

## **Influence of Diaspora and Civil Society Actors on the Internationalisation of MNEs in Emerging Market**

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### **ABSTRACT**

Multinational enterprises (MNE) are viewed as proactive global economic actors that enter new and emerging markets with intentional strategies, building on their inherent resources and firm-specific advantages. However, there are numerous actors involved at market entry-level who may represent thresholds for entry. Emerging markets tend to feature complex institutional contexts and therefore may incorporate idiographic entry challenges. Our study presents two under-examined types of stakeholders as distinct actors related to the internationalisation process of MNEs in emerging markets: the transnational diaspora and civil society. It provides evidence of the reactive internationalisation of an MNE, showing how the transnational diaspora drove the MNE's internationalisation and also how a civil society actor, in conjunction with a diaspora member, facilitated the entire process of both internationalisation and international joint venture (IJV) creation (i.e., Grameenphone) in Bangladesh. The embedded case study analyses and describes the stages of development, documenting how Norwegian Telenor, American Gonophone, Japanese Marubini and Bangladeshi Grameen Bank created an IJV named Grameenphone in Bangladesh, and how diaspora and civil society actors made up the prime movers and organisational capability base for this establishment and internationalisation process, which would not have happened without their market-driving and enabling influence. The findings illustrate the central role of transnational diaspora-related innovation, motivation, contextual intelligence, networking and the funding that supported this emerging market IJV development. The study contributes to research on MNE internationalisation through IJV and transnational diaspora entrepreneurship connected to local civil society actors, pointing out their role as key international business-drivers and organisational capability-contributors for market entry.

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## **INTRODUCTION**

MNEs tend to portray a rational (Collinson and Morgan, 2009) and intended strategic behaviour in case of internationalisation. Dominant IB literatures argue that MNEs internationalise due to strategic intent (Bartlett, Ghoshal, and Birkinshaw, 2006), ownership advantages (Eden and Dai, 2010), learning effect (Johanson and Vahlne, 1977) and institutional opportunities (Cantwell, Dunning and Lundan, 2010) in host and home contexts, postulating that MNEs are proactive global economic actors.

Our paper, instead, argues that diaspora member in collaboration with civil society (CS) actor influence MNE internationalisation as market driving and influencing actors (cf. Ghauri et al. 2008). Not only MNEs are market driving, also emerging market diaspora entrepreneurs act in a market driving manner (Ghauri et al. 2008). As diasporas are often connected to homeland civil society they may capitalize on their local resources also jointly and create interesting synergies. Diaspora members, i.e. diasporans, are often driven by homeland orientation and different motivations than other business players, and are able to connect to both home- and host land business networks (cf. Kuznetsov, 2006; Brinkerhoff, 2009; Kotabe, Riddle, Sonderegger, & Täube, 2013). Hence, diaspora member may obtain scarce resources from CS actors while complementing MNE liability of newness and foreignness by his entrepreneurial capability, global network, local knowledge, and creative thinking. Thus, we ask, how did diaspora and civil society actors influence one international new venture (INV) - Grameenphone- and the respective internationalisation regarding this emerging market? Innovative-business-model (IBM) developed by diaspora member acts as a mediating variable and helps convince both MNE and CS actors to develop an INV called

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‘Grameenphone’. Intervention and resource sharing by diaspora and CS actors affect the organisational capability of MNE and thus boost internationalisation process.

Our paper presents a new perspective in which MNE internationalisation has been illustrated as a reactive phenomenon. MNE’s learning process, complemented by diaspora and CS actors at the development stage, literary began to effect after internationalisation to Bangladesh. New factors i.e. diaspora, CS actors and IBM affecting internationalisation of MNE also add to this new perspective we illustrate in our paper. This is the first empirical and descriptive study that examines the role of diaspora in MNE internationalization.

Using a single embedded case study- Grameenphone Limited, Bangladesh- we develop several propositions that bring a new perspective and illustrate previously neglected mechanisms of MNC internationalisation in emerging market. Our paper contributes at the intersection between civil society and transnational diaspora illustrating their impact on MNCs organizational capability in their internationalisation to emerging markets. The case is theoretically relevant and interesting as Grameenphone (GP) is an international-new-venture in Bangladesh while its ownership comprised Telenor from Norway, Grameen Telecom (Not-for-profit company) - a sister concern of Grameen Bank (NGO) from Bangladesh, Gonophone from USA- founded by a Bangladeshi diaspora and a former banker in USA Mr. Iqbal Quadir, and Marubini- a trading company from Japan. The idea and initiative of setting this INV in Bangladesh was made by Iqbal Quadir. Today, Grameenphone is the largest telecommunication service provider in Bangladesh with over 10 million consumers.

The paper is organized as follows: first, it reviews extant literature on the civil society, transnational diaspora and related entrepreneurship and key capabilities from the perspective of internationalization, second, it elucidates the research approach chosen, and third, it presents the case description and analysis, and finally, it provides a discussion and conclusion with propositions.

