Centralise to Internationalise

*A single case study on Internal Control and International Business Strategy within forestry*

Authors: Bengtsson, Sofia Stein, Edgar

Supervisor: Åkerman, Niklas
Examinator: Rodrigues, Clarinda

Term: VT18

Subject: Bachelor Thesis
Level: Bachelor
Course code: 2FE51E
Abstract
Sweden is a main extractor of natural resources, leading the exploitation of forestry in Europe. Forestry counts for ten percent of exported goods from Sweden and has the most significant trade balance of all industrial categories. Forestry is a branch that has remained traditional for a long time and has not actually been the focus for research in this field. Internal control is implemented in all Swedish companies to protect company assets and minimise risk. The aim of International business strategies is mainly to achieve success on the international market. Through a qualitative single case study, with empirical data extracted from interviews and observations, conclusions were drawn. The interaction between the two terms internal control and international business strategy are investigated, and results show that they do indeed relate to each other. Another finding was that the sampled forestry company, SCA centralised administrative functions to improve Internal control had affected their International business strategy positively and their international subsidiaries could focus on remaining main tasks. In conclusion, the forestry benefit from having centralised administrative functions to improve efficiency and decentralise departments such as sales to drive revenue abroad.

Keywords
Internal Control, International Business Strategy, Corporate Governance, Corporate Strategy, COSO, Decentralisation, Centralisation, Principal Agent theory, Four Lines of Defence
Acknowledgements

The authors want to express their gratitude towards everyone who contributed to the thesis. Firstly, an immense thank you to the respondents Wladyslaw Pleskacz, Harry Raatikainen, Toby Lawton, Anne Hultman, Emelie Uppling, Elin Runsvik, Hillevi Mörtberg and Johan Andersson at SCA for lending your time to provide richness in your answers. To be able to conduct interviews on site made the thesis well rounded and it was a great experience to visit Europe’s leading forestry headquarter. Secondly, the authors want to show their gratefulness for the feedback received from examiner Clarinda Rodrigues during the seminars. The authors also want to direct their appreciation to supervisor Niklas Åkerman for his continuous feedback and for motivating constant improvements that has driven the thesis forward. Thirdly, without the help and guidance from the opponent groups the thesis would not have resulted as it did, therefore the authors want to acknowledge everyone who expressed their opinions to improve the quality of the thesis.

Kalmar, 2018-05-23

____________________________
Bengtsson, Sofia

____________________________
Stein, Edgar
# Table of Content

List of figures .............................................. 1  
Terminology ............................................... 1  

1 Introduction ............................................ 2  
1.1 Background .......................................... 2  
1.2 Problem discussion .................................. 4  
1.3 Research Question .................................. 6  
1.4 Purpose ............................................... 6  
1.5 Outline ............................................... 6  

2 Literature Review ...................................... 7  
2.1 Principal-agent theory ............................... 7  
2.2 Corporate governance ............................... 8  
2.3 Four Lines of Defence .............................. 9  
2.4 Second line of defence: Internal control ........ 11  
  2.4.1 Internal control: the foundation of every business 11  
2.5 COSO ................................................. 12  
2.6 International business strategy .................. 15  
  2.6.1 Strategic environments matrix ............... 17  
  2.6.2 Decentralised management .................. 17  
2.7 Conceptual model ................................... 19  

3 Methodology ........................................... 20  
3.1 The research process ............................... 20  
3.2 Abductive research approach ..................... 20  
3.3 Qualitative method .................................. 21  
3.4 Single case research design ...................... 21  
3.5 Data collection ...................................... 22  
  3.5.1 Primary data ..................................... 22  
  3.5.2 Secondary data .................................. 22  
3.6 Interviews ............................................ 22  
  3.6.1 Semi-structured interviews .................. 23  
3.7 Operationalisation ................................... 24  
3.8 Observations ......................................... 24  
3.9 Selection process ................................... 25  
3.10 Validity and reliability ........................... 26  
3.11 Ethical considerations ............................ 27  

4 Empirical data ......................................... 29  
  4.1.1 SCA at a glance .................................... 29  
  4.1.2 Who are we? ....................................... 30
4.1.3 I can speak to anyone of any level .................................................. 32
4.1.4 How do we remove threats? .......................................................... 32
4.1.5 With guidelines I can operate responsibly ...................................... 32
4.1.6 How do I control uncertainties? ..................................................... 34
4.1.7 Our future ...................................................................................... 34
4.1.8 Do I behave as expected? ............................................................... 37

5 Analysis and discussion ........................................................................ 38

6 Conclusion ............................................................................................... 45
  6.1 Theoretical implications ..................................................................... 46
  6.2 Practical implications .......................................................................... 46
  6.3 Limitations .......................................................................................... 46
  6.4 Suggestions for further research ...................................................... 47

References ................................................................................................. 48
  Respondents ............................................................................................ 48
  Books ........................................................................................................ 48
  Articles ...................................................................................................... 52
  Internet ..................................................................................................... 54

Appendixes .................................................................................................. 57
  Appendix A – Operationalisation ............................................................ 57
  Appendix B – Interview guide ................................................................. 57
  Appendix C – Instruktion för riskhantering och internkontroll .................. 57
  Appendix D – Self-assessment template ................................................. 57
  Appendix E – Pictures from visit at SCA head quarter ............................ 57
List of figures

Figure 1 Internal controls: The foundation of every business (Simons, 2014) ........ 11
Figure 2 The COSO model (Moeller, 2014) ........................................................................ 13
Figure 3 Strategy (Mintzberg, 2000) .................................................................................... 15
Figure 4 Conceptual framework ............................................................................................ 19
Figure 5 Roles participating in the interview process ............................................................. 26
Figure 6 SCA’s Corporate governance Structure (SCA, 2017). ............................................. 29

Terminology

Corporate governance
Structure of rules, practices and processes by which a company is directed (Gillian & Starks, 1998).

COSO – The Committee of Sponsoring Organisations of the Treadway Commission
An international framework and guidance on enterprise risk management, internal control and fraud deterrence (COSO, 2013).

Forestry
Companies operating in the forest industry (Kinnwall, 2017).

Four Lines of Defence
Helping to identify threats to an organisation, manages risks (Arndorfer & Minto, 2015).

Principal Agent Theory
A theory preaching that the principal and agent can have different agendas (Jensen & Meckling, 1976).

Internal control
Systematic measures instituted by an organisation to conduct its business in a structured and efficient manner as well as protect its assets, detect fraud and assure accuracy and correct information towards shareholders (Haun, 1955).

International business strategy
Plans on how to guide business between various countries (Ansoff, 1985).

Subsidiary
Company controlled by a holding company (Investopedia, 2018).

Segregation of Duties
A tool in Internal control to separate different job responsibilities to protect company assets (Simons, 2014).
1 Introduction

1.1 Background

The world economy is currently in a state of stable growth, but the market focus has shifted from Asia and North America to Europe (Kinnwall, 2017; Lawton, 2018). During the previous economic slowdown in 2015-2016, Europe remained relatively unaffected, particularly the forest industry (forestry) that continued to increase its exports. Sweden is a main extractor of natural resources, leading the industry in Europe (SCB, 2018). Forestry counts for ten percent of exported goods from Sweden and has the highest trade balance of all categories (Kinnwall, 2017). Mikael Damberg, Sweden’s Minister for Enterprise and Innovation entitles the forest the green gold and point out;

“I would even dare to say that the forestry has never been more important for the Swedish economy.” – (Jacobsson, 2017, s.1.)

Sweden is aiming towards a strategy focusing on expanding certain sectors such as forestry (Government Offices of Sweden, 2015). The government seek to strengthen Swedish exports in these categories to boost international presence. Sweden aims to become the world’s first country sustaining without fossil fuels and the forestry provides a solution by offering renewable resources (Government Offices of Sweden, 2015; Lawton, 2018). While Sweden aims to develop their forestry, it is easy to forget that the industry can be traditional in terms of structure and processes as well as business culture (Jacobsson, 2017; Kinnwall, 2017). To continue developing internationally, companies need to work proactively with structure and strategy (Ansoff, 1985).

The objectives of business strategies are to fulfil the following requirements; become unique, gain competitive advantage, value-creation and allocation of resources (Bengtsson & Skärvad, 2011). Swedish forestry companies appear to have a competitive advantage on the international market due to the fact they have the largest amount of net exports of all industries in Sweden (Mansour, 2017; Jonsson, Egnell & Baudin, 2011). The Swedish businesses are sizable, their corporations’ revenues accumulated surpass billions annually (Holmström, 2017). Forestry involves strategic allocation of resources in order to maximise efficiency as well as safeguarding the forest (Food and Agriculture Organization of the United Nations, 2010). Strategies are a necessity for all companies to aspire towards (Mintzberg, 2000). In fact, Arnetz (2016) argues goals in strategies are usually calculated optimistically and rarely achieved. You might refer to the Swedish proverb “Mycket snack och lite verkstad” nearest translated to “A lot of yappenin’ and no happenin’” which marks the importance of realistic and achievable goals to fulfil the strategies.

Companies tend to focus on achieving success and underestimate the need for control structures. In Sweden last year, an employee at a paper department mill was convicted of fraud (Strandberg, 2017). Over an eight-year period he had transferred
over 700,000 SEK to his private account. No other employee was involved in this by the company unexpected crime. It is not rare for companies to be target of these kinds of offences (Lövgren, 2011). This case illustrates that to manage risk is a necessity for all companies. The purpose of internal control structures, is to ensure not only that the company goals are achieved but also guide companies to avoid unnecessary risks and improve their transparency towards investors (Haun, 1955). The structures should consist also of processes and routines to prevent individuals from threatening the organisation’s stability. Weak internal controls were a contributing factor in over 70 percent of fraudulent cases in Europe (Marais & Oswalt, 2016). Without internal control, complex corporations would risk failing a successful internationalisation because their internal structure would not be stable enough. The objective of Internal control is to help organisations reach their vision (Simons, 2014). Lack of sufficient Internal control across the departments concerned could result in problems for the owners (Fenga, Chan & McVay, 2009).

Internal controls were, in their modern form introduced in the early 20th century (Haun, 1955). The investors got cautious of investing since they were less in control of their investment after they were separated from the management. To keep investors satisfied the organisations needed to be transparent. This resulted in top management going from screening employees, to being screened themselves (Arwinge, 2016). Haun (1955) claims investors required safeguards to protect assets and detect fraud. As well as assure accuracy and efficiency throughout the organisation. Frameworks have been developed to help implement an efficient Internal control. One example is the COSO model which includes risk management processes that might have helped the case above to be solved more efficient and faster than the actual eight years (COSO, 2013; Moeller, 2014; Pfister, 2009; D'Aquila, 2013).

Furthermore, the case regarding the fraud at the mill emphasises the significance of employees’ personal intentions (Marais & Oswalt, 2016). In fact, employees who do not feel valued seeks fulfilment through other means (Arwinge, 2016). It occurs that people act in their own interest instead of their employer’s (Jensen & Meckling, 1976). They might justify themselves by overvaluing their own ability. The person is convinced he is in his right and makes up excuses for himself justifying his actions. A solution to lack of Internal control is Segregation of Duties which is a tool used to limit employees’ extent in a process (Simons, 2014). This tool states the importance of the separation of connected roles, such as splitting the writing and cashing of checks between two people. The Adelphia case is an example of failed Segregation of Duties where top level management misused their positions for their personal gain (Patsuris, 2002).

Adelphia was one of the largest companies in the United States who suddenly went bankrupt around the millennial shift because of among other, the lack of the tool - Segregation of Duties (Patsuris, 2002). The company’s unexpected bankruptcy shed
light on the importance Internal control regulations. This bankruptcy led the government to act and implement the Sarbanes-Oxley act in 2002, that enforced internal controls. The European Union followed suit and implemented their own guidelines called GL44 to protect European companies and investors from the same fate (EBA, 2011). Sweden followed the example and soon released “The Swedish Corporate Governance Code” which clarified the roles of everyone involved from shareholders to Chief Executive Officer (Hallvarsson & Halvarsson, 2016). For companies listed on Nasdaq, Stockholm, there are several written rules and generally accepted practices that must be followed. It would be troublesome to standardise the current governance structures for all companies listed on the Swedish Stock Exchange. Companies restrain from too detailed control, believing it would tamper their activities (Engström, 2014). There is a fine line between on one side over or under control and between being optimistic and delusional. Companies strive to find the sweet-spot in order to thrive (Were, 2015).

The above-mentioned terms, internal control and international business strategy are integrated in the daily work with companies, however separately. It seems they are separated even though they are related, since the changing of one affects the other (Simons, 2014; Bengtsson & Skärvad, 2011; Arwinge, 2016). The interaction of the terms is researched in the thesis because internal and external factors have a relation that has not been investigated thoroughly.

1.2 Problem discussion

The relationship between the terms internal control and international business strategy is remarkable since both emanate from different economic fields. Internal control is part of Corporate governance (Farrar, 2008) but international business strategy on the other hand is mostly discussed in the fields of strategic management or internationalisation (Ansoff, 1985). The theories about internal control are not considering the international aspect when discussing risks or effectivity changes. These theories are assumed to only affect the national operations (Nachum, 2011). On the same note, international business strategies do only take into account control structures to a minor extent (Lalic, Jovanovic, Nikolic & Vulovic, 2011).

