Leaving the Periphery: The Location of Division Headquarters among Large Norwegian Companies, 2000-2006

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Abstract

This paper examines the relocation of division/business area headquarters by companies originating in a small country on the periphery of Europe. Whereas the relocation of sales and production activities – i.e. operative internationalization – has been extensively studied for more than four decades, there is scarcely any research on the decision to move headquarters out of the home-country. We propose that headquarter relocation is influenced by (i) company factors, especially their overall internationalization, their size and degree of diversification; (ii) ownership factors, in particular the identity of owners (private versus state, national versus foreign) and owner concentration; and (iii) industry factors such as the sector in which they operate. Testing the propositions on a balanced panel consisting of the 30 largest publicly listed companies in Norway over the years 2000 to 2006 we find that relocation is closely associated with company and ownership factors, but not with industry factors.

Key words: Headquarters, divisions, relocation, mobility, Norway.

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Introduction

Despite the movement towards less-hierarchical organizational structures and the emergence of so-called differentiated multinational companies (MNCs) with more network-like organizations (Doz et al., 2001; Ghoshal and Bartlett, 1990; Hedlund, 1986) and sometimes powerful subsidiaries (Bouquet and Birkinshaw, 2008; Holm and Pedersen, 2000), headquarters, both at the corporate and divisional levels, continue to have key roles in most companies (Westney and Zaheer, 2001). Headquarters remain the single most important entitiy of most MNCs, and they define the organizational sphere where strategic decision making usually takes place. Company headquarters are also normally the entities with which important external actors and stakeholders interact, such as political institutions and local authorities. Governments tend to value proximity – spatially as well as socially and culturally – to decision-makers in the business sector, and are hence particularly interested in where headquarters are located.

The vast majority of companies, even those that have substantial operations in foreign locations, have historically been home country oriented. Headquarters have traditionally been located in companies' country of origin. Exceptions have been few and notable; Tetra Pak moved its corporate headquarters from Sweden to Switzerland already in the early 1980s (Birkinshaw et al., 2006); Kværner (a Norwegian ship industry MNC) moved its headquarters from Oslo to London in the mid-1990s, but eventually relocated back to Norway after being acquired by Aker, another Norwegian MNC (Benito et al., 2002). Such few exceptions notwithstanding, the general picture has been that MNCs have tended to restructure and relocate individual subsidiaries, but left headquarters – either corporate or at divisional levels – unaffected. However, according to UNCTAD (see World Investment Report, 2003), a new trend is emerging where MNCs have become more prone to consider moving headquarter units and/or functions to foreign locations.

This paper investigates to what extent and why companies relocate divisional (the term business area is used by some companies) headquarters to foreign locations. Our focus on divisional and business area headquarters is mainly a practical one: relocations of corporate headquarters have historically been quite rare in a Norwegian context. The vast majority of such relocations have happened as a result of foreign acquisitions, where the Norwegian unit has sometimes been retained, but normally given a new and usually more subordinate corporate role. In some cases, major re-structuring happened after the acquisition with headquarter functions typically being transferred to the corporate headquarters of the acquiring company. Foreign acquisitions, especially when the acquiring company is significantly larger than the target, tend to change the acquired units in profound ways. Post-merger integration processes water down the previous nationality of the acquired unit, and as a result the units lose much of their former indigenous identity (Barkema and Vermeulen, 1998; Björkman et al., 2007; Meyer and Lieb-Doczy, 2003). In contrast, relocation of divisional headquarters seems increasingly common amongst large Norwegian companies. For example, Benito et al. (2002) found that the 10 largest companies in Norway had a total of 27 divisional headquarters abroad in 1999; a remarkable increase from only one ten years earlier. Such relocations are less likely to change corporations very much, but could improve their competitive position vis-à-vis major rivals given that the new locations are advantageous in terms of *inter alia* costs, resources, knowledge and/or market access.

