Does Culture matter?

- A study of how two Swedish transnational corporations use their cultural heritage when setting up reward systems for a global environment.

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Abstract

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Title: Does Culture matter? A study of how two Swedish transnational corporations uses their cultural heritage in setting up reward systems in a global environment.

Background and problem area: Researchers agree on the fact that culture differs among countries. In a globalized economy companies need to consider how to handle these differences when designing their control systems. With this as background our aim is to answer the following key questions; in what way do differences in national culture matter when two Swedish companies setting up their reward system and does their Swedish cultural heritage pervades its structure?

Purpose: The purpose of this thesis is to analyze and, with a descriptive approach, deepen the understanding of how differences in national cultures affect Swedish companies in a global environment.

Delimitations: This thesis is limited to three fields of studies; Swedish management, culture and formal reward systems. A case study of FlexLink and Gunnebo is presented. The intent is not to see the two transnational corporations as full-fledged representatives for Swedish management culture, but instead just as two case studies and how these transnational corporations cope and take notice of culture when expanding abroad. The thesis is also focused on employees on a global management level, which includes those with profit responsibility.

Methodology: This study is of a qualitative, descriptive kind where empirical findings and theory is being compared. The primary data have been collected through interviews with both representatives from the two selected companies and by a supplementary interview with Professor Emeritus Sten Jönsson.

Conclusions: Prominent researchers advocate a more active approach regarding customization of reward systems, when dealing with different national cultures, than the two selected TNCs implement. There are consultancy TNCs who provide tailor-made solutions and assistance in how to design reward system on a global basis, which both the selected companies use more or less. Finally characteristics are found in the values and credo of the companies, which are compatible with Swedish management tradition, but this does not pervade the structure of their reward system in a greater extent.

Further research: A future study of how differences in size of Swedish transnational corporations affect the degree of standardization of the reward system would be of interest. How do standardized reward systems affect employee morale and how a standardized reward system can be used as a protective shield between company and employee may also be further interesting fields of studies.

Keywords: Culture, Reward system, Swedish management. Swedish transnational corporations

Abstract in Mandarin - 内容摘要

内容摘要

计学学士论文/ 歌德堡大学，商务，经济和法律学院，2009 学年度下学期。

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论文题目： 文化很重要吗？一项关于两个瑞典跨国企业如何在全球环境中，依据他们的文化传统去制定奖励制度的研究

论文的研究背景和问题的范围： 很多研究学者承认国家之间存在着文化差异的事实。对一个全球性跨国企业来说，当他们在制定他们的管理体制的时候，需要考虑到怎么样去处理这些文化上的差异。这些问题就是我们论文的研究背景，论文的目的是解答以下关键问题：
当两个瑞典跨国企业在制定他们的奖励制度的时候，国家之间的文化差异会体现在哪些方面，以及瑞典的传统文化是否会影响到奖励制度的整体结构。

论文的目的： 这篇论文的目的是通过用描写的方式来分析和更深的了解国家之间的文化差异是如何在全球环境中影响瑞典企业的。

论文的范围限制： 这篇论文主要集中在三个学习领域范围里：瑞典的管理方式，文化和正规化的奖励制度。在这里我们做了两个关于FlexLink和Gunnebo的实例研究，
其目的不是去研究这两个具有瑞典管理文化成功代表性的跨国企业，而是通过对实例的研究去看这些跨国企业是怎样看待和处理文化差异的。这篇文章的焦点也集中在跨国企业的高层管理人员上，以及他们的责任利润。

研究方法： 这篇论文是通过用定性和描述的方法对实践和理论进行了比较分析。原始数据的搜集是通过对这两个企业的代表，以及Sten Jönsson教授的采访。

结论： 在奖励制度的制定上，一些杰出的研究专家主张使用一个比这两个跨国企业所采用的更积极的方法去处理国家之间的文化差异。一些跨国咨询服务公司会为企业提供特制的解决方案，以及协助企业制定以全球为基础的奖励制度。这两个跨国企业都或多或少采用过这些方案。最后，这两个跨国企业的价值信条的特征被确认，发现这些特性和瑞典传统的管理方式是相容的，并没有在很大的程度上影响到奖励制度的整体结构。