Internal control and international business strategy are independently regular research topics. Internal control is commonly researched in highly regulated industries such as the financial industry, for example banks (Effiok, Effiong & Usoro, 2012). The financial scandals worldwide have put a lot of focus on this specific industrial sphere, such as the case of Adelphia described in the background because of their practical difficulties (Patsuris, 2002). Meanwhile, International business strategy research tend to focus on emerging markets (Peng, Wang and Jiang, 2008), internationalisation (Johanson & Vahlne, 1990; Pieterse,1994) and entry modes (Konopaske, Werner & Neupert, 2002). International business strategy’s interaction with Internal control needs to be researched since these two concepts are theoretically detached but possibly interact, which is where a research gap has been
identified (Farrar, 2008; Ansoff, 1985). Moreover, in the research niche of forestry the environmental effects are a focal point (Cline, 1992). While the environmental research is positive for the industry, it does not spill over onto other aspects of forestry such as International business strategy and Internal control. A theory that handles the relationship between two other concepts not directly related is the Agency Theory (Adams, 1994). It deals with the relationship between Internal Audit and how it is affected by organisational change, which compared to the relationship between Internal control and International business strategy are similar.

Forestry is often overlooked because of its traditional traits (Government Offices of Sweden, 2015). Despite not operating in the spotlight, their products have recently thrived because of their renewable ability (Kinnwall, 2017; Cline, 1992). The global market is more well-disposed towards forestry because this industry might play a part in the movement towards non-fossil-fuel products (Jacobsson, 2017). When thinking of paper products consumers do not necessarily consider the underlying industry since they are not visible, which possibly reduces interest in aspects beyond the environmental ones (Hunter, 2017). Even if forestry products might be popular due to their sustainable criteria, the industry producing them have remained conservative (Kinnwall, 2017). To keep up with internationalisation, change to some extent is necessary (Johanson & Vahlne, 1990; Hamilton & Webster, 2015; Johanson & Mattsson, 2015). The same applies to Internal control, updated processes are required to avoid making similar practical mistakes as the financial industry.

Forestry companies risk mimicking other industries’ research with Internal control and International business strategy without industry specific information available. Although these might not be directly transferrable from one case to another. It is a discredit for forestry that such an extensive industry is short of research because companies having a hard time relating theories. It is important to bear in mind the basis of Internal controls, which is to prevent people from abusing or misplacing resources (Jensen & Meckling, 1976; Arwinge, 2016). To implement these processes requires a good organisational structure and if companies do not have these to begin with, it is not possible to implement the control processes which would affect the operations and stability of the company negatively (COSO, 2013; Moeller, 2014; D'Aquila, 2013). Internal control is often looked upon as solely a costly process that risk slowing down operations, not as a process that support to the improvement of the structure. While one aim of Internal controls is to manage processes, their other practical aim is to extract effective solutions where they are needed, to improve standard operations (COSO, 2013).

Strategies are supposed to help companies achieve growth and still remain internally stable (Ansoff, 1985). In practice, it is difficult to find balance since in the competitive world, the focus lies on delivering value to the shareholders (McNally, 2013; Larsson, 2005; Neely, Adams & Kennerley, 2002). If Internal control remains
underestimated and overlooked it affects not only employees and management but also puts investors at risk. This gives the management a lot of responsibility, the decisions they make affects the level of risk they are willing to expose themselves and others to (Simon, 1960). In addition, they have to choose between high risk and high reward or low risk and low reward. This bring us back to the research gap, where forestry companies could benefit from a larger variety of research, which would help them with their problems. Internal control’s practical risks seen in other industries and theoretical absence in forestry, along with a fast-changing international market may cause the International business strategy to either be under prioritised or changed without regard for internal control or vice versa. The authors want to reduce the research gap by presenting the forestry from the inside and have an expectation that this might contribute to further prosper of this branch.

1.3 Research Question
- How do Internal control and International business strategy interact in forestry?

1.4 Purpose
The thesis aim is to get a deeper understanding for the need of Internal controls and International Business Strategies. By investigating the theoretical terms, the authors aim to acquire a deeper understanding of the situation in the branch of forestry. The thesis has an exploratory purpose and will be conducted in that essence. The authors have a vision that the thesis conclusions will be used as guidelines for companies in forestry as well as contribute to the minimising of the research gap that exists.

1.5 Outline
The thesis presented an introduction chapter to catch the reader’s attention. This has included the main reasons why this research is relevant. Research question and purpose was presented above for the reader to keep it in mind during the following parts of the thesis. After the introduction chapter follows a theoretical chapter with the main theories; Principal Agent, Corporate governance, Four Lines of Defence, Internal control and International business strategy, which concludes in a conceptual model that presents the relation between all the theories. The framework is analysed later in the report. The case investigated in the thesis is presented in the methodology chapter which also describes the various chosen methods to conclude the research. Subsequently, the empirical material is presented including interviews and observation in combination of secondary data. The empirical chapter is followed by the analysis and it determines in a conclusion, with theoretical and practical implications supplemented by limitations and suggestions for further research.
2 Literature Review

2.1 Principal-agent theory

*I do not need your supervision!*

The Principal agent theory is explained by Jensen and Meckling (1976) who were pioneers within the field. Relationships are part of our world, both in our private and professional life (Rapp, 1999). They define an agency relationship as a contract where one person (The principal) appoints another person (the agent) to do work on their behalf which involves allocating some decision-making authority from the principal to the agent. There is a separation between ownership and control as the principal has delegated parts of it (Farrar, 2008). If the two parties are utility maximisers, there is a risk of disobedience from the agent in disagreements as they have different beliefs of what is most efficient (Arwinge, Olve & Magnusson, 2017). These problems occur at all levels of an organisation and to counteract this liability tools like Internal Auditing and Internal control are implemented.

The Internal Auditing and control examines the strategy, risk management and control of the company, on a mission from the board or similar, that is also where they report the results (Pitt, 2014; Arwinge, 2016). The job roles, responsibility, obligations and rights are written down in formal contracts. In many cases, the agent and the principal try to contract away unpredictable problems, but no contract is perfect. There are different solutions to this problem as there are alternative theories for different situations with similar concepts as the Principal-Agent Theory (Jensen & Meckling, 1976).

The Principal agent relationship happens continuously but some encounters are more obvious than others. For example, if a patient goes to the dentist the patient represents the Principal who controls the Agent, but the Agent has superior knowledge about the Principal’s teeth than himself (Rapp, 1999). The asymmetrical information between the two forces the principal to make a decision based on his experiences and the agent’s recommendations.

Contracts and controls are two types of costs that could occur (Arwinge, 2016). In many cases the principal is not able to control the agent’s performance (Haun, 1955). There are two risks for the principal in trusting the agent, moral hazard and adverse selection (Arwinge, Olve & Magnusson, 2017). Moral hazard means that the agent for several reasons underachieve the missions and the adverse selection means that misleading information is reported by the agent. The moral hazard argument has been commonly used in the financial crisis and in the Financial Stability Board which is an international organisation that keeps an eye on the financial system on a global basis (F.S. Board, 2011).
2.2 Corporate governance

*I do not care how you achieve the goals, just do it!*

Governance comes from the Latin word “gubernare” which refers to a steerer or captain of a ship. In French it is described as “gouvernance” that means control and in English “governance” means good order (Farrar, 2008). The term has circulated the last twenty years and is today an international recognised term. How companies are managed, monitored and held accountable is defined as Corporate governance which has become more important in recent years due to the increased need for transparency towards shareholders (Gillian & Starks, 1998). Corporate governance has a helicopter perspective over the organisation and only make decisions accordingly. They set up goals and decide how the organisation will be run that in turn will be passed down the hierarchy and processes will be altered to fall in line with the organisation at large (Arwinge, Olve & Magnusson, 2017).

Corporate governance also incorporates the controlling aspects of an organisation. The Corporate governance function decides what control functions are necessary and how they will comply with regulations. It is essential for shareholders to be able to tell if the company assets are being handled correctly as well as in accordance with the shareholder’s needs (Larsson, 2005). Corporate governance is a broad theory connected to many other theories within its main obligations, one of them is Corporate Strategy.

Corporate Strategy differentiates from business strategy by incorporating multiple business strategies who then in turn have to adapt to the Corporate Strategy (Farrar, 2008; Goreman, 2012). For example, Apple has business strategies for both Iphones and Macbooks but both the phone and computer business strategies have to follow a corporate strategy set by Apple.

Ansoff (1985) divides Corporate Strategy into Strategic Planning and Long-Term Planning. Strategic Planning aims to develop visions and strategies, instead of long-term-planning which is the development of the processes to achieve these visions and strategies. (Johanson & Vahlne, 1990; Hamilton & Webster, 2015; Johanson & Mattsson, 2015) further claims that the ever-changing business environment forces companies to develop to survive. It is important to be observant to opportunities and threats since they are not always evident. Strategy developed during a time where decision-theory was commonly discussed and was according to Ansoff a vital asset when leading a business (Mintzberg, 2000). Furthermore, decisions were divided into three categories. Operational, administrative and strategic decisions. The strategic decisions’ purposes were to find relevant fits for the company and its surrounding environment. Through a combination between products and its markets, a suitable strategy could be defined according to Ansoff (Bengtsson & Skärvad, 2011).
Since decision-making is a large part of strategy a model of the decision process was made by Ansoff (Bengtsson & Skärvad, 2011). It concluded four steps to solve problems and make strategic decisions: research, formulation of options, evaluation of options and finally, choosing one or several options. This model by Ansoff was grounded on research from Simon’s (1960).

Ansoff’s further research concluded four strategic definitions: product/market direction, growth strategy, competitive advantage and synergy (Mintzberg, 2000). These are used to form an organisation’s Corporate Strategy. The product and market direction are described as which products are offered and what markets are served. The combination of both constitutes the company’s direction and is according to Ansoff a more clear and precise description of the industry the company operates in. Growth strategy implies ways of developing from current situation, also called diversification or expansion and can be done through increasing current market shares (market penetration), develop new products (product development) or explore new markets (market development) (Bengtsson & Skärvad, 2011). Furthermore, the importance of competitive advantage is brought up by Ansoff (1985) because if a company has a strong position in relation to their competitors, it will beneficial and create an advantage. Strong controls, manufacturing efficiency or patent protection are examples of sources to increased competitive advantage (Bengtsson & Skärvad, 2011). Lastly, synergy is defined as the combination of resources and competences and is the effects of the two combined, also so-called synergy-effects (Ansoff, 1985).

2.3 Four Lines of Defence

_Minimise risks to maximise gain_

Arwinge (2016) states companies create value by being risk-takers. Being risk-takers does not mean they embrace risk, but they take risks and thereafter lessen it as much as possible. The Four Lines of Defence represents a risk reduction model that is supposed to protect corporations from taking on more risk than necessary (Arndorfer & Minto, 2015). They are supposed to check everything from bookkeeping to external threats to avoid fraudulent and illegal actions. The model originates from the three-line defence model from The Institute of Internal Auditors which does not count external audit as the fourth line (Pitt, 2014; Seago, 2015). Every line of defence reports to either the senior management or the board/audit committee. The ones that report to the management do it because they can improve the efficiency of the operations and the ones that report to the board/audit committee do it because the information should be objective and reach the board without passing through the assumed subjective management (Willmott, 1997).

The first line of defence’s mission is to discover risks as soon as they arise. According to Seago (2015) it is part of the operational management which handles daily business operations. Apart from identifying the risks when they appear the first line of defence is supposed to assess, mitigate and control them (Arndorfer & Minto,
It is designed mainly to identify external risks such as technological, political and economic changes (Seago, 2015). Since the first line of defence is controlled by the management it is not independent but because the risks it is supposed to protect against are external it still provides value (Pitt, 2014).

The second line of defence includes the Internal control and compliance functions (Seago, 2015). They are supposed to monitor the risks observed in the first, and advice the operational management and sometimes intervene if required. The Internal control part implements the chosen framework and safeguards to help mitigate the risks and increase efficiency of the organisation’s operations (Arndorfer & Minto, 2015).

The third line of defence is an organisation’s internal audit. The internal audit is responsible for giving an objective view of, among other things, audit tasks (Dumitru, 2016; Fadzil, Hasnah & Jantan, 2005). The objectivity requirements from the organisation provides the internal audit with the ability to bring forth issues that would not be discovered if they weren’t independent. The purpose of internal auditing is not only to prevent or detect fraud or safeguards assets, promote accuracy, efficiency of agreement with the company’s policies (Haun, 1955). Haun describes further that the functional lines of authority and definitions of duties and accounts for information are important to coordinate in order to stimulate the business as well. Haun further describes the Institute of Internal Auditors and their definition of internal auditing “the independent appraisal activity within a business organization, established for the review of the accounting, financial, and other operations as a basis for protective and corrective service to management.” (Haun, 1955. p. 117)

The internal auditors should have an independent status to insure its impartiality and should preferably report to the chief directly (Haun, 1955). The auditor should have no responsibility for the performance of duties, and no authority over any department of the company (Arndorfer & Minto, 2015). They should also have a good picture of the different operations of the business, the organisational structure and the accounting system. Training should be provided regarding auditing techniques and the auditors must be adaptable to different units of the company (Simons, 2014).