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## AN OVERVIEW TO THE LITERATURE

There are various theories explaining influence factors on internationalization and forms of internationalization from inward to outward (e.g. Welch & Luostarinen, 1993; Fletcher, 2001). International entry process of a multinational corporation is considered to be affected and enabled by numerous forces and capabilities (e.g. Dunning, 1988; Cantwell, Dunning & Lundan, 2010). Moreover, entrepreneurial activities are often essential building blocks in MNC internationalisation (Kuivalainen, Sundqvist & Servais, 2007). The conceptual framework (Figure 1) integrates two neglected domains: transnational diaspora and civil society. Thus, the literature review examines concepts and findings related to these two key building blocks explaining the role of these actors as antecedents for the necessary organizational capability building and resulting internationalization, see Figure 1.

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### International entrepreneurship and internationalization theories

International entrepreneurship (IE) has brought up the internationally active entrepreneur and the respective firm, "the international new venture" (INV) in the international business (IB) theory (McDougall & Oviatt, 2000). The major research interest of IE has been on the speed and scope of internationalization (cf. Oviatt & McDougall, 2005), but also on the effects of such internationality ("born-globalness") on the firm and its performance (e.g. Kuivalainen, Sundqvist & Servais, 2007). IE theory involves numerous domains and themes in relation to international activity which differ in their ontology and scope (see more in Jones, Coviello & Tang, 2011). International entrepreneurship differs from domestic entrepreneurship (McDougall, 1989). It is considered that entrepreneurs take risks, search for and develop opportunities, strive for livelihood and increased profits, often also growth and expansion (cf. Bolton & Thompson, 2004; Burns, 2001). Bolton and Thompson (2004) regard entrepreneurs as persons with talent and temperament who make things

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happen, which is not identical but has similarities with the case of international entrepreneurship which is described as “...a combination of innovative, proactive and risk-seeking behaviors that crosses national borders and is intended to create value in organizations” (McDougall & Oviatt, 2000, p.903). The IE theories are inherently linked to internationalization theories explaining rapid and “born” internationalization, but they represent a rather distinct type of internationalization and focus mainly on the firm as the object of research, while Zahra, Korri and Yu (2005) have pointed out the significance of the managerial level analysis, especially cognitive perspectives on opportunity exploration and exploitation. Building on the literature, it seems that IE has distinct characteristics theoretically, and not only on firm level.

Internationalization theories have previously concentrated to explain incremental stages and innovation dimensions of internationalization, but also on networks and holistic and eclectic models illustrating mechanisms of internationalization (e.g. Johanson & Vahlne 1977; Bilkey & Tesar, 1977; Johanson & Mattsson, 1988; Fletcher, 2001; Dunning, 1988). The concept of inward internationalization (cf. Fletcher, 2001, p.30) represents one of the relevant concepts that links - beyond import - the intermediary or the host country actor into the landscape of internationalization activities, thus providing a theoretical position for these host country “located” actors and resources. This transnational dimension and embeddedness shifts the interest towards transnational diaspora which is a distinct category of inherent internationality also in international entrepreneurial context as the literature review in the next section explicates.

#### Transnational diaspora in international business and entrepreneurship

Interestingly, the domain of transnational diaspora emphasizes bring with it an emphasis on individuals, networks and societies instead of firms. In particular, characteristics of international entrepreneurs are present in domains such as ethnic entrepreneurship, minority entrepreneurship, immigrant entrepreneurship, transnational entrepreneurship, transnational diaspora entrepreneurship

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and diaspora entrepreneurship (e.g. Light & Gold, 2000; Waldringer, Aldrich & Ward, 1990; Menzies; 2000; Aliaga-Isla & Rialp, 2012, 2013; Chung & Tung, 2013; Portes et al., 1998; Drori et al., 2006; Drori et al. 2009; Carmichael, Drori & Honig, 2010; Riddle et al., 2010, Riddle, 2008; Bolt, 1997, Ojo, 2012). However, many of these research streams do not explicitly focus on *international* entrepreneurial activities despite the international embeddedness of these contexts as they are not IB theories.

The exception to the rule is provided by the employment of trans-nationality (cf. Levitt, 2001; Vertovec & Cohen, 2001) in transnational diaspora entrepreneurship (Drori et al., 2006; Drori et al. 2009; Carmichael, Drori & Honig, 2010; Riddle et al., 2010). Transnational diaspora entrepreneurs represent a form of international entrepreneurship connecting business across borders while here the transnational character of the entrepreneur plays also a focal role in addition to the firm per se (e.g. Riddle et al., 2010; Drori, Honig & Ginsberg, 2006). Diasporans as such are migrants who settle in some places, move on, and regroup; they may also be dispersed; and they are in a continuous state of formation and reformation (Cohen, 2008, p.142). In similar vein, transnationals are connected to two (or more) cultures and societies (cf. Vertovec, 1999), thus transnational diaspora is per se an international actor with particularities in their entrepreneurship. Transnational entrepreneurship has been described as a social realm of immigrants operating in complex, cross-national domains with dual cultural institutional and economic features that facilitate various entrepreneurial strategies (cf. Riddle et al, 2010). Transnational diaspora entrepreneur are not a homogenous category of people, as they are embedded in their individual socio-cultural and spatial contexts. This multilayered embeddedness allows them to perceive, compare, and analyze opportunities and threats differently than monocultural entrepreneurs (e.g., Chung & Tung, 2013; Riddle et al, 2010; Nkongolo-Bakenda & Chrysostome, 2012) which is also referred to as an immigrant effect. Baycan, Sahin and Nijkamp (2012) point out how the second generation migrant entrepreneurship is growing in new and

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modern economic sectors such as ICT and financial services, stimulated by their personal characteristics, education and work experience. This novel type of entrepreneurship differs from previous entrepreneurship of migrants and illustrates the effects of transnationalism.