进一步的研究： 对瑞典跨国企业的规模大小会如何影响奖励制度的标准化程度作进一步的研究，将会是一项特别有意义的研究。奖励制度的标准化会怎样影响员工士气，以及奖励制度的标准化如何可以成为企业和其员工之间的一把保护伞，这也将会是一个很有意义的研究领域。

关键词： 文化，奖励制度，瑞典的管理方式，瑞典的跨国企业

Acknowledgement

We would like to take this opportunity to extend our thanks to the people involved in making this thesis possible. First and foremost our tutor Johan Åkesson has proven most resourceful and with his enthusiasm exemplary guided us in productive times as well times of hardship and remorse. Secondly we would like to thank the Compensation and Benefit manager and the Chief Information Officer at Gunnebo and FlexLink without their interviews and further help this thesis would simply not have been possible. Finally we would also like to extend our thanks to Sten Jönsson, Professor Emeritus at Gothenburg Research Institute, Gothenburg University, who provided us with further useful information about Swedish management.

Gothenburg, May 2009

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Christian Hansson   Lisa Granath

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1. Introduction

In this chapter we firstly present the background of our study, discuss our research subject and formulate our thesis question. Secondly, we present the purpose of the study in order to give structure to the thesis and to interest the reader. Thirdly, we clarify the limits of our thesis and finally close the chapter by defining keywords and a disposition plan to form the backbone of our study.

1.1. Introduction of the study subject

Historically, Swedish companies have been very successful and no other country has as many large companies per capita as Sweden and many of these are world leaders in their chosen industries.[1] Swedish business is also one of the most globalized in the world with around 850 Swedish company groups having an international presence, employing almost a million employees abroad and half a million in Sweden.[2]

Researchers have examined the ways that Swedish management might differ from that in other countries and come to the conclusion that there exists something we may call "Swedish management", distinguished by certain characteristics in terms of organizing and controlling a company.[3] Even if Swedish management of today is influenced by many foreign management concepts, research shows that a unique set of Swedish management skills still exist. What distinguishes Swedish management from that of other countries is first and foremost that Swedish managers tend to be less bureaucratic and more efficient when working in flat organizational structures with decentralized leadership. A certain capability to build relationships and focus on longer-term results is other distinguishing features of Swedish Management.[4] Swedish companies were established early on the global arena. As Michael Treshow puts it in the book *The Challenges of Globalization*:

"Swedish companies became global before the word global was invented."[5]

Up until now this lead has seemed to gain Swedish companies, because they have been more used to international trade than other countries.[6] The increase in globalization has created new challenges and a higher demand for knowledge of the impact of cultural differences on the control system of a company. Methods working on the home market may produce the opposite result in another context under other cultural prerequisites. However, some trends point at the fact that cultural differences no longer have as significant an impact on the choice of management control system of international companies. In other words, on one hand there are those who stress the importance of a national culture when companies are established in other countries. On the other hand, there are signs showing that national culture no longer affects companies when they enter other markets, that new global rules have instead become more important.

The global climate is for example distinguished by a stronger focus on short-term value, which may be seen as incompatible with Swedish management where the focus lies on the long term planning.[7] The possibility for Sweden to take advantage of its lead on the

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[1] Birkinshaw (2005) p. 12
[2] Brantingsson (2007) p. 19
[3] Jönsson (1995), Birkinshaw (2005), Vinnova (2007)
[4] Vinnova Rapport (2007) p. 11
[5] Brantingsson (2007) p. 122 (Quotation translated by the authors of this thesis)
[6] Jönsson, Strannergård (2009) p. 334
[7] Jönsson, Strannergård (2009) p. 334

international market and its distinctive style of management might therefore have become diminished. Furthermore, if it is the case that cultural differences are losing their influence on the design of the control systems of transnational corporations, then the natural result may be a greater standardization of control systems. If the benefits of tailoring management control systems to certain cultures are deteriorating, perhaps more standardized systems may be preferred instead in order to create more cost efficient management control systems.