The fourth line of defence consists of external auditors (Lyons, 2001). External auditors are similar to internal auditors except they are not included in the organisations structure. They are required by law for most organisations as they set the standards and are ultimately responsible to assess whether the rules are complied with (Arndorfer & Minto, 2015).
2.4 Second line of defence: Internal control

I could be so much more efficient if you let me do it my way!

Haun (1955) claims that the separation of management and the investor goes a long way back to the start of businesses. The separation led to development of periodic audits by independent accountants which in turn drove to a gap between management and the operating units of the company. To fill this gap, and develop better management control, internal control systems have been implemented. Large companies have been forced to adopt means to overcome its lack of personal relationships (Simons, 2014). Internal controls are defined as a component whose purpose is to create safety, assure the company is achieving its goals and follows rules and regulations (Arwinge, 2016). Internal control is part of the second line of defence (Seago, 2015).

2.4.1 Internal control: the foundation of every business

Simons (2014) writes about belief systems and boundary systems who describes values and beliefs, although management must guard towards deliberate violations and errors which means that they must confront the possibility of errors in accounting systems even in small companies. This can happen due to untrained staff, mistake by educated staff or even sometimes in rare cases it might be intentional errors. These are often hidden by false accounting systems in order to avoid detection. Policies are used to proactively ensure that the accounting information and that the assets of the company is safeguarded (Haglund, Sturesson & Svensson, 2005).

**Figure 1** Internal controls: The foundation of every business (Simons, 2014)
The model that Simons (2014) describes explains three types of safeguards: structural, systems and staff. These are essential in any business where the manager assigns the care of assets. Within this model, structural safeguards are the clear definitions of authority for individuals handling assets and transactions of the company. Segregation of Duties, a process limitation system, is according to Simons (2014) a way of making sure one person never handles all parts of a transaction. This is particularly important with physical custody of assets. This requires one person to audit another person’s transactions and if there would be an error it would be found quickly. Most frauds happen when a person has access to both cash and securities as well as being able to record the accounting transactions, Simons (2014) claim.

In fact, without Segregation of Duties there would be much more of manipulation of accounting records. Simons (2014) brings up one example of Nick Leeson, who worked for Barings bank. Simons (2014) used his power to do unauthorized security trades and hide them. This led to the company being destroyed, after 200 years in the industry. This was possible solely because they lacked segregation of duties separating the process that he had full control over.

The second bullet point in the model with structural safeguards is the defined levels of authorisation. Having access to company funds is related to your level of authority within the company which Simons (2014) claims limits the exposure to error or fraud. Furthermore, Simons (2014) describes the importance of physical security for valuable assets. There should always be vaults, gates or other locked storerooms for these and of course no one can handle them alone. Lastly, the independent audits are necessary to any company, since they examine the integrity of the firms’ internal controls, handles asset security, accounting information and examines the board since they have the ultimate responsibility towards shareholders.

2.5 COSO

The biggest risk is not taking any risk

COSO’s (The Committee of Sponsoring Organisations of the Treadway Commission) Integrated framework presents five levels of internal control activities which flow through every level of the company (COSO, 2013; Moeller, 2014; Pfister, 2009). These activities are Control environment, Risk Assessment, Control Activities, Information & Communication and Monitoring Activities. Moeller (2014) expresses the importance of all these activities being present because they rely on each other. One cannot be ignored or replaced because it would leave the remaining activities incomplete (D'Aquila, 2013). The cube below concludes an wide-ranging job for an organisation and it sets the standards for the board and top management who in turn should define policies as well as goals (Larsson, 2005).
2.5.1.1 Control environment

Moeller (2011) explains that having a strong control environment is not just to implement internal controls, it helps an organisation become more stable during external or internal turmoil because of their common ground in values and ethics. The control environment is, according to Haglund, Sturesson and Svensson (2005) the foundation of which the other activities lay on. It includes the company’s standards, ethics and structures which forms a foundation for a functioning environment to allow for implementation of the rest of the activities (Pfister, 2009; D'Aquila, 2013).

Code of conducts are a critical component of the control environment. Moeller (2014) states that an effective code of conduct that applies to everyone is at least equally important to the “lead by example” explained above. The Control Environment involves the individual accountability within internal control (COSO, 2013; D'Aquila, 2013). Internal controls rely on the ability to hold someone accountable for their mistakes (Moeller, 2014).

2.5.1.2 Risk Assessment

Risk assessment is the second pillar of COSO’s Internal control framework (McNally, 2013). According to Hardy (2014) Internal control should supply information of both internal and external risks to be able to make a complete risk assessment. Moeller (2014) describes risk assessment as the possibility that an event which could affect the enterprises objectives negatively may occur. There are four activities necessary according to COSO (2013) to have a reliable risk assessment: specify suitable objectives, identify and analyse risk, assess fraud risk and Identify and analyse significant change.

To be able to identify risks you must have a clear definition of the enterprise’s objectives (Moeller, 2014; Pfister, 2009; D'Aquila, 2013). The identification process of risks is a continuous process. New risks should always be identified and analysed.
accordingly (Moeller, 2014). The risk analysis should, according to Tarantino (2008) consist of establishing its potential effect, how fast it would happen and its difficulty to detect.

While there are no direct dealings with fraud risk in COSO according to Moeller (2014) they do consider the risk of fraud a threat to enterprise’s objectives which is handled under risk assessment. The last function of Risk Assessment is an organisation’s obligation to identify changes in their environment. With the identification of these changes the organisation should be prepared and adapt accordingly to fit with the new model (COSO, 2013).

2.5.1.3 Control activities
Moeller (2014) describes the control activities as actions decided by policies that can help the management mitigate risk from their objectives. Some activities under this function has not been changed since the first COSO framework while others have developed (Tarantino, 2008). The three components are meant to define how controls should be identified and documented (McNally, 2013; Pfister, 2009; D'Aquila, 2013).

1. Selects and develops control activities
2. Selects and develops general controls over technology
3. Deploys through policies and procedures

To select control activities, they should be evaluated to make sure they work as a support function to the components in internal control. According to Moeller (2014) control activities are processes to ascertain that directives from the leadership are performed. To put general controls over technology in place cannot be standardized over different industries due to the differences in technology used. Your controls should include precautions if a program or computer fails and make sure you can still access valuable information (Tarantino, 2008).

To have successful controls they should be deployed according to previously done risk assessments. The policies decide the expectations on these controls and their mission (Mcnally, 2013). The results of the controls are measured by control systems and are compared to the previously set expectations.

2.5.1.4 Information & communication
Haglund, Sturesson and Svensson (2005) explains the importance of information for an enterprise to be able to carry out its internal control. The definition of communication is: “…is the continual, iterative process of providing, sharing, and obtaining necessary information” according to Moeller (2014, p. 87). For information to count as relevant there must be a link between the information and the responsibility of whoever the information is directed to according to COSO (2013). Therefore, to establish a communication system that allows everyone to
communicate information to the right person, to avoid focus being dragged away by unimportant information from the priority is important for efficiency.

The communication of an enterprise is not only internal, but external as well (McNally, 2013; Pfister, 2009; D'Aquila, 2013). Communication with for example shareholders, customers or partners. A successful communication with external influences allows them to understand how they should interact with the enterprise and it also allows the enterprise to draw information from external sources concerning for example trends or circumstances that would influence the enterprise’s objectives.

2.5.1.5 Monitoring activities

The monitoring activities are meant to assess whether the five components of internal control are working (COSO, 2013). To guarantee the functionality of the five components, an enterprise should have continuous and separate evaluation processes. If flaws are found in the internal control it must be communicated to the responsible parties, so they can correct their flaws (Haglund, Sturesson and Svensson, 2005). According to Moeller (2014) it does not matter who the responsible party is, even if it is the senior management the flaws must be communicated.

2.6 International business strategy

“Arguing against internationalisation is like arguing against gravity”

To gain competitive advantage on the market, international businesses need to have strategies to reach their goals (Floyd, Roos, Jacobs & Kellermans, 2005). Mintzberg (2000) describes International business strategy as a plan or direction that is defined in one way and done in another. A realised strategy is a combination between intended and deliberated strategies adapted with emergent strategies. Strategy requires thinking ahead of time as well as adaption along the way Mintzberg claims (2000).

Figure 3 Strategy (Mintzberg, 2000).
Furthermore, strategy is a summation of a company’s purpose and plans, how they in combination achieve the goals for a certain business opportunity (Lasserre, 2012). There are three strategic levels according to Katsioloudes (2002); corporate, business and market levels. The corporate level states the company’s mission, the business level sets individual strategies for every business related to the mission and lastly the functional level implements the strategies in all functional areas and fulfils the company’s mission (Bengtsson & Skärdvad, 2011).

Bengtsson and Skärvad (2011) further argues that a business strategy aims to meet the following requirements; become unique, gain competitive advantage, value-creation and allocation of resources. Goreman (2012) strengthens the first requirement by claiming that what makes a business special is what makes it successful. Ansoff (1985) states the combination of products and markets makes a strong position in relation to the competitors which can lead to gained market shares.

Simons (2014) explains the link between risks and international business strategy, that putting the company at risk will possibly lead to loss in revenue. By proactively working with minimising the risks, the company has a greater chance to achieve goals and increase profit. Despite the author’s statement, managers often pressure difficult effectiveness goals to advance the company. Simons (2014) also argues that strategic risks are also managed through effective communication. Balancing profit, growth, control and the relation between goals as well as balancing self-interest and organisational success is difficult according to Simons (2014).

If the resources within a company are properly managed, they will result in innovation that boosts the value of the company (Simons, 2014). Although sometimes, people use their authorities in a way that harms the firm, and the individual need might not align with the company strategy (Arwinge, Olve & Magnusson, 2017). In these cases, it is a risk of employees to act in their own self-interest and find loopholes in the law that can cause scandals in the press. It is therefore of extreme importance to make sure employees of all levels act according to the firm’s core values to achieve the goals of the strategy.

The core values of a firm are often the ground values of the founders, it includes the basic principles, purpose and direction that are made for the employees to follow (Simons, 2014). Simons (2014) further describes that inspirational leaders makes the employees want to contribute to that vision, it is specifically clear in non-profit organisations for example. In these cases, the organisations must have a purpose otherwise people would not volunteer. This leads us onto the beliefs in an organisation. Especially in large companies, communication must be formalised for everyone to take part of. In smaller corporations, a lot of beliefs are communicated informally. If the core values and beliefs are communicated effectively there is a strategy for employees to follow.
2.6.1 Strategic environments matrix

The strategic environment matrix was developed during the 80’s to develop and keep market shares by steering capital towards areas where there is a high profitability (Kay, 2006; Bengtsson & Skärvad, 2011). It emphasizes three key points;

- Competitive advantages are important for a company to get a return.
- The ways of achieving competitive advantage is changing between main industries.
- When industries develop, the size of market shares and competitive advantage also change.

Bengtsson and Skärvad (2011) further argues that there are four types of competitive environments; fragmented, specialised, deadlock and volume strategic environment. In the fragmented competitive environment, there are many ways to achieve competitive advantage although the size of them are minor. A strategy is to position the company and hold it, bet on profit, minimize investments and be careful with expansion (Kay, 2006). Specialised competitive advantage means that market share can be large and be reached in many different ways. The strategic method is to search for a niche, position yourself on carefully chosen segments, put a lot of resources on building competitive advantages, act faster or better in comparison to competitors and be prepared for change.

When the deadlock situation arises, it is characterised as a situation where a company struggles to gain competitive advantage (Bengtsson & Skärvad, 2011). The sizes of the market shares are also relatively low. The price has a great importance, if the price differences are missing, the deadlock situation arises. The strategy during a deadlock position is to use aggressive price reductions, abuse ways of increasing efficiency, increase capital turnover and be attentive to diversification opportunities.

Volume strategic environment is considered as another situation where possibilities to gain market shares are few (Kay, 2006). Although the market shares can be relatively big. Only the companies that manage to uphold one of the bigger market shares are going to live. Usually, low costs are the only competitive advantage and then volume is often the solution. The company should in this situation strive for economies of scale, conquer the competitor’s customers and in some cases if the company is weak exit the market.