The resources of diasporans are significant in many ways, they influence internationalization, innovation and economic development (cf. Kuznetzov, 2006, Tung, 2008). The ethnic resources of diasporans consist of ethnic culture, social networks, values, attitude towards entrepreneurship and economic behavior, religion, cultural institutions and family structures (Light & Gold, 2000). The diaspora effects with innovatory social organization may be advantageous to the diaspora itself, its homeland and its place of settlement (Cohen, 2008; Riddle, 2008). But diasporas are not static homogenous populations as their degree of transnationalism evolves in time, they may acculturate or assimilate (Vertovec & Cohen, 2001). Vertovec & Cohen (2001, 251) notice that old concepts are no longer valid as “*Cultures are no longer static and homogenous, localities are no longer bounded and fixed, migrants no longer stay in one place and assimilate to the majority population, nations no longer exercise control over populations and their allegiances*”. Thus it is expected that there are differences in entrepreneurial patterns (Kaplan, 2003) as well as entrepreneurial traditions and activity among different ethnicities (Light & Gold, 2000), which requires novel conceptual attention on the “internationality” of the entrepreneur.

Transnational diasporans are often expected to maintain sentiments towards homeland. Affect towards the country of origin (COO) influences the engagement and behavior of diasporans (Barnard & Pendock, 2012), which affects their altruism, homeland orientation and motivation to invest and venture (cf. Gillespie et al. 1999; Newland & Tanaka, 2010). Barnard and Pendock (2012) claim that international business research should pay greater attention to this individual level, and especially to emotional aspects, since negative feelings have very different effects

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compared to positive feelings. Thus, there are contradictory findings on the expected altruism and homeland sentiments.

In similar vein, social networks of diasporans are important not only as sources of social capital, resources, knowledge, competences, support and funding, but they also constitute opportunity structures and constraints, and additionally they may act as distribution and internationalization channels (e.g. Kyle, 1999; Elo, 2013). Economic and non-economic actions are “socially embedded” making business and social ties intertwined (Granovetter, 1973, 1985; Ellis & Pecotich, 2001; Poros, 2011). For example, the role of family ties may be significant drivers or constraints (Leinonen, 2012), but also socio-religious ties may affect and facilitate international business activities (cf. Schotter & Abdelzaher, 2013). As Heinonen (2010) notes, different cultures and religions may insert significant expectations on the contributions and success of the diaspora entrepreneur.

Numerous scholars have investigated various effects and roles of transnational diaspora in internationalization in several disciplines. The case of Thamel (Riddle & Brinkerhoff, 2011) is a good example of internationalization through diaspora. In fact, there is multiple evidence for diasporic influence on the internationalization process of firms, and even on regions and countries, such as China and India (e.g. Gupta, Graves & Thomas, 2010; Yeung, 1999). Thus, we deduce that diaspora is one facilitator for internationalization process, especially on outward activities like exports. However, there is very little research on transnational diaspora on inward internationalization (from home country perspective) and their role in international joint ventures.

### Civil Society (CS)

When market entry and stakeholders are discussed the role of civil society may be critical, it may possess inherent forces and constitute thresholds for IB. Civil society is defined by 'a community of

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citizens characterized by common interests and collective activity; that aspect of society concerned with and operating for the collective good, independent of state control or commercial influence; all social groups, networks, etc., above the level of the family, which engage in voluntary collective action' (Oxford English Dictionary, 2014).

CS includes NGOs, associations, activist groups that represent communities, social and political movements and special interests of all ideological persuasions that range from local to global geographical levels. International business (IB) has adopted NGOs as the organizational manifestation of civil society as a research interest and during recent years there has been maturation of perspectives on them. One group of studies describes how civil society and NGOs affect business and government and their relationships (Doh & Teegen, 2002; Doh & Guay, 2006), while the other view of studies examines the direct relationships between civil society and international business (Teegen et al., 2004; Lambell et al., 2008; Vachani et al., 2009; Kourula & Laasonen, 2010). NGOs are often referred to as constituting the 'third' sector as they represent a non-state and non-market entity, (Teegen et al. 2004; Lambel et al., 2008) or 'extra-institution' (King & Soule, 2007) that possesses social agency/power with its own identity and influence or change the existing institutions and market behaviour (Dahan et al., 2010; Kourula and Halme, 2008; Guay et al., 2004). Interestingly in the context of MNEs they engage with CS actors for many reasons such as access to resources and expertise (Dahan et al. 2010; Nebus et al., 2010), also seeking legitimacy and credibility (Kourula and Halme, 2008) that reduce transaction cost and liability of foreignness (Vachani et al. 2009). Additionally, CS appears as institutional entrepreneur-filling regulatory vacuum (Dahan et al., 2010), service/good Provision vacuum (Yunus, 2010), industry-institute creation ((Doh and Guay, 2006), co-optation and oversight (Dahan et al., 2010). CS is significant to MNEs internationalization, as it has similarities with institutions and while it exists both in national and global context. Therefore MNE needs to consider the influence of CS

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holistically. CS actors in today's global economy are often linked through multifaceted connections, which makes violation of their expectations in one context to reflect the impact in the global context. On the other hand, compliance affecting image building and reputation may also have a positive effect.