These developments in the Norwegian context seem to fit the larger picture noted above. The 2003 World Investment Report suggests that countries more and more compete with other in order to attract and retain headquarters units and functions. The large "core" economies in the Triad, such as the US, Japan, and the UK are believed to be among the winners in a world-wide race for headquarter attraction (Benito and Narula, 2007). However, smaller countries like Luxembourg, Singapore and Switzerland also have established track records as attractive locations. The central question is what will happen in other small and peripheral countries, such as Norway: are they in a real danger of losing their "flagship" companies, and unable to attract other companies to their shores?

Previous research on company internationalization and headquarter relocation

A large body of knowledge has accumulated over the last three to four decades about the internationalization of companies. The motives for various types of expansion beyond companies' country of origin, and the processes though which such expansion takes place have been investigated in numerous studies from behavioral, organizational and economics perspectives (see e.g. Benito and Gripsrud, 1992; Buckley and Casson, 1976; Dunning, 1981; Hennart, 1982; Johanson and

Vahlne, 1977; Kogut and Zander, 1993; Rugman and Verbeke, 2004). The vast of majority of the research has focused on what can be termed operational internationalization, such as exporting, managing international supply and distribution channels, and the transfer of sales, marketing and production activities to foreign locations.

Some companies gradually moved to more advanced stages of internationalization – which Benito et al. (2002) called "strategic internationalization" and Forsgren et al. (1992) phrased "internationalization of the second degree" – as they performed a broad and increasingly differentiated set of activities around the globe. A typical feature of more advanced stages is the proliferation of foreign subsidiaries that have been given world product mandates or that have evolved into strategic centers or centers of excellence with responsibilities that go well beyond their local markets (Andersson et al., 2002; Benito et al. 2003; Birkinshaw et al. 2002; Delany, 2000; Holm and Pedersen, 2000; O'Donnell, 2000). Other significant features of strategic internationalization include the transfer of research and product development activities to foreign locations and increased foreign participation on company ownership, a development that has been facilitated by evermore liberal regimes for foreign investment and corporate governance (Benito and Narula, 2007).

It is only recently that researchers have started to look into even more advanced internationalization stages – which could be termed "internationalization of the third degree" (Barner-Rasmussen et al., 2007) – involving moving out several of the core management functions typically performed at headquarters or even the wholesale relocation of headquarters to other countries. Forsgren et al.'s (1995) study of 19 Swedish MNCs, which is probably the first systematic study of headquarter relocation, reported that the headquarters of 22 out of a total of 104 divisions in their sample of MNCs had been moved to or located in sites outside Sweden. Their findings indicate that relocation was strongly influenced by two variables: the divisions' degree of internationalization, and corporations' internationalization in general. While the former increased the propensity to move to foreign locations, the latter worked in the opposite direction. Based on a political perspective, they explained the latter finding as a reflection of top management's interest in keeping a close team and hence the reluctance to disperse management across various locations.

Birkinshaw et al. (2006) did a study of 35 very large Swedish MNCs, of which six had moved their corporate headquarters to foreign locations. A major part of the study was the survey conducted among 125 managers of divisions and/business units (out of a sampling frame consisting of 206 units in total), of which 40 were located abroad. Their study distinguished between corporate headquarter relocation and division/business unit headquarter relocation. Relocation of corporate headquarters was principally influenced by the percentage of equity held by foreign shareholders and by whether or not the company was listed in foreign stock exchanges. Conversely, division/business unit headquarter relocation was mainly explained by a high degree of company internationalization and the attractiveness of specific foreign locations.

Solberg (2007) examined intentions to relocate headquarters, R&D activities and production activities among companies in the offshore and oil industry in Norway. Based on a survey of 71 companies, his study showed that company factors such as aiming at increasing internationalization and boost innovation in companies were important drivers of the reported intentions to move to other locations, whereas industry and country factors were not. Interestingly, he also reports that there were no differences between nationally owned and foreign owned companies regarding their intentions to relocate.

