managers, it is proposed that these perceived location factors represent above all the cultural-cognitive pillar, but may also extend to the institution of Scott's normative pillar.

Cross-cutting these institutional pillars Scott presents several levels of human social structures: world system, *societal*, *organisational field*, organisational population, *organisation*, and organisational subsystem.

Thinking of the 'core-cluster' and the 'cluster-network' of Figure 1, both in their *joint reciprocal activities* concerning knowledge- and experiential skills-sharing, materially and immaterially resourcing and enhancing the headquarters in their basic work, the global managerial role and activities in their *present retained and to-be-retained location*, it is proposed that the most appropriate level applicable to the 'core-cluster' is *organisational field*, and to the 'cluster-network' the *societal level*. In addition, the *normative pillar* is notably applicable to the individual idiosyncratic *organization* level. Evidently all these levels by Scott are overlapping, however. As Scott (2001) comments, "Most analysts adopt a commonsense definition of field: a set of diverse organizations engaged in a similar function". Both Scott, and Westney (1993), suggest that large multinational globally operating corporations, often also industrially diversified, could be regarded to constitute an organisational field, *per se*, as "Institutional logics refer to the belief systems and related practices that predominate in an organizational field" (Scott, 2001). This view is actually and notably pinpointed with respect to the 'core-cluster' activities of CHQ and DHQ as a field, as that field is the factual common denominator of the MNCs put forth by the above authors.

To finalise the institutional approach here it is very illustrative to present the means or 'carriers' by which contents within the institutions, 'pillars', are transferred to or realised in the various 'levels' of human structures. Applied to this work it means, how the 'cultural-cognitive' and 'normative' institution contents are transferred to the levels of the 'societal', 'organisational field', and 'organisation'. Altogether Scott (2001) suggests four categories of carriers: *symbolic systems*, *relational systems*, *routines*, and artifacts. Of these the two first could be seen as most pertinent concerning the 'identity of location' factors presented above. For the 'cultural-cognitive pillar' 'symbolic systems' consists of *categories*, *typifications and schema*, and for this study the partly applicable 'normative pillar' the 'symbolic systems carrier' has *values* and *expectations*. As to the other here applicable carrier 'relational systems' Scott presents within the sphere of the 'cultural-cognitive' pillar *structural isomorphism* and *identities*. Also the carrier 'routines', which consists of *scripts* in the 'cultural-cognitive' pillar, and *jobs*, *roles*, and *obedience to duty* in the 'normative'

pillar, could be applied when thinking of the level of ‘organisation’ and the salient role, influence and embedded power the MNC managers have in society.

These carriers represent modes of transfer which apply notably close to the ‘cognitive-emotional’ but also the phenomenologically intertwined ‘rational-based’, initially proposed location factors, and are fitting both thinking of the institutional ‘cultural-cognitive pillar’ and the institutional ‘normative pillar’. In other words, this shortly presented institutional paradigm of Scott (2001) could be regarded as pertinent and well applicable for the research problem and research questions posed in this study.

Conclusively, the above stated serves as the conceptual background to the below introduced, managers’ shared perception based, sociological presentation of the *emergence* of the proposed core-cluster of the MNC headquarters in the Helsinki region as a locality. Empirically this research, as later below presented, is in method cross-sectional and not longitudinal. However, the question of the temporal emergence of the core-cluster will be analysed by way of thorough empirical material which also addresses this aspect, in questionnaires and interviews.

Proposition #1.2.3: *The background basis to non-relocation abroad of Finnish MNC headquarters is a phenomenological **emotional and rational 'identity of location'**, or institutional perception by managers for retaining the HQ in the traditional national location of the Helsinki region.*

The non-relocation abroad of MNC headquarters on institutional grounds, interpreted as an intentional decision or non-intentional perception from the viewpoint of transaction cost theory

The question of non-relocation abroad of headquarters from the Helsinki region can be, as a whole and as above shown, approached hermeneutically as a very culturally affected ‘*identity of location*’ matter with home country pertinent determinants. In this respect it could possibly be seen analogical to the notion by Collis, Young and Goold (2007) concerning their study of size, structure, and performance of corporate headquarters in some Western European countries, the US and Japan, and where they point out the much larger size of the Japanese headquarters. In conclusion they remark "There is also a need to better understand the country determinants of corporate headquarters. To what extent is it institutional structure or administrative heritage that accounts for Japanese headquarters being so much larger than the U.S. and particularly European headquarters?" There could tentatively be seen here both the intertwined facts of the geographical peripheralness, and the cultural-linguistic idiosyncrasy representing cultural peripheralness, affecting managers' perception of information processes and knowledge governance with a consequential effect both on the headquarters' size *and* its location.

Altogether, with an hermeneutic holistic approach one could suggest that managers' historical, social relationships and language tied cultural aspects of identity, as well as the rational language-tied information process and communication aspects, and company external image aspect, form an emotional and rational social psychological entity, presented above in arguments for Propositions #1- #1.2.2 concerning the construct 'identity of location'. Thinking in terms of MNCs in international business research this suggestion posits the headquarters location question as a theoretically very context specific question, also with aspects of *evolutionary theory* as presented by Kogut and Zander (1994) concerning knowledge transfer and creation in the MNC. This entity of factors would affect the *spatio-temporal* perception of managers leading to their decisions of *non-relocation abroad* of headquarters. It is conceivable that this to various institutional aspects connected decision, either intentional or unintentional, is further perceived by managers as a *spatial information-processing cost* of both the wide international intra-organisational information transactions, as well as inter-organisational information transactions, as seen in the light of the information processing requirements and mechanisms set forth by Egelhoff (1991), and put forth in Euro (2001) concerning *relocation abroad* of divisional headquarters. However, this *ex-ante cost* may be seen as justified with respect to the very same information processing, its headquarters-connected *asset specific* knowledge contents, on the grounds of attained information and knowledge integrity through institutionally 'natural' *safeguards* and governance means against *opportunistic* interests in the hubs and nexuses of international corporate knowledge, the 'world cities' (Helle, 1989, 1991), representing the external condition of "*bounded rationality*.....a condition of limited cognitive competence to.....process information" (Williamson, 1993).

Proposition #1.2.4: *Refraining from the potential transferring of MNC headquarters abroad from the home-base Helsinki region to Western Europe's international centres can be seen institutionally as an emotional and rational factors based **ex-ante cost safeguard** of information and knowledge governance according to **transaction cost theory**.*

Research question #2: *The existence of a local Finnish MNCs' HQ network as an experiential global management, business knowledge, and skills cluster, and **the mode of its emergence***

To start with, it is in this study proposed that in the geographically limited and language-culturally idiosyncratic Finnish place of the Helsinki region the managers of Finnish-originated MNCs are cognitively aware of each other as colleagues and representatives of international and global business activities with common professional problems, *sharing their contingency* of the headquarters location in the Helsinki region (Ali-Yrkkö and Ylä-Anttila, 2002). It is further

assumed that within this mutual awareness of each other the managers as global business professionals and colleagues, following Husserl's idea of 'otherness' (Heinämaa, 1996) phenomenologically in perception, *firstly*, share as individuals the above presented various emotional and rational aspects termed as '*identity of location*', resembling 'sense of place' by Shamai (1991), due to the nature this concept provides in collective perception of retaining the headquarters in the traditional national location. This notion is also in line with Lagopoulos (1990) and Murphy (1991) of regions as social functional and semiotic, symbolic constructs. *Secondly*, this combination of propositions is assumed to be the sociological background to the existence of a location-pertinent *social network*, wherein there historically has emerged a *reciprocal exchange* of global management *supporting useful* professional information, accumulated knowledge and experiential skills, tentatively also leading to creative managerial, the Finnish idiosyncratic location pertinent practical approaches and solutions. *Thirdly*, it is proposed that this shared perception of 'identity of location' is in its useful mutuality strengthened, strengthening the retaining of the present Finnish location in Helsinki. This takes place partly on purely *rational* grounds, partly through *symbolic interaction* (Stryker, 1992). As Stryker sets forth, "behavior is premised on a named or classified world. The names or class terms attached to aspects of the environment, both physical and social, carry meaning in the form of shared behavioral expectations that grow out of social interaction. From interaction with others, one learns how to classify objects one comes into contact with, and in that process also learns how one is expected to behave with reference to those objects" (Stryker, 1980, in Burke, 2002). With the propositions above as a background there is thus propositionally formed a managers' international business knowledge '*headquarters-cluster*' of CHQ and DHQ of Finnish MNCs. It might additionally be suggested that by time the continuity and emergence of this cluster could also be seen in terms of institutional isomorphism and mimetic behaviour (DiMaggio and Powell, 1983).

The concept 'headquarters-cluster' here refers to its professionally central position as a cluster in a wider '*cluster-network*' of local institutional clusters, depicted in Figure #1 on page 4, and thus consequently it is also termed '*core-cluster*'. In the figure the core-cluster is connected to further knowledge and other resources and capabilities essential to regular managerial intra- and inter-firm network activities in international business. It is assumed that this wide social network concerning international business management, as such, does not entail any formal agreements, even if it can be regarded in some cases as symmetric or parity-based and reciprocal in social influence (Grandori and Soda, 1995).

The proposed sharing and dynamic creativity and tentative innovativeness take place in the practical structure of these resource processes, i.e. on *communication networks*. Bommers and Tacke (2005)

remark that networks are a secondary practical operational form of order in society. They remark that "networks presuppose social systems (i.e. organizations and function systems) as far as it can be shown that networks assume their form from a reflexive combination of options that are represented by (individual or organizational) addresses, and that these *options* are due to the social addresses' particular profiles of *inclusion and exclusion in various social systems*"(emphasis added). They continue by saying that "at the same time, networks supplement social systems: Whereas modern societies' basic systems rest upon a "primacy of problems" (which then guides the search for the relevant social addresses), networks follow a "primacy of addresses" (which allows the creation of particular new problems and possibilities which the underlying systems cannot provide)."

This idea is also brought forth by Granovetter (2005), when he says that "we need to work harder at connecting social network analysis to the central theoretical problems of sociology.....The crucial point is that fundamental concepts like solidarity, power, norms, and identity cannot be understood except in relational terms; their very definition relies on social relationships, and they are produced in social networks....".

In other words, the 'core-cluster' and the 'cluster-network' are here not seen as networks of mere addresses but are proposed intimately to be intertwined and built on with the basic, above presented '*identity-of-location*' factors which form the national normative social systems and institutions. This normativity can be thought to continue in existing due to the self-sustainingly and dynamically developing core-cluster itself (DiMaggio and Powell, 1983) on professional managerial grounds. Here it combines with the general idea that "the goal of knowledge sharing can either be to create new knowledge by differently combining existing knowledge or to become better at exploiting existing knowledge" (Holdt Christensen, 2007).

Research question #2.1: An attempt to interpret the emergence and continuance of the proposed core-cluster with the systems theoretical process of communication by Niklas Luhmann

The following theoretical elaboration for the proposed concept of the *core-cluster* is built on the sociological, communication-based *self-referential* or *autopoietic* system theory developed by Niklas Luhmann. The autopoietic communication system applies to any level, starting from an individual's 'psychic system' (he/she only in his/her consciousness), up to functional social systems of any size, and ultimately to the whole society. In a generic sense this social theory is thought to apply to any functional institution in society as its basic model, and consequently any theoretical approach concerning institutions, and systems of institutions in society. The theory of Luhmann is in its framework of autopoietic systems in principle conceptually a rigorous paradigm, a tightly

construed arrangement within any individual system, and of relationships between 'psychic systems' and 'social systems', and other entities of the environment. It can also be regarded as a very basic, logical, coherent and inclusive social systems theory (Luhmann, 1995: 1-58, Blühdorn, 2000, Stichweh, 2000, Hernes and Bakken, 2003, Seidl, 2005a), and as such not without attractive clarity for its theoretical application for this research endeavour. The main conceptual principles of this theory follow, however, the general principles of system theoretical reasoning, the idea of system and environment, and particularly open, dynamic interactive systems, as laid out seminally by von Bertalanffy (Luhmann, 1995: 7-8, Parent, Roy and St-Jacques, 2007).

The research approach by means of Niklas Luhmann's sociological theory is here justified, *firstly*, on the grounds that it represents a *logical result and continuation* to the essentially phenomenologically characterised descriptions above, referring to the concept '*identity of location*', of the individual managers' perceptual contingencies for the adherence of headquarters of Finnish MNCs to the Helsinki region. This logic in elaboration stems from, as Paul puts forth, the "phenomenological foundations of Luhmann's systems theory" (Paul, 2001). As he says, referring to Luhmann, "for systems theory the primordial social situation is the situation of *double contingency*. This means that (at least) one ego and (at least) one alter ego experience each other as free in actions but *mutually susceptible* to the other's influence, so that what the alter does depends of the actions of the ego, while the ego, for its part, makes its action dependent on how the alter conducts itself" (emphasis added). In the emergence of social systems this *double contingency* as a basic construct relates to the below closer defined concept of *meaning* in reciprocal communication, which concept for Luhmann is "the genuinely basic concept of sociology", in the words of Paul (2001). In this connection it has to be remarked that for Luhmann the concept of "symbolic interactionism", referred to above in connection of the managers' cultural identity and thus '*identity of location*' formation (Stryker, 1992), is "unsatisfactory" with respect to double contingency in communication. He remarks of symbolic interactionism (Luhmann, 1995: 108) that "this direction in theory builds a contingently acting alter ego into the ego and sees, quite correctly, the process of mediation as the use of symbols. But it treats the problem only on one side of the interaction, assuming that all is the same on the other. It treats, so to speak, only half of double contingency and thereby remains a theory of action. Social systems emerge, however, through (and only through) the fact that *both* partners experience *double contingency* and that the indeterminability of such a situation for *both* partners in *any* activity that then takes place possesses significance for the formation of structures." Luhmann (1995: 60-61) notes further with reference to the omnipresence of *complexity* in systems, their environments and combinations, that the concept of meaning refers "to the problem of complexity. This takes us from a phenomenological description back to a

problem-related functional analysis. With *each* and *every* meaning, incomprehensibly great complexity (world complexity) is appresent and kept available for the operations of psychic and social systems.....Like the problem of complexity, the problem of self-reference reappears in the form of meaning. Every intention of meaning is self-referential insofar as it also provides for its own reactualization by including itself in its own referential structure as one among many possibilities of further experience and action.....The constraint of meaning, which is imposed on all the processes of psychic and social systems, also has consequences for the *relation between system and environment*. Not all systems process complexity and self-reference in the form of meaning; but for those that do, it is the only possibility. Meaning becomes for them the form of the world and consequently overlaps the difference between system and environment".