2.6.2 Decentralised management

The board of an organisation has ideas about how they should handle risks, but what many companies often forget is how to put those ideas into practice (Arwinge, Olve & Magnusson, 2017). Risk management should be more of a focus when forming the International business strategy, how to divide local responsibility and how to manage risk-taking. Decentralisation is often referred to as delegation of responsibilities and an optimisation in the organisation, often seen as very positive (Salmon, 1987).
Employees feel appreciation and motivation which is strongly connected to good results. Despite the mentioned positives, decentralisation of decisions can lead to risk exposure for companies through de-standardisation of processes (Quester & Conduit, 1996). Decentralisation is often referred to as de-localisation physically, sometimes to other cities and sometimes even abroad. By having many decision makers, the customers can interpret the employees of the same company differently. Therefore, it is necessary for large companies to be centralised to some extent in order for top management to decide how the rest of the organisation should act. Mintzberg (2000) argues that planning processes needs to be centralised in a company. Employees and customers expect to be treated equally and it should not depend who they are talking to, by having centralised parts of the company you also have the whole organisation following the same routines and rules (Arwinge, Olve & Magnusson, 2017).
2.7 Conceptual model

The conceptual framework above presents the theories that were used as analytical tools to answer the research question. The Principal agent theory describes how people behave in general and can have a personal agenda that might not align with others’. The Principal agent theory therefore explains the need for Corporate governance and its structure by disclosing potential risks related to the employees, their relationships with managers’ and the risk undermining organisations’ best interests. Corporate governance is the fundamental structure in an organisation which defines the guidelines and goals they will strive towards. They view organisations from a “helicopter perspective”. Parts of Corporate governance are the Four Lines of Defence which regulates risks from internal and external perspectives. The Four Lines of Defence are to locate flaws and possible efficiency improvements, this leads to the Second Line of Defence which controls these processes in detail. The second line of defence, also called Internal control, is active on many different levels of an organisation and is responsible for the safeguarding of company assets. One example of how to form Internal control is explained in COSO, which is an international framework. The last theory introduced in the conceptual framework is International business strategy. It concerns how an organisation advances on the international market. The thesis investigates the overlapping area, how Internal control and international business strategy interact.
3 Methodology

3.1 The research process

For the authors to answer the research question, there was a need for further research on the topic. The process started with research regarding the theoretical terms. It continued with a drawing of a mind map to be the basis for the thesis. When the authors had studied the topic, a suitable methodology and literature review was developed. It started with a reasoning regarding an abductive approach, which influenced the whole working process. After the decision to do an abductive research, the qualitative method with a single case study was a logical result. The potential depth connected to the single case could not be undermined. The interviews were conducted partly on the chosen case’s head quarter and partly via telephone. Interviews, observations and internal secondary data has been the empirical data collected. To understand the company’s staff correctly, this was a methodology that suited well and gave rich empirical results.

3.2 Abductive research approach

An abductive research approach was used, commuting between theory and empirical data (Kvale & Brinkmann, 2014). Inductive and deductive methods have been excluded because of their structural processes that takes a single direction (Wilbanks, 2010). Alternation between theory and empirical data was a need in the thesis because it allowed the thesis authors to go back and forth between them to understand or explain in a nuanced way. By having an abductive research approach, both interviews and the theoretical framework could gradually develop with new information. An inductive approach on the other hand would force to collect primary data first which would restrain the thesis’ development. It would limit the authors knowledge to what they acquired previous to the data collection, instead of allowing them to adapt in accordance to the abductive approach (Patton, 2011). To take a deductive approach, previous research must exist since your mission is to generalise a limited hypothesis to a broader spectrum (Kvale & Brinkmann, 2014). In addition, the deductive method would hinder the thesis from exploring theory and empirical data in parallel and the fact that there is no research regarding the interaction of internal control and international business strategy in forestry, as the problem discussion argues (Svenning, 2003).

The abductive approach allowed a simultaneous development between theory, interviews and observations which is consistent with the exploratory purpose of the thesis and that the authors wanted to get acquainted in the topics. The aim of the thesis is to be usable for forestry companies and by having an abductive research approach these companies could gain more from the results. Also, this approach gave permission to learn along the way and complement missing components.
3.3 Qualitative method

There are two methods to choose between when deciding how to collect primary data, qualitative and quantitative methods (Bryman, 1997). According to Holme and Solvang (1997) the choice is decided based on the purpose of the research problem. Miller, Miller and Dingwall (1997) describe them as opposites, quantitative method works with voluminous answers from either surveys or standardised interviews. This is also called hard-data due to its ability to be compared easily (Svenning, 2003; Bryman, 1997). Quantitative method is hard to apply to the thesis’ exploratory purpose, qualitative methods on the other hand, are commonly gathered through non-standardised interviews and works with few individuals, termed soft-data (Svenning, 2003). This method aligns with the exploratory purpose because it acquires more information per interview and considers personal experiences, feelings, opinions and other aspects which are hard to capture with standardised questions (Olsson & Sörensen, 2011). The research-question is not designed to be answered with quantitative data because it eliminates these irregularities, it requires a larger sample size to quantify. The better fit is qualitative method since it bases its data on interpretations of the respondents (Stake, 1995). In addition, the qualitative method asserts the abductive approach since the commuting between the different parts enriched the final thesis.

3.4 Single case research design

Creswell (2013) argues that there are five classes of research design; experimental, cross-sectional, longitudinal, case study and comparative design. Case study design is commonly used in business administration research where the depth of the data collected supports the research question (Gustafsson, 2017; Eisenhardt & Graebner, 2007). They can be conducted on either a single or multiple case basis. A single case study is conducted on one case, for example an organisation or a specific occurrence, multi case studies on the other hand usually have a comparative purpose (Stake, 1995). They are commonly comparing companies within an industry to identify differences or similarities. Yin (2003) claims single case studies brings out complexity and preciseness of a case which are in accordance with the thesis’ purpose. A multiple case study is according to Baxter and Jack (2008) strong and reliable but can be very expensive and time consuming.

The thesis excluded the multiple case study because the authors did not have the same contact with other forestry companies as with the representative company SCA. SCA is the third large-sized group working within forestry and the largest private owner of forest in Europe (Blocker, Bromley & Murdoch, 2016; SCA, 2017). This company therefore is representative of the forestry. The authors have developed a good relationship with representatives of the company over a period of four months with continuous interactions via email and telephone. Single case was the clear choice because of the access to an entire organisation which has a leading position in their industrial field (Blocker, Bromley & Murdoch, 2016). When you want to
generalize throughout an industry using cases of large companies. A single case study is common practice because they could be the source to produce extra and better theory (Yin, 2003). Yin (2003) argues the single case is preferable because the researchers have more time to do observations and thus, a more careful study is made. The authors explained in their exploratory purpose that the aim of the thesis was to understand the interaction between Internal controls and International business strategy, which the single case design highlights (Gustafsson, 2017). The number of pages per case is not the key according to Dyer and Wilkins (1991), they emphasize the importance of a researchers understanding of the respondents and the context in the scene. The theory that describes one organisation as a representative for the average is called the representative or the typical case according to Patton (2005). SCA is the representative case in the thesis, due to their dominance in the forestry (Blocker, Bromley & Murdoch, 2016).

3.5 Data collection
The authors primary and secondary data was collected to achieve a wide perspective of the case that was studied in the thesis. There is a distinct difference between primary and secondary data. Primary data is empirical data collected by the authors themselves, with purpose to answer the research question. Secondary data consists of information that were collected by others, for other purposes according to Cooper and Schindler (2016).

3.5.1 Primary data
Primary data was gathered through interviews and observations partly on site and partly via telephone. While three of the interviews were done in person, five were over the telephone due to scheduling problems. Complementary information was received over e-mail and telephone to complement the missing data afterwards which once again affirms the abductive research approach. The observations were performed in and around the offices of SCA at the time of the visit and are presented in the empirical chapter consequently in the text.

3.5.2 Secondary data
The secondary data was collected from SCA’s website and the internal documents have been received via email by Hillevi Mörtberg. The secondary data from the website used is the Code of Conduct (SCA, 2018) and the annual report from 2017 (SCA, 2017). The internal documents Instructions for risk management and internal control (appendix C) and the self-assessment (appendix D) file was sent to the authors by Mörtberg via email. The documents can be used with care because they include sensitive information.

3.6 Interviews
Interviewing is a qualitative method to collect data (Kvale & Brinkmann, 2014). There are different ways to perform the conversation required for an interview, the
most common are in person, over telephone or on email. A common problem with interviews in person is the scheduling, geographical location, time and resources which can be avoided partially by phone and email, although it limits the value (Lofland & Lofland, 1995). Ahnre and Svensson (2015) believes that interviews on site provide more in-depth information compared to the other methods. Different methods all have their pros and cons and depends also on the research design. There is a certain flexibility between the methods, a thesis usually does not stress one as necessary, but adapts to the needs of the interview (Kvale & Brinkmann, 2014).

### 3.6.1 Semi-structured interviews

The authors wanted the interviews to reveal how the employees interpret Internal controls and International business strategy in relation to each other. There are three different ways to perform interviews; structured, semi-structured and unstructured (Kvale & Brinkmann, 2014). Structured interviews would struggle to answer the thesis’ research question because they are commonly used to collect quantitative data and it would be difficult to decide what is significant and what is not because of the previous lack of knowledge within the subject. The authors did not want the interview to be specific in terms of fibres or wood species for example, they wanted to focus on the research topic. The interviewees possess a more complex understanding of the topic and therefore structured interviews would hinder them from expressing it. Unstructured interviews are not suitable to result in comparable information amongst roles (Alvesson & Torhell, 2011). It would be problematic to compare unstructured interviews because without any guidance the interviews could take any direction. A risk could be that the respondents would give irrelevant information regarding their roles or Internal control, without any connection to the theoretical concepts of the thesis. To get relevant answers for Internal control, the interviewees needed to be led towards the relevant theoretical aspects which you do in semi-structured interviews. The interviews were constructed in a way that the implementation more like a dialogue rather than an interrogation (Ahnre & Svensson, 2013).

An interview guide is a usable tool for semi-structured interviews according to Lofland and Lofland (1995). The interview guide for a semi-structured interview, should only contain the topics or open questions which should be discussed without being too detailed. The reasoning is to stop the interviewer from dictating the interview (Alvesson & Torhell, 2011). Since the research question in the thesis had an exploratory purpose and by conducting the respondents with an interview guide, you got wide but relevant answers and the connection between theories came naturally. Semi-structured interviews were the best fit for the thesis because the authors could guide the interviewees with the relevant topics while still receiving the employees own point of views.

All interviews were conducted either in person or by phone because of the authors access to SCA and their willingness to travel. The first interview was conducted over
telephone before the planned visit in Sundsvall at SCA head quarter. This first interview allowed the authors to get a glance of how the following interviews would look like besides helping the authors to secure that the theoretical framework was mostly correct. Because of the abductive approach, the authors were able to develop their theory further between the first interview and the following ones. There was one more interview via telephone previous to the visit. It made the authors reconstruct the theoretical chapter and assure the interview guide (appendix B) gave the answers needed to answer the research question. The following four interviews took place on the third of May 2018 in Sundsvall at SCA head quarter, where all the respondents work. Four interviews were conducted during this visit, although there were two more interviews planned. These two interviews were conducted over telephone and they turned out to improve the substance of the thesis. This also allowed the empirical data to be.

3.7 Operationalisation

The operationalisation chart is attached in appendix A, which transformed the theoretical definitions into more basic understandable concepts. The interview guide (appendix B) was developed previous to the interviews for the interviewees to access if they wished. The document included key words that were discussed in open-ended questions during the interviews, they wanted the interview to get a natural flow. The authors had the interview guide finished and discussed with their supervisor one week previous to the interviews in order to have a well-prepared document as base for discussion.

3.8 Observations

Bryman (1997) argues observations are understandable ways to complement another data collection method and take the research to the next level, meaning that authors often struggle with identifying their respondents although with observations, you interpret an identity and personality you might lack otherwise. Observations are fundamentally understanding through looking and experiencing behaviours or environments (Spradley, 1980; Bryman, 1997). Observations commonly examine partakers behaviour and environments based on their interests. They are two fundamental ways of performing observations, structured and unstructured. Structured observations require an observations schedule including a table that marks the different perceived behaviours and surrounding details (Spradley, 1980). This was excluded because the authors did not want to enforce to observe any specific behaviours of the employees. It risks missing out on the important observations such as behaviours in informal meetings.

Unstructured observations are according to Corbin and Strauss (2015) observations where you do not use an observation schedule to register different behaviour. The observers can either be passive and observe without trying to interfere also called non-participating observations or try to become a natural part of the observation.
group (Arhne & Svensson, 2015). The observations were performed in order to get an ethnographic insight in the organisation SCA (Spradley, 1980). Ethnographic method means to observe individuals in their normal environment to gain valuable insight in the situation (Arhne & Svensson, 2015). The observations were conducted in an unstructured manner because to not to limit the access of information (Bryman, 1997). Since the authors had no previous experience with the environment nor the employees’ behaviour, an unstructured observation was a viable method. The observations took place continuously during the visit at SCA. The authors observed what seemed relevant to them including business culture, interviews and business environment. The reasoning behind the observations was to complement the interview’s social context. Both formal and informal events were observed to get spot behavioural differences or similarities.

3.9 Selection process

Selection processes are needed for researchers to get relevant information (Turner III, 2010). The selection process in large is divided into probability and non-probability processes (Higginbottom, 2004). A probability process is objective meaning selection is random and can be used for statistical analysis. When doing a qualitative research, the selection process is in majority subjective (Creswell, 2013). Depending on the data collection model, respondents are chosen based on their probable contributions. Non-probability selection processes mean you have intentionally chosen to interview certain people. They are chosen based on their insight in the field, trustworthiness and availability (Bryman, 1997). Purposive sampling is a selection method based on non-probability. In purposive sampling the elements are chosen subjectively to represent the desired categories (Higginbottom, 2004). An example would be interviewing people from different departments to get the full picture of a company.