However, even if a global market with its own rules is about to emerge, we cannot ignore the fact that research still underlines the importance of including cultural differences in the design of the management control system of a company, as demonstrated in the following two quotes.

> *"The content of the company culture and to what degree it is compatible with the environment are critical variables for a company's success."*[8]

And

> *"Good management is in harmony with the environment. Thus it is reasonable to assume there are distinguishing national styles of management."*[9]

The success of Swedish companies and the fact that there seems to be a certain Swedish recipe behind this success makes cultural aspects of management control system design a field of key interest.

1. 2. Background

Since the day when our ancestors saw the opportunity to cooperate which each other as hunting packs there has always been a place for culture. As mankind advanced hunting packs continued to evolve to further include other tasks and gave birth to more linguistically distinct languages. Instead of grunting during hunting our ancestors could now use their linguistics skills to pinpoint the location of the pray. Mankind further evolved and societies began to emerge. But their cultural preferences where not the same on a worldwide basis, instead it was shaped and distinguished by its environment and when humans adapted to the set environment they also embraced the cultural context which where embedded in it.[10]

Culture bearing societies continued to evolve around the globe while some died as they were put under trails and hardship to which they were unable to adapt. But the distinction between cultures became most apparent in the late fifteen century when societies of certain cultures began to explore and trade with cultures of another continent. A good example of this is the Spaniard Christopher Columbus voyage to America and the Portuguese Vasco da Gama's journey to discover a new passageway to India[11].

With the emergence of the innovations of industrial revolution in the late eighteen-century and the later adaptation from steam based engines to combustion engines continents were brought closer. In time trade started to flourish even more then before as the vast distances in   time between continents decreased and it even further decreased

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[8] Bjerke, (1998) p. 90
[9] Jönsson, Strannergård (2009) p. 336
[10] Evans (1999) p. 34-38, Hofstede (2005) p. 31-32
[11] Encyclopædia Britannica Online, Gama, Vasco da. Encyclopædia Britannica Online, Columbus, Christopher.

with the invention of the jet engine and the first jet driven commercial airline was put in to use in the beginning of the 1950ties.[12]

With the gradual demise of distance between countries companies saw the opportunity to expand their clientele abroad, which gave birth to transnational corporations (TNC)[13]. As of today you can buy a coke almost anywhere in the world and it will taste exactly the same but there may also be some local variations, modifications, as different tastes of coke such as coke vanilla and coke lime etc. appears on different markets[14]. When expanding abroad companies of today has also seen the major benefit in putting labor-intensive production in low wage countries such as China (PRC) in order to reduce costs and obtain competitive price advantages.

1.2.1. The world of today - the importance of skilled workforce

In order to survive and expand in the long run in a global environment, companies of today have also become more and more dependent on their workforce and their skills and knowledge. It is no longer enough to use machinery more effective in order to gain competitive advantages instead the importance of workforce has become clearer and is now the center for many companies.

> *"Our vision is to be the most desired and successful premium car brand by creating the safest and most exciting car experience. To accomplish this we need competent and motivated employees. The employees are the foundation of Volvo Cars' success."[15]*

And

> *"Our success throughout our first 100 years has largely been built on people. It is in our people that we find the knowledge that enables us to realize our vision."[16]*

As cited above the workforce knowledge and skills is one of the most important building blocks in construction and managing a successful company. But when company's of today starts to see their employees as, perhaps, their greatest recourses they also start to see them as a commodity, and a resource that can be bought in order to obtain competitive advantages.

The knowledge of the employees may also become a severe vulnerability if they change their place of work. In order to limit this vulnerability companies provide employees with possesses valuable skills and knowledge with higher reward systems. By doing so companies tries to keep the employees at bay and not provide their knowledge and skills to other companies in form of changing their place of work. Employees might also have a certain skill that is extremely vital to the company performance and that skill may not be easily contained if the employee decides change place of work. In order to limit this vulnerability many companies of today uses some kind of work descriptions that gives a backbone of what tasks must be done and how to complete them to the untrained employee.