A comparable mode of argument is offered by Luckmann (2008), when he with reference to Husserl's phenomenology deals with individual action and social knowledge and presents the concept of 'social action', wherein he includes as its main constituent communication: "Social actions are actions whose project is oriented to others.....From many points of view, the most important kind of social interaction is face-to-face.....Social action is thus always 'co-determined' by others. More precisely, the meaning of social action is co-constituted by the meaning others have for the actor. And, in addition to this 'determination by anticipation', others 'co-determine' social action in a variety of ways: directly, by action and communication in face-to-face situations; and indirectly, by various kinds of objectivated results of action.....Projects and plans are selected and adapted from the repertoire of projects and plans available in the stock of knowledge of a given society at a given time, and made available to socially defined categories of people. The stabilization of communicative patterns and their fusion into distinct genres serves the same purpose as institutionalization of social interaction: it liberates from the need to improvise when facing recurring communicative problems" (Luckmann, 2008). In further describing an individual actor's personal identity development through social interaction he, for this context appropriately, sets forth that "The processes by which elements of a social stock of knowledge are transmitted to individual stocks of knowledge are determined by a historical social structure. The social structure as a network of institutions and a set of inequalities both organizes and restricts the transmission of elements of the social stock of knowledge. The social structure thus always also contains typical transmission processes, regulations of access to knowledge, and strategies and rhetorics of legitimation for the inclusion and exclusion of potential recipients of knowledge" (Luckmann, 2008). These characterisations by Luhmann and Luckmann are thus seen as the point of departure for the core-cluster emergence.

The research approach by means of Niklas Luhmann's social systems theory is justified, *secondly*, on the basic assumption, as brought forth in the very research title, that there exists in the geographically compact Helsinki region a spatially tight local *cluster* formation of MNC headquarters consequently making it available for and enhancing personal face-to-face communication, i.e. by the qualitative means for the phenomenological basis serving the autopoietic processes.

In this context managers with common professional problems, and with *mutual awareness of their in many respects joint problems*, and in an eventual, assumedly informal *network* share their experiences and knowledge in this context, as above suggested. This means notably the proposed existence of a focal *network of communication* of a linguistically and culturally idiosyncratic and probably of a rather closed collegial, professional and trust-based character within the herewith termed *core-cluster*, consisting of corporate and divisional headquarters' top managers of Finnish MNCs. To this core-cluster, however, is in addition assumed to be in both *formal and/or informal communication* connected influential individuals of several other institutions and institutions-based clusters, i.e. a cluster-network, serving in quality the core-cluster managerial activities with their various resources, as in the assumed form that may be inferred according to the Figure #1.

The relationship between double contingency and autopoiesis, or self-reference, is in the following way clarified in Luhmann's notion: "The connection between double contingency and self-reference is secured by the ego/alter ego constellation in a precise and rigorous sense. If an ego experiences an alter ego and acts in this experiential context, every determination that ego gives to his action refers back to itself. The determination is reflected back by alter, not only in reality but in ego's anticipation as well, which means in the determination itself (Luhmann, 1995: 130)."

With this description it is brought forth that, as applied here, the communication between the core-cluster actors is, as doubly-contingent, reciprocally meaning-based and thus in its systemic sense self-referential. In Luhmann's words of the basic role of communication, "social systems use communications as their particular mode of autopoietic reproduction. Their *elements* are communications which are recursively produced and reproduced by a network of communications and which cannot exist outside such a network" (Luhmann, 1986: 174, in Hernes and Bakken, 2003; emphasis added).

Luhmann further defines the conditions for this, remarking that "communication presupposes beings that exist independently, with their own environments and their own information-processing apparatuses. Every being sifts and processes what he perceives for himself (Luhmann, 1995: 157)". In Luhmann's terminology, referring to Seidl (2005b), "autopoiesis means self-production. A system is autopoietic if its elements are reproduced through its own network of elements. This does

not mean that the system itself has at its disposal all of the causes necessary for self-production. It merely means that the system has at its disposal a sufficient range of disponible causes, so that it can secure its own reproduction under normal circumstances".

Thus, the *emergence* of the *communications-based core-cluster* is proposed to be induced on the one hand by all of the *Proposition #1-#1.2.3 factors*, contingent in general to the geographically, linguistically and culturally *peripheral location*, and on the other hand induced by the MNC managers' joint perception of a *need for sharing* of information, knowledge, skills and new ideas concerning management of international and global business in their present headquarters' location and context. The point of departure of this joint location-bound *relative contingency* is very evident: the MNC headquarters existing in a small peripheral country and located in a minor metropolitan centre, still with headquarters of some 20 plus very internationally and globally acting Finnish MNCs with hundreds of thousands of employees abroad. Logically, referring to the previously presented factors, there is proposed to exist in their managerial realms a functionally perceived --- and with possibly also an implicitly shared small-nation nationalistic support and ethos aspect --- *joint economic interest* for the respective companies to share information and knowledge. It is tentatively suggested that into this core-cluster may possibly be included a very limited group of representatives from the wider cluster-network, e.g. universities, research institutes and top-level public authorities. This would follow the notion of Lilja et al. (2010), referring to Tainio and Lilja (2003), concerning MNCs as the rising focal actors in the economy, "which were supported by a dense institutional infrastructure and tailored mobilization of cross-sectoral elites for distinct national projects". As Guillén et al. (2005) note of thinking in economic sociology, "no economic phenomenon can be assessed without the shared understandings (culture), institutional structures, symbols, and networks of inter-actor relationships that concretize it and give it form", and they further note of social networks that "networks of informal ties can be classified according to the nature of the tie as it is conceptualized in cultural meanings". Granovetter (2005) remarks, referring to embeddedness in social relationships, that despite the important role of network analysis in economic sociology, "we need to work harder at connecting social network analysis to the central theoretical problems of sociology". This notion is congruent with the aim of this research, the above presented propositions and the ongoing presentation of Luhmann's theoretical approach. The two above references representing statements in the realm of economic sociology underline the communicative social systems-theoretical approach, herewith chosen in order to understand the emergence of the core-cluster, and eventually in part the wider cluster-network. These references to economic sociology likewise connect this study to the related research carried out by Lilja, Räsänen

and Tainio (1992), Tainio and Lilja (2003), Lilja (2005), and Lilja et al. (2010) concerning the Finnish 'national business system' (NBS).

Grounding on the assumed managers' and other core-cluster members' jointly shared economic interest in reciprocally sharing information and knowledge, it seems evident that understanding theoretically *the emergence* of the core-cluster the question could well be understood in the light of the above presented theoretical paradigm based on autopoietic communication. Within the process of communication, the autopoietic recursive reproduction of 'elements' of communication Luhmann includes as sub-concepts 'utterance', 'information', and 'understanding' (Seidl, 2005a). This basically means also in a phenomenological sense that in a communicative encounter of double contingency that encounter can be understood according to the *holistic psycho-physical* principles set forth by Damasio (1996, 2000).

The above presented Proposition #1.2.3 referring to the transaction cost theory approach could also be thought to social-psychologically affect the knowledge-sharing of the autopoietic communicative social system and thus the emergence of the core-cluster. As applied, transaction cost theory is conceptually based on *asset specificity* (here: shared idiosyncratic local culture, *ego* as *us* national business/economic interests with pertinent managerial knowledge), *opportunism* (here: capitalising on culturally inherent mutual trust with confidentiality in the core-cluster), and *bounded rationality*. As Nonaka (1994) remarks with explicit reference to aspects concerning transaction theory, "it would be impossible to form "synergetics" needed for knowledge creation without trust".

Concerning trust, Luhmann, on the other hand, regards it "one of the most important consequences of double contingency", which widens the potential for one's action, and is much needed as a foundation for security (Luhmann, 1995: 127-129). As Paul (2001) with reference to Luhmann remarks, "trust tends to grow stronger as soon as it has once been proven warranted. It operates - *autopoietically*" (emphasis added).

This on communication based social system paradigm of Luhmann is in its ontological and operational conditions conceptually rigorous and theoretical in nature, but it is in this study not regarded practical to present it in a very in-depth, nor extensive measure. The paradigm delineates in a peculiar way i.a. the relationship between individual human beings, called 'psychic systems' (Luhmann, 1995: 59, 97-98), and 'social systems'. As Luhmann sets forth concerning the theory of social systems, "we are dealing with social, not psychic systems. We assume that social systems are not composed of psychic systems, let alone of bodily human beings. Therefore, psychic systems belong to the environment of social systems. Of course, they are a part of the environment that is especially relevant for the formation of social systems.....The contention that social systems are not

composed of individuals and cannot be created out of bodily or psychic processes does not mean, of course, that there are no individuals in the world of social systems. On the contrary, a theory of self-referential autopoietic social systems provokes the question of psychic systems' self-referential autopoiesis and with it the question of how psychic systems can establish their self-production, the "stream" of their "conscious life", from one moment to the next so that its closure is compatible with an environment of social systems" (Luhmann, 1995: 255-257). This notion of the relationship between the 'psychic system' and the 'social system' could then be understood in light of e.g. phenomenology and structuralism. The communicational relationship between an individual's consciousness and thoughts-based autopoietic psychic system, and a social system takes place in a process called *interpenetration*. Of this Luhmann remarks that "interpenetration is not a general relation between system and environment but an intersystem relation between systems that are environments for each other.We speak of "penetration" if a system *makes* its own *complexity*.....*available for constructing another system*. Accordingly, interpenetration exists when this occurs reciprocally, that is, when both systems enable each other by introducing their already-constituted complexity into each other.In interpenetration, the receiving system also reacts to the *structural formation* of the penetrating system, and it does so in a twofold way, internally and externally" (Luhmann, 1995: 213). This notion is thus also valid i.a. concerning two psychic systems, as it was above presented in connection of the concept double contingency.

In the words of Seidl (2005a), "as operatively closed systems, psychic and social systems constitute environments for each other: thoughts cannot become communications and communications cannot become thoughts. Mutual influences are restricted to the structural level. There merely exists a relation of structural coupling: both types of systems are *structurally* adapted to each other in a way which allows for mutual perturbation.Luhmann calls the specific structural coupling of social and psychic systems *interpenetration*". Concerning the concepts psychic system and double contingency, this strict technical interpretation by Seidl referring to the relationship between thoughts and communication may, however, question operationally Luhmann's above presentation of *interpenetration*. Interpenetration thus denotes reciprocity between autopoietic psychic systems and autopoietic social systems (Luhmann, 1995: 210, 223), this process being fundamental within Luhmann's theory. Structure in Luhmann's paradigm "refers to the selection of relations between the *elements* (= the system's recursively produced operations) of a system. The structures of organizations are decision premises. Structures and operations are recursively related: structures enable and restrict the operations that then reproduce or change the structures for further operations" (Seidl, 2005b).

There can be seen in the phenomenologically based Luhmannian systems theory an ontological and conceptual logic and order, as a 'social system' by definition is communication between individuals or 'psychic systems', and smaller or larger groups of individuals, 'social systems', or between 'social systems', all which form environments for each other. Thus interpenetration does not only refer to psychic systems related communication, but "interpenetration is.....an intersystem relation between systems that are environments for each other.....a specific way systems within a system's environment contribute to system formation" (Luhmann, 1995: 213), in other words it reciprocally also applies to other social systems.

Social systems in Luhmann's paradigm are classified to consist of three categories, '*interaction*' or face-to-face communication, '*organizations*' or social systems consisting of decisions and *reproducing* themselves through decisions, and '*society*' which encompasses all communication (Luhmann, 1995: 1-11). Upon this notion systems have been theoretically developed to dichotomously consist of *systems* and each one system's *environment*, and following this notion consequently to *open* and *closed* systems, with the notion of closed systems subsequently leading to the theory of *self-referential, autopoietic* systems (Luhmann, 1995: 6-8). Society is presently notably characterized by differentiation into *functional systems* such as economics, politics, science and the legal system. The functional system is fragmenting increasingly in all areas of the society into function-specific sub-systems, each with its specific functional *code* (Blühndorn, 2000, Luhmann, 2004: 82-83, 158-168, Seidl, 2005a).

From the point of view of this study, the proposed nationally and locally idiosyncratic core-cluster could be seen as a far evolved, possibly through an evolutionary economic process indirectly born 'coalition of the fit'- example of a social system. The general proof of the role of *communication* in the emergence of social systems is that the most important means of communication, *language*, in an individual is, *per se*, created only in a social context, and a language in turn through individuals over generations perpetuates its own communication-particular society, both language and society over-living its individuals (Vygotsky, 1962/1934). "Persons cannot emerge and continue to exist without social systems, nor can social systems without persons. This co-evolution has led to a common achievement, employed by psychic as well as social systems" (Luhmann, 1995: 59). From this background rises the key role of the concept *meaning*, more explained below, in communication concerning self-referential systems within themselves, and with respect to the environment, whether psychic or social systems, through interpenetration. As Luhmann's paradigm rests on communication, data and information, processing of these, and certain information-conditioning invariants, the grounding paradigmatic idea then of the evolution of socialization, and

social systems of any size, purpose or function, is the *need for information under uncertainty* (Shaffer, 1977), and joint interests in conditions of unordered complexity (Paul, 2001). This also is assumed to apply to the proposed *functional system* of the MNC headquarters' core-cluster, in its omnipresent condition of *uncertainty* and *bounded rationality* influenced both physically, perceptually and psychologically by the peripheral location of the headquarters (Simon, 1976/1945, March and Simon, 1958, Weick, 1990, Egelhoff, 1991, Williamson, 1986, 1993, Euro, 2001).