SCA is the company being sampled for the report due to their size, third largest enterprise in the industry worldwide, the authors found them to be an adequate representation (Blocker, Bromley & Murdoch, 2016). The authors emailed the Coordinator of Internal control Hillevi Mörtberg a list of preferable respondents they believed represented different hierarchical levels, as the purposive sampling method advocates (Turner III, 2010; Alvesson & Thorell, 2011). Throughout the selection process, interviewees were replaced with corresponding representatives based on availability. All respondents had different connections with SCA’s internal control structure as you can see in the model below (Figure 5: Roles participating in the interview process). The interviews mainly focused on respondents with ties to internal control. The respondents had to fulfil the following requirements:

- Be an employee of SCA
- Work at the head quarter in Sundsvall
- Affecting or being affected of Internal control and International business strategy
There were three respondents from various levels of the organisation that were interviewed in person and that was CFO Toby Lawton, Controller Emelie Uppling and Credit controller Elin Runsvik. Five additional was interviewed over the phone due to scheduling issues and illness during the visit, Head of Internal Audit Wladysslaw Pleskacz, Accounts Receivable Harry Raatikainen, Accounting Manager Sourcing and Logistics Anne Hultman, Coordinator of Internal control Hillevi Mörberg and Finance Manager timber Johan Andersson. The authors are convinced that interviews with top, middle and lower level management would result in more substantial information since they all take part in the processes and have different perspectives of the development. The authors also wanted an interview with an internal auditor since they are objective and report directly to the board which would hopefully catch additional point of view. Further, they wanted to interview someone in the top management because of their wide perspective overall SCA group. Middle management was chosen because of their closeness to the processes and wide perspective over their business area. Two interviews were held with employees of the lower level to investigate how they perceive Internal control and International business strategy differently to top managers.

3.10 Validity and reliability
Corbin and Strauss (2015) describes validity and reliability as a measurements tools. Since quantitative methods are most commonly measured, validity and reliability are adjusted accordingly. Subsequently qualitative methods are not simple to validate since they do not rely on statistics. Hammersley (1987) argues if the phenomena is rightfully represented then it is valid. Despite the disagreement, Le Compte and Goetz (1982) divides validity into internal and external.

Internal validity is affected by the ground work of the thesis, to what extent the observations and the ideas align (Le Compte and Goetz 1982). The engagement of
the authors was continuous including regular communication with SCA. The interviews were conducted in person, which further strengthens the internal validity according to Le Compte and Goetz (1982). External validity on the other hand is not as applicable to qualitative as to quantitative methods. A good external validity implies the results can be generalized to other social environments (Le Compte & Goetz, 1982). An example would be testing a theory on two different companies. The authors suggested that the external validity is relatively high due to the lack of research within the area, the thesis can be a ground for future research to stand on.

Reliability can be divided the same way as validity, into internal and external, Le Compte & Goetz (1982) claim. The internal reliability describes to what extent the research team is cohesive in the collection of empirical data meaning researchers plan how to interpret interviews collectively. At SCA head quarter, the authors were both present during the interviews to achieve a high internal reliability by removing the variable of different interpretations. This method allowed the authors to reach a common conclusion and exclude risk of misunderstanding. Silverman (2005) states a higher reliability is achieved when transcribing interviews if all aspects of data are transcribed, which they were to achieve a rich empirical material as a base for analysis. Eisenhardt and Graebner (2007) argues likewise that if the case study includes appendixes with extra information of the case, the study becomes more trustworthy. The secondary data is in appendixes and adds additional reliability to the thesis.

External reliability resembles external validity in the sense that it measures how accurately the results can be generalized (Le Compte & Goetz, 1982). Instead of generalizing the results in other environments, external reliability measures how accurately the research can be re-made during similar circumstances. There are numerous variables affecting the external reliability in the thesis, thus, authors can not ensure that other researchers would obtain the same information or be received or treated similarly which according to Le Compte and Goetz (1982) reduces reliability. Since all organisations develop continuously the results can differ over time. If a thesis on the same topic at SCA will be conducted in five years’ time, the result will probably differ but to what extent is today unknown.

3.11 Ethical considerations

The thesis aimed to be conducted in an ethical manner to protect the involved parties. There are ethical guidelines in business administration which the authors follows. The principles are informed consent, compliance, confidentiality and appropriate usage. Informed consent requires the interviewers to inform the respondents of the process and purpose (Corbin & Strauss, 2015). The authors informed SCA of the thesis’ purpose at start and assured regularly that the report took the right direction to assure company safety. SCA have been informed about the process and agreed to provide supporting information. Compliance from the respondents is a must to include them in the research and still inspire trust (Eisenhardt & Graebner, 2007).
Participation is voluntarily, and respondents are always allowed to stop whenever. Interviewees were informed of their right to decline before the interview. The mentioned information is concluded in the interview guide (appendix B).

Confidentiality and anonymity forces the researchers to keep all personal information obtained private (Corbin & Strauss, 2015). The authors of the thesis gave the choice of being anonymous as well as the option of not recording the interviews. Appropriate usage hinders the information obtained from being used outside its purpose, nor are they allowed to give the respondents wrong information or manipulate their answers. The authors recorded and transcribed the interviews both to simplify work during the thesis but also to assure the employees were correctly presented. They emailed the transcriptions to the respondents for them to approve usage before the empirical chapter was written. The pictures taken were approved before taken and the observations were general unstructured observations.
4 Empirical data

4.1.1 SCA at a glance

Ulf Larsson, current Chief Executive Officer (CEO) of SCA was chosen by the board June 15th 2017 (SCA, 2017). The CEO is responsible for the continuous management of the SCA group in accordance with SCA’s board’s guidelines. The top management consists of CEO, CFO, CEO for respective business area, CEO of Sourcing and Logistics and group managers. Larsson is an educated Forester at Sweden University of Agriculture Sciences and has been employed by SCA since 1992. In the annual report from 2017 (SCA, 2017), Larsson describes the company as the largest private owner of forest in Europe. Their aim is to never reduce the long-term shovelling of forest, the biodiversity should remain the same in the future as it is now. They are worldwide in their operations and exports 85 percent of their products.

SCA’s control structure is described in their annual report (SCA, 2017). The highest authority is the annual meeting of shareholders where errands are treated and the company’s board, its chairman and auditor are elected. The nominating committee, represents the shareholders in the annual meeting and their duty is to prepare, among other things, decisions concerning emolument. The external auditors are also present in the annual meeting to ensure reliability. The second highest authority is the board of directors chosen at the annual meeting of shareholders whose duty is to oversee the daily operations to assert the guidelines and Internal control are effective. The board consists of 15 members of which 9 are chosen at the annual meeting of shareholders. The board also determine the organisation’s strategies and goals. The chairman of the board is appointed to oversee the board and its decisions.

The board has appointed an audit committee who oversees its financial reports, Internal control, Internal Audit and Risk Management. They may also recommend
changes to ensure the report’s reliability. In SCA it is the employee’s responsibility to ensure the internal control is maintained in their specific segment. The Internal control function reviews the control processes and reports their findings to the audit committee. SCA’s CEO’s responsibility is to manage the group in accordance with the boards guidelines.

4.1.2 Who are we?

Head of Internal Audit Władysław Pleskacz expressed his positive attitude towards the Corporate governance structure and mentioned it is one of the reasons he works at SCA. He also believed that the aforementioned structure is a reason for SCA’s positive results globally. Further, he also explained that SCA follows the Swedish Corporate governance code as do all companies listed at Nasdaq, Stockholm. The Charter of Internal Audit was presented, which had been approved by the board to be positioned in the Corporate governance structure. “Corporate governance structure is the best structure you can have with all the independent lines”. – Pleskacz (2018-04-24).

Controller Emelie Uppling claimed that group functions are support functions for every business area. For example, CFO Toby Lawton and his co-workers are the staff function concerning finance. In turn he reports guidelines to all business areas in how they should be run. That is one example of the corporate structure that Pleskacz explained. Further, Hillevi Mörtberg, Coordinator of Internal control mentioned she handles the internal control within all business areas in the company. She communicates the internal control changes and updates to the financial managers at the business areas who is then responsible for implementing potential changes suggested. Johan Andersson, Finance Manager Timber believed there is a great control structure but also mentions that it is complex to project Internal control routines from Sweden to France and England, sometimes processes and routines needs to be at least a little locally adapted.

Anne Hultman, Accounting Manager for Sourcing and Logistics stated she would appreciate a flatter organisation. She believes the forestry has been an industry for a long time and it has been hierarchical. “Historically speaking, the forestry has been far away from flat”. – Hultman (2018-05-03). Elin Runsvik, Credit Controller agreed that the organisation is a bit hierarchical. She does not mean that you have to be afraid to contact people. She believes you can contact anyone, but it still has a hierarchical feeling over it. She also expresses her responsibility in a forestry company, that she has the choice to embrace a less hierarchical organisation. She further compares the forestry to the banking industry, which she believes was less hierarchical. Andersson on the other hand, had the interpretation that the organisation is rather flat. There is a complex organisation specifically on Timber but the hierarchy is not different to SCA in general. The observations on the offices showed a rustic look with many wood-details. It seemed like the building had remained the same with only some small changes over time which emphasizes the traditional
industry. The coffee-room on floor three was modern and designed in the spirit of SCA, with wallpaper of trees and green colours. The various conference rooms were named after different wood species in Swedish. For example, Kotten, Tallen and Granen.

Runsvik explained that the organisation has a high standard on their employees, there is a high awareness amongst them. Their core values, respect, excellence and responsibility permeate the company culture, she highlighted. From the observations made, the authors experienced the culture to be very open in terms of communication, lunch breaks and attitude towards one another. The staff always have breaks at the same time, which means they all gather in the common dining hall to have coffee breaks and lunch. This indicates a friendly business culture where everyone no matter position sits down together in the dining hall. In addition, the employees had a so called open door philosophy which is a nice way to show you are open to have a conversation and you are not doing anything that is questionable. Uppling further described the business culture to have a Swedish approach which she finds surprising for such a large international company. Participation and vertical communication is considered as an organisational Swedish structure, she clarified that you can affect the business as an employee of any level.

SCA has centralised since a couple of years back, Harry Raatikainen, Accounts Receivable, explained. Lawton claimed that coordinating administration between countries is beneficial, centralising is a word that often has a negative cling but when it comes to administrative tasks there is no longer any logic behind everyone having their own administration office. In 99 percent of the time, administration does common processes that everyone has and can do. Through these effects we create efficiency, Lawton claimed. Andersson agreed that the change has been positive, he also described that people might feel first that they are losing control of their “real task” although with time, you see the potential for the company to centralise certain processes. Timber has been one of the business areas that has centralised more, Andersson explained. Over all, in the units there are no more than 1,5-2 accountants on the sawmills and there are not many employees you can take from there he described. “We are in a good loop right now, after the split of the corporation you feel like a more essential part of SCA” - Andersson (2018-05-03). On that note, Lawton stated the business systems are improving, but it is still an area where you are not allowed to take any risks. They have to be maintained and stable, not flexible and service minded. He compared private transactions via Swish and corporate transactions, which he thinks are complicated and inefficient in comparison to private ones.

Furthermore, Andersson explained the importance of transparency towards shareholders. Pleskaez repeated the importance of Internal Audit to protect shareholder assets. Operations needs to be conducted by the same principles worldwide, in line with shareholders’ interests. “It is important to work proactively
and achieve high quality data to communicate, that is our job” - Andersson (2018-05-03).

4.1.3 I can speak to anyone of any level
One observation made was that employees did not seem stressed about being interviewed, they all acted in a natural and calm way, they did not seem to be afraid of saying anything wrong which indicated confidence and support from SCA. Hultman emphasized this and expressed SCA has always had good communication and has been stable over time. She continued by explaining how simple it was to communicate with everyone, you can contact anyone directly because of the open-door philosophy at the office. She expressed satisfaction with this model. Hultman emphasized the need for top management to communicate everyone’s importance and contribution towards the final product. She believes they do it well at SCA, but it could always improve. The observations showed an interest amongst employees to interact with their colleagues and they wanted to do what is best for SCA.

4.1.4 How do we remove threats?
If you go back in time, processes were to be flexible, Andersson described. All individuals were to do as many steps as possible in the value chain to be efficient. Now, with the Internal control glasses on, he stated it is no longer the best option to maximise efficiency without controlling it. He highlighted the importance of risk management and the Four Lines of Defence that regulates it. Pleskacz described his role as the third line of defence. His role is to report to the audit committee consisting of the board of directors. He stated his responsibility is to test the second line of defence, internal controls, and recommend improvements. He also explained the cooperation with the fourth line of defence, external audit. Mörtberg stated Internal control exists to have order in the organisation. She also told internal and external audit, the last two defence lines, helps maintain order. Pleskacz further described the four lines of defence as part of the Corporate governance structure. As mentioned previously, he stated that he works for SCA because of their four lines of defence structure as he believes it is the best Corporate governance structure. “In the ideal world all the functions talk together, they need to cooperate to get the best out of it.” - Pleskacz (2018-04-27). As an Internal Auditor, Pleskacz has no limitations concerning access to international units, he claimed. He requires their support when conducting audits for them to be in accordance with internal audit plans.