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[12] Dicken (2003) p. 115

[13] According to Dicken, the significance of a transnational corporation (TNC) is its ability to coordinate and control various processes and transactions within production networks, both within and between different countries. A TNC also has the ability to take advantage of geographical differences in distribution of factors of production and state policies. Finally a TNC has geographical flexibility, an ability to switch and re-switch its resources and operations on an international or even a global scale. -Dicken (2003) p. 199. (In this thesis we have chosen to use Dickens definition of a TNC when a company is described as a TNC.)

[14] Coca-cola homepage

[15] Volvo cars homepage

[16] SKF homepage

In order to attract and keep employees companies must be competitive and provide employees with attractive workplaces and marked based monetary compensation. Many companies of today also use some kind of extended reward system, which include bonuses etc. to align the goal of the company with its employees´ that have responsibility[17].

To further discuss reward systems we must first focus our attention on to why reward systems exist in the first place. The agency theory describes the relationship between one party (the principal) dependence on another party (the agent) to undertake certain actions on the behalf of the principal. In order to align the goals of the company and employee and motivate them to perform preferred tasks some kind of reward system with a monetary compensation structure is often used. With a reward system a company can bring employees behaviors in line with their own goals and have them work in a way most beneficial for the company.[18]

Due to the nature of the agency theory there may also be some moral hazard problems. When the agent have more information in a certain area or a specific activity than the principal he or she can use this to his or her advantage and manipulating figures and tables in order to receive lager incentive pays or bonuses. They also might try to smoothening the numbers   and even worse just focus on income in the short run in trying to maximize their individual bonuses and incentive pay and thereby cut investments in research and development etc.[19]

1.3. Problem discussion and thesis question

As discussed above, in the world of today many companies take their chance to expand their business abroad, but the main reason to do may not just be to attract foreign customers. Instead many companies seek to minimize their production costs and therefore relocate to a low wage country from where products can be shipped worldwide. When a company relocates or establishes subsidiaries abroad many academics however, such as Hofstede, argues for the importance to keep an understanding of the host country's culture and to some extent even adapt to it[20]. But how does Swedish TNCs deal with this dilemma, do Swedish TNCs keep their routines and policies when entering new markets or do they adapt to the existing culture? Culture as a whole is an important factor, but influences on the global arena might also be one of the reasons why TNCs change their management style, when entering new markets?

Due to the wide nature of focus in this thesis the purpose is not to provide the reader with a straight answer, if that is possible, to which extent Swedish companies adapt to cultural contexts abroad. For example, this can in turn depend on the jargon of the company, how large the company is and its own cultural tendencies. Instead the goal and sole objective of this thesis is to provide the reader with the buildings blocks of what culture is, what the essence of Swedish management is and if rewards are culturally adapted in different national cultural contexts. With this done we will analyze two TNCs with a Swedish heritage and set up headquarters in Sweden and how they adjust their reward system to different cultural contexts.

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17 MERCHANT, VAN DER STEDE (2007) P. 8
18 JOHNSON, DROEGE (2004) P. 326
19 MERCHANT, VAN DER STEDE (2007) P. 444
20 HOFSTEDE (2005)

The below figure describes the process of scaling down our three key study subjects which this thesis builds up on; Swedish management, Cultural theories and Reward system. The figure also describes the process that glues the sharpened pieces left together in order to form the thesis questions of our study. The three subjects will be further focused up on in the entire thesis and by doing so, provide the thesis with the necessary structure and stability needed when discussing complex problems such as the thesis questions mentioned below.
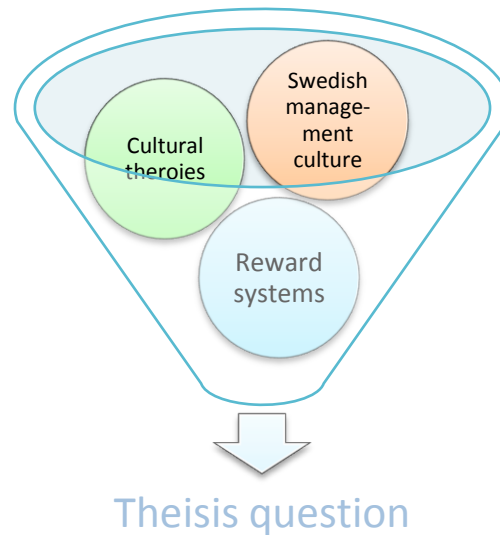
Figure 1: A model of the process of scaling down our fields of interest in to research questions

As discussed above the aim of this thesis is to provide the reader with a further and more thorough understanding of the cultural complexities in motion when discussing the fowling primary and secondary thesis question;

- In what way do differences in national culture matter when two Swedish transnational corporations design their reward systems?
- Does the cultural heritage of Swedish management tradition pervade the structure of the reward system?