Thus the general starting point for dealing with and classifying data and information is the epistemological need for information serving a particular common human cause, leading to "systems theory's taking charge of epistemology" (Luhmann, 1995:13). Only through *functional sub-systems* a sufficient complexity is attained to serve the various demanding tasks of the entire society (Luhmann, 1994: 57, 83). The most important functional systems in society structure their communication by using a *binary code*, so that "business enterprises, for example, use the distinction payment/non-payment with respect to investment/non-investment, in the light of more value/less value" (Martens, 2006). In the complex environment information has to be filtered by a *coding system* for any special functional system in order to reduce complexity, eliminating uncertainty and constructing order. "Coding is the condition that permits environmental events to appear as information in the system, i.e., to be interpreted in reference to something, and it causes this in a way that allows consequences to follow within the system." (Luhmann, 1989: 116). In Luhmann's view, constructing order in a specializing functional sub-system requires besides coding, further in the theoretical system self-reference concerning processing of data procured into the system. The thus developing function-internal information process leads to a self-supporting information system (Paul, 2001, Luhmann, 2004: 55). The approach of Luhmann to the complexity and uncertainty of the entire social environment by way of binary-code functional systems resembles the argument by Weick (2006): "But if people want to share their cognitive structures, those structures have to take a particular form. As social complexity increases, people shift from perceptually based knowing to categorically based knowing in the interest of coordination. Now they develop knowledge by description rather than knowledge by acquaintance, their cognitive processing becomes schema-driven rather than stimulus-driven, and they go beyond the information given and elaborate their direct perceptions into types, categories, stereotypes, and schemas". When receiving, procuring, and letting in data into the functional system, the decisive question is the *meaning* of data and information at the interface of the system and environment. In connection of i.a. an instance of interpenetration, the question and problem of meaning is dependent on a

reciprocal event of communicative exchange of two actors, the 'I' and the 'Other', the essence of the event being called *double contingency*. As Luhmann (1995: 61) notes, "the constraint of meaning, which is imposed on all the processes of psychic and social systems, also has consequences for the *relation between system and environment*. Not all systems process complexity and self-reference in the form of meaning; but for those that do, it is the *only possibility*". He further remarks that "the problem of double contingency is virtually always present whenever a meaning-experiencing psychic system is given. It accompanies all experiencing in an unfocused way up to the point when experience encounters another person or social system to which free choice is attributed" (1995: 105).

With a closer analysis of the concept of 'meaning' Luhmann points to the fact that underlying it is always the fact of an experience of "*difference between what is actually given and what can possibly result from it*". In decomposing the concept into differences, or what he calls meaning dimensions, he distinguishes the three of them: the *fact dimension* exists "in relation to *all objects of meaningful intentions* (in psychic systems) or *themes of meaningful communication* (in social systems)"; the *temporal dimension* "which can be immediately experienced in all events", and also includes history which "enables optional access to the meaning of past and future events, and thus leaps within the sequence"; and the *social dimension* concerning "what one any time accepts as like oneself, as an "alter ego", and it articulates the relevance of this assumption for every experience of the world and fixing of meaning" (Luhmann, 1995: 74-82). Meaning is thus the very basic concept and it is arrived at *by means of the phenomenological reduction*, whence Luhmann "comes to the finding that meaning always intends or indicates something more or less determinate, but at the same time entails a reference to other 'things' " (Paul, 2001). Thus, in the historical and continuous emergence of the functional society and its multitude of systems, for instance the *core-cluster* of MNC headquarters managers in this research, the reciprocity of actors, 'I' and 'The Other', starts from the very beginning in a phenomenological perception of each other under the perceived joint and inherent need of new understanding and knowledge in a turbulent international environment (Forgus and Melamed, 1976, Shaffer, 1977, Damasio, 1996, Paul, 2001). However, the phenomenological reciprocal perception of mutual interest and understanding, the autopoietic process between actors may include certain reservedness, and Luhmann consequently assumes that there has to exist also mutual *trust* between the actors (Paul, 2001).

Despite the coded closure of the functional system, the system is not, as such, closed to the environment but receives continuous data from outside, and due to its own codes it is able to operate both as a closed and an open system through interpenetration, being able to react on internal

and external conditions (Luhmann, 2004: 80). "In this way the systems remain dependent on autopoiesis, on a continual self-renewal of their elements by their elements, but because information and information expectations, i.e. structures, are obtained by means of difference projections, this closure is openness at the same time. For the system can experience itself as its difference from the environment by means of the very same difference technique. This in no way changes the internal closure of the interconnection of its own operations. Instead, this equips it with the capacity to react to whatever is environment for it" (Luhmann, 1989: 18-19). The more developed and many-sided the functional system is with respect to its own codes and ability to make distinctions with respect to data concerning the varying and turbulent environment, the more it is able to resonate with the environment and show agility towards it (Luhmann, 2004: 53).

As it is in short above set forth, there are phenomenologically perceived specialised functional *information needs* and interests of actors, under conditions of *uncertainty*, in the autopoietic, self-referential system of Luhmann's sociological model, in line with the ideas and thinking by e.g. Shaffer (1977) on intrinsic human intellectual functions, and Weick and Bougon (1986) and Weick (1990) on epistemological structures and processes in organisations. Grounding on the concept of *meaning* in the model in connection with the background of the codes used, and the *phenomenological double contingency* 'I' and 'Other' distinction-making, we very closely come to the Propositions #1 -- #1.2.4 above concerning the Finnish MNC managers' '*identity of location*' interconnected, nationally, locally and emotionally --- but with also definite rational undertones and aspects ---conditioned and shared home-language, culture, institutional context, and company history. However, this contingency is at the same time to be seen as implicitly set against the global business missions, commitments and world-views of the MNC managers. In other words, on the described perceptions, emotions and thoughts of the individual MNC managers, and under conditions of *uncertainty* and *bounded rationality*, the emergence of the *core-cluster* of MNC headquarters could well be theoretically built on the sociological communication process model as it is presented by Luhmann (1995, 1989/2004, Blühdorn, 2000, Stichweh, 2000, Paul, 2001). These propositional 'identity of location' human perceptual factors of MNC managers (and logically of many staff analysts and other key personnel) on the basis of the principle of *resonance* concerning e.g. global events in the environment and its other systems have as factors under *uncertainty* in their conceptual nature both as personal '*psychic systems*' structures and organizational '*social systems*' structures in communicative processes of *reciprocal interpenetration* (Luhmann 1995: 213-219) contributed to the *emergence* of the core-cluster. Resonance here "signifies that systems can react to environmental events only in accordance with their own structure" (Luhmann 1989: 145, 2004: 52-57, 242). In this connection it is pertinent to remind how

Luhmann further underlines the highly demanding character of the concept meaning: "meaning enables psychic and social system formation to interpenetrate, while protecting their autopoiesis; meaning simultaneously enables consciousness to understand itself and continue to affect itself in communication, and enables communication to be referred back to the consciousnesses of the participants. Therefore the concept meaning supersedes the concept of *animale sociale* (1995: 219)".

These perceptual factors of *the core-cluster functional system's* members, both as psychic systems and social systems, could as a whole be put under a general localised characterisation as a 'collective SWOT analysis', or 'collective survival, competence and growth policy' of the Finnish MNCs. As Luhmann (1995: 319-324) remarks in connection of expectations and the *security / insecurity* problem, "one can in the present take technical precautions and above all, arrange social agreements to create security.....expectations that are willing to learn are stylized as cognitions", and "once the difference between cognitive and normative expectation is introduced, it is easier to channel expectations into one or the other form", and that "a different style of interpenetration, a strong and more decisive commitment, and, eventually, corresponding emotions are expected of normative expectations".

Considering the emergence of the core-cluster, there is one additional aspect to be paid attention to. As it was above presented in Propositions #1- 1.2.4, the non-relocation of MNC headquarters abroad is suggested to rest on managers' phenomenological, emotionally and rationally holistic perceptions of one's locational identity, culture and language, company history, and collegially mutual knowledge and trust. This into Luhmann's theoretical paradigm both in 'psychic systems'- and 'social systems'-embedded structural consciousness and perception can be thought initially to be present in the above mentioned '*interaction*', face-to-face communication or "reflexive perception of the physical presence of its participants" (Seidl, 2005c), as one of the three social systems *categories* in Luhmann's social systems theory. Seidl further elaborates the role of this face-to-face interactional communication as taking place between members within an '*organisation*', which is one possibility, '*organisation*' being another of the three Luhmannian types of social systems. As Seidl notes, "organization and interaction are conceptualised as two systems that are operatively closed with regard to each other ; i.e. they cannot take part in the autopoiesis of each other". However, as he further sets forth with reference to Luhmann, there can be seen a process of structural coupling of mutual adjustment, "the interaction observes its own communications with regard to their significance for the interaction *and* for the organization", which is important, keeping in mind the organizational managers' (and important staff analysts' and

key specialists') individual roles in the face-to-face knowledge sharing processes in this study. Seidl (2005c) further remarks that thinking of these interactions it is important to note that "they produce interactional communications that can be treated by the organization as (organizational) decisions". He further notes that "a particularly pressing question in this context is how to conceptualise the status of these communications with regard to interaction and organization respectively. Are these communications elements of both systems, in the way interactional communications are also communications in the societal system?", as all communications by definition also belong to the latter. Hereby Seidl refers to the concept of *interpenetration*, which was above described in words by Luhmann (1995: 213), and whereby also Luhmann's notion of '*meaning*' is equally essential (1995: 61).

This question can be closer approached, with the Proposition #1 of this research as the background, additionally in terms of the concepts *perception* and *presence* as set forth by Luhmann. As he remarks, "interaction systems can be bounded with relative precision", and that "they have adequately determinate, or at least determinable boundaries. They include everything that can be treated as *present* and are able, if need be, to decide who, among those who happen to be present, is to be treated as present and who not. The boundary criterion of presence reveals the special significance of perceptual processes for constituting interaction systems....Evolutionarily, perception is the primary and most widespread mode of information, and only in a few cases is it condensed into communication" (Luhmann, 1995: 412). Here Luhmann clearly refers to the inherent human invariant, also presented by Shaffer (1977) in the latter's reference to the psychologist Jean Piaget, that "human beings have an intrinsic need to cognize. Cognitive structures created by intellectual functioning must perpetuate themselves by additional functioning. Structures are said to have an intrinsic tendency to assimilate environmental "nutriment" for sustenance. Structures also tend toward equilibrium with the environment through accommodatory and/or organizational functions". This notion, consisting of some terms conceptually not quite identical with the same terms as used by Luhmann, represents the over-all real-life contingency of the MNC managers and staff members in this research. Luhmann continues: "Perception is primarily a psychic acquisition of information, but it becomes a social phenomenon, that is, an articulation of double contingency, when one can perceive that one is perceived. In social situations ego can see that alter sees, and can perhaps also see what alter sees. Explicit communication can link onto this reflexive perceiving, thereby supplementing, clarifying, and delimiting, and it builds itself into this reflexive perceptual nexus because of course it depends on perception and on the perception of perception" (Luhmann, 1995: 412). As a reiteration, then, this contingency can be regarded as the

initial growing ground of emergence of the core-cluster, whether in interaction in connection of organizations or not, as queried by Seidl (2005c).

In other words, the specific *perceptual processes* dealt with in the initial Research questions #1 and #2 as reciprocally *shared perceptions* of MNC managers and staff members draw the boundary line, under *double contingency*, for the *presence* of these individuals, or psychic systems, for taking part in the subsequent either alternative or simultaneous processes of *interaction* and *interpenetration*, which processes in themselves, as proposed, have brought into existence the new functional system of the core-cluster. Interpenetration here may have been either at the interface of psychic systems / social systems ('*interaction*', '*organisation*', '*society*') either inside or outside any of the social systems, or at the interface of social systems / social systems. As Seidl (2005a) remarks of the latter case, "an autopoietic system presupposes the complex achievements of the autopoiesis of another system and can treat them like parts of own system.....the simultaneous (but separate) autopoiesis of psychic systems is constitutive for the autopoiesis of the social system. Without psychic systems social systems are impossible -- and probably vice versa." Or as Luhmann presents it, "the concept of interpenetration does not indicate merely an intersection of elements, but a reciprocal contribution to the selective constitution of elements that leads to such an intersection. Decisively, the complexity of human beings can only develop within and be used by social systems as, so to speak, a source of actions that satisfy the conditions of social combinatories.....The concept of interpenetration answers the question of how double contingency can be possible" (Luhmann, 1995: 215-216). In the overarching further words of Luhmann (1995: 423), "Societal differentiation develops from above, so to speak, not from below, by drawing new system / environment *relevances* into societal system and not by seeking and sorting out suitable interactions" (emphasis added). That is, a new system emerges due to a societal need and ordering under continuous turbulence and external uncertainty. It is herewith proposed, then, that within the context of Luhmann's sociological paradigm the emergence of the Finnish MNCs headquarters' *core-cluster* could be systems theoretically and historically also understood as an *eclectic and evolutionary process within and of society*.

As an additional comment it can be remarked, referring to Proposition #1, that the MNC headquarters managers and staff members share in the above presented communication systemic mode emotional and cognitive perceptions parallel to ideas of the 'national business system' (NBS) concerning some of the characteristics of leading Finnish international companies (Lilja, Räsänen and Tainio, 1992, Tainio and Lilja, 2003, Lilja, 2005).

Besides the aspects presented above in rendering the MNC headquarters location question for analysis along Luhmann's systems theory of communication, there still is one aspect taken into account by Luhmann and serving, in a very literal way, the proposed paradigm '*identity of location*' of this study. As Luhmann (1995: 195) remarks, *territoriality*, i.e. the geographical context of the local core-cluster in this study, is an "atypical, rather exotic bounding principle..... territorial boundaries are a special case of *meaning-constituted* boundaries", but based on "systems theory's emphasis on environmental- and self-reference. Meaning-constituted boundaries.....relate the elements of which a system is composed and which it reproduces to the system". As he further remarks (1995: 212), regarding individuals belonging to a certain environment does not mean that "the human being is estimated as less important than traditionally.....Systems theory begins with the unity of the difference between system and environment. The *environment is a constitutive feature* of this difference, thus it is no less important for the system than the system itself" (emphasis added).

Thinking of the Research question #1 and the subsequent, theoretically thus explicated *emergence of the core-cluster*, then a Luhmannian *psychic systems* related *environment and global turbulence* based driver is proposed to have emerged in relation to the *social systems* of the Finnish MNC headquarters within the contingency of highly intensified and swift decisions demanding global competition, giving both of these systems a spatio-temporal, *location- and time-bound* additional stress for survival, and motivation.

It is consequently to be proposed that as an additional result of this, the *core-cluster* emerges as a *social resource factor, per se*, supporting the headquarters' managers in their tasks, and consequently strengthening the managers' and thus the MNC headquarters' adherence to the traditional home location. This resource factor tentatively might also have an influence in the Schumpeterian sense for creative, associative interaction and innovation for global business and organizational management, which accordingly would resonate and support the ideas of Porter (1990, 1998a,b) in this particular field of economic activity. This social resource aspect approaches and is tangent to research in the development and role of innovation and agglomeration theory, and evolutionary theory, and as a local phenomenon to support the notion of 'innovative cities' in the fields of urban geography and cluster research (Simmie, 2001, Acs, 2002, Cooke, 2002, Bogenrieder and Nooteboom, 2004, Amin and Cohendet, 2004).

The described phenomenological communication-based social systems theory by Niklas Luhmann can be seen as somewhat comparable to certain cognitive models of organizations in literature, concerning the process of information receiving and/or extraction with respect to the environment.