## **RESEARCH APPROACH AND METHODS**

A qualitative approach is employed as we study a complex phenomenon in a real-life context (Ghauri & Gronhaug, 2005; Stake, 1995; Yin, 1984). Case study method- in particular embedded case study- is a useful method, as the area of research is relatively less known, and the research relates to theory-building research (Ghauri, 2004; Scholz & Tietje, 2001) as the existing theory on MNE internationalization is inadequate regarding the entry dynamics of this kind (cf. Eisenhardt, 1989). This study provides novel insight and perspective to the interpretation of the internationalization process (Piekkari, Plakoyiannaki, & Welch, 2010).

The research design builds on an explorative and descriptive strategy (Alasuutari 1995; ). The design documents the entry and internationalization, the related dynamics, the interconnectedness of diaspora actors and their effects on the internationalization (cf. Alasuutari, 1995; Piekkari et al., 2010; Silvermann, 2001). It incorporates an international research team with local and diaspora expertise that puts together the abilities to create a collective case study process for this embedded case study (Salmi, 2011).

The study is part of a larger research project and builds on secondary and primary data. The secondary data stems from earlier research by Isenberg, Knoop and Lane (2007) and Rana (2014) as well as written data such as newspapers and magazines and internet-based sources. Primary data consists of observations on the market-level supported by internet-based observations. A native Bangladeshi author was responsible for data collection and data interpretation to increase the

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reliability and quality of observations and interpretations which allowed a better viewpoint to assess and compare information (Salmi, 2010; Salmi, 2011 Eisenhardt, 1989). The data analysis follows the ideas of collective case study and its analytical processes (Salmi, 2011) and is organised in two ways: first, as a narrative description of the case, and second, as a processual-analytical table.

### **DESCRIPTION OF THE EMBEDDED CASE STUDY**

The case Grameenphone -an international new venture (INV) - is presented with a special focus on how was it created and who played the key roles in the internationalisation of MNC and creation of an INV. We illustrate diaspora's creativity and entrepreneurial intervention in the process of internationalisation. However, we further present the role of civil society actor in the INV creation as a proxy to formal institution and the instrumental role of 'innovative business model' that affected decision making of internationalisation of MNC in Bangladesh. We present this section in two points: first, we illustrate the case and the role of key actors, and second, we analyse the key dimensions of internationalisation and INV creation based on the coded data extracted from the case study (See, Table. 2).

#### Setting the Scene: Grameenphone Company

The idea of establishing a telecom company in Bangladesh came from Iqbal Quadir, a Bangladeshi Diaspora in USA, with an aim to make telecom facilities available in rural areas. He persuaded Professor Muhammad Yunus and Telenor to form a joint venture. Muhammad Yunus was the founder of Grameen Bank- a non-profit organisation- providing micro credits to millions of poor women across Bangladesh. Quadir developed a company called 'Gonophone' (People's phone) and registered it in New York with an aim to develop a consortium with the Grameen Bank and Telenor A/S from Norway. INV is called 'Grameenphone' (GP). Telenor holds a majority share in the INV and thus has controlled the governance of GP since its inception.

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It was entirely Quadir's initiative to develop idea and business model for the project, while Yunus and Grameen Bank provided complementary local resources and institutional trust in materialising the project. Quadir proposed, and had to put serious efforts to convince, Yunus and Telenor to form Grameenphone Company, and thus he had to combine every partner's vision including his own into the business model. Proposal process to different telecom MNCs went through a number of trials and denials before it convinced Telenor; although Telenor did not agree on first proposal. Quadir's linkage to Bangladesh and vision to improve rural economy through telecom connectivity allowed him to go close to Yunus and get trusted. Moreover, his global network helped him to reach international venture capitalist, MNCs, and multilateral organisations to support his project.

While Yunus was convinced, Quadir's innovative business model and Yunus's positive consent to support the project helped Telenor reduce psychic distance to participating in the Grameenphone project in Bangladesh. However, Telenor until joining this project was typically a European telecom company confined its operation in Europe only, while Bangladesh was a poor country with weak institutional system and had a very low purchasing power capacity. At this point, Quadir's contextual intelligence, entrepreneurial capability, back ground education and communication skills helped increase acceptability of the project to Telenor.

The ownership and organisational structures of the case company has changed with the evolving institutional conditions since their entry and establishment into Bangladesh. Telenor presently has a JV agreement with Grameen Telecom GTC) - a not-for-profit company and sister concern of Grameen Bank (GB), but the partnership was initially comprised of GTC, Telenor, Marubini (a Japanese trading company), and Gonophone. Grameen Bank (GB), founded in 1976, is a bottom-up not-for-profit organisation owned by millions of poor rural women in Bangladesh, aiming at providing micro-credit to rural women to promote rural entrepreneurship and employment. Rural women who are members and credit receivers eventually become owners of this bank. In 2011, the

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liquid assets of this organisation reached over two billion USD. In 2006, GB and Muhammad Yunus received a Nobel Prize for their outstanding contributions to poverty alleviation and welfare.