Barner-Rasmussen et al. (2007) report in-depth case studies of relocations of headquarters in four large Finnish MNCs. Their qualitative approached allowed for rich descriptions of the relocation histories in each of the companies. Regarding drivers of relocation, the study highlights the importance of factors that make certain locations especially attractive for a particular business. In addition, the case findings accentuate issues pertaining to controlling and managing foreign operations in effective and cost efficient ways. However, the study by Barner-Rasmussen et al. (2007) documents that location decisions are not discrete actions about clearly delimited organizational units and activities: while companies sometimes relocated a clearly identifiable unit, in some cases the relocations were only partial such as when only selected managers and/or headquarters functions were transferred to another location. They also find that the decisions, despite being of an obvious strategic nature, are frequently not taken once-for-all. Headquarters could be relocated several times, and units could be combined to form new ones, or in some cases altogether dissolved. Their study hence points beyond relocation and to a larger set of issues regarding headquarters dynamics.

Hypotheses

Drawing on previous literature on headquarter relocation we hence propose that headquarter relocation is influenced by (i) company factors, especially their overall internationalization, their size and degree of diversification; (ii) ownership factors, in particular the identity of owners (private versus state, national versus foreign) and owner concentration; and (iii) industry factors such as the sector in which they operate.

Data and measures

The study has been designed as a longitudinal study where a database containing detailed information about the 30 largest publicly listed, non-financial Norwegian companies was compiled for the seven-year period 2000 to 2006. The database is made up of information taken from companies' annual reports, company web sites, company directories, and in some cases direct contact with firms. Additional data, especially on industry and country characteristics, were also collected using a variety of recognized sources (*inter alia* Factiva and Kompass). The companies were selected from the Oslo Stock Exchange listing of the largest firms in 2006, provided that companies had a history dating back to at least 2000. Also, pure investment and holding companies are typically not organized along divisional/SBU/business area lines, and were therefore not included. The selected companies are listed in Appendix 1.

The structure of the collected data is that of a balanced panel consisting of a total of 30(companies) ×7(years), i.e. 210 observations.

The companies in the data set are quite large companies with on average 9,600 employees and 37 billion NOK in annual sales in 2006. They are also highly international, with an average foreign sales ratio in 2006 of 72 percent.

The dependent variable of the study is the share of a company's division headquarters located abroad, i.e. the number of foreign located division headquarters divided by the total number of division headquarters in the company. Hence, for a company *i* in year *t,* we define:

(1) $Y_{it} \equiv \mathrm{DivHQ}_{it}^{\mathrm{foreign}}/\mathrm{DivHQ}_{it}^{\mathrm{total}}$.

Main independent variables are: (1) degree of corporate internationalization measured by foreign sales percentage; (2) size of the company measured by total sales in year *t*; (3) the number of divisions in the company; (4) corporate diversification was captured by a dummy where companies were given the value of 1 if they were conglomerates, and zero otherwise (the classification was based on Grøgaard and Benito (2007); (5) ownership concentration measured as the percentage of equity held by the five largest owners; (6) state ownership measured as the percentage of equity held by the Norwegian State; (7) foreign ownership measured as the percentage of equity held by non-Norwegians; (8) the nationality of largest owner (a dummy given the value of 1 of Norwegian, and zero otherwise); (9) a dummy capturing whether the main sector of the company was industrial (coded 1 if so, zero otherwise), (10) a dummy capturing whether the main sector of the company was services (coded 1 if so, zero otherwise); and finally (11) the existence of industry cluster in Norway in companies' main industries (coded 1 if so, zero otherwise) [1]. All variables were measured annually, although industry variables obviously vary little across years. Table 1 provides descriptive statistics for the independent variables.

***** Table 1 about here *****

Results

All companies in the sample used a divisional structure during the time period covered by our data[2]. In 2000, the 30 companies were divided into a total of 106 divisions, i.e. 3.5 divisions on average. As shown in table 2, the number of divisions had increased to 132 in 2006, which means that the average had increased to 4.4 per company. More strikingly, the number of division headquarters located outside Norway increased from 31 in 2000 to 56 in 2006, which represents an increase of 80 percent. Put differently, share of foreign located division headquarters increase from 29 percent in 2000 to 43 percent in 2005, and 42 percent in 2006. Division

[1] Based on previous studies of clusters in the Norwegian economy, the following sectors were coded as clusters: fisheries and aquaculture (ISIC code 05), oil and gas and related services (ISIC codes 11 and 74), yards (ISIC code 35), shipping (ISIC code 61), telecommunications and IT (ISIC codes 64 and 72).