This applies to the epistemological information-processing based model of organizations as sense-making entities, as set forth by Daft and Weick (1984), Weick and Bougon (1986), and further elaborated by Weick (1990, 2006). As Gioia (2006) remarks on Weick's 'The Social Psychology of Organizing', its illustration of processes of perception represent "a compelling case for a phenomenological view", and as Eisenberg (2006) says with reference to Weick's research on organization theory, equivocality reduction is "the driving force in social life" and "equivocality is the engine that motivates people to organize" by means of language and communication with respect to the turbulent ever-changing environment. This compares with Luhmann's notion that "complexity is the perspective from which the problems experienced by contemporary systems research can perhaps be expressed most forcefully" (Luhmann, 1995: 24). This fact, then, takes place under conditions of uncertainty, with the autopoietic systems theory in its universality consequently taking care of itself as a system of information and knowing. For autopoiesis, "it must solve this task of taking charge of epistemology" (Luhmann, 1995: 12-13).

An analogical mode of thinking could also be seen in the study by Sutcliffe and Huber (1998) concerning firm and industry determinants of executive perceptions. In their study, the top management team (TMT) perceptions with respect to "the environmental characteristics of volatility, munificence, complexity, hostility, and controllability" were affected in perceptual homogeneity "for some environmental attributes, also by their industry". Hereby the Finnish MNC managers' shared perceptions of their Finnish *idiosyncratic location* in the Helsinki region, in the light of MNC managerial requirements of up-to-date international knowledge and skills, could be thought to be compared environmentally with the *industry* aspect for perceptual homogeneity of TMTs, as it is initially in the title of this work implied. Herewith also the term *cluster*, i.e. the proposed international management and business knowledge, skills and innovation enhancing mutual communication network, is analogously used in this research.

On this ground the concept of the '*core-cluster*' would be one of an emerged, continued, developed and cognizant autopoietic system of communication, resting on the basis of the ***binary code of relocating headquarters abroad / non-relocating headquarters abroad***, and without any formal signs or symbols externally. As Luhmann (1989: 145-146) says, "a social system comes into being whenever an autopoietic connection of communications occurs and distinguishes itself against an environment by restricting the appropriate communications. Accordingly, social systems are not comprised of persons and actions but of communications".

In the light of the joint-interest, location-bound character of the core-cluster of MNC managers/managements, and thereby the trust-based top-level confidential and specialised data communicated, it is feasible to think that the idiosyncratic collecting and processing of this data into

information and knowledge can be theoretically seen to have taken, and takes place, as shown. The core-cluster is thereby an autopoietic, in the Finnish societal economics sub-functional structure, which has emerged by way of communication, while the above initially presented Propositions #1-#1.2.4 are seen as compatible with the conceptual conditions of the sociological systems theory of Niklas Luhmann. And inversely, this theory in the Propositions #2 - #2.2 below seems fittingly to enclose and make use of the above said propositions.

However, in order to explicitly confirm the various conceptual aspects and details of Luhmann's systemic communication process concerning the context of the proposed 'core-cluster' and based on the 'identity of location' factors of headquarters' managers, requires a demanding and with difficulty implemented longitudinal research process of qualitative participatory research.

Proposition #2: *Proposition #1 can with feasibility be interpreted and analysed according to the sociological communication theory of Niklas Luhmann*

Proposition #2.1: *The emergence and development of the MNC headquarters core-cluster as a sociological system of **shared, meaning-based communication** can be regarded to have taken place along the **autopoietic processes of interaction and interpenetration**.*

Proposition #2.2: *With reference to the Propositions #1.1 and 1.2 with sub-propositions concerning emotional and rational factors as bases for not relocating MNC headquarters abroad, and as bases for the emergence of the social system of the core-cluster, this **knowledge and skills sharing core-cluster** has become, per se, **an inhibiting factor for not relocating** MNC headquarters abroad.*

Research question #3: *The **network-theoretical** emergence of an MNC headquarters' management knowledge and other resources enhancing **cluster-network** in the Helsinki metropolitan region.*

The social basis for the proposed emergence of an international business management-supporting public and private institutional cluster-network of immaterial and material resources

An important aspect in this research is the topic of MNC headquarters' all-round operational resources conditions and managerial knowledge and skills enhancing activity, based on the wider cluster-network depicted in Figure #1. This aspect is tangent also to indirect development of other local, headquarters' environment enhancing resources. The activities implied in the cluster-network take place through various formal and informal, public and private, commercial and non-

commercial, material and immaterial supplies of services, information, sharing of experiences, support, accumulated know-how and scientific research knowledge.

When outlining the development of the cluster-network as a network between, on the one hand of the MNC headquarters' managements, and on the other hand those various sub-clusters shown in the Figure #1, it is assumed that there is a clear distinction in the emergence of the cluster-network, as compared with the Luhmannian emergence of the core-cluster. On a general level this remark is based on the very heterogenous character of the various sub-clusters, the nature of the resources supplied by them and the quality and quantity of bonds and resource-activities with respect to these from the point of view of the headquarters and their managers. Herewith it is pertinent to refer to the above remarks by Bommers and Tacke (2005) that "networks presuppose social systems", and by Granovetter (2005) that "we need to work harder at connecting social network analysis to the central theoretical problems of sociology".

However, the sub-clusters themselves include qualitatively quite different institutional and functional fields, as can be inferred from Figure #1, and it may well be that some of these consist of autopoietic information systems in themselves, having emerged in line with Luhmann's paradigm; this, though, is not dealt with in the current work.

The emergence of a proposed wider *cluster-network* as a functional social sub-system within the metasystem of economics (Luhmann, 2004) may have historically taken several routes. As we are in the cluster-network dealing with reciprocal information needs within a wider *functional* communication system with its pertinent explicit concepts or *codes* referring to international business management's resources needs, this must be clearly delineated with respect to other systems, i.e. the environment in total. According to Luhmann (1995: 194) "the particularity of social systems is that they orient themselves to complexity in the form of meaning. This means that the difference between system and environment is mediated exclusively by *meaning-constituted boundaries*".

Borrowing this idea in the loose *aspect of intentionality* from Luhmann's rigorous autopoietic system's binary code principle concerning communication within the wider cluster-network, the binary code is proposed to refer to *the perceived pressure / non-pressure for local Finnish international competitiveness* with respect to *global business management's operative capability locally in practice*. In other words, thinking of the theoretical emergence of the cluster-network, under the general contingency of perceived uncertainty and bounded rationality, there is consequently, basing on *reciprocal communication*, a perceived *need* for developing any resources which enhance local continuity and success of the MNC headquarters' activities. As Luhmann (2004: 178-179) remarks, no society can deter self-observation and all communication cannot be

ascribed to the primary functional systems, and any binary code excludes third possibilities of coded operations (making thus third alternatives possible, i.e. new autopoietic communication systems). This approach concerning resources is thus an extension from the firm-specific micro-level to the *system-specific resource view of meso-level*, which is factually the other side of the coin. This is in line with thinking by Foss (1998), Porter (1990, 1998a, b), Pitelis (2004), Bowman and Ambrosini (2007), and parallel to the theoretical discussion by Foss and Ishikawa (2007) concerning a dynamic approach to the resource based view (RBV) in conditions of disequilibrium and complex systems.

Particularly this approach is comparable with the RBV as conceptually further developed and extended under the theory termed 'dynamic capabilities' (Augier and Teece, 2007, Pitelis and Verbeke, 2007), as the former state, "dynamic capabilities relate to the firm's ability to proactively adapt in order to generate and exploit internal and external *firm specific competences*, and to address the firm's *changing environment*.....an element of dynamic capabilities is that they govern the rate of change of ordinary capabilities". Thus the dynamic capability view may be thought here, besides the cluster-network proper, to be extended to include any kind of organisation and system, private, public or hybrid, sharing within the Finnish society the above stated and applied idiosyncratic binary code, as applied to the cluster-network of Figure #1. Likewise, tangent research to the above applied binary code extends itself subsequently to the spatial disciplines of economic geography and urban studies as an approach pertinent to national, regional and local aspects and interests, and thus being in line of thinking by Simmie (2001), Wood (2001), Acs (2002) and Florida (2005).

With this resource based dynamic capabilities view in mind, thinking of the possible modes of *emergence* of the cluster-network in the light of its binary code, it is proposed that historically an initiating line of communication and network creation in the local Helsinki region has been forming already in the 1960's by some of the members of the core-cluster MNCs. Besides commercial consulting firms, this has taken place notably with universities in matters of e.g. technology, economic forecasting and strategic management processes creation in the more definitely oriented internationalization process of the Finnish companies, towards evolving to an MNC category. This can be seen in the formation of e.g. an unofficial team called Systems Group, hosted regularly by one of the first emerging MNCs in the mid-1960's (Malaska, 1992). The members of this group were university researchers, scholars and business leaders, and the topics of its workshops were the then emerging systems approach in management, information processes and organisational forms within a growingly international context (Jahnukainen, 1970, Malaska, 1992, Niitamo, 1992, Reponen, 1998). However, also some other MNCs summoned somewhat comparable "scientific

advisory boards" (Euro, 2007). As Reponen (1998) remarks, since being a member of the Systems Group for 30 years, "Practical-minded people sometimes expect university professors and researchers to solve concrete, practical problems immediately. But proper results can only be generated after sufficiently long period of working together. Both parties first need to win each other's confidence so that a state of openness can be reached to enable the creation of new ideas. The importance of tacit knowledge and the forming of shared visions is nowadays stressed in cooperation between people, as well as in an organization's operations.....Cooperation works best when this tacit view has been successfully conveyed to all partners through sufficient socialization. This acquaintance phase is very important in the cooperation between academics and practitioners, and, if successful, it may result in significant inventions and observations". He further notes that the participating companies in the Systems Group "have been early adapters or even pioneering organizations of globalization, re-engineering, team-work, networking, service concepts etc.". Thus this Systems Group as an individual case of cooperation could be regarded to present on micro-level the *functional* idea of the cluster-network of Figure #1. Thus it would on a general level underline the cluster-networks' role of reciprocal communication between the science and business communities, and its potential *creativity and innovations* in MNC managerial knowledge and skills, and inversely in academia, which are also the proposed qualities of the core-cluster and cluster-network in this research. Additionally, however, the remark above by Reponen (1998) of the *character* of communication in the Systems Group in a confirming way suggests the aspect of *interpenetration* to prevail as conditioned by *resonance, double contingency* and *meaning* of the two reciprocally acting *autopoietic* functional systems of economy and science (Luhmann, 2004: 94-107, 124-133).

These are then cases of interaction and interpenetration of systems of MNCs and universities and business service firms which functionally, in the realm of international managerial strategy and in reciprocity of *system* and *environment* in interpenetration, following the definition of environment by Luhmann (1995: 210). Reciprocally and simultaneously there have taken place events of communication from universities to MNC headquarters concerning e.g. empirical case-based teaching.

Grounding on the above suggested binary code, the basic driver in the emergence of the autopoiesis-resembling system in a constantly more turbulent turning international environment would have been the economic and general societal process of a necessary internationalization and the weight of this in the national economic development, starting from the role of growing and exceedingly many-sided exports and commencing foreign direct investments (FDI) from the small and open Finnish economy (Luostarinen and Welch, 1990, Luostarinen, 1991). Altogether, the

emergence of the cluster-network is assumed to have been as a process both gradual and, referring to the various sub-clusters, structurally heterogeneous in the development of the intentional binary code. Applying the line of thinking of Luhmann (2004: 85-86, 94-107, 124-133), this structural development can be interpreted to have taken place in the course of the growing *demand for international competitive capability* by way of growing amount of *resonance* allowing and demanding *communication* with the *environment* of each of the Figure #1 sub-cluster systems, assuming them to resonate with these *binary code-based demands*. As Luhmann (2004: 170, transl. KE) remarks, "the precondition for the events of the environment to appear as information, in other words for them to be interpreted as referring to something, is that the events are accordingly coded". In conditions of saturation by and resonating to the said communication there have followed the processes of reciprocal *interaction* and *interpenetration* between psychic systems and social systems of the individual sub-clusters along the phenomenological conceptual mode above described with the *core-cluster*. This would consequently autonomously have led to the emergence of a new autopoiesis-resembling *functional* system of a shared vision, i.e. the cluster-network with its tentatively *intentional binary code*, as above suggested (Luhmann, 1995: 215-216, Seidl, 2005a). The binary code of the wider cluster-network could socially be thought to be *cognitively, i.e. ideationally* and *relationally* tangent (Nahapiet and Ghoshal, 1998), and subsequently *structurally* (including *networks*) and functionally tangent with the binary code of the core-cluster, but not identical, and it could be termed e.g. *perceived pressure/non-pressure for national and local international competitiveness*. The illustrated process follows in addition the thinking of Luhmann (2004: 158-168) of *functional differentiation*. As Luhmann remarks, "differentiation does not take place as a decomposition of pre-given group of operations, but by way of establishing subsystems guided by codes, within the society" (2004: 85, transl. KE), and "when describing the modern society one has to adhere to the contingency that the identity of important and to modernity pertinent functional systems is explicitly based on the binary code applied to them" (2004: 82, transl. KE), and, "the differentiation is functional in so far as the subsystem acquires its identity through the fulfillment of a function for the entire system" (Luhmann, 1989: 144). The entire system here is, consequently and propositionally as applied, the Finnish economy with all, or at least most, of the sub-clusters of Figure #1 in the increasingly turbulent international context perceived through the said binary code.

The information and knowledge sharing along these principles could additionally be thought to have taken place accordingly between *any* of the individual sub-cluster elements in the proposed network of the depicted seven sub-clusters of Figure #1, but this is not further dealt with in this study.

As remarked above concerning the core-cluster, methodologically the subsequent empirical research here is thought to be cross-sectional, not longitudinal, and thus not in detail additionally analysing the emergence and development process of the cluster-network, except for the material in this respect acquired in the questionnaires, documents, and interviews like the above referred to from the 1960's.

As it was above noted at presenting the concept of the core-cluster, that very concept directly refers to its role as the *core* of the wider network of the other sub-clusters, the core-cluster therein consisting of the around 100 MNC corporate and divisional headquarters. It is assumed, as previously noted in the propositions that the core-cluster can be thought of to be in communicational activity a predominantly *symmetrically reciprocal* network. On the contrary in the case of the wider cluster-network, comprising the seven sub-clusters, the network in communication activity can be thought to be more or less *asymmetric* in nature.

The core-cluster, in practice through communications of individual MNC headquarters, i.e. individual managers of these, is assumed to act formally and/or informally very much as a knowledge and know-how node in the entire cluster-network. But also the other sub-clusters have between each other both formal and/or informal communication, as e.g. the university/think-tank/research institute sub-cluster with the public authorities sub-cluster, or with the business-services (consultants etc.) or scientific societies sub-clusters.