#### Background of Iqbal Quadir: A Bangladeshi Diasporan

Iqbal Quadir was a Bangladesh-born investment banker at Atrium Capital in New York, a firm he helped to establish. After high school graduation in Bangladesh, Quadir left for the USA where he graduated at the Wharton School of the University of Pennsylvania and later completed his M.B.A. in 1987. Since 1993, Quadir has served in many internationally recognised organisations, for example, consultant to the World Bank in Washington, D.C., (1983–1985), an associate at Coopers and Lybrand (1987–1989), an associate of Security Pacific Merchant Bank (1989–1991), vice president of Atrium Capital Corporation (1991–1993). From 2001–2005, Quadir served as a fellow at Harvard's Mossavar-Rahmani Center for Business and Government, and at the Center for Business Innovation at Cap Gemini Ernst and Young (now Capgemini). In 2007, Quadir founded the Legatum Center for Development and Entrepreneurship at the Massachusetts Institute of Technology to promote bottom-up entrepreneurship in developing countries and working there as the founding director ever since. He coined the phrase *invisible leg* to describe how technological innovations change economies in terms of the distribution of economic and political influence.

#### Internationalisation of MNC and Creation of INV: Diaspora and Civil Society's Role

Quadir had a mind to exploit the synergy with Professor Muhammad Yunus in order to have easy access to rural Bangladesh through the Grameen Bank's network and micro-credit scheme. When he proposed his plan to Yunus to set up a telecommunication company for the rural people in Bangladesh, Professor Yunus was not sure how a mobile phone with a price of around 80,000 BDT (at that time) would be feasible as a business plan to eradicate poverty. He met Yunus again in December 1993 in Washington, D.C., and discussed several issues with regard to rural women's empowerment through access to telecommunications services.

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In order to convince Yunus to make a capital investment, Quadir used a model of 'COW' in his business plan. His plan integrated rural women's entrepreneurship with, a micro-credit programme, helping a poor woman make a living. Several weeks later, Quadir formulated a business plan keeping the Grameen Bank's model; the plan involved the woman raising a cow, Grameen Bank letting the woman borrow money, the woman taking care of the cow, the cow producing milk, and the woman selling it in the market to pay off the loan and earning a steady income. 'Why can't the cell phone be used like a cow?' Quadir asked himself and this inspired an idea to replace the 'cow' with a 'mobile phone'. Quadir quickly wrote a plan around this idea, sent it off to Yunus, and followed up with a visit in March 1994. Professor Yunus liked the idea (Isenberg et al., 2007).

The underlying logic of Prof. Yunus to support this project was that *'micro-credit can help serve the poor, but cannot upgrade the standard of living. He wanted to stimulate entrepreneurship in the rural areas by providing telecommunication services'*, said Ashraful Hasan, Managing Director of Grameen Telecom. Meanwhile, he communicated with Professor Yunus and informed him of the creation of 'Gonophone' in the USA. Yunus sent him with an encouragement letter of the 'Gonophone project' in June 1994, which Quadir used to assemble the investors, using the world-wide reputation of Professor Yunus.

Quadir began to approach telecommunication companies in the Nordic region, which had the highest mobile-phone penetration in the world and was home to some of the industry's leading manufacturers, such as Ericsson and Nokia. Quadir first met the Telecon, a consulting firm partly owned by Finnish Telecom, and requested it to conduct a feasibility study which was used to convince Finnish Telecom to invest. However, in July 1994, Quadir was refused by Finnish Telecon. He channelled all his efforts into finding another partner in the Nordic region and finally managed to meet Telia International, Sweden's state-run telecommunications carrier, and a few months later Telia agreed to study Quadir's venture in Bangladesh. Telia's initiative of a feasibility

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study further boosted Grameen Bank's confidence, and Telia, Grameen Bank, and Gonofone agreed to establish a consortium to bid for a wireless license in late 1994.

The last bombshell came from Telia in February 1995, six months after the first meeting, that Telia had decided to drop the project altogether. But, at the same time, they suggested that he follow up with Telenor, a Norwegian telecom service provider, who might be interested in investing in developing countries. However, Quadir was very persistent and he was someone 'who could do the bulldozing'. Quadir immediately flew to Norway with a \$1,400 plane ticket from Grameen Bank to make one last effort to convince Telenor. Quadir realised that another feasibility study by a reputable research firm would be necessary to convince Telenor to invest in Bangladesh, including the rural areas. Telenor also suggested such a study and wanted this to be carried out by Telenor Consult. The consulting arm of Telenor, a Norwegian governmental agency agreed to provide funding. Telenor Consultant, while formulating the business model to make it viable for poor villagers, took into account that Quadir's idea was to avoid BTTB's (Bangladesh Telegraph and Telephone Board) infrastructure for long-distance services. Instead, the scheme would utilise the optical fibre network of the Bangladesh Railways to provide continuous coverage. Furthermore, Quadir noted severe bureaucracy and administrative complexities at BTTB, and if tied with BTTB, the growth, and even the fate of the project would be at risk.

Fortunately, the government extended the date of tender submission and they participated in bidding. On 26 March 1997, Bangladesh's Independence Day that Professor Yunus suggested, Grameenphone indeed launched its commercial operations, and the first call from the new mobile phone was made by Prime Minister Sheikh Hasina to the Norwegian Prime Minister.