[2] A requirement for being included in the sample was that companies had to be multi-divisional at some point between 2000 and 2006. However, the vast majority of the companies were organized along divisional lines throughout the period.

headquarters relocation hence showed a very clear upward trend among the studied Norwegian companies.

***** Table 2 about here *****

To analyze what drives relocation we run a panel regression [3], in which autocorrelation in the residuals was modeled by an AR(1) process: This is commonly regarded as a robust way of dealing with time-dependent autocorrelation.. A Hausman test for difference between random effects and fixed effects estimation showed that the null hypothesis (no difference between the models) could not be rejected. Random effects estimation was chosen since because it makes most use of available data.

The estimated model attained a R^2 of 0.24, which indicates that on the whole the model works reasonably well in explaining the variation in the data (see table 3). The regression results clearly support the hypotheses proposing that headquarter relocations are strongly driven by company and ownership factors, whereas industry factors are insignificant. Regarding company characteristics, three variables are significant in the estimation: conglomerates and larger companies show a lower propensity to locate division headquarters abroad. Conversely, the higher the number of divisions in a company, the more likely that it has located some of its headquarters abroad. Two ownership variables – state ownership and ownership

[3] An OLS cross-sectional regression was run as an initial step, but a Durbin-Watson value of 0.2 clearly indicated that OLS was as inappropriate estimation technique.

concentration – were significant in the regression; both produced negative coefficients thus indicating that they reduce the propensity to relocate.

It is worth noting that the degree of internationalization of a company does not *per se* lead to relocation of division headquarters. This finding is similar to that reported by Forsgren et al. (1995), but contrasting to what Birkinshaw *et al*. (2006) found.

***** Table 3 about here *****

An interesting finding is that the propensity for companies to locate division headquarters abroad is increases markedly as their total number of divisions increase: in other words, increased divisionalization may in itself drive headquarter relocation. One possible explanation could be that while divisionalization is a way of dealing with increased complexity within corporations by delegating a range of decisions to a lower layer in the organization, in practice it also leads to corporate headquarters becoming increasingly detached from the actual running of the activities performed in the various divisions. In an ever more distant relationship between the two layers of corporate headquarters versus divisional management, governance and control is done mainly through periodical formal strategic control, such as performance reports. Closeness between corporate units is then less important than choosing the presumed best possible location of any given unit and/or activity, which sometimes is likely to be outside Norway.

Another possible explanation is that companies increase the number of divisions as they expand abroad, especially through acquisitions. There are at least two major potential benefits from organizing newly acquired units as separate divisions. First, continuing operations largely as before the take-over could provide quick and effective access and utilization of the resources and competencies of the acquired unit because these resources. Second, acquisitions are often opposed, and even more so when the acquirer is a foreign company, and sometimes much of the potential gains from the take-over disappear in the ensuing upheaval. Giving the acquired unit a certain level of autonomy – instead of insisting on a complete integration with the acquirer – could be instrumental in preventing valuable resources, especially those that are based in human and social capital, to move elsewhere or simply fade away.

To further examine these two alternative explanations, we re-estimated the model using a lagged version (t-1) of the "number of divisions" variable. A positive coefficient for the lagged variable would support the proposition that increased divisionalization leads companies to move out division headquarters. It turned out that the coefficient for the lagged variable is positive ($b_{\#\text{ of divisions, }t\text{-1}} = 0.0109$, t-value = 0.93), but the effect is not statistically significant. Since the effect is concurrent rather than lagged this supports the idea that the observed increase in division headquarters in foreign locations is due to companies expanding by acquiring other firms and units abroad, which are subsequently given major mandates and roles such as division headquarters. While the location of these new headquarters is foreign they are not the result of relocation *per se*; they add to the existing portfolio of activities in companies without implying that the home country foregoes activities and responsibilities previously conducted there.