The core-cluster being a social network in itself as an autopoietic system, also the cluster-network is assumed to be a *social network*, although not an autopoietic one, where "social influence can be reciprocal, in the sense that it can include elements of leadership and authority in both inter-firm and interpersonal relations" (Grandori and Soda, 1995).

From the *normative* binary code point of view the cluster-network, as well as the core-cluster, are local, propositionally creative international business knowledge and know-how networks, and they could be thought to be analogical with the industrial innovation networks suggested by Hage and Hollingsworth (2000). Thereby the frequent and even intense communication dealing with international business and management knowledge and capability and headquarters' needed multiple resources, it could cover inter-organisationally and reciprocally between the sub-clusters any strategic and operational matters under the general contingency of *uncertainty and risk* (Luhmann 1995: 184, 288, 308).

Theoretically seen, dealing with the emergence of the cluster-network each of the sub-clusters, thus also other than the core-cluster, in itself may be a different autopoietic functional sub-system, or belong to a metasystem with its respective binary codes and meaning-systems of double-contingency. Particularly this might apply to the functional metasystem of public authorities and the

functional system of science making and education (Luhmann, 2004). The emergence, and above all the present-day existence and continuity of the communication system of the proposed cluster-network are thus to be perceived with this background possibility.

Concerning in general the systems aspect in research, Acs (2002) sets forth that "the systems approach allows for the inclusion not only of economic factors influencing innovation but also of institutional, organizational, social and political factors. In this sense, it is an interdisciplinary approach". Likewise, Blühdorn (2000) with reference to Luhmann's social systems theory remarks, "the more complex the society becomes, the more it depends on the high level of efficiency and specialization achieved in each individual system. By differentiating themselves into more exclusive subsystems, the function systems themselves further increase the complexity of society. And this increased level of complexity once again implies both more autonomy for each individual system as well as more intersystemic dependence."

Conclusively, for the *core-cluster-influenced cluster-network* to emerge, it is proposed that there has emerged in society between the different sub-clusters the *binary code of perceived pressure / non-pressure for national and local international competitiveness* with respect to *global business management capability*. It can be thought that each of the clusters in the cluster-network of Figure #1 has encountered in its environment these nationally and locally pressing competitiveness factors, irritating, agitating and exciting each of the systems in its pertinent ways to resonate to these factors in its (autopoietically) communicating meaning system (Luhmann, 2004: 52). In more general terms, it is assumed that each of the sub-clusters in Figure #1 has perceived or even experienced the need to enhance local conditions important for internationally operating firms, in other words simultaneously enhancing the international competitiveness of the Helsinki region location. However, a certain sub-cluster system may become overburdened by *resonance* with these environmental, and simultaneously also other affecting international competitiveness allied factors, leading to a threat of disintegration of the system (Luhmann, 2004: 171). This in turn may theoretically have led each of the systems, here *any* of the sub-clusters, to a state of *redundancy*, by which is meant "the multiple certification of a function, therefore the appearance of 'superfluity'. The rejection of redundancy means that multifunctional mechanisms have to be replaced by functionally specific ones that are applied to (autopoietic) self-certification" (Luhmann, 1989: 145). This has further led multi-functional systems, here the sub-clusters, to substitute some of the systems' function or functions with specialized arrangements that as structures again operate in themselves according to the normal autopoietic systemic conditions. In other words, the more or less *simultaneously affecting/perceived environmental demands for international competitiveness* in

those in Figure #1 depicted sub-clusters has led them through the paradigmatic processes of *redundancy*, *resonance*, and *interaction* and/or *interpenetration* to the emergence of the (*autopoietic*) *cluster-network* serving the data, information and knowledge needs of its network members.

In concluding the sociological approach to the particular theme of this research, i.e. the elaboration on the idiosyncratic location factors of MNC headquarters and notably the propositional aspects of '*identity of location*', it may be remarked that also Giddens (1996) sets forth, in dealing with the human ontological questions of security and trust, that in the context of *time*, *space*, *continuity* and *identity* there is a strong underlying emotional commitment. According to him faith in the coherence of everyday life through symbolic interpretations and meanings of this context is not only based on cognition, for "cognitive frames of meaning will not generate that faith without a corresponding level of underlying emotional commitment - whose origins.....are largely unconscious. Trust, hope, and courage are all relevant to such commitment." Within his structuration theory Giddens (1981) underlines, with reference to Heidegger's phenomenological work, the very basic meaning and role of locality: "All social activity is formed in three conjoined moments of difference: temporally, structurally (.....) and spatially; the conjunction of these express the *situated* character of social practices". These approaches of spatial thinking on social networks and e.g. trust in communities of practice in international management are very congruent with the initial, partly phenomenological Propositions #1 and #2 in this work, and may well be combined with Luhmann's phenomenology-based thinking of meaning and trust in connection of double contingency in autopoietic systems (Luhmann, 1995: 82, 127).

Proposition #3.1: *As in the case of the core-cluster of Finnish MNC headquarters, also the emergence of the wider **cluster-network**, depicted in Figure #1, can be seen to have developed into a **binary coded communication system**. The cluster-network is possibly meaning-based autopoietic, primarily through the processes of **redundancy** and **resonance**, **interaction** and/or **interpenetration**, according the sociological systems theoretical principles of Luhmann.*

Proposition #3.2: *With reference to Proposition #2.2, the emergence and development of the **knowledge and skills sharing wider cluster-network** of Figure #1 has become **an additional factor** supporting the present MNC headquarters location and **not relocating** headquarters abroad.*

Research question #4: Some approaches to tentative network model(s) of the core-cluster and the wider cluster-network and its/their nature as a dynamic interactive self-enhancing process of creativity and innovation

Having been presented as propositions the emergence of the core-cluster and the wider cluster-network, the primarily phenomenological 'identity of location' based Proposition #1, and the sociological systems based Propositions #2, #2.1 and #3, there remains the question of *transforming the theoretical communicative social systems with comparable logic into applied practical network models*. The transformation from the communication system of Niklas Luhmann to an operational network takes place through action. "Only by action does communication become fixed at a point in time as a simple event. Thus, a social system is constituted as an action system on the basis of communicative happenings, and using their operative means" (Luhmann, 1995: 165). The concrete external illustration of the reciprocal activities, as well as the resources intermediating contents of these activities, and participants or actors of these activities is carried out subsequently in the form of operational *networks*. Of course, the above presented sociological, borders-having, binary codes carrying self-referential *communication systems* either of internal or internal/environment relations and *interdependencies* (Luhmann, 1995: 15, 29) can, as such, also be regarded as networks in their formal technical structure.

In search for a closer look at the most representative type(s) of network in the 'identity of location' contingent spatio-temporal research topic, there are two points of departure following the Luhmannian paradigm. On the one hand, the network model should be able to embed the role of a cooperative, supportive and also innovations enhancing resource and capability cluster, in line with the *logic of intentionality* (Luhmann, 1995: 76, 130), which is represented in the contents of the binary codes, and --- concerning only the core-cluster --- the double contingency meanings. That is, the network should embed the *fact dimension* of the psychic-systems' and social systems' meaningful intentions and the social-systems' themes of meaningful communication (Luhmann, 1995: 76-80), and the temporal dimension-including firm history narrative and "forward momentum" of "commitment" (Luostarinen and Welch, 1990) of the core-cluster and cluster-network. On the other hand, the potential model of network(s) should preferably, for the sake of congruence, also fit the other basic features and conditions of the social communication system elaborated and presented by Luhmann (1995, 2004).

When closer assessing the criteria for feasible network approaches, an overview and comparative analysis of the many approaches available is helpfully presented and described by Araujo and Easton (1996) from the multitude of different network models. Concerning networks in general the concept of *cluster* used in this work is a special case. Within the wider concept of the network, as

this is thoroughly presented by Grandori and Soda (1995), Håkansson and Snehota (1995), and Ebers (1995), the cluster in this study is defined as analogical to both its industrial usage as a term (Jääskeläinen, 2001), and in the sense of a knowledge cluster as presented by Formica (2003). With reference to Michael Porter's *The Competitive Advantage of Nations*, Jääskeläinen portrays "the cluster describing a network-resembling self-organisation of production and the thereto attached activities. The cluster emerges when the core factors to the source of competitive advantage strengthen each other" (Jääskeläinen, 2001). According to him a cluster is thus a phenomenon of *dynamic* nature around an industrial core, with enterprises, educational, research, financing, public and other institutions, and personal contacts, which support the skills and competitiveness of its members, and in most cases having a *spatial home-base*. Somewhat differing from the industrial cluster, Formica (2003) sets forth the concept of 'knowledge cluster' which is characterised by knowledge workers, i.e. individuals, not companies, with the aim of "advancement of the frontiers of knowledge and putting fresh knowledge in motion by enabling a faster transformation of novel ideas into new ventures based on 'discontinuous' (as opposed to 'incremental'), creatively destructive type of changes". Both Jääskeläinen's (2001) and Formica's (2003) characterisations of a cluster are seen as fitting concerning this study.

As the core-cluster and cluster-network in this research are explicitly location-bound phenomena it means that clusters, private and public organisational managements, and top managers form a more or less loose location-bound *community of practice* which in this respect are congruent along the lines of thought presented by Spender (1991), Lave and Wenger (1991).

With respect to the 'spiral knowledge creation' SECI-model and the spatio-temporal tacit knowledge intermediating community of 'ba' therewith, Nonaka, Toyama and Konno (2000) present as a thought of extension that "the knowledge-creating process is not confined within the boundaries of a single company.....It is also possible for groups of companies to create knowledge. If we further raise the level of analysis we arrive at a discussion of how so-called national systems of innovation can be built.....it will be important to examine how companies, governments and universities can work together to make knowledge creation possible". Raza, Kausar and Paul (2007) present the creation of 'ba's as one mode of knowledge management. According to them "it is evident that the social management of knowledge in knowledge communities depends heavily on the "veristic" and "trust" aspect of the social interactions. Culture, shared beliefs, values and cognitive uniformities must significantly resonate as a part of a broader "social informatics" which places "knowledge-networking" at the core of whole process of knowledge creation, utilization and dissemination within knowledge communities as well as across different knowledge communities". For the Finnish MNC headquarters and managements the traditional location up to now has been, following

the *binary code* definition above, a spatially and culturo-linguistically conditioned, more or less successful national meso-level system serving the MNC organization. This can also be called an *epistemic community*, and this Finnish context fits likewise this concept as it is used by Miller and Fox (2001) in their philosophically oriented study on the background and interests of a knowledge-generating community. This aspect is also congruent with the notions concerning the Finnish, primarily high-tech MNC's *national business systems (NBS)* as presented by Lilja, Räsänen and Tainio (1992), and Haake (2002), or national innovation systems. As Clark and Mueller (1996) in their, as such critical, examination refer to the Schumpeterian evolutionary economics approach of the national systems of innovation (NSI), "NSI argued that key elements in the national appropriation of learning arise from short distances, a common language and cultural proximity". The role of personal networks and social relationships is also approached through the model of social and intellectual capital and organizational advantage, as presented by Nahapiet and Ghoshal (1998). In their classification of the dimensions of social capital, i.e. the *structural*, the *cognitive* and the *relational* dimensions, the two latter can also be connected to emotionally influenced aspects of personal, location-tied identity. The defined sub-dimensions of the *cognitive dimension* are shared codes and language, and shared narratives. Hereby we may definitely think of the above-presented, to the Finnish MNC's successful internationalization history-connected aspects of '*identity of location*', 'sense of place', to be essential in dealing with organizational narrative aspects. The sub-dimensions of the *relational dimension* are trust, norms, obligations, and identification. These sub-dimensions, too, very definitely entail the 'identity of location' carrying aspects. As it may well be inferred from the previous 'identity of location' arguments, these sub-dimensions can be assumed by way of e.g. linguistic, cultural, social and historical ties to be affectionally and emotionally location-connected.

As Ebers (1997) notes when putting forth the *emergence* of inter-organizational networks, there are several approaches and theories employed, including "industrial economics, organizational economics, industrial marketing and purchasing, organizational sociology, game theory, resource dependence theory, population ecology, institutional theory, and social network approaches", and that these "partially overlap and partially compete".

In this study, as noted, the approach following Luhmann's paradigm is that of communication systems of double-contingency meaning, binary code- contextualized under uncertainty, with the aim of information and knowledge of *strategic resources* in the MNC headquarters. As Ebers (1997) sets forth, with reference to various researchers work concerning motivations for inter-organisational networking, it is a means for e.g. "a fast, effective, and efficient way of learning and of short-circuiting the process of acquiring and appropriating skills", and to "pursue common or

mutually beneficial goals or interests", but on the other hand also serves as reduction of risk, and supporting "stability, when through co-operation organizations can better forestall, forecast, or absorb uncertainty affecting their activities". These notions by Ebers compare with the thought of *reciprocally shared* information and knowledge resources in the *spatially focused* core cluster, and the wider cluster-network, which also serves a tentative *creativity and innovation process*, as above presented in the research questions of this study. This thought implies the idea of a dynamic process concerning associative knowledge resources creation within and between also the other organizational sub-systems of the cluster-network systems than those referring to the core-cluster, the aspect of which, however, is not here further dealt with. Ebers (1997) however adds that "motives alone provide only a weak guide when trying to explain the emergence of inter-organizational networking relationships or their organizational form....For a more complete explanation, we therefore need to know in addition under which conditions, and why, each of the noted motivations will be prevalent". From the point of view of the Finnish MNC headquarters and managements, nestled and clustered in their *geographically, linguistically and culturally peripheral* Helsinki location, as this contingency in the propositions above is presented, these institutional aspects of *conditions for sharing knowledge resources* on international and global matters are quite evident. Thus the theoretical approaches to the emergence of the networks proposed in this study could from this point of view particularly be both 'resource based theory' and 'institutional theory'. Bowman and Ambrosini (2007) in their study on identification of valuable resources refer to Barney's notion that "resources are valuable when they enable a firm to conceive of or implement strategies that improve its efficiency and effectiveness", and that a valuable resource "exploits opportunities and/or neutralises threats in a firm's environment" (Barney, 1991). Bowman and Ambrosini underline that the "RBV (resource based view) is a theory of *relative* advantage" and that "these often co-exist with competitive disadvantages", and thus "the firm's ability to identify valuable resources and to mitigate or eliminate resources weaknesses is crucial...". In the light of the resource based view the proposed existence of *the core-cluster and cluster-network* of Figure #1 as resources of knowledge and know-how through sharing, supporting an potential innovations-creating system-network, and providing for firms' other operative resources, could thus be seen as a *mitigation of resource weakness* due to geographical and cultural peripheralness, and also scant domestic human knowledge resources. This notion is in line with Foss (1998) concerning the role of environment and externalities.