4.1.5 With guidelines I can operate responsibly
Mörtberg’s role as Coordinator of Internal control was explained by herself as the central point of Internal control who guides the business areas’ subsidiaries through their financial managers. She also explained the business areas’ responsibilities to identify risks towards them and report them back. Annually the business areas is supposed to identify risks that threatens SCA values, this is called self-assessment and there are documents that need to be filled in from each business area. The self-assessment includes gathering information, analysing it and propose actions on how
to achieve a better level of internal control (appendix D). SCA has also developed instructions for Internal control (appendix C) that includes a model called the year wheel, SCA has developed a plan on how to approach Internal control issues by giving the business areas specific time during the year on how to work with the issue and report back, which is exemplified in the instructions. This document provides the purpose of the document, to what extent they are relevant: business areas, supporting units, as well as how to deal with risk management and control activities in SCA. Roles and responsibilities are also presented.

Pleskacz additionally described Mörtberg’s, responsibilities for the coordination of Internal control. He further argued there is a lot of work to be done in different business areas with Internal control to control the assets. One part of Mörtberg’s work is the annual self-assessment of business areas as mentioned previously. Mörtberg explained SCA does not have specific internal control goals but rather a consistent improvement as a strategic goal. They do compare annual numbers to spot changes. Lawton also discussed how problematic it can be to have different processes in different parts of the company. Every process must be good from an internal control perspective and that is simpler to assert if processes are similar. There are principles in internal control that have become norms according to Lawton. One of them is the four eyes principle and another one is the grandfather principle. To change, for example salary a “grandfather” has to approve it. Hultman explained that the grandfather could be a manager two levels up.

Both Hultman and Mörtberg described the self-assessment process from an Internal control perspective (appendix D). They rank processes as green, where yellow and red means you need some corrective action or complementary process to achieve green rank. Uppling described their mission to estimate all internal control processes to achieve a good standard with these processes. Runsvik whom works as Controller stated they are perfect to use when solving Segregation of Duties issues if a process is not green. Mörtberg is responsible for the compiling of the Internal control from each business area and presents it according to the Internal control instructions (appendix C).

Since Mörtberg works alone as central Internal Control Coordinator the authors wondered how Internal control would develop further, she affirmed there are no plans to hire more people on the task alongside her, but the work to improve the internal control in the business areas will improve. While Mörtberg has a lot of contact with the business areas’ financial managers she also reports their annual compilations and potential deviations to the management. Andersson explained that he always cherishes his co-workers to have a good working methodology and that you have to continuously assess it in combination with the Internal control documents that has been produced for this purpose by SCA.
Uppling thought Internal control is present all the time in everyday business at her department. She stated they are steered by external rules and laws which everyone in her department are accustomed with. She experienced a different level of awareness in the rest of the operations where they needed to work with these questions. “Imagine if you were on a roof without a fence around it, where would you stand the flat roof without fence around it? The whole group would probably stay in the middle, but if you put up a fence, assimilated as frameworks and rules, then the organisation and its people can feel safe moving around the entire area.” - Uppling (03-05-2018)

4.1.6 How do I control uncertainties?

Pleskacz gave an example of Segregation of Duties. If you issue a credit note the credit note has to be pre-approved before it is sent to the customer to avoid the invoice being credited. In that way you do not get any revenue which can be harmful. Furthermore, Mörtberg stated SCA’s largest flaw in Internal controls lies with Segregation of Duties where 25 percent of the control points were yellow, meaning there were some flaw in the process. Mörtberg explained a consequence could be that one person was allowed to do multiple parts of a process. When that was the case they added a complementary function to assert everything was handled according to the guidelines. She wanted to clarify that it is not necessarily a problem for a person to perform multiple actions in one process, but you have to be aware of it. Runsvik explained that her co-workers in her department have the same access to information. She claimed Segregation of Duties cannot be conducted properly since they are only four in her department, they would be exposed to risk if someone was away. The solution to this would be to build it into the system somehow, Runsvik suggested.

Lawton described that centralising operations could be a solution to this because it allows enough Segregation of Duties with common processes. Uppling claimed she is something she currently works with the self-assessment process that Mörtberg implemented. She further explained that every business area assesses their process and make an action plan to improve the internal controls.

Thus, Lawton argued that Segregation of Duties is where SCA lack resources. It is hard to achieve perfect Segregation of Duties in small departments, this is a reason why centralising can be good for Segregation of Duties since more people are available to be part of the process. Runsvik explained the interaction between Internal controls and International business strategy. She thinks it goes hand in hand. “It is incredibly harmful if your Internal control is lacking. If it leaks and the markets hear about it from the media. I believe it is very important and promising if you have a good Internal control”- Runsvik (03-05-2018).

4.1.7 Our future

International business strategy is something that Lawton describes as something the company work with both externally and internally. They have a research and
development team that works strategically, as well as the Energy project that does more scientific research, they see very good potential there. Lawton described his personal international career with experience with the same type of companies for example Vinda and M&A in Hong Kong and England. He argued that this could be one of the reasons behind his knowledge of Internal controls within the forestry, and more specifically in Europe.

Lawton explained that SCA have their own shipping company SCA Sourcing & Logistics, which makes it very beneficial to ship products. They are one of Sweden’s largest shipping companies and have terminals in Sundsvall, Umeå, Kiel, Rotterdam and London amongst others, Lawton claimed. Raatikainen mentioned the contact with SCA’s international subsidiaries as almost a daily basis communication since they are positioned on the head quarter in Sundsvall. Runsvik stated that the subsidiaries influence them as well as the other way around. She sees that as something beneficial, since in some countries there have more and in some less controls, which forces SCA to adapt and change continuously. She further mentioned the subsidiaries as a good co-working part.

Raatikainen further explained that the company is currently shutting down a sales company in Portugal in order to centralise further within the organisation. The operations were moved to Germany. Andersson explained that his business area Timber feels like their own group and that is one reason for why they have a Finance Manager role placed central in Sundsvall. This is another effect of the centralising from Portugal to Germany as Raatikainen affirmed. Timber has sawmills along the Norrland’s coast, two planing facilities in France and three facilities in England. He further explained it is of extreme importance to coordinate and conclude the results in a big organisation like SCA. Andersson further emphasizes that SCA have more project that engages people in general, and that they work in the same way both at the head quarter in Sundsvall as in England. There are a lot of activities that makes the whole business culture more harmonised internationally.

SCA group splitted Essity and SCA into two companies during 2017 (SCA, 2017). The company’s international strategy has according to Runsvik changed a bit in the last two years when the credit center received more business areas to handle. Andersson explained the internal control matrix (appendix C) that SCA has adapted since the split, he believes it is a good tool to illustrate all essential parts. He explained that it is a new model that was made in collaboration with PWC a year ago and that it works very well. Further he describes the business system that includes many of the business processes and since the system is developing you need to adapt accordingly. The self-assessment is not bringing up any “quick-fix” processes, it is a great amount of work that needs to be done in order to improve it, Andersson explained.
Lawton further explains the development within forestry, he thinks it is an interesting and exciting increase. The new products with fossil fuels and renewable energy have arrived on the market it seems like every 50 year the product areas change. Over many years, the forest has been an asset that does not disappear if you handle it correctly. Overall, the most product areas have a good demand curve and the price levels are good. One driving factor is that the world economy is going well, Lawton claimed. The growth in Europe, The US and Asia is going well, and it is rare that all three economies have a stable growth at the same time.

According to Lawton, SCA have companies in for example France and the UK and sales companies in countries such as Germany, Italy and Hong Kong. He further argued that they sell a lot internationally because of the sales companies. They are mainly big on the international market in Europe, but they also sell a good amount to North Africa and Russia as well. Runsvik also expressed her feeling of SCA’s international position. She stated that they have customers in every corner of the world. Although two thirds of the customers are in Europe. Lawton claimed that they want to continue to develop SCA and expand although they still want to be close to the forest. He further defined that they will not invest in anything that is not connected to their value chain and their forest. If they would, he claimed they will no longer have a competitive advantage. They would not build a factory in the US or in Asia where they do not have access to the forest in the same way.

SCA is currently having several business systems according to Raatikainen. Lawton agreed with that opinion and described the need for a new business system. Since the resources needed for one system are so many, one system for the whole organisation would be beneficial. He stated that it is a simple equation. Pleskacz explained that you have to look at SCA as one thing, each country that SCA operates in has to follow the same rules, there are no exceptions.

“*There is definitely a connection in that if you have a well-structured internal control you probably have a strategic plan as well.*” - Lawton (2017-05-03).

Lawton further claimed that strategy is a hygiene factor they must have, they have to protect the organisation from fraud and attacks. This is the basics, it is almost a core value somehow. Runsvik continued on the core values of the company and she believes that the company visions and goals are always with the employees. She believed it was included in their controls. Further she explained the goals within her department, that they have various goals personally in the group. Runsvik would also prefer a common group vision to strive for. She would like to establish a goal, set for a period of time for the group to strive for. “*I want to have a concrete goal where I feel: Yes! Finally I did it!*” – Runsvik (2018-05-03). An example that Runsvik gave the authors was that she would like to create Credit Management days with workshops to spread knowledge that could lead to quality and efficiency.
Andersson further explained the management of his business area. Their work includes a lot of routines, functions that need to be set by the management that he is a part of. The management set strategies for how they should keep progressing in the business area. He mentioned a document that was set by the management of Timber, and since he is a part of management he is also partly an owner of that document. It includes processes of how they should work sustainably and strategically. He also mentioned the SCA group as a common organisation that sets general goals for all business areas to follow. CFO Lawton highlighted the general strategic goals for SCA group as following; “Our goal and vision are to be able to improve our company and the forestry as well as contributing to the circular economy.” – Lawton (2018-05-03).

4.1.8 Do I behave as expected?
Mörtberg explained SCA’s does not follow the COSO framework but there are similarities in theirs. They had an auditor review their own Internal control matrices to assure they were appropriate. Mörtberg was asked about the connection between internal control and risk management. While she is Coordinator of Internal Control she is present in discussions concerning risk management. She clarified she is not responsible for SCA’s risk management, but they are present in the same document and the connection between internal control and risk management is according to Mörtberg’s opinion good.

When the authors asked about access employees, Raatikainen informed there are routines for new employees to receive access to certain operations. He believed it is clear for new employees because they know their function and what access they need to have in order to perform tasks. He also mentioned they had auditors review their activities to ensure they were compliant. This is also brought up by Uppling who stated she remembered the core values from the company’s Code of Conduct that she signed when employed. She agreed that the Code of Conduct is a way to entrench behaviour you would like in the organisation. Lawton declared you agree to follow the Code of Conduct when you are hired at SCA. The Code of Conduct (SCA, 2018) emphasizes the staff’s expected behaviour and practical actions. It applies to all operations within SCA group. The basics components of the Code of Conduct are business ethics, health and safety, respects towards co-workers, human rights, environmental considerations and Corporate Social Responsibility.
5 Analysis and discussion

After the recent split of Essity and SCA in 2017, employees pronounced that they feel more appreciated and the split has had a positive effect on the organisation (Runsvik). Andersson agreed and stated that there are many projects going on which contribute to people feeling engaged in their work. The Principal agent theory argues that employees who feel unappreciated are prone to abuse their position in a company for their own gain (Jensen & Meckling, 1976). The employees are carefully chosen, some of them have worked within the company for many years and climbed within the organisation and some of them are relatively new. They all have a genuine interest for the company and its development. This is confirmed by the observation of the business culture. Appreciated staff are less likely to abuse their position. The Principal agent theory states that it is not possible to own someone else’s thoughts and you can never really forecast what other individuals bear in mind (Arwinge, 2016). The employee’s involvement in processes and projects, for example through the use of self-assessment tool, resembles a structural safeguard that have been implemented to secure that employees feel appreciated and act in the company’s interest instead of their own. The tool called self-assessment (appendix D) that Uppling presented during the visit in Sundsvall is a document that includes tasks that needed to be completed by each business area, their purpose is to improve Internal control and the separation of roles – Segregation of Duties. This is a clear example of a structural safeguard as Simons (2014) describes them. The self-assessment allows everyone to discover their own flaws rather than someone else. The Principal agent theory additionally confirm that principals and agents not always have the same interest (Arwinge, 2016). Staff of SCA however, seem to have goals that align with the company’s which makes the “agents” act in the interest of the “principals”. This is the ultimate starting point for companies, by having employees involved in the processes they actively make them a more defined part of SCA and they are convinced that everyone’s role is equally important (Runsvik).

SCA’s management of all levels have clear goals, that can be seen from all parts of the group, both from interviews and observations. Corporate goals need to be transformed into personal goals, Runsvik indicated. She has personal goals set together with her closest manager and believes it works well although she would like to have common group goals as well. Simons (2014) argues that inspirational leaders make employees want to contribute to their vision. There is an obvious connection between corporate goals and personal goals in SCA. When having goals that are achievable you are more likely to work towards them. It was clear that Runsvik is an individual driven by high ambitions and it seems like SCA’s top management could improve somewhat even though they are currently working with it in the business culture.
A Corporate governance decision was made when SCA changed the company language to Swedish (Uppling). Uppling emphasised her surprise over the presence of what she called Swedish business culture in a large international group like SCA. Lawton agreed with this and stated Swedish loyalty amongst employees is one trait that influences the entire organisation. Arwinge, Olvesson and Magnusson claim (2017) the Corporate governance set goals on how the organisation will be run. In turn they will be passed down the hierarchy and processes will be altered to align. The decision to have a more Swedish approach in language and culture is a strategic decision by the governance that enriches SCA’s company culture and constructs a local culture even though they are international in their operations. This is proven to be a functioning strategy in the field of Corporate Strategy that involves strategic decisions (Bengtsson & Skärvad, 2011). The Swedish approach is also proven to be implemented from a Corporate governance level and executed in the lower level (Uppling; Raatikainen).