Discussion

One of our key findings is that the studied companies have far more division HQs outside Norway in 2006 than they did in 2000 (see table 2), even though the share of foreign sales has been more or less constant during the period. The internationalization of the companies therefore seems to have little to do with the establishment of new division HQs. On the other hand, looking at table 3, the only significant positive variable that explains the share of foreign division HQs is number of divisions. However, as we have mentioned above, this effect disappeared when running a lagged regression. The results can perhaps be explained in various ways, but a plausible explanation is that the international activities conducted by the companies change over time. From mainly being exporters, the larger Norwegian companies have become more "sophisticated" and committed in their internationalization over time (Benito et al., 2002), and international activities like FDIs – which increasingly are accomplished mainly through acquisitions – emerge as evermore important vehicles in the international growth of these companies. FDI activities result in the setting up of foreign subsidiaries and similar entities abroad, some of which are then given important roles in the MNC; that in turn could lead to an increase in the number of division HQs outside Norway[4]. These offices have not been established at the sacrifice of the Norwegian ones, but come in addition to them. It is likely that some of the companies that have been acquired abroad, and which have been given strategic roles, are not merely replicas of

[4] Unfortunately, we have not sufficiently good data on FDIs for these companies during this period to formally test this hypothesis.

some part of the MNC value chain. This interpretation should not be controversial given the large proportion of international sales for the companies. If these companies are to continue their growth, they have to do that outside Norway and it is then reasonable to infer that central coordination entities like division HQs will also be established outside Norway. Even is the growth occurs mainly within the same business areas, it may be necessary to organize the company not only along product lines, but also along geographical areas.

From table 2, it is observed that the total number of division HQs outside Norway is quite high, and seemingly much higher than in comparable countries like Finland and Denmark (Benito et al., 2002). It is obviously difficult to provide a complete explanation on the phenomenon since we do not know exactly where the offices are located. Nevertheless, it is highly plausible that most of them are located in the EU-area and perhaps some in the US. That, in turn, could reflect that it is more important for Norwegian companies to be present with important entities in the EU-area (and hence closer to EU-authorities and the large markets in south and central Europe) than for Finnish and Danish companies since both these countries are member states of the EU[5]. Another explanation might be that Finland and Denmark have localization advantages due to their strong industry clusters, i.e. paper, pulp, and chemistry in Finland and biotech, agriculture and food in Denmark. Furthermore, Denmark is geographically closer to the major markets in Europe, whereas Finland has functioned as a gateway to east and central Europe for much of the after-war period.

[5] Implicitly, there seems to be an extra cost to be localized outside the EU, see Benito et al. (2003).

Interestingly, our findings suggest that increased internationalization does not in itself lead to increased relocation of division HQs. This may come as a surprise. It must be noted however that there is little variation in our data with respect to the degree of internationalization. Most companies display a high degree of internationality during the whole period – as measured by their international sales to total sales. On average, the companies have approximately 70 percent of their sales abroad: overall, it varies from 65 percent in 2000 to 72 percent in 2006, and as such much of the internationalization potential has probably already been realized.

Another interesting observation is the negative effect of state ownership on the relocation of division HQs. State ownership may have a double effect on internationalization. On the one hand, it helps ensuring a national anchoring of various activities in the companies, but on the other hand, the state also wants international expansion, especially if such expansion is regarded as vital for the competitive position, further growth, and ultimately survival of the companies. Even so, since the Norwegian state is a rather passive owner it is difficult to have a clear understanding of precisely what mechanisms are at work, and which are the most important[6]. It could appear that while the state may look favorably upon operative internationalization, especially exports, it could be less enthusiastic about strategic internationalization, i.e. moving key activities like R&D and upper-level managerial functions out of the country. Consequently, it may attempt to hold back headquarter units in Norway. However, it

[6] It could be argued that the Norwegian state has at times taken a more active approach towards the largest of the state-owned enterprises, i.e. the 'Big-4' (Hydro, Statoil, Telenor, and Yara), and that our findings could in reality be driven by the state's particular policies towards these very large companies. It makes therefore sense to investigate whether the effect is general, or whether there is a especial "Hydro/Statoil/Telenor/Yara" effect. Running the model without observations for the 'Big-4' (n=182), resulted in $B_{\text{state-ownership}} = -0.002$ (t-value = -1.73), with R^2 dropping slightly to 0.22. Hence, it appears that state ownership generally reduces the propensity to relocate.

could also be that the state is simply generally interested in preserving jobs at home, and that keeping decision-making units such as headquarters in Norway is seen as essential to uphold domestic employment.