On the other hand, with reference to the aforesaid background of the *binary code* under *uncertainty* and *bounded rationality* of the core-cluster and cluster-network as autopoiesis resembling systems, and the Propositions #1 and #2 in this work with a general reference to an '*identity-of location*',

together with certain related aspects of the Finnish 'national business system' (NBS) researched by Lilja, Räsänen and Tainio (1992) and Tainio and Lilja (2003), it is very evident that a local national conditions-based view could also take place by way of an institutional approach, as shown by DiMaggio and Powell (1983), Bartholomew (1997), Haake (2002), Harzing and Sorge (2003), and Hämäläinen (2003). Thus an institutional theory elaboration besides the resource based view would illuminate and make explicable the emergence of the said networks.

The contingencies of an overlapping of these two theories in order to understand the emergence of the above networks would be in agreement with the sociological paradigm of functional systems of Luhmann. With the here chosen Luhmannian approach regarding particularly the character of the *core-cluster*, with its locally limited number of corporate and divisional MNC headquarters as *social systems*, and *psychic systems* as reciprocally trust-based *environments* in the *interpenetration* of each of these company-pertinent communication systems, one could also regard the *social network* approach as a feasible third theoretical aspect when looking for a comprehensive, applicable network approach. As Luhmann (1995: 215) notes, "the concept of interpenetration does not indicate merely an intersection of elements, but a reciprocal contribution to the selective constitution of elements that leads to such an intersection. Decisively, the complexity of human beings can only develop within and be used by social systems as, so to speak, a source of actions that satisfy the conditions of social combinatorics." With this notion in mind the to a strong degree 'trust' and 'identification' based *dynamic feed-back* model of Nahapiet and Ghoshal (1998), presenting the role of structural, cognitive and relational dimensions of social capital in creation of organizational intellectual capital, can be regarded as very representative, and fitting to Luhmann's autopoietic communication system with its conceptual conditions.

In this research the approach in selecting an appropriate network model, however, puts the weight primarily on the resource based view, while the network model simultaneously would consequently allow for aspects representing those of the institutional, and social relations aspects put explicitly forth originally in the 'identity of location' propositions above.

As an overview by Grandori and Soda (1995) shows, there is a vast literature on inter-firm networks with various approaches within the social sciences. Ebers (1997) states that the general conception of inter-organisational networks is in theory and practice very many-sided in usage, as the concept 'network' is sufficiently abstract to cover "any set of recurring ties....among a set of nodes". Being so general it according to Ebers "runs the risk of extending the notion indiscriminately until it ceases to have whatever analytical and theoretical power it might possess for organizational research". With this in mind this research, with its substantive questions, should be in a proper way preliminarily and tentatively theoretically conceptualized before endeavoring for the vast space of

social dimensions which face the empirical research. As Ebers (1997) further remarks with reference to literature, "research is only beginning, though, to develop a theoretically systematic and more general account of which societal institutions are of particular importance for, and how they interact in, the social construction and production of "business systems". He continues that on a regional level "networking among firms is enabled and supported by regionally embedded institutions such as chambers of commerce, employers' unions, banks, science parks, universities, and training centres.... These institutions often act as informational brokers that support the exchange of information among firms, encourage and facilitate mutual learning, and can thus foster the responsiveness, adaptability, and innovativeness of networked firms". These ideas of the spatial level and informational brokers, called also intermediaries or catalysts by Ebers (1997), correspond closely with those proposed in this study concerning, particularly, the wider cluster-network. The network model, or models, here attempted at should tentatively make possible to understand in the widest economic competitiveness sense, the above Luhmann's binary code contingency sense, the different interactive informal and social aspects of the core-cluster on the one hand, and the resembling wider cluster-network on the other hand with its partially formal material business and infrastructure aspects.

Concerning the conceptual character of the core-cluster, and tentatively also to a certain extent resembling cluster-network, as communicational autopoietic social systems on the one hand, and networks *per se* on the other hand, systems can be said to present the primary theoretical, functionally differentiating structures of society, networks being a secondary practical operational form of order in society, following Bommers and Tacke (2005). As they say, "networks presuppose social systems (i.e. organizations and function systems) as far as it can be shown that networks assume their form from a reflexive combination of options that are represented by (individual or organizational) addresses, and that these options are due to the social addresses' particular profiles of inclusion and exclusion in various social systems. At the same time, networks supplement social systems: Whereas modern societies' basic systems rest upon a "primacy of problems" (which then guides the search for the relevant social addresses), networks follow a "primacy of addresses" (which allows the creation of particular new problems and possibilities which the underlying systems cannot provide)." This notion is well in accord with the above presented Luhmannian ideas of the system of *interaction* (Luhmann, 1995: 455, 475, Seidl, 2005a), and concerning for instance modern ecological cognizance and communication in society by way of the processes of *resonance* and *redundancy* in the emergence and development of functional systems (Luhmann, 2004).

An important question to be set forth in this research concerns the reciprocally connected ideationally tangent *binary codes* and the subsequently mutual *networks* of the core-cluster and cluster-network systems. To what extent do these *intentionally* or *unintentionally* function reciprocally with results of *creativity* and *innovation*. This outcome would particularly concern managerial knowledge and skills which serve global international business. Notably, concerning the question of creativity and innovation in their dynamic model Nahapiet and Ghoshal (1998) remark, with reference to extant literature, that "the joint evolution of social interaction, communication networks, and the elaboration of scientific ideas.....and cognitive development is facilitated by the thickening of communication networks, which then leads to their further elaboration", and that these aspects underline the role of the *resource based* theory approach, while simultaneously representing social networks.

Thinking of the *motives* for an assumed creativity and innovations enhancement within the domain of international and global managerial practices and international business in the particular, *inter alia*, peripheral *conditions* (Ebers, 1997) of the Helsinki region, there is to be posed the question whether the assumed innovations appear as passive, implicitly expected outcomes or whether they are under the local idiosyncratic conditions actively sought after. The answer to this may lie in the fact that the core-cluster and cluster-network are theoretically proposed to be *systemic* basing on their ideationally *shared codes* respectively, as implied by the Propositions #2 and #3, and presented above as the suggested binary codes of the Luhmann paradigm. However, there is the question to what extent their normative codes-based communication activities are *systematic* in the mixture of communication of formal, and informal, deep, and wide dimensions (Simard and West, 2007). This aspect must surely have affects on the quality and quantity of the communication *activities* within the sub-clusters and between the sub-clusters. This would affect both the various kinds of knowledge and other, e.g. by public authorities supplied *resources*, and consequently through communicative action resulting subsequent resources, exchanged between and within the sub-clusters' social *actors*.

One possibility to enhance understanding of the systemic functionality vs. aspect of systematisation of these knowledge networks is to approach the concept of knowledge itself as suggested by Jakubik (2007). Analysing a wide spectrum of approaches in literature on knowledge she presents four views of the concept, the ontological, epistemological, commodity and community views. The *ontological* view refers to knowledge as a product of the individual mind and it is in ontological sense subjective; the *epistemological* refers to knowledge as of a philosophical scientific nature in itself; the *commodity* view concerns the practical managerial aspect of knowledge as an organisational resource; and the *community* view sees knowledge created in social interaction, it is

dynamic, a social construct. Clearly these different views overlap. However, they also present aspects which may well introduce into researching the dimensions of the nature of the core-cluster and cluster-network as *knowledge networks*, starting from the basic Propositions # 1 and # 2 in this study. This knowledge definition also makes it easier to understand and define the role of knowledge and innovation activities in networks, also in a normative sense, with respect to e.g. the *economic value system continuum* elaborated by Möller, Svahn and Rajala (2002) and depicted in Figure #2 below, and the *systemic open innovation process* described by Maula, Keil and Salmenkaita (2007), depicted in Figure #3 below.

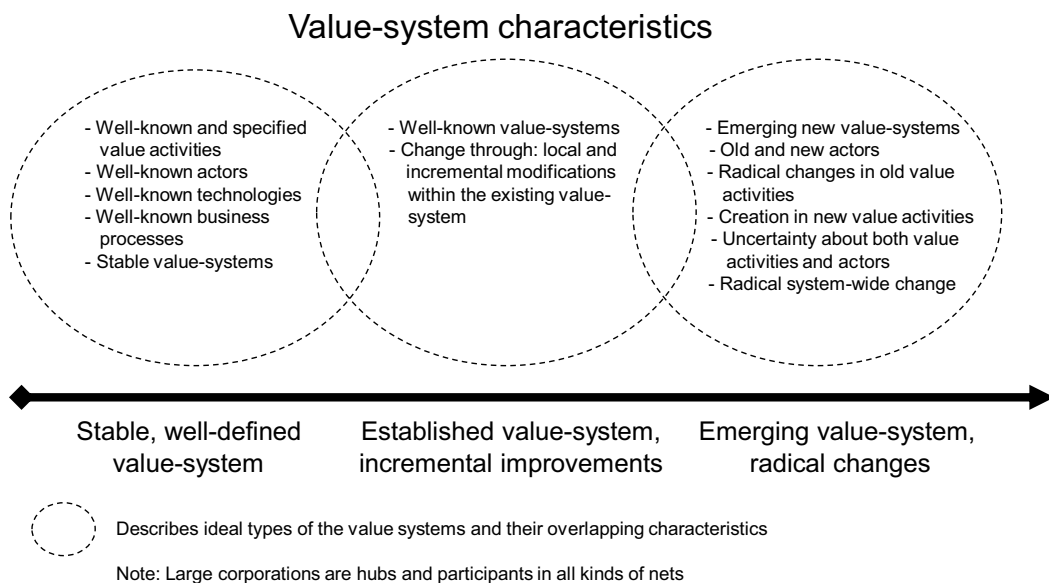
According to Möller and Svahn (2003), "strategic business nets refer to intentionally developed coalitions of more than two actors pursuing at least partly shared goals", and that "essential to any strategic net is the underlying system through which it produces value." The assumptively strategic binary code networks researched here are thought not to be in a historical sense 'intentionally developed', as previously remarked. However, they are still assumed as functional social *autopoietic communication systems* and to be, by definition, here and now intentional in character. With reference to the 'shared goals' in the above authors' definition and in the light of the economic value system continuum of Möller, Svahn and Rajala (2002), this qualitative and temporal continuum is ---- in value creation from stable values to incrementally improved to radical changes encompassing ---- a conceptualisation enhancing aspect also in approaching the characteristics of the cluster-network system's nets. As Möller and Svahn (2003) express it with reference to James March and Karl Weick, "the sense making of emerging opportunities and the co-creation of knowledge through exploration dominates over the issues of transferring existing explicit knowledge." Möller and Svahn also note the multitude of idiosyncratic nets and the futility or difficulty of their individual classification, referring to the idea in Industrial Network Theory (INT) that "a fundamental characteristic of actors and resources is their heterogeneity", and that "their character can never be fully revealed and explained", a notion very conceivable in the light of the above definition by Jakubik (2007). Referring to the value continuum in the Figure #2 they also point out that the goals and dynamics in the strategic networks of the three value systems differ greatly making the role of knowledge and learning also different in the three nets. As they say, "the fundamental driver of their differences seem to be the varying character and role of knowledge in their underlying value systems" (Möller and Svahn, 2003). This in turn must affect all the characteristics of network activities. However, they point out that these three value systems underlying strategic nets are ideal and are in reality interrelated and overlapping with respect to companies.

The value system approach is also basically well congruent with the cluster-network's primarily economic value laden *binary code of pressure / non-pressure for local international*

competitiveness, besides the above presented 'identity of location' values. Hereby competitiveness implies both privately and publicly offered or mediated positive-value resources for sustention and enhancement of MNC managements' possibilities for effective governance and business activities of the international organizations in their present headquarters' location.

With reference to the proposed binary code of the tentatively autopoiesis resembling social system of the cluster-network, and its *implicit intention* for the economic international competitiveness of the Helsinki location, it is set forth that this intention and location represents an analogy to the notion by Möller and Svahn (2003) that the "value-system construct is based on the notion that each product/service requires a set of value activities performed by a number of actors forming a value-creating system", the location of the network in this study representing thus both a product and a service *in and of space and time*, as such. Particularly the pressure to create new knowledge and radical innovations in e.g. business systems, referring to the

Figure 2. Value-system continuum (Source: Möller, Svahn and Rajala, 2002)



right side of Figure 2, applies to the future, as "uncertainty and ambiguity related to value activities and to actors and their capabilities are inherent features of this landscape", where the "emerging

value systems contain several new challenges for the development of strategic nets. An essential aspect is the tacit and dispersed character of ideas in the emerging system. Ideas refer to beliefs about how new knowledge structures can be utilized", whereby Möller and Svahn also refer to the phenomenology-based discussion by Scharmer on vague, experientially and intuitively perceived, not yet articulative ideas of an emerging reality, "not-yet-embodied" tacit knowledge of a "not-yet-enacted-reality" (Scharmer, 2001). The cluster-network value system is strongly influenced by the MNC headquarters' core-cluster as proposed in Figure #1, which is in congruence with the idea of large corporations as knowledge hubs, as presented by Möller, Svahn and Rajala (2002) in Figure #2. Particularly this role of the knowledge hubs, i.e. notably the core-cluster collectively, concerns recognizing dispersed and vague ideas and weak signals, and capability of making sense of them, as the MNC headquarters with their managers and specialist staffs are globally linked to extensive intra- and interorganisational technological, business, social and wider societal nets (Möller and Svahn, 2003).

The knowledge and other resources enhancing role of the local core-cluster and cluster-network and serving MNCs may also be approached in wider terms by the *open innovation networks* concept. The core-cluster and the cluster-network systems in Figure #1 with their proposed *intentional binary codes* could be considered to be additionally to a certain extent open, thus assuming various external resource and innovation inputs serving MNC international managerial knowledge and other aspects of competitiveness. This would be grounded on the contingencies of *redundancy* and *resonance, interaction* and/or *interpenetration* as set forth by Luhmann (1989, 2004), previously above explained, and implicated above in Proposition #3.1. As West, Vanhaverbeke and Chesbrough (2007) remark, "neither the practice of nor research on Open Innovation are limited to the level of the firm": while "innovations are created by individuals or groups of individuals, usually within organizations", additionally this new activity paradigm of "Open Innovation is practiced within the context of a given set of political and economic institutions", thus practiced on several levels. As Simard and West (2007) set forth when analysing open innovation and the role of the firm's external institutional and geographical context for knowledge networks, "networks of collocated organizations are necessary to construct a regional social structure of innovation and the knowledge flows that lead to innovative activity", adding that "while many have described the geographical nature of knowledge flows, very few studies have quantitatively measured the effect of geography on such flows and on innovation".