1.4. Purpose

The purpose of this thesis is to analyze and, with a descriptive approach, deepen the understanding of how differences in national cultures affect Swedish companies in a global environment.

1.5. Delimitations of the study

During the process of this study we faced a number of choices and alternatives when to choose our purpose, literature, theories and method. Every choice would have different outcomes and result in a range of advantages and disadvantages. In most cases there is no right way and with that in mind we have made our choices with careful consideration

and taken our timeframe into account. Our intention is that our decisions, arguments and delimitations should be well founded and easy to follow throughout the thesis.

Firstly as mentioned above a Swedish perspective serve as a foundation for this thesis. Our study is delimited to study two TNCs with its background in Swedish tradition. Companies in other countries may adapt their control management more or less but this will not be covered in this thesis. Some researchers, such as Trompenaars use the Scandinavian perspective when discussing cultural dimensions. Our focus is the Swedish perspective, which may differ from the Scandinavian perspective, which is why those theories are left outside in this thesis.

Furthermore the model of Samuelsson[21], which will be discussed below, has been used to enable a selection of means of control. In this thesis reward system is chosen as a suitable mean of control due to its connection to culture as Chiang and Birtch points out in the article *A taxonomy of reward preferences*.[22]

Culture is complex and a wide range of literature is written about it. It is therefore necessary to make delimitations so that theories within the area of culture become a useful tool. Focus will lie on mainstream definitions and well known theories will be used when interpreting our empirical findings. Our purpose is to present a general picture and create an understanding of culturally influences on companies' design of their reward systems.

In order to do delimitations properly in this thesis a company's means of control must be discussed further. How do companies control employees, cash flow, net income etc and use them to focus on economical goals? Samuelsson defines and divides company's means of controls in to three sub-groups; Formal controls, which include budgeting, internal accounting, internal pricing etc. this first part of Samuelsson model is the backbone to a company ability to control it resources and is always in some parts included in ways to control a company. The second subgroup is Organizational controls, which include the hierarchy of the organization, responsibility, profit, revenue, costs responsibility and reward system. Finally the last subgroup in Samuelsson model is less formal means of control, such as organizational culture, co-workmanship etc. as shown in the figure below.[23]

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[21] AX et al (2005) p. 63
[22] Chiang, Birtch (2005)
[23] AX et al (2005) p. 63

Means of Control

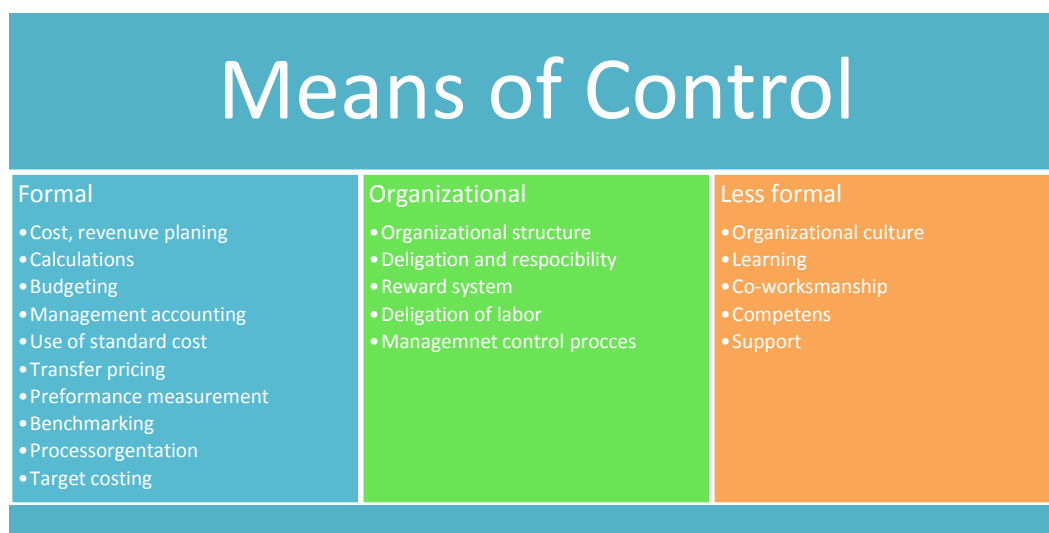| Formal	Organizational	Less formal
• Cost, revenuve planing	• Organizational structure	• Organizational culture
• Calculations	• Deligation and respocibility	• Learning
• Budgeting	• Reward system	• Co-worksmanship
• Management accounting	• Deligation of labor	• Competens
• Use of standard cost	• Managemnet control procces	• Support
• Transfer pricing		
• Preformance measurement		
• Benchmarking		
• Processorgentation		
• Target costing		