#### Role of Diaspora and Civil Society Actors: Innovative Business Model

Four entities (Telenor, Grameen Bank, Gonophone, and Marubini) comprised the whole operation: Grameenphone, the for-profit company, held the mobile license, built and operated the network, and

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marketed it to urban consumers. Grameen Telecom, a non-profit affiliate of the Grameen Bank, bought bulk air-time from Grameenphone and resold it to individual village phone operators (VPOs) and provided customer service throughout the country, and Grameen Bank provided loans to VPOs to purchase the handsets and subscribe to the service.

The business model of Grameenphone initially had two major advantages that Iqbal Quadir determined as the source of competitive advantage for value creation. One was the strategic collaboration with Bangladesh Railways and the other was the concept of a village phone (VP) for the bottom-of-the-pyramid (BOP) market.

In order to enjoy the first mover's competitive advantage, Grameenphone had to look for cheaper and faster ways to expand telecommunication services to the remote rural areas. The ultimate success and the growth of the telecommunication business depended on this issue, while the only conventional option left for other telecommunication firms was to use BTTB's (Bangladesh Telegraph and Telephone Board) existing network backbone. Iqbal Quadir from the very beginning of the project wanted to exploit Bangladesh Railway's optical fibre network through a strategic alliance, instead of BTTB's one. Prof. Muhammad Yunus wanted to stimulate rural development and entrepreneurship, and thus expansion of telecommunication services to rural areas was a strategic vision. Similarly, Iqbal Quadir also had the idea to focus on the BOP market as a vast emerging and unexploited market in Bangladesh. Iqbal Quadir ensured complementarity in the BOP market by liaising with the Grameen Bank and the Railway department. One would provide the social network and finance for buying the product, and the other provided access to the rural communication network.

Quadir made another plan to boost the expansion of the Grameenphone operation and decided to raise the capital. He preferred to get money by borrowing from an international organisation. In 2001, the IFC group agreed to finance the project to boost the expansion.

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### Analysis on the role of diaspora and CS actors on this internationalization process

The theory-generated internationalisation phases act as an analytical chronological frame for the analysis which identifies the states that the venture and the actors go through, the employed strategies and tools and the resources and capabilities needed to go to the next phase. It also indicates the type of actors as “key actor” acting/enabling the development, see Table 1.

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## **DISCUSSION AND CONCLUSION**

How did these actors influence the creation of international new venture (INV) Grameenphone in Bangladesh and the respective internationalization process? The findings provide strong evidence for the enabling role and effect of diaspora in this developing market entry process that consisted on the creation of an INV and through it the internationalization of its owner-companies to the Bangladeshi market. The key effect of diaspora originates in the pre-internationalization phase of this international new venture: it is the diaspora-driven perspective, knowledge and expertise that stimulate the perception of the idea in the first place. Quadir is a highly-skilled elite diasporan at MIT in the USA, but it is particularly his Bangladeshi origin that allows him to understand the needs behind this business idea generation and explore its feasibility- which would have been quite impossible for a local Bangladeshi or for a foreign venture without contextual understanding of the market. He also acts in multiple professional networks and may connect to other co-ethnic diasporans, such as prof. Yunus, to find support for his idea. Interestingly, up to stage 3. (see Table 1) it is only diaspora resources and motivations that drive the development. The creation of the business model stimulated by the COW-concept was clearly an innovation by diaspora and its knowledge and market-specific understanding. This innovation and development phase illustrates well the positive effects that brain circulation, even brain drain, may generate towards homeland

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development (cf. Tung, 2008). Quadir became a returnee due to this business and indicated Kuznetzovian virtuous innovation cycle –effects on his COO (Kuznetsov, 2006). Based on the substantial risk and commitment requirements, we deduce that this kind of venture was only possible due to his *diasporanness* and strong intrinsic motivation (cf. Riddle, 2008) and would not have continued as a classical foreign venture building on foreign direct investments. The civil society was involved through the planning, taking its interests directly into consideration.

The market entry phase of internationalization illustrate how these diaspora resources and capabilities set up by Quadir function as glue and facilitating force in business planning and acting among the various stakeholders. Diaspora's role in Telenor's entry was central. Quadir's homeland-based involvement triggered his family repatriation as another component of localised commitment. The experience and knowledge resources from host and other foreign countries are orchestrated synergistically in order to form a functional consortium and business model, and it is the diaspora knowledge that is guiding this allocation, not the ownership constellation. Diaspora networks play a very direct role in enabling the entry when the institutions become impediments as the connections of Prof. Yusuf can overcome the entry problems. The diasporans of this case are able to connect to the needs of the civil society and the respective enabling actors. Naturally, the entering consortium is new to Bangladeshi market but it has created linkages to the local civil society. The *foreign* nature of this consortium is hybrid as the diasporic forces smoothen the entry process alleviating its foreignness.