This comment underlines the expediency of the herewith projected empirical research and its sociological idiosyncratic nature with the core-cluster and cluster-network constructs.

Simultaneously it is also close to cross-disciplinary research in the quaternary sector development

and its societal conditions (Selstad, 1990, Florida, 2005), and innovation and agglomeration in economic and urban geography (Simmie, 2001, Acs, 2002). As a further addition concerning the study of open innovation in relation to systemic innovation contexts, Maula, Keil and Salmenkaita (2007) present in Figure #3 below the particular role of industry leaders as architects in value networks, as "industry leaders add industry *shaping* activities to the *strategic foresight* processes that often drive resource allocation decisions in autonomous innovation" (italics by KE). Their study can in this respect be seen as a corollary to the role that the MNC headquarters' *core-cluster* has within itself, and with respect to the wider cluster-network and other pertinent environment mutually. As these authors remark, even for large multinational industry leaders and corporations "models of internal resource allocation are insufficient and might in some cases even hamper firm success".

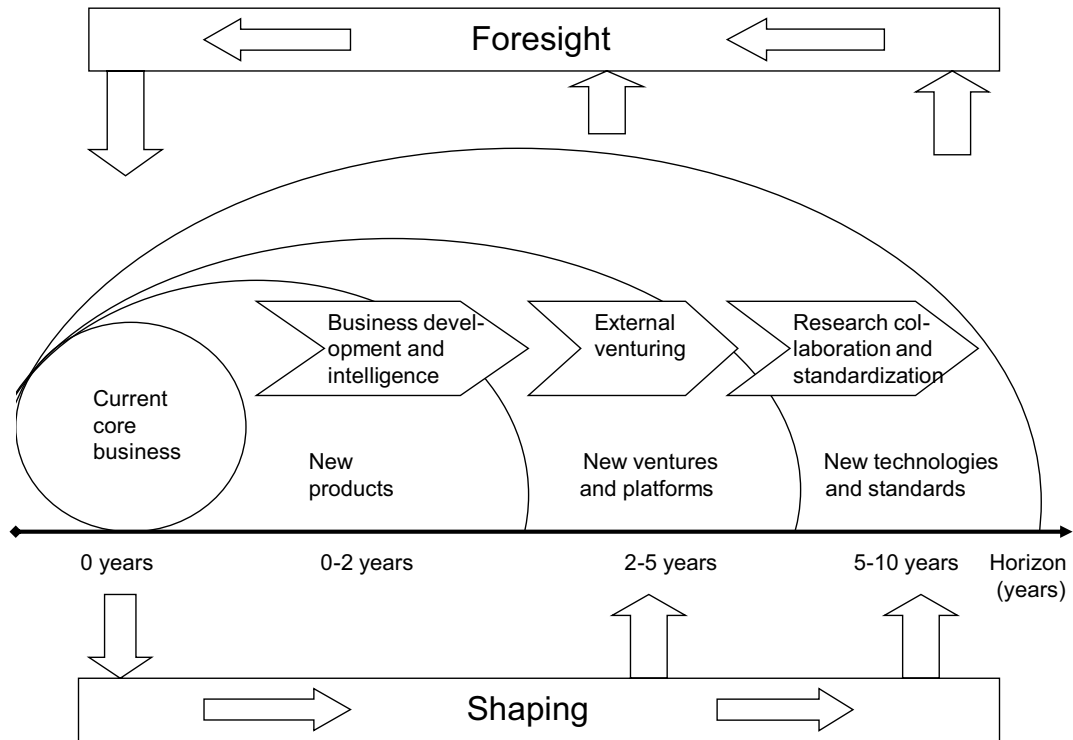


Figure 3. Tools for foresight and shaping to manage the business environment of the corporation over different time horizons in industries depending on systemic innovations (Source: Maula, Keil and Salmenkaita, 2007)

Thus an additional, to this research on the clusters pertinent aspect of their model is that -- when stressing the role of the public-private partnerships, the important role of the public realm whether universities, research institutes, think-tanks and public authorities -- their open innovation system

model is *in practice*, if not in theory, very much *spatially* bound or concentrated (Maula, Keil, Salmenkaita, 2007). In this aspect their model comes close to the 'national business system' presented by Tainio and Lilja (2003) which refers to the general success in Finland nationally, in its small-country social networks, to mobilise both public and private sector activity and know-how resources, notably also of large international corporations. As previously noted, also Möller, Svahn and Rajala (2002) underline the role of large corporations as hubs and participants in strategic networks.

One still additional approach to the practical network activities of the *core-cluster* of MNC headquarters could be assumed to be the concept of *community of practice* under the core-cluster's binary code of 'relocating abroad / non-relocating abroad'. Within the community of practice approach, even if not unequivocally, this binary code might also lie as a basis of practical activities for the sub-cluster B with universities and think-tanks, sub-cluster C with consultants, and sub-cluster D with the regional headquarters of foreign MNCs, in Figure #1. All these sub-clusters are in everyday activities connected with international management and business in the practical and theoretical aspects of these. In the same vein the community of practice approach could be assumed to include all of the cluster-network under its binary code of 'pressure / non-pressure for local international competitiveness with respect to global business management capability'.

Complementing the ideas set forth by Möller, Svahn and Rajala (2002) of the networks of the value system continuum, large corporation hubs-centred, and by Maula, Keil and Salmenkaita (2007) of the industry leaders' foresight and shaping roles of the open innovation system, there is proposed to exist, on the bases of the above two binary codes of the autopoietic systems of the core-cluster and cluster-network, the *strategic intent* of these networks-combining holistic *community of practice*.

The versatile basic nature of the 'community of practice' model renders it applicable to many situations, as e.g. is well elucidated by an empirical research on idiosyncratic nation-culture conditioned networks of confidential managerial information, concerning public authorities' differing rules, applications and actions in the turbulent legislative conditions in Russia (Honkanen, 2004). Thinking of the current research on the core-cluster with the focus on managerial and administrative knowledge centered on global, multinational matters of a host of different aspects of practice, the cluster thus also represents a community of practice (Formica, 2003). Consequently, the practice-connected knowledge processes and their reciprocal, dynamic and innovative character become an evident object of this research. From this point of view the reciprocal knowledge activities of the cluster-network, particularly thinking of the networking of the core-cluster, can be in part understood in terms of horizontal innovation networks by and for users, as brought forth by von Hippel (2002) and Maula, Keil and Salmenkaita (2007). von Hippel presents, among others, as

an example of this kind of networks the “free” or “open source” software project of the Linux computer operating system. This idea, in minimal terms in comparison, can be applied to the area of multinational and global managerial knowledge in the informal knowledge exchange networks of managers and staff members of the Finnish MNCs. Here the particular and often very idiosyncratic international problems, as well as the Finnish special conditions based idiosyncratic solutions to them, offer an important field of information sharing, referring to the study by Hennart and Larimo (1998). This assumed knowledge sharing aspect can be thought of to be conditioned by the joint nation cultural background of the numerous local home-country MNC managements, as managerial values, strategies and practices are strongly nation culture affected. This fact is much brought forth in literature (Schneider, 1989, Kogut, 1993, Harzing and Sorge, 2003, Klarsfeld and Mabey, 2004), and it is notably visible in practice in international mergers and acquisitions, as brought forth by research on the topic (Olie, 1994, 1995, Laurila and Gyursanszky, 1998).

The 'community of practice' thus aims at supporting, helping and developing best practices, procuring, sharing and developing of knowledge, and creating innovations (Wenger, McDermott and Snyder, 2002) in international management and business, with the intent to secure and enhance the resources necessary for the continuing international competitiveness of the locality of Helsinki, thinking of the global activities of the MNC headquarters. By definition, particularly thinking of the core-cluster members' *identity of location* and the binary codes-based constructs of *meaning* of the autopoietic systems, the local core-cluster and cluster-network are proposed to be rather stable in character. This stability is essential in "facilitating net identity, trust and collective learning in multi-actor groups" in a community of practice, with the intent of the members to "share their knowledge and combine it into new knowledge constructs, solutions, and routines", as Möller and Svahn (2003) set forth concerning incremental local knowledge creation, and new knowledge creation and radical innovations in the networks of the value system continuum.

In conclusion, the autopoietic system of communication presented by Luhmann (1995, 2004) can be well understood in more practical network terms. This concerns the core-cluster and cluster-network development, according to the principles of the large-corporation hub consisting value system continuum suggested by Möller, Svahn and Rajala (2002), the industry leaders' role underlining systemic open innovation context suggested by Maula, Keil and Salmenkaita (2007), and the community of practice kind of shared strategic intent in reciprocal activities as set forth by Wenger, McDermott and Snyder (2002). In these activities the core-cluster and wider cluster-network closely resemble the idea of holistic, private and public actors in institutional networks embedding idea of the national business system (NBS), brought forth by Tainio and Lilja (2003).

As to the real-world practical modes of *activities*, dealing with the innumerable variations of forms of material and immaterial *resources* by the great number of *actors* within the core-cluster and cluster-network systems, these may in most if not all cases best be formulated in terms of the industrial networks model, the so-called ARA model, as it is presented by Håkansson and Johanson (1992).

Proposition #4: The proposed *social systems* of the reciprocally connected *core-cluster* and *cluster-networks*, proposed to support *critical resources in the Helsinki region* through knowledge sharing and creative innovation in international management and business, can be network-operationally approached along the lines of thinking of the *national business system* (Tainio and Lilja, 2003), *the value system continuum* (Möller, Svahn and Rajala, 2002), *the systemic context of open innovation* (Maula, Keil and Salmenkaita, 2007) and the *community of practice of strategic intent* (Wenger, McDermott and Snyder, 2002); in their multitude of network structures (Figure #1) these can on practical level be expressed along the *industrial network model of actors, resources, and activities (ARA)* (Håkansson and Johanson, 1992).

Theoretical conclusion

The above presented delineation of the theoretical sociological, social psychological, social and other aspects concerning ‘identity-of-location’ location factors, and networks framework of the core-cluster and cluster-network, depicted in Figure #1, serves with the Propositions #1 - #4 as a strategic research approach with respect to the questions for the aimed-at empirical research. Thinking of the many subtle details embedded in the ‘identity-of-location’ concept and in Luhmann's autopoietic social system of binary codes of the *core-cluster*, that is the *relocation abroad of the MNC headquarters / non-relocation*, and that of the *cluster-network* binary code of *perceived pressure / non-pressure for local international competitiveness in global business management capability*, it is very evident that to be able to orientate for relevant questions in exploratory interviews is a demanding endeavour. On that ground a thorough acquaintance with the pertinent theoretical literature at hand serves as a necessary background for an economic and effective empirical research, thinking of the more or less limited time available for circumstantial interviews of top management.

Concerning the approach in the above theoretical study it is suggested that this approach brings society and its many socio-cultural institutions into the theoretical realm of organisations, just as Drepper (2005) suggests the Niklas Luhmann's systems theory to be a theoretical equipment, "the

reciprocal relationship between modern society and modern organizations". But thinking of the above presented binary codes of the core-cluster and that of the cluster-network, "the claim for bringing society back into organization theory is compounded by the demand for bringing organization back into the theory of society. What can be retained from the analysis of Luhmann's theory is that the societal embedding of organizations and the organizational side of society have to be understood.....as a relation of *simultaneous enhancement*.....Society exists on both sides of the organization boundary. Thus organizations meet with society in a double sense: in themselves and in their environment (Drepper, 2005)". This notion is very congruent also with the binary codes proposed.

As a consequential and additional comment to this notion, and concerning this study of the 'identity-of-location' and core-cluster and cluster-network as a whole, it can be suggested that as a societal institutions, system and network research it can be taken as a cross-disciplinary lead to a wider macro-oriented *urban studies research* of creative, innovative knowledge environments and cities. This would not only concern the special case of the Helsinki region but also be of general meaning, following the ideas of Simmie (2001), Acs (2002), and Florida (2005). This wider and much interest and attention arousing aspect is not further dealt with in theory in this work.

However, the results of the empirical part of this work can be expected to shed light on, besides managerial implications, also practical implications for urban policies. As the top manager of the old and by far largest investment company and portfolio holder of notable MNCs and other businesses has remarked on the role and requirements of MNC headquarters (Skapinker, 2007), "The important thing is to make sure that those companies have the best resources available. I'm thinking about researchers, lawyers, accountants, journalists, the whole infrastructure that creates society. We have vested interest in Sweden having as many skilled people as possible in society, and one of the most important ways of generating that is by having head offices of businesses because normally they demand the highest-quality services. So we will always fight to have head offices in Sweden, to have centres of excellence around us" (Wallenberg/Skapinker, 2007). This comment applies as such also to this work concerning MNC headquarters in the Helsinki region in neighbouring Finland, serving both as a background motive and mission to the work, and as a platform for posing the research questions and propositions set forth above.

The empirical study

Methodology

The research requires penetration into the world view and mental maps regarded as relevant to the proposed location factors and cluster activities. Thus the methodology is the qualitative research

approach (Yin, 1984). The interviewed top managers of five MNCs are from the point of view of this research discriminately chosen having held a formal cooperative sponsor connection with the researcher's academic home institution. This was assumed to make it easier to obtain greater interview time with top managers. Four represent industrial high-technology firms. Altogether six top management members were interviewed, and a 16-page interview-guide was sent to the interviewees in advance. Each interview lasted close to two hours and they were documented by hand-written notes, immediately afterwards fully written up. There was also one follow-up interview, one follow-up phone discussion, and one case of additional literary answers.

Analysis of Interviews

When weighing the role of the proposed location factors they have to be put into their present real-life context. Concerning the five companies studied means that the factor's role is dependent on the structural setting of the CHQ and the firm's ownership. Thus, *one* of these companies, as the only one of the some 23 Finnish MNCs, has changed besides its legal domicile abroad, therewith most, *but not all*, of its operative management team as well, while in fact most of the actual CHQ staff still has remained in Finland. Another company is the only one known, that has made the explicit decision *not to move* their headquarters abroad. A third is the result of an *international merger* of two equal partners, also *the only* one of its kind in the country, its CHQ staying in Finland. These, from the normal CHQ deviating aspects, can factually be thought of as illuminating some of the answers to the research questions. Three of these companies have two or three corporate functions relocated abroad, i.e. the financial function, corporate relations, marketing and supply chain management, or investor relations. Of the total of 23 Finnish MNCs most are multidivisional. They are also public companies and with the exception for the one above, not mergers of a Finnish and a foreign company, despite their extensive foreign acquisitions.