It is often believed that highly diversified companies, so-called conglomerates, are less dependent on and attached to any particular single unit and/or location, and that such companies would hence have a higher tendency to relocate their division HQs than their more focused counterparts. Our data point to the opposite. However, since only four companies in the database have been classified as conglomerates, it is obviously dangerous to draw strong conclusions. Perhaps it is some other common characteristic across these four companies that natters, but which has not been controlled for. The result could also have something to do with how we measured division HQs; namely, the company entity just beneath the MNC HQ level. As such, we do not catch headquarter units nested within divisional structures – i.e. divisions within separate business areas in conglomerates – and as a result we may underestimate the actual amount of divisional relocation in conglomerates.

Finally, our data show that foreign ownership does not *per se* increase the propensity to relocate. It is of course likely that a complete foreign take-over often leads to loss of headquarter functions. However, the argument that foreign ownership inevitably weakens the ties to home country and thereby also drains the companies for knowledge and strategically important entities is not supported by our study. Looking at the composition of companies' boards reveals that there are somewhat fewer foreigners on the boards of the companies included in the study than their ownerships levels could suggest (the share of foreign board members in a company is typically 30 to 50 percent lower than the corresponding foreign ownership level in that company). Besides, foreigners constitute in most cases only a minority of the board members (taking the studied period as a whole, only one out of eight board members is foreign). Hence, despite the quite high degree of foreign ownership – and international exposure in general, e.g. several companies are also listed in foreign stock exchanges – the companies seem to have retained a fairly strong national orientation, which in turn may explain why foreign ownership has not had any reckonable effect on relocation. To the extent that there is a threshold effect, it has seemingly not yet come into play. After all, in most cases it is the company board that approves a relocation of division HQs. To the extent that the foreign board members might endorse relocation more often than Norwegians, they have so far usually constituted a minority.

Conclusion

Three main conclusions can be derived from this study. First, there has been a strong growth in the number of foreign located headquarters activities among Norwegian MNCs over period 2000 to 2006. More than 40 percent of division HQs are now located outside Norway: a quite dramatic increase from 29 percent in 2000. This means that whereas foreign activities have mostly been managed from the home country up to now, the foreign activities of Norwegian MNCs are increasingly being managed from abroad; either locally at the respective host countries or by some central units placed in other countries. Overall, this substantiates earlier comments about the increase in strategic internationalization of Norwegian MNCs (Benito et al., 2002). Large companies like those in our sample have largely already exhausted their potential for operational internationalization of an operational kind. Further international growth entails moving into strategic internationalization of various kinds, which are more advanced steps in the internationalization process of firms. Such steps signal a substantially stronger commitment of resources to foreign markets, which in turn may – time permitting – lead companies to redefine themselves in terms of nationality and local attachment.

Second, the substantial increase in foreign located division headquarters have not occurred due to increased operative internationalization *per se*, but seem instead to be a result of increased acquisition activity abroad where headquarters functions have been kept at the acquired unit. Already existing Norwegian headquarter units remain Norwegian, but the growth in the number of headquarter units comes outside Norway. While foreign units become relatively more important in the Norwegian MNCs, this is a development that has taken place without dramatic and politically contested relocation decisions and moves. Actually, there has been virtually no publicity at all about this development. For a small country on the periphery of Europe this means that a shift is taking place towards reduced home country dominance. This might be seen as a mixed blessing. On the one hand, some degree of national control is inevitably lost. On the other hand, foreign locations provide better access to wider and higher-quality resource pools of managerial talent, and by enhancing the ability to develop a more global and professional management companies should become better able to survive in an increasingly tougher global competition arena. Such developments can be expected to have significant effects on MNC structures and their company cultures, and are evidently interesting areas for further study.