Another distinction for SCA’s Corporate governance is that they are operating in an industry with traditional structures according to Runsvik and Hultman. Runsvik compared the forestry with her previous job within the financial industry where she thought the structure was less hierarchical, while Lawton and Andersson thought the organisation was relatively flat. The employees have different views on the hierarchy depending on which positions they held. Jensen and Meckling (1976) argues that principals and agents can have different perspectives. Respondents who thought the hierarchy could be less hierarchical were the respondents from either lower or middle level management. Top management on the other hand, were under the impression it was relatively flat. As a part of top management, you see the organisation from a helicopter perspective and are working hard to achieve the corporate goals. Whereas on the lower level you see the top management from the lower end. From the observations you can conclude that the business culture in forestry is changing. Observations noticed all employees have breaks at the same time, have an open-door philosophy and anyone can contact anyone, which is distinctive for a flatter organisation. The hierarchical structure is changing along with the culture, although in small steps.

Pleskacz stated he would not work in the company if the Corporate Structure or Four Lines of Defence did not exist. Andersson described the Four Lines of Defence further and means efficiency has changed over time and gone from having effectiveness in focus, to having controls assure it is done right as well. Mörtberg explained internal control’s purpose is to achieve order and remedy in the organisation. Since years back, they have an internal control matrix to support their second line of defence (appendix C). Even if your employees are trustworthy you cannot rely on faith but need a control structure for your organisation. In theory, The Four lines of defence is about finding problems before they get too great (Arwinge, 2016). It is easy to assume internal control works sufficiently if you have no interpretation of it. Since the respondents had some connection to Internal controls
and Four Lines of Defence they all had knowledge about it. Runsvik, explained her department was occasionally used as support function to solve Segregation of Duties issues without having any previous Internal control experience. This points towards the different departments being closer related to the Four Lines of Defence. SCA maximises job roles for efficiency by delegating tasks in processes across departments. The four lines of defence can be a security for employees to know they are not working with criminals. This motivates employees to avoid any wrongdoing themselves, in fact control is needed for employees to feel safe, Lawton expressed.

The numbers from SCA’s annual report (SCA, 2017) showed an increase in sales and SCA’s stocks have risen in value which point towards another interest group being pleased, the shareholders. For shareholders to be satisfied the four lines of defence are needed and according to Pleskacz, they are the best corporate structure. He further highlighted transparency towards shareholders is fundamental. Haun (1955) agrees and claims it is necessary for investors to monitor their investments. As the business is advancing, the adapted corporate structure seems to please investors and employees. The structural reforms therefore seem to have had a positive effect on SCA. The structure is important to discover and avoid flaws in the group’s processes. The objective third and fourth lines of defence are present to examining the records and operations, to ensure reliability in the financial statements (Moeller, 2014). As the last two lines are present, they keep the second line of defence (internal control) from otherwise being too subjective. Definitions of internal control emphasises its goals to achieve the organisation’s (Arwinge, 2016). By having partly internal auditors and external auditors, their suggestions and opinions result in a joint direction which secures shareholders’ interests. Internal parts know the organisation whilst external parts assure rules and regulations are followed. The numbers shown in the annual report shows investors are satisfied, they want to invest, and by having support from investors the organisation is allowed to grow. The growth helps organisations put resources on developing internal functions.

Internal controls have been improved recently according to Runsvik and Lawton. Mörtberg’s role as Coordinator of Internal control was, before she inherited the position, located in Stockholm and included Essity as well. Now when the role is located in Sundsvall it is closer to business areas and can therefore communicate easier (Mörtberg). It simplifies the solving of uncertainties and the business areas are more willing to do the self-assessments, Mörtberg explained. Simons (2014) argues communication in large companies should be formalised for everyone to be involved. On the contrary, in smaller companies’ communication is often informal. The split has improved SCA’s communication channels, which Mörtberg indicated. This suggests employees feel closer and more personally related to the Internal control, which is positive from both a principal-agent point of view and the Four Lines of Defence perspective. In addition, the framework COSO advocates that communication and information improves the internal control processes (COSO, 2013; Moeller, 2014; Pfister, 2009). As employees do not always report the correct
information, also called adverse selection, it emphasises the importance of reliable information lines (Arwinge, Olvesson & Magusson, 2017). Previously when SCA had the different functions on site at subsidiaries, the risk for adverse selection between units was possibly greater. This was because the opportunity to choose between acting in the company’s interest or self-interest. With a more centralised structure the control functions are more efficient. By controlling this, the risk for adverse selection is minimised and assured internal strength is the outcome.

A strong internal organisation will affect SCA’s external position on the international market, Runsvik claims. The international business strategy is involved in multiple layers of the organisation. An example SCA struggles with is having multiple business systems in use according to Raatikainen. They are currently in the process of replacing systems. By improving this and get one common system it will be easier to cooperate between the business areas, which is necessary to be international (Lawton). The connection between internal controls and international business strategy is clear according to Simons (2014) and he explains the steps in between. It is clear that the organisation is attempting to centralise the business system to improve efficiency of processes and become more competitive externally. SCA can be directly compared to Simons model (2014) since they have both structural safeguards in form of segregation of duties where they use staff to assess each other and they have different levels of authorisation in their hierarchical structure. Internal audit which is the third line of defence can also be interpreted as a structural safeguard. Further, in the systems safeguards there is a strong connection between the company’s financial data: accounting for example, databases can be implemented into the ones they have today, and management reports are given on a regular basis. Lastly, the staff safeguards include trained accountants which SCA choose very carefully, job rotation is done when they are internally recruiting as well as get appointed in new tasks. SCA delegates adequate resources more clearly after the split with Essity.

SCA has been working with their own internal control models to strengthen the second line of defence, Mörtberg claimed. SCA’s internal control wants their business areas to have similar processes to allow for the implementation of similar internal control protocols across business areas which falls in line with COSO’s recommendations. As COSO is a framework used globally it can be used as a standard to compare your current processes with (COSO, 2013). When comparing SCA risk matrix to COSO’s framework, there are similarities. COSO’s Control environment explains the foundation their activities lay on. An example from SCA is their Code of conduct which all staff must sign when employed (SCA, 2018). COSO emphasises the importance of control activities, which can be compared to SCA’s internal control matrix (appendix C) and self-assessment (appendix D). Information and communication is another definition in the COSO model and SCA manage to maintain formal communication lines, while still having an open communication with the open-door philosophy and the common coffee breaks.
The employees also affirmed there is no struggle with contacting anyone of any level. Lastly, COSO underline the monitoring activities to guarantee the functionality of the components, this is done through separate evaluation processes – similar to SCA’s annual self-assessments (appendix D). Four out of the five levels of internal control activities by COSO (2013) are similar to SCA’s own internal control structure. It means that even though SCA might not be aware of it, there are several resemblances to COSO. Practically, it is likely to be a common structure for internal controls and seems to be working well. A possible development for SCA could be the risk assessment where they lack certain parts, such as fraud risk. This could be something they have not communicated towards external parts, which they should according to COSO.

Andersson gives you the impression of subsidiaries being more involved in processes at the head quarter than before when they handled more of the processes themselves on site and reported back. As SCA moved operations to Sundsvall headquarter in their centralisation process they allowed for the subsidiaries to develop further in the roles they still maintain, which are sales mostly. SCA is primarily an export company, exporting over 85 percent of their products in 2017. To see a company so dependent on export, localising processes is intriguing. Simons (2014) argues that if a company’s resources are properly managed, they will result in innovation that boosts the strategy of the company. The centralisation can be seen as a re-allocation of resources to improve their International business strategy. Bengtsson and Skäravad (2011) states that an international business strategy’s purpose is to help the organisation with four aims: become unique, gain competitive advantage, create value and improve allocation of resources. The centralisation of SCA mentioned by Lawton has enhanced their uniqueness in terms of change and improvement of the Swedish business language and culture respectively, they have gained competitive advantage through being close to their product – the forest, which is also where they create the value and finally the re-allocation of resources has improved their international business strategy. These actions may sound counterproductive for a company with 85 percent exports but there may be an explanation. SCA’s product is sustainable but finite, meaning they can sustain their annual sales but they can not produce substantially more wood on the spot if customers demanded it. A consequence could be that SCA do not rely on acquiring new customers in the same scale as markets with infinite supply.

Runsvik expressed that every strategic level is equally important. Katsioloudes (2002) explains every level’s strategic responsibilities; corporate level shapes the company mission, the business level sets strategies related to the mission and lastly the functional level implements the strategies. There is a clear resemblance between these strategic levels and SCA’s strategic levels. The top management set the mission, the middle management set the strategies for their business areas and lastly the employees of every department; lower level management implement and executes the aforementioned strategies, sometimes unconsciously. Raatikainen was a
clear example of a lower level employee who had very practical tasks that were
directed from the board to fulfil an even larger purpose and strategy than “just
writing checks”. It can be problematic to have one person setting the strategies and
another executing them, sometimes their thoughts do not align as the Principal
agent theory argues (Rapp, 1999; Jensen & Meckling, 1976). A suggestion could be
to involve the staff through a workshop or similar to make everyone feel as if they
were a part of the development of the strategy, this will build the bridge in between
the company’s international goals and the individual’s need for personal fulfilment.

Lawton described SCA’s vision to maintain their closeness to the forest because that
is where they have their competitive advantage. Gorman (2012) further strengthen
Lawton’s argument by claiming what makes a business special is what makes it
successful. In addition, Bengtsson and Skärvad (2011) explain the combination of
products and markets as a way to outline a suitable strategy. Since the products of
SCA are close to Sundsvall, they can define a suitable strategy for their defined
market. This indicates SCA’s strategy is to stay close to the forest even though they
still want to develop internationally. One proven example is the strengthened internal
control. The split has laid more focus on SCA itself and the engagement of their
employees in these processes. The centralisation of tasks mentioned previously also
strengthens this argument. Bengtsson & Skärvad (2011) claims that by steering
capital towards areas where there is high profitability, you win market shares. SCA’s
capital is steered towards Sundsvall, this is a decision made to gain competitive
advantage within forestry, as the strategic environment matrix explains (Bengtsson &
Skärvad, 2011; Kay, 2006). Lawton explained the industry of forestry as traditional
but exciting. There are four types of competitive environments where the strategic
method is one of them, this is characterised as where you as a company locate a
niche and position yourself in carefully chosen segments (Kay, 2006). This can be
analysed to the forestry which is a very distinctive niche, and SCA’s position in their
chosen segments, the European business segments.

Decentralisation has been a trend among companies, which makes people afraid of
doing the opposite and centralise, according to Lawton. SCA’s strategic choice to
centralise their administrative operations after the split, appears to be a new tactic to
direct the majority of internal processes from the same geographic spot. SCA wanted
to go from having administrative tasks spread out in different business areas globally
to one department focusing on the administrative tasks for the whole SCA group.
Mörtberg was one of the employees who thought the organisation felt bigger before.
After the split, she feels that staff can put more focus on their individual roles. To
have a successful internal control a stable hierarchy is required, that could be easier
to achieve in a centralised organisation because everyone is reminded of their roles
daily. As Ansoff (1985) claims companies must develop and grow to survive on the
international market there are different ways of growing. In addition, Mintzberg
(2000) argues that planning processes needs to be centralised in a company. SCA is
restructuring their international subsidiaries to have fewer hubs while their revenue is
larger, which can be interpreted as a strategic choice to centralise administrative or planning tasks as Mintzberg defines it, whilst they are still decentralising in terms of sales. The centralisation has led to a better internal control since employees have been able to adapt to segregation of duties and allowed different departments to help each other. It has allowed SCA to use their resources on a well-structured internal control which benefits their international position because the costs are lower with centralising and they have more to win in terms of maximising job roles such as sales for example.

Lawton described SCA’s work with International business strategy both internally and externally. They have a research and development team that is one example of future thinking. Strategy requires thinking ahead of time as well as adaptation to changes along the way (Mintzberg, 2000). It transfers over time and becomes a mixture between intended and deliberated strategy affected by emergent strategy, together forming the realized strategy. SCA has a clear strategy decided by the board and top management, operating on the governance level. This is the intended strategy that is formulated in internal meetings where the main strategy is discussed, how do they want to move forward on a corporate level. Deliberated strategy in SCA could be a strategic choice they made more practically such as splitting SCA and Essity. The emerging strategy is the surrounding environment that constantly affects the strategy, such as resources, environment and competitors. All of this results in SCA’s realised strategy, which currently seems to be improving internal structure and centralisation of functions in order to internationalise.
6 Conclusion

From the analysis it can be concluded that if you as a corporation are willing to invest in your internal control, it will affect your international business strategy positively. Two concepts who have not been discussed before in relation to each other, are now less divided. The previous research focus in forestry has been on environmental aspects according to Cline (1992), it can now be complemented with a business functionality aspect. The effects of a successful or a lacking Internal control are not to be underestimated. The answer to the research question; How do Internal control and International business strategy interact in forestry? that has been underlying to a lot of previous problems, have now been solved in the thesis.