Figure 2; Displays how Samuelsson defines means of control and what he argues includes in the three specific sub-groups. [24]

To describe how a Swedish company, with a Swedish management culture adapt to these means of control in different cultural contexts is a very complex and time-consuming procedure. In order to do so all of the subgroups must be properly defined so the reader fully understands the process of what is adapted and changed in to what. Instead this thesis focus on to give the reader an further and more thorough understanding of the complexities in motion when discussing the above thesis questions in part 1.3. Reward systems such as bonuses incentive pay etc, which is positioned in the second subgroup Organizational means of controls is therefore focused upon in order to put more substance to this thesis and further narrow its delimitation.

1.6 Definitions

In the previous part the delimitations of our study were discussed in order to describe our point of interest and focus of this thesis. The following part will continue by defining central keywords, which has been focused up on in figure 1, which will further provide the reader with the point of view this thesis is based up on.

1.6.1. Culture, what is it and what is its effects?

How is a national state defined, what is its cultural context and what are the effects not noticing it when trying to establish a subsidy? Are there specific tendencies in a nation's culture that is incompatible with a parent company of different national state or are the cultural differences just minor ones and can be adapted to? These are most important questions if a company decides to extend its business abroad and leave the cosines of their own explored home market. Many executives are aware of this problem and feel the importance to integrate national cultures in their companies. However many of them do not have a clear vision how to accomplish it.[25]

One of the pioneers in this field of study was Bartels with his article "A Model for Ethics in Marketing" [26] which was published in 1967. Bartels argued for the importance of no-

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[24] AX et al (2005) p. 63
[25] Beusch (2008) p. 30
[26] Bartels (1967) p. 20-26

ticing cultural singularities in a national state when it comes to the ethics of marketing. He further identifies several criteria for cultural differences including: Respect for individuality, law, rights of property, national identity and loyalty, and further on.[27]

Later on Hofstede defines culture as the mental programming that a person is subjected to in his or her entire life.[28] He further distinguishes four essentialities about cultures effects on its subjects. First he points out values and norms are of essence and are learned at early ages in childhood by parents and relatives. Secondly, partaking in rituals, which are collective activities and seen as important in a culture. Thirdly, are the importance of role models and finally the symbols of a culture. In Hofstede´s view all the effects affect a person's individual culture and his or her entire life, but at early ages learning of values and norms are more dominant. When the individual passes childhood their custom evolves to include the three fowling from above and they become more influential in determining the culture of the individual.[29]

How we yet choose to define culture is of uttermost importance but a specific and correct definition is not easily made. In this thesis we therefore chose a mixture of Hofstede and Bartels definitions and sees culture as a mental programming a person receives during the entire life in terms of individuality, law, rights of property, national identity and loyalty etc. Even though the above definitions of culture are specific we are aware of that they have all been subjected to the researchers own cultural heritage and can therefore not be seen as a world spanning definition. And of even more importance to discuss, has a national state a specific culture of its own or is it a global mixture of cultural tendencies around the globe? Is the mixture of cultures just on its way or is it nearing completion? In societies of today can a national state be expected to have just only one homogeneous national culture, certainly not but how to define culture in terms of subcultures and to which extent do they influence a national culture. The questions are many and the complete answers not easy to come by but our definition of culture in this thesis serves as a focus point as we investigate the deeps of culture and its effects to our field of study. Although a global definition of culture cannot be made it is most agreeable that the importance in noticing cultural differences by companies active in different parts of the world is decisive. As the world tends to get smaller and more globalized researchers argue that noticing national cultures become more and more important to companies and their way of doing business as customers, employees, suppliers and stakeholders all are from various cultural contexts.