Third, the study has identified a set of factors that are negatively related to locating division headquarters abroad; ownership concentration, company size and state ownership. These factors stimulate home-based headquarter activities. To the extent that policy-makers want to and are willing to be actively engaged in keeping such activities at home, it would apparently make sense to develop policies that endorse large companies under state control. However, increasing the concentration and control of economic activity may of course also have adverse effects for the economy and for society.

It should be noted that while our study has identified a set of factors that prevent relocation of headquarters units, it says less about what factors attract headquarters to certain locations. Future research should therefore also look into what factors influence where new foreign headquarter divisions are established, whether such establishments (or assignments) are related to the location of an acquired unit, and to what extent other strategic considerations have substantial impact on the outcome of such decision processes.

Finally, the present study, like any other empirical study, has limitations due to the definitions and operational measures that have been used. In particular, in this study division headquarters are measured as the level directly below the corporate HQ level. Given the existence of regional and nested units with headquarter functions within a division HQ, this is a rather crude measure for some companies. It would be informative to use more fine-grained measures of headquarter functions in future studies.

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Appendix 1. *List of companies in the database.*

- Aker
- Aker Kværner
- Aker Yards
- Cermaq
- DNO International
- EDB Business Partner
- Ekornes
- Ementor
- Farstad Shipping
- Kongsberg Gruppen
- Lerøy Seafood Group
- Marine Harvest Group
- Norsk Hydro
- Norske Skogindustrier
- Ocean Rig
- Odfjell
- Orkla
- Petroleum Geo-Services
- Prosafe
- Rieber & Søn
- Schibsted
- Scana Industrier
- Statoil
- Stolt-Nielsen
- Telenor
- TGS-NOPEC Geophysical Company
- Tomra Systems
- TTS Marine
- Veidekke
- Yara International

Table 1. *Descriptive statistics, independent variables.*

Variable	Average	Minimum	Maximum	Distribution
Foreign sales ratio	0.69	0.00	1.00	
Sales, million NOK	26,631	348	431,112	
# of divisions	3.80	1.00	17.00	
Conglomerate	-	-	-	Yes=13.3%; No=86.7%
Ownership concentration (%)	54.71	16.60	100.00	
State ownership (%)	15.44	0.00	100.00	
Foreign ownership (%)	17.36	0.00	74.71	
Largest owner	-	-	-	Norwegian=78.6%; Foreign=21.4%
Cluster	-	-	-	Yes=60.0% No=40.0%
Sector	-	-	-	Resources=16.6%; Manufacturing=46.7%; Services=36.7%

Table 2. *Evolution of companies' organization and location, 2000-2006.*

	2000	2001	2002	2003	2004	2005	2006
# of divisions	106	108	104	109	118	120	132
# of divisions abroad	31	33	37	42	48	52	56
Foreign share	0.29	0.31	0.36	0.39	0.41	0.43	0.42

Table 3. *Panel regression: Dependent variable = share of division HQs located abroad . Prais-Winsten regression (random effects model) with panel corrected standard errors, AR(1), years 2000-2006, n=210.*

	Coefficient (Standard error)	
Constant	0.4322	***
	(0.1633)	
Foreign sales ratio	0.0800	
	(0.0703)	
Sales, million NOK	-0.0006	**
	(0.0003)	
# of divisions	0.0238	***
	(0.0082)	
Conglomerate	-0.2103	***
	(0.0234)	
Ownership concentration	-0.0022	**
	(0.0011)	
State ownership	-0.0022	***
	(0.0008)	
Foreign ownership	-0.0017	
	(0.00013)	
Nationality largest owner	-0.0728	
	(0.0539)	
Manufacturing	-0.0563	
	(0.0974)	
Services	0.0917	
	(0.0688)	
Cluster	-0.0335	
	(0.0581)	
R^2	0.24	
Wald χ^2 (11)	2544.44	***

Note: *, **, *** represent significance at 10%, 5% og 1% levels, respectively.