The analysis below concerning the location factors is classified in two categories, based on aspects set out as above which is drawn from recent literature. These are the *cognitive-emotional* location factors, referring to managers' organizational identity, nation-cultural identity and social relationships, and the *rationality-based* location factors referring to various technical modes of logistics and communication in space and time, human resource aspects, and joint language. However, these two main categories of location factors are intimately *intertwined* in human thinking, as it was noted in more detail above. Thus justified, the umbrella concept '*identity of location*' with respect to the human actors in their committed roles as CHQ managers is used for these two categories

Concerning the proposed and well-reasoned entities '*core-cluster*' and '*cluster-network*' and their role and influence, the approach here was built on sociological and institutional theoretical grounds and thinking and practical observations.

Cognitive-Emotional Location Factors of Managers' Identity of Location

Company History, Mission and Values in its Home Base

This factor seems to be an underlying and consciously recognised factor, even when in one (international merger) of the two cases of the changed formal status of the corporation it is suggested to exclude this issue. The traditional location was regarded to embed company values, behaviour and ways of management which are perceived as positive; in one case Finnish work and management culture was even said to be positively seen by foreign employees in the CHQ. Particularly Finnish organisational values and culture of equality, informality and straightforwardness linked with the outward success of the company in its industry, is connected with this. The Finnish home base of the CHQ was regarded as the very identity background in its particular industrial field of one case company. Connected to the historical roots is the ownership of the company, even if this ownership presently represents a clear minority. As explicitly expressed in one large corporation with a minority Finnish ownership presently, '*(the company) is Finnish*'.

National Culture, Social Relationships and Nature

'National culture' as a holistic concept also includes societal values related to work, and work-related social relationships (Hofstede, 1989). It, thus, cannot be separated from the 'company history' with all its implicit organizational mission and value views and attitudes as an historical influential social actor. It could even be assumed, with reference to the 'national business system' concept (Lilja et al., 1992), that these companies, many over a century old and represented in many parts of the home country, have effectively moulded in the historical course of industrialisation the work-life related Hofstede national values. The role of national culture and home country identity is here additionally inferred through attachment to everyday life conditions and activities of the family. This also includes attachment to the natural home country environment, and gender equality career aspects of the spouse, deemed by many to be important. The role of emotional attachment to a stable and settled everyday life in the home country seems to be quite strong, leading in most cases to difficulties concerning the availability of sufficient expatriates for foreign assignments. However, emotional attachment and attitudes of a parochial and provincial character seem to be absent. There is an evident active international openness and generally an already attained foreign experience and readiness, and a will to socialise when living abroad.

Rationality-Based Location Factors of Managers' Identity of Location

The Location Paradox of Employee Availability

As a whole, the interviewed managers in most companies did not think that they would have any particular emotions-based ties hindering transfers abroad on foreign assignments, in the case that the CHQ would be relocated abroad. Most of the managers have had earlier successful foreign assignments in the course of their careers. On the other hand, relocating the CHQ abroad did mean in *the one realised case* a loss of many home country key specialists and managers, as, for various reasons, they did not want to move abroad with their families. The result of this was that factually as a whole the CHQ with its staff and some managers was retained in its home-country location. In case of relocation of the whole CHQ, this may make the availability of home country specialists, key employees and managers difficult, as a mirror phenomenon equally difficult as getting foreign employees from abroad to Finland, making relocation thus a mixed blessing.

As remarked, one essential reason for relocation abroad was the need to get various foreign specialists to the CHQ, this being a result of the lack of available qualified home nationals. It is also very important to rotate able foreign managers and other key employees of the company to the CHQ in the course of their careers. But for reasons of the long, dark and cold winter, as well as the geographical, linguistic, cultural peripheralness and smallness of the country, it is not very easy to succeed in this task, a problem shared by other Nordic countries (Braunerhjelm, 2001, Braunerhjelm et al., 2001). However, it was remarked by the interviewees that in recent years it has become easier to get impatriates to Helsinki. This is said to be due to several positive factors, unanimously noted, concerning society and the city environment, i.a. safety, orderliness, cleanliness, well-functioning traffic and other infrastructure. In addition it was remarked that there has developed culturally and in terms of services a more international milieu and atmosphere, with fairly good general language skills. Furthermore, foreign language schools and public health and other social services for foreigners have improved, likewise foreign language business services are good. As an important factor it was mentioned that the personal tax system for foreigners has improved. In one case, the free-time recreational activities were also reported, for which the nearby natural surroundings offer good possibilities. In sum, as one interviewee said with respect to the general awareness in the minds and eyes of foreigners, *'the country and Helsinki are no longer a black hole, as they used to be'*.

The Role of International Travelling and Electronic Communication

All interviewees noted the geographical truth of the long and time-consuming travel distance within Europe. However, what was expressed is that the well-known traffic congestions in Western and Central Europe both in the air and locally on the ground in large metropolitan areas have relatively diminished the peripheralness Helsinki. Likewise the good and increasingly very important connections from Helsinki to the Far East, South East Asia, and India were noted by all, having thus considerably improved the relative location of Helsinki in global business, and even giving ground to one comment on location that *'globally it is good'*. It was explicitly remarked that business today is global, and thus the relative peripheral CHQ location within Europe has actually lost its meaning. The role of different electronic communication modes was regarded as crucial. This fact of efficient global communication was also noted to have reduced the weight of the peripheralness of Helsinki as a location. Ordinary email and telephone were still regarded as very important in top management communications. Virtual videoconferences are used, but were noted not to be a replacement for face-to-face meetings. Here there were hopes for future additional improvement to the technology for virtual meetings. Particularly, it was remarked that for larger meetings global time differences are a constraining factor, leading to time zoned groupings of meetings, a reality of course for any CHQ location.

Native Language as a Means of Efficient Communication

In all of the studied MNCs the official working language at the corporate level is English. This is also the practice in four of the CHQs in question, due to the fact that parts of the top management were foreigners with English as their non-native language. However, the meaning of mutual linguistic comprehension in communication between non-English speaking people was regarded to be very important. On account of this, the language ability question with regard to being able to use Finnish was regarded as a relevant question. As one of the interviewees commented, *'using a foreign language (English) with non-English staff hampers one's own activity, and colleagues in other companies have noticed the same problem'*. Likewise, another interviewee from a multilingual and consistently English-using top management team remarked, *'the common language (English) is used, even when it requires more effort in preparation of matters'*. A third interviewee noted that *'the official language is English, but due to the greater efficiency when using joint native language, in smaller groups the language can be changed to Finnish'*. In one of the companies English language ability was regarded to be good enough not to cause any communication problems.

However, the language question, as such, was not explicitly put forward as a definite CHQ location retaining factor in any of the companies. In one case, however, the true-to-life hands-on approach to the R&D activities and production process at the near-by traditional factory site was seen as crucial for keeping the CHQ in touch with technical developments, although the company has numerous high-technology production sites globally.

The Core-Cluster

There is unanimous consent by the interviewed managers of the tentative idea of the existence of a collegial network, a cross-industrial ‘core-cluster’ of MNC top managers (Figure #1), but it was also noted to concern exchange of knowledge and experiences on the wider staff-level. In nature this is basically informal, and it seems to have emerged as a side-phenomenon connected to the many industrial, economic, professional and other groups, and their meetings at informal and formal occasions and events. There are, however, at least two semi-formal groups of managers. These address or deal with certain remuneration matters of foreign top managers, and corporate financing. The themes in the managers’ ‘core-cluster’ network concern centrally common and experiential everyday problems in global and international activities, both intra-organisational and extra-organisational. Thus, this may concern any of innumerable things: topics such as organisation structure; foreign subsidiaries problems; expatriates; remuneration; availability of key specialists abroad; nation-cultural differences; foreign country economic, legal and political conditions; and key administrative, political and other contacts in foreign countries. The existence of the ‘core-cluster’ was regarded to add value in a manager’s everyday work, and was also noted to serve as some kind of a ‘benchmarking’ network in these various matters. Likewise, hints of foreign business opportunities are mediated when encountered and perceived. But, domestic and local problems and other matters are also considered with regard to MNC or CHQ, down to the mode of jointly giving suggestions to formal domestic interest organizations, for their further due elaboration and action. However, as remarked throughout, the ‘core-cluster’ depends on good trustful personal relations. Altogether, the propositional ‘core-cluster’ was confirmed and assessed as a veritable and meaningful network of cooperation, *ad hoc* cognitively realized, and as such, to be an explicit managerial knowledge and skills ‘*innovation*’. In practical life, such a notion is regarded to be a very important and helpful informal institution in managers’ everyday global task environment, and in principle available at any time; as once remarked, ‘*the neighbour is helped and kept in touch with circumstances*’.

The Cluster-Network

As to the wider ‘cluster-network’ depicted in Figure #1, interviewees also noted the important role of this, with reservation with regard to sub-cluster D, the cluster of ‘Regional headquarters of major foreign MNCs’ in their network. Connections within this ‘cluster-network’ cover all other sub-clusters, and relations with these are both formal and informal in character. For some interviewees cooperation with universities and research institutes, as well as public authorities and influential owners, was seen to be particularly important; and ‘*any time you may call a minister*’. In one case company, the major domestic shareholder was seen to be very well networked, actively serving the company.

Location Factors Epilogue: Managers’ Identity of Location

It was generally remarked that within the informal discussions in the ‘core-cluster’ there is no explicit intentional, or nation-ideological, agenda for retaining the CHQ in the Helsinki region. Neither were any particular Finland-contingent innovative managerial ideas seen to emerge concerning global business, or identified as a result of the ‘core-cluster’ activities. However, according to one interviewee, perceiving the actual practical value of the ‘core-cluster’, as such, could be seen as an ‘innovation’. It can further be proposed that in many instances and matters in ‘core-cluster’ cooperation there is the implicit idea whereby the neighbours’ CHQs could, in their present location successfully assist the continuance of one’s own CHQ activities in Helsinki. This aspect of reciprocal neighbourly help could evidently be closely connected with the aforementioned *cognitive-emotional* location factor.

Thus, a majority of the interviewees regarded the ‘core-cluster’ and ‘cluster-network’ in their own right as both tacit and explicit knowledge factors supporting the retaining of their CHQ location in Helsinki. According to one interviewee, the ‘core-cluster’ can be seen as highlighting the positive meaning of the present location of the CHQ. Concerning the ‘cluster-network’, for one interviewee the possibility to directly approach top level state authorities, even government members, was seen to be of the outmost help for a large MNC and a benefit accruing due to the social context of a small country, and thus to be a location factor that self-evidently would be missed by a Finnish firm if the CHQ was to be relocated abroad. As it was remarked by one top manager, ‘*Finland is a club*’. In a sense this informal trust-based ‘core-cluster’ in its language-cultural intimate context, a ‘club’, could be called, as noted by one interviewee, an inter-organisational ‘ba’ (Nonaka & Takeuchi, 1995).

Summary and conclusions

In summary, it may be said that none of the proposed individual location factors seemed to be explicitly and unequivocally decisive in illustrating the reasons or motives for retaining the location of a CHQ in Finland, and the Helsinki region in particular. On the other hand, in sum, all of the proposed location factors were given direct or indirect support, and the findings are also supported by theoretical contributions in the literature outlined in the chapter. Furthermore, the general international standing of Helsinki as a CHQ location is remarked to have been increasing in the last decade. Thus, it may be concluded that the factors supporting the present CHQ location are many. It seems also that the proposed cognitive-emotional and the rationality-based factors are strongly intertwined, following Damasio (1996) and Keenoy et al. (2002). Concerning, especially, the cognitive-emotional location factors, the positive role unanimously given to the proposed ‘core-cluster’ would hint that there are reciprocally affective psychological phenomena, which, however, are not easily thoroughly grasped by means of a short two-hour interview and a five company sample.

The very evident overall strength of the factors keeping the CHQ sticking to their home-base can be mirrored against the subsequent fact that by the time this study is going to print, some of the CHQ functions located abroad to ‘world cities’ (Helle, 1989), e.g. the financial function, corporate relations function, and marketing and supply chain function, have been repatriated to Helsinki to the CHQ proper. This has been justified by e.g., the practical reasons found in top management mutual communication. On the other hand, the CHQ which was relocated to Central Europe, simultaneously with the MNC’s legal domicile, retained considerable staff in the Helsinki region for certain corporate functions, arguably due to the stated difficulties of attracting enough competent staff members to move abroad, and that a major shareholder and board director was resident in Helsinki.

With regard to the approach to the research methodology, the operational measures used here fulfil the requirements of construct validity, and also suggest internal validity, and the study can be regarded as reliable. Also interviewees regarded the question of the existence and relevance of the hypothesised ‘core-cluster’ as meaningful and interesting, one respondent regarded the matter from a manager’s point of view even as an ‘innovation’.

Of considerable interest here is the question of the sociological institutional aspects; i.e. size, networking activities, resources and members of the ‘core-cluster’ and ‘cluster-network’ in Figure #1. It is very evident that the ‘cluster-network’ together with the crucial ‘core-cluster’ has, as an

influential entity, a dynamic, knowledge and experiential skills sharing and diffusing, international business activities and economic growth enhancing role in the country.

From the theoretical aspect of Luhmann's sociological analysis, the phenomenological double contingency autopoietic information process, the small empirical material of five managers interviews, within a limited time-frame of about 1,5 hours, doesn't give ground for far-reaching conclusions. *However, what clearly is brought forth was the collegiality of the equally ranking MNC managers and their within personal relations embedded, strictly trust-based mutual sharing of reciprocally comprehended information, concerning their global organisations and contexts of activities. This mutual interaction, cooperation and information sharing was also noted to be active and many-sided.* Thus it is fair to say that the 'core-cluster' brought up in this research very evidently can be regarded as equivalent to the concepts of 'functional institution' and 'social system' presented by Luhmann, having had emerged in the way delineated by Luhmann historically *through development of information processes within a shared language.*

The support and growth role of the 'core-cluster' and the wider 'cluster-network' as an evolutionary factor comes close to the research on urban studies concerning innovative growth cities (Simmie, 2001; Acs, 2002; Florida, 2005). However, according to the interviewees in this study, no *explicit managerial innovations* pertinent to international and global business activities, particularly seen from the perspective of the background of the Finnish MNC, could be identified as having been created in the 'core-cluster' or 'cluster-network'.

As justified in the introduction of this study, the motives and reasons for retaining the Finnish MNC headquarters in the traditional home country were assumed to fit also divisional headquarters (DHQ), even though only CHQs were studied here. This can be seen as a limitation of the study, albeit a moderate one, bearing in mind all the location factors. But the limitation with regard to the small number of companies – five – and number of CHQ interviewees should be acknowledged. The theoretical and empirical research set out in this chapter can be regarded as a useful contribution to the nascent discussion over the little-researched topic of CHQ relocation from one country to another.

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