In the post-entry phase the “building of the invisible leg” starts in real terms and here the unique knowledge inherent in the consortium is vital. The diaspora knowledge of market context and respective preferences is employed for marketing, strategy and finance while the management competence of the foreign partners is employed for managing. The differences seen in finance plans illustrate the discrepancy of foreign and diasporic views and expectations. As the diasporic primus

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motor Mr Quadir sell his shares, the post-entry problems start to increase. We identify multiple roles and tasks in which the diaspora dimension of Quadir has been evident and significant, and potentially, it has also played a role as a threshold taking the project to its next step. Interestingly, after the ownership change Quadir and his family migrate again to the USA where he continues his work on finance and academia. The findings illustrate not only “brain” effects such as knowledge and expertise, but also motivation and capabilities that related to his diasporanness. This internationalization process seems to be strongly diaspora-driven, as if diasporanness was the “hormone system” or primus motor of this entity. If the diaspora actors were taken out of the process, there would be no internationalization process to analyse despite the international nature of the partners Norwegian Telenor, American Gonophone, Japanese Marubini and Bangladeshi Grameenbank. The role of organizational capability put together by the diaspora actors and their connections with civil society critically enabled the entry.

This study contribute to internationalization research, transnational diaspora entrepreneurship and civil society research discovering their impact as necessary organizational capability for market entry. In short, the study validates the central role of diaspora on innovation, motivation, knowledge, network and funding that supported this emerging market INV development. It also supports that important role of civil society as a co-creator and facilitator of the process, although there the role has been more implicit and less visible. Thus, for future research we develop the following propositions:

- 1) resources of high-skilled transnational diaspora actors have a positive effect on business innovation and concept development, and may boost its success via reduced foreignness
  - 2) high-skilled diaspora involvement in developing organizational capabilities for entry and internationalisation has a positive effect on the success of the internationalisation, also in the context of an INV and MNE, not just on diaspora entrepreneurship-firm internationalisation.
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- 3) civil society actor integration in developing the business idea-innovation and entry strategy have a positive effect on the organisational capabilities needed for complex emerging market entry

The discussion illustrates that there are both theoretical and managerial implications related to the successful integration and employment of diaspora and civil society actors and their resources. These implications overarch internationalization processes regardless of company size, and suggest that more research on the temporality of involvement is also needed.

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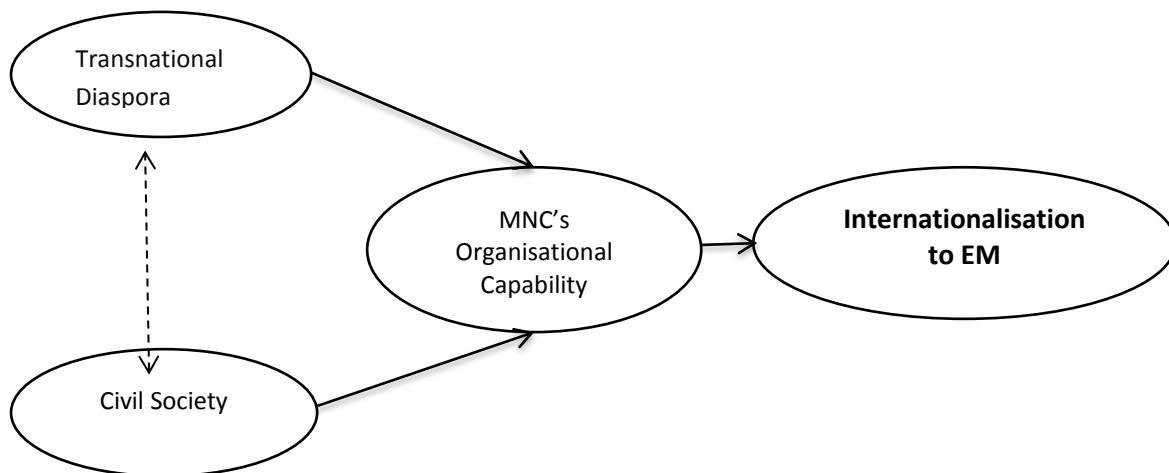
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## FIGURES AND TABLES

**Figure 1: Conceptual Framework**



**Table 1: The Role of Diaspora and CS Actors in Internationalisation of MNC and INV Creation**

Phases of Internationalisation	Activities/ Strategies/Tools	Resources/ Capabilities	Key Actor
<b>Phase 1: Pre-internationalisation</b>			
<i>Stage 1: Firm's management is unaware of the opportunity/possibility</i>			
Quadir developed an idea of a telecom company in Bangladesh, saying "telephone is a weapon against poverty."		Creativity,	D
He learned that BD had just two phones per 1000 people for a population of 120 million in 1993; none of the phones was in rural area		Contextual Intelligence (CI)	D