The case discussed had a surprising outcome in the analysis, it showed a key factor was the decision to centralise administrative tasks to streamline standard processes. They removed redundant tasks, so the subsidiaries could focus on improving their primary activities, mainly international sales. Internal control coordination was one of those redundant tasks which has been centralised. To improve the internal control, Segregation of Duties was a focus which was improved thanks to the centralisation of departments. To have a successful segregation of duties, you must have the ability to split a process which is a positive consequence of centralising.

Another finding resolved was the involvement of employees in internal control processes, such as self-assessments. By involving employees, they feel like they can affect decisions they are involved in. The strategic decision to involved employees, also emphasised that a stable internal control will lead to an internally strong corporation. A strong corporation has control and can focus on developing on new markets instead of dealing with internal problems. By playing Devil’s Advocate with internal control as a tool, risks can be detected where they would otherwise have stayed hidden, and appropriate counter measures can be implemented. Since internal control actions can be feel meaningless, involving employees in these processes possibly makes them feel less bothersome.

After all, forestry is Sweden’s largest net export industry and internationally known for its quality (Government Offices of Sweden, 2015). The case studied, achieved competitive advantage through its closeness to their value chain – the forest. The information that can be extracted is the need to internationalise sales to reach new customers and show presence abroad, but other operations and manufacturing do not necessarily have to be spread out. Some areas do not benefit from the same strategy and should rather centralise to achieve a good internal control, who’s aim is after all to achieve the group’s visions and goals. With that said, of course international business strategy and internal control can be improved simultaneously but it needs standardised processes.

The research question can be resembled to the saying “which came first, the chicken or the egg?” because of the interaction between internal control and international
business strategy. They interact in following ways; Segregation of Duties is important for companies to assure their employees are acting in their interest. Processes handled by several people are more likely to be correct. Also, international business strategy needs to be transformed into personal goals for staff to understand and act in accordance with. This brings the importance of a strong business culture with employees who enjoy their workplace and team spirit seems to have a strong impact on it. Above all, the solution to the research question is centralisation because of its ability to handle the above-mentioned claims. Centralisation affected every aspect directly or indirectly. It directly localised processes and improved their efficiency while indirectly affecting international business strategy by specialising its subsidiaries and improving internal control. In conclusion, neither the hen or the egg came first, somehow, they developed side by side.

6.1 Theoretical implications
The existing research gap is lessened with the thesis due to its findings relating to the interaction of the terms. The terms internal control and international business strategy discussed in the thesis encourages future research to find relations between previously unconnected theories. The conceptual framework presented in the thesis shows a relation between six theories who lead to the answer of the research question. In theory they are not related, although this research makes the connection. The thesis has proven there is a possibility to minimise the research gap that exists. The research has also proven there are more research gaps that can be found and filled, for example the connection between different economic fields as Corporate governance, strategic management and international business strategy.

6.2 Practical implications
International forestry companies can benefit from the thesis and apply the practical implications that it covers. The financial scandals internationally and nationally are representative for companies gone wrong. Forestry companies can take advantage of the research since it is very niched. The conclusion of the thesis encourages investigating what indirect effects changes in companies’ strategies could have. They can also explore if centralising specific functions would benefit their strategy and development. As forestry is Sweden’s largest net export industry, it is in everyone’s best interest that it maintains the professional level expected of the industry. Sweden is characterised by its iconic forest and the sustainable industry helps preserve the image.

6.3 Limitations
The authors chose to work with a single case study and wanted to go in depth instead of choosing the alternate path of comparing cases. While this opened up for an in-depth research, it also limited the generalising ability. Despite the fact the results can not be generalised over industries, they can still adapt the results to a certain extent. The qualitative method used could have been replaced with a quantitative, however it
would require a different research question appropriate to the new choice of method. The thesis relied on contact with the forestry company SCA based in Sweden, which reduced the cultural misunderstandings and distance which allowed for face to face interviews. The pros were the established communication and available information, which encouraged the starting point of the thesis. The cons on the other hand were the limited interpretations since all the respondents worked at the same company. The number of respondents exceeded the expectations, although with more time the research could have been even more comprehensive. The respondents were scattered across business areas, which enriched the thesis. Although the spread could have been more extreme on either higher or the lower end of the hierarchy to single out the ethnographic study even further. The theoretical concept of internal control is dominated by the COSO framework which is systematically interpreted as a theory across literature, but is a conceptual framework developed by an organisation in the field. While the COSO framework offers value, it also adds the practical relevance to the thesis.

6.4 Suggestions for further research

Internal controls interaction with International business strategy has been an interesting topic of research. Although new questions have risen to the authors subsequently. Further research could further fill the discussed research gap. One advice for further research would be to develop the thesis’ conceptual model where the International business strategy side lacks the depth present on the side of internal control. Another topic could be how internationalisation is related to centralisation, when is it no longer profitable to expand internationally. Additionally, comparing companies in forestry regarding internal control and international business strategy is a topic that would give a more general result.
References

Respondents


3. Lawton, Toby. CFO at SCA group. Face to face interview, Sundsvall. 2018-05-03.


Books


Articles


**Internet**


Appendixes
Appendix A – Operationalisation
Appendix B – Interview guide
Appendix C – Instruktion för riskhantering och internkontroll
Appendix D – Self-assessment template
Appendix E – Pictures from visit at SCA head quarter
## Appendix A

### Operationalisation

<table>
<thead>
<tr>
<th>Theoretical concepts</th>
<th>Key words</th>
<th>Reasoning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Governance</td>
<td>Job role, career, improvements, communication, influences</td>
<td>In order to get a picture of the company's business internally the authors asked about their job role and career for them to introduce themselves and background with SCA. How companies are managed, monitored and held accountable is defined as Corporate governance and by asking about their role and their history in the company would hopefully give an insight.</td>
</tr>
<tr>
<td>Principal-agent theory</td>
<td>Superiors, subordinates, improvements, communication</td>
<td>Questions about the employees thoughts about their management team (superiors and subordinates) would be the ground for to stand on later in the interview. In addition, questions about improvements in the organisation communication was asked.</td>
</tr>
<tr>
<td>Four Lines of Defence</td>
<td>Frameworks, difficulties</td>
<td>Four lines of defence is a model to minimize risk and the authors asked them what they did to reduce risks in their departments, if they had frameworks or other guidelines to follow in order to overcome the difficulties that were also questioned.</td>
</tr>
<tr>
<td>Second line of defence - internal control</td>
<td>Difficulties, Development, Segregation of Duties, Energy (their project)</td>
<td>The authors wanted the employees to tell them about their interpretation of internal control in the company, how they worked with difficulties and development. Further they also discussed segregation of duties, asked if they had any certain processes when handling a business transaction. They wanted to ask the employees if they could see any relation between segregation of duties/internal control and international business strategy, in addition they also mentioned the project Energy.</td>
</tr>
<tr>
<td>Frameworks: COSO</td>
<td>Frameworks, Code of Conduct, COSO</td>
<td>Frameworks or guidelines are usually guidelines for companies to work after. The authors mentioned documents such as Code of Conduct, COSO and adjusted the question to the role since it might vary depending.</td>
</tr>
<tr>
<td>International Business Strategy</td>
<td>Goals, Visions, Strategic work, Contact with subsidiaries</td>
<td>The authors started by asking if the employees knew about goals and visions that SCA have. Further, if they work strategically in their departments, if they have contact with international subsidiaries and if the various business areas worldwide influences each other.</td>
</tr>
</tbody>
</table>
Appendix B

Interview guide SCA

Inform the respondents about
- Anonymous – yes or no
- Transcription of the interview to the interviewee
- Is it okay to record the interview – yes or no
- The interviewee is allowed to skip questions or finish the interview whenever they want to
- We are students studying International Business and therefore this research topic

Personally
Tell us about
- Your role in the company
- Your career at SCA
- Age

International business strategy
SCA has goals and vision, tell us about these…
- Strategic work
- Contact with subsidiaries
- Influences
- Internal controls effect on international business strategy

Internal control
How do you work with it?
- Difficulties
- Development
- Code of conduct
- Segregation of duties
- Frameworks
- Energy

Principal agent theory
What motivates you in the company?
- Superiors and subordinates
- Improvements
- Communication
Instruktion för riskhantering och internkontroll

Innehåll

1. ____________________________________________ Syfte 62

2. ____________________________________________ Omfattning 62

3. ____________________________________________ Instruktionens innehåll 62

3.1 ____________________________________________ Riskbedömning 62

3.2 ____________________________________________ Kontrollaktiviteter 63

3.3 ____________________________________________ Utvärdering och rapportering 64

4. ____________________________________________ Roller och ansvar 64

5. ____________________________________________ Övriga dokument 64
1. Syfte
Syftet med denna instruktion är att styra hur SCA ska arbeta med riskhantering och internkontroll. Ett gemensamt synsätt och ett gemensamt språk gällande riskhantering och internkontroll ger bra förutsättningar för en effektiv internkontroll.

2. Omfattning
Instruktionen gäller för samtliga verksamheter (affärsområden, stödjande enheter, staber) inom SCA-koncernen. I delägda verksamheter ska SCAs representanter verka för efterlevnad av denna instruktion.

3. Instruktionens innehåll
Instruktion för riskhantering och internkontroll är ett övergripande dokument som berör följande områden:
- Riskbedömning
- Kontrollaktiviteter
- Utvärdering och rapportering

![Diagram](image)

Figur 1. Riskhantering och internkontroll

3.1 Riskbedömning
SCA ska på årlig basis, inom affärsplaneringsprocessen, utföra en samlad riskbedömning där SCA identifierar och bedömer risker som hotar SCAs måluppfyllelse.

SCA definierar risk som ”En framtida möjlig händelse som hotar organisationens förmåga att uppnå sina mål”.

Riskbedömningen ska utföras på lämpligt sätt med SCAs ledningsgrupp där risker identifieras och värderas och där olika typer av risker ingår, såsom strategiska risker, operativa risker, efterlevnadsrisker och finansiella risker.

De identifierade riskerna bedöms baserat på följande två kriterier:
1. Påverkan på resultat, medarbetare och förtroende. Skalan har ett intervall från "liten påverkan" till "mycket stor påverkan".

2. Sannolikheten att risken kommer att inträffa inom planeringsperioden. Skalan har ett intervall från "nästan omöjligt" till "mycket hög sannolikhet".

Riskerna dokumenteras i en riskmatris (se nedan) och förklaras mer ingående i det tillhörande riskregistret. Resultatet presenteras som en del i verksamhetens övergripande affärsplan. Presentationen med riskmatrisen arkiveras på OSMTs sharepoint.

Den övergripande riskanalysen ska årligen presenteras för styrelsen. Signifikanta förändringar i riskläget eller större riskexponeringar ska rapporteras till styrelsen omedelbart.

3.2 Kontrollaktiviteter

I syfte att säkerställa en miniminivå på internkontroll, har bolaget fastställt ett antal kontrollaktiviteter (riskbegränsande åtgärder). Dessa kontrollaktiviteter fungerar som utgångspunkt för vilken miniminivå av kontroll som måste vara etablerad och fungera i SCAs övergripande processer (moderbolag och dotterbolag).

För respektive process ska det finnas en förteckning (kontrollmatris) över identifierade risker och de kontrollaktiviteter som måste vara etablerade för att motverka riskerna samt en beskrivning av hur kontrolleraktiviteternas effektivitet följs upp genom självutvärderingar.
3.3 Utvärdering och rapportering


4. Roller och ansvar

Ekonomi- och finansdirektören äger denna instruktion.

5. Övriga dokument

- Riskhantering och internkontrollpolicy
- Instruktion för rapportering av risker och riskhantering
- Kontrollmatris
### Appendix D

#### Bokslut

<table>
<thead>
<tr>
<th>Kontrollnummer</th>
<th>Kontrollnamn</th>
<th>Risk</th>
<th>Kontrollbeskrivning</th>
<th>Grupp/lokal</th>
<th>Kontrollägar</th>
<th>Frekvens</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Godkännande av ändring/nyupplägg av konto i huvudboken</td>
<td>Risk att ej godkänna förändringar av konto i huvudboken kan leda till fel i fondhållning i finansiell rapportering</td>
<td>En ansökan om förändring av konto i huvudboken ska göras skriftligt. Ansökan granskas och godkänns av ansvarig person på ekonomiavdelningens.</td>
<td>Lokal</td>
<td>Ekonomi-avdelningen</td>
<td>Lösande</td>
</tr>
</tbody>
</table>

#### Finansiella räkenskaper

<table>
<thead>
<tr>
<th>(F)örebyggande/ (U)pptäckande</th>
<th>(M)anuell/ (A)utomatisk</th>
<th>Stödande dokument</th>
<th>A</th>
<th>C</th>
<th>CO</th>
<th>E/O</th>
</tr>
</thead>
<tbody>
<tr>
<td>F</td>
<td>M</td>
<td>Godkänd ansökan för ändring av konto i huvudboken.</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>

#### Självutvärdering

<table>
<thead>
<tr>
<th>P&amp;D</th>
<th>R&amp;O</th>
<th>V</th>
<th>Design effektiv</th>
<th>Operationellt effektiv</th>
<th>Övergripande resultat</th>
<th>Åtgärd och kommentarer</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

65