1.6.2. Swedish management

Jönsson and Stannergård summarize Swedish management into four main characteristics. Firstly Swedish management is built on trust and an ability to delegate. Secondly one struggles hard to gain approval for discussion. The third important characteristic is the willingness to negotiate rather than get into conflict and the final characteristic they point out is the ability to follow up verbally rather than analyzing figures and reports.[30] Other keywords mentioned in the literature about Swedish management are teamwork, trust, communication and compromising.[31] There exists a bit of confusion regarding what term to use when discussing Swedish management. Terms used are for example

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[27] Bartels (1967) p. 20-26
[28] Hofstede (2005) p. 16
[29] Hofstede (2005) p. 22
[30] Jönsson, Strannergård (2009) p. 337
[31] Vinnova Rapport (2007) p. 8, Birkinshaw (2005) p. 12

the Swedish model, the Swedish tradition and Swedish management. Further one may question if this refers to a specific model, structure or culture. In this Thesis the terms Swedish Management will be used consistently and refers to the definition described above.

1.6.3 Reward systems

In medical terms Oxford dictionary describes a reward system as:

> *"A recompense for a response which reinforces specific learning or behavior… with reference to areas of the brain in or near the hypothalamus which, when stimulated, reward the organism with sensations of pleasure."[32]*

In doing so the Oxford dictionary points out that a reward system in medical terms shall be seen as a part of the interior of a human beings brain which stimulate and creates a sensation of pleasure.   In the world of economics reward systems is not easily defined and often includes a mixture of the terms bonuses, incentive pay and rewards. Reward system and incentives is also often misunderstood to have the same meaning but instead incentives shall be seen as an anticipated reward while reward systems[33] shall be seen the whole complex of different systems of rewarding employees.[34]

In Controller-handboken, which aim is to be used as an encyclopedia and guide for Swedish Controllers Arvidsson describes four dimensions which must be observed in order to define and set up a reward system. The first dimension Arvidsson recognizes is the purpose of rewards and he divides this dimension into three subgroups; the activity of the organization, how to motivate preferred actions and recruitment and how to keep employees. The second dimension is the foundation of rewards and this focuses more on how and if reward should be distributed among employees. Should reaching financial or non-financial goals reward them? Should rewards be distributed individually among individuals or groups or even responsibility centre when they reach their goals? The third dimension discusses forms of rewards and if they should be monetary or non-monetary and owners' shares. The final dimensions of Arvidsson´s discuss the receivers of the rewards. How much employees may influence the set rewards, the fairness of the system and how financial and non-financial goals are communicated between superiors and their employees. He concludes by confirming that the reward system is a powerful means of control which can, if set up properly, harmonize the relations between employers and employees and give them mutual goals in the best interest of the company.

In our thesis we choose to use Arvidsson´s and *controller handboken* definition as our own, were a reward system consist of the complete compensation package, with one further elaboration that we solely focuses on formal rewards, rewards that are planned, structured, intended and measured. By doing so the discussion about informal rewards, a pat on the back, fawning, employee employer relations etc, is thus not included in this thesis, if nothing else is pointed out. This choice is made mainly due to the timeframe of this thesis and the anticipated information that will be received from the two selected Swedish TNCs. We also choose to define incentives as an anticipated reward while re-

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[32] Oxford dictionary definition – keyword: reward system
[33] Reward systems by, Samulsson point of view include, Salary, bonus, gratifications, pensions, stock, promissory notes, stock options, more interesting work assignments etc.
[34] Samulsson (2008) p. 226

ward systems is seen as the whole complex of different systems of rewarding employees including salaries, bonuses option programs, etc.