He saw that a state-owned BTTB phone costs \$2000 to install, and realised “the key to economic progress in BD does not lie in foreign aid but in the hands and brains of its masses, which can be empowered by communication,”	Visionary	D
Quadir did not have telecom knowledge but he recalled 'I had common sense and energy'	Entrepreneurship	
In October 1993, Quadir visited BD to begin assessing his idea's feasibility; learned that a process of issuing cellular would begin in July, 1994	Commitment	D
Quadir wanted to enlist Muhammad Yunus and GB, which had 1100 branches serving 34000 villages in BD. He had met Yunus in May 1993 at Ohio when he went to receive honorary doctorate. He further met him in December 1993 in BD, but Yunus's initial reaction was not so positive.	Complementary Resources, global network	D
He wrote a business plan to Yunus : i.e. GB will act as consumer-credit provider and distributor; GB's members would be the customers of cellphone; they would sell the talking-minute to the end users and would pay back the credit to GB. Yunus's appreciated and agreed to cooperate.	CS, Innovative Business Model	D
Quadir’s younger brother had introduced Quadir to Joshua Mailman, a New York-based high net-worth individual active in promoting social causes. Quadir explained the idea to Mailman and told that he was ready to commit at least two full years to the project. Mailman agreed to invest \$125,000 in Gonofone, which he and Quadir would own equally, and the company ‘Gonophone Company Corp’ was registered in New York, May 1994 .	Social Capital	D
He decided to use Yunus's letter as an instrument to convince telecom giants to invest in the project. In march 1993, he used his own funds to hire a consultant to study the feasibility of the project. He began to approach to telecos in the Nordic region.	Commitment, Communication Skill	D
<i>Stage:2: Firm's management is not Interested</i>		
Quadir engaged Telecon to study the feasibility and use this to pitch the opportunity to Finnish Telecom in July 1994 and he was greeted with the bad news. He then approached to Telia International, Sweden.	Opportunity seeking skill	D
<i>Stage:3: Management is not committed, but willing to explore feasibility or unsolicited offer</i>		
A few months later Telia agreed to study the feasibility of the project in BD. After feasibility study, Telia, Grameen Bank and Gonophone agreed to make a consortium.	Collaboration:MNC,CS and Dias	M;C;D
GB proposed to create two companies: one would be a for-profit operating company owned by all three partners i.e. GP, which would own the cellular license and build & operate the network. The other would be a non-profit company- Grameen Telecom- affiliated with GB, which would purchase minutes from GP and resell them to rural entrepreneurs, typically GB members, who in turn would retail those minutes to end users.	CS, INV	C
In February 1995, Telia informed Quadir that it had decided to drop the project altogether, but suggested that Quadir follow up with Telenor, a Norwegian telecom service provider.	Uncertainty	
<i>Stage:4: Management is committed to Internationalise</i>		
Although a bit frustrated, “But Quadir was very persistent. He was someone who could do the bulldozing”. He continued to insist GB to make a financial commitment, which would in turn bolster the attractiveness of the venture to outside investors. When GB agreed to invest, Telenor got confidence and wanted to further study the feasibility of the project.	Commitment; CS	M;C;D
Quadir had spent all his savings. In June 1995, Yunus gave Quadir a part time consulting positioning at GB for \$250 a month. The hardship and uncertainty, and the difficult government officials in materializing the project strengthened Quadir’s determination to turn his idea into a reality.	CS Support	D
<b>Phase 2: Actions for Internationalisation</b>		
<i>Sstage:1: Deciding on how to go (Ownership Structure)</i>		
Looking at the prospect of the project, negotiation resulted in: Grameen Bank with 35% stake, Telenor with 51%, and Marubini and Gonophone 9.5% and 4.5% respectively.		M;C;D
<i>Stage:2: Deciding on Business Model (finance, product, customer, sales)</i>		
Quadir developed the business model that complemented resource disadvantages of Telenor by GB, while it incorporated visions of the three key actors.	Creativity; Business model	D
<i>Stage:3: Working on entering the host country (permission, location, setting up value</i>		



<i>chain)</i>		
Quadir in association with the Telenor representative submitted the tender for a cellular license in July, 1996		M;D
Personal intervention by Yunus with the then prime minister, insisting that the prior submissions should be honoured, proved persuasive in August 1996, and they got the license.	CS Support	C;D
<i>Stage:4: Setting up the management and governance for INV (Competence in dual-embeddedness)</i>		
Telenor had control on 'management', but it did not have local knowledge; it invited Quadir to represent Telenor on the board of GP, an honour showed to him, and to serve as the director of finance to develop strategy.	CI	M;D
<b>Phase:3: Post-Internationalisation</b>		
<i>Stage:1: Commencing international Operation (cultural competences and sensitivity, local acceptability)</i>		
Yunus asked Telenor to commence GP's operation on Bangladesh's Independence Day 26 March 1997; it was to create a nationalistic sentiment for the product. Yunus proposed the logo illustrating a village lady and the company name 'Grameenphone'.	Nationalistic Sentiment, CS	M;D
Quadir who provided idea and advices for localizing the marketing strategies.	Contextual Intelligence	D
<i>Stage: 2: Growing INV (knowledge for growth and sustainability)</i>		
Since Quadir acted as finance director, he secured \$90 million loan from the IFC-led group, while Telenor persuaded GP to reduce it to \$50 million; Quadir strongly disagreed with this decision anticipating the future growth.	global Education network,	M;D
When further capital was required, Quadir decided to secure it in terms of equity from the partners	CI	M;D
<i>Stage:3: Rapid Expansion and Sustaining</i>		
Since Quadir had to collect money for his equity, he sold his shares to Telenor in February 2004.		M
Telenor continued to grow in terms of market share and profitability, Telenor management was followed by some tensions and crisis with socio-political legitimation regarding tax evasion, child labour, bill hiding (VOIP) from the government agency BTRC & employee unrest.		M

**Note: MNC= M; Civil Society Actor= C; Diaspora actor= D:**

**# Based on Bilkey and Tesar (1977) and Czinkota (1982) we develop the stages that fit for MNCs Internationalisation**

**Note:** The term 'contextual intelligence' is coined by Tarun Kanna that indicates local expertise and tacit knowledge to innovate at a certain context.