This thesis also focuses upon rewards revived by the higher level of management and especially those in sell offices with profit responsibility and how the two selected Swedish TNCs administrate their reward system. Reward systems, Culture, means of controls and Swedish management will be discussed in more detail later on in this thesis but it is of great importance to define them here at the beginning in order to gain focus and precision in the following parts.

1.7. Disposition

The structure of this thesis is shown in the picture below. More precisely the introduction chapter will present the reader with the background and purpose of the thesis. The three areas of interest in this study are; Culture, Reward system and Swedish management. In the Methodology chapter the approach of the authors will be formulated and the choices made will be discussed to give the reader a possibility to independently form an opinion of the validity and the reliability of the research. The frame of reference in chapter three will introduce theoretical models related to the three areas mentioned above. The information gathered during research interviews will be presented in the empirical part and analyzed to in light of the purpose of the study. Finally, the findings from the analysis will be summarized, a conclusion will be reached and ideas for further research will be suggested.
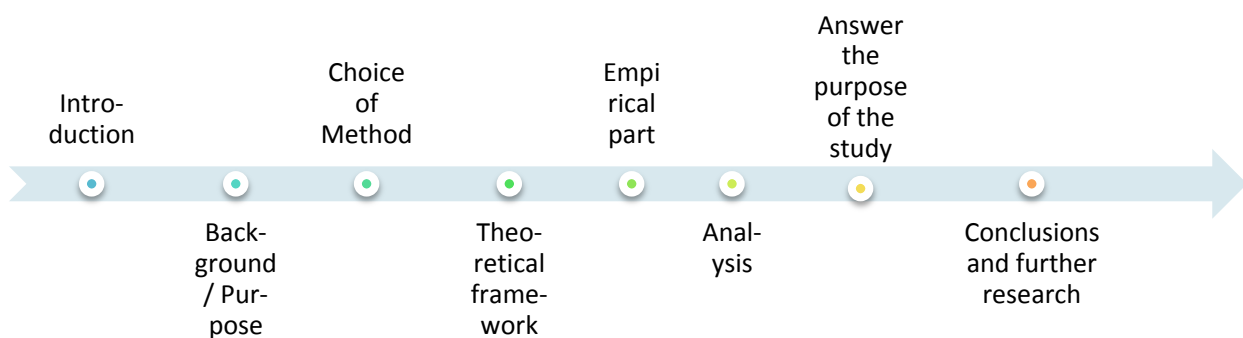

Figure 3; Displays the structure of this thesis.

2. Methodology

In this chapter we present the methods on which our thesis is based and the approaches we applied and how they influenced our thesis. Further a description of the research process will be presented. The ambition is to give the reader well based conditions to be able to form an opinion of the validity and reliability of the thesis conducted.

2.1. Scientific Approach

Scientific theory provides two approaches when to study certain phenomena. One has either a hermeneutic or a positivistic approach when a study is carried out.[35] A short introduction to those will follow.

2.1.1. Positivistic versus hermeneutic approach

The positivistic researcher aims to develop clear guidelines and criteria for compulsory description. Therefore, positivistic research and its attempt to describe the deceive facts within an area claim to be objective and are thus related to the natural science.[36] The foundation for the positivistic researcher is that the focus should be on objective circumstances.[37]

The hermeneutic approach on the other hand relies more on interpretation and is considered to be more subjective than the positivistic approach. For the hermeneutic researcher the aim is not to generalize. The focus is more on deepen the understanding for a situation, which is linked to the own personal view of the researcher.[38]

Through dialogue and interpretation of theoretical material as well as empirical data, knowledge and understanding about chosen subjects will be deepening to answer the purpose of this thesis. According to Arbnor and Bjerke this is in line with a hermeneutic approach, which is the chosen approach for this thesis. Further the hermeneutic approach aims to find explanations for developments in different parts, which are included in a bigger entirety. This understanding is exclusively based on the researchers personal interpretation of the material discussed, which may contain both written material as well as conducted interviews.[39] But to attain complete understanding of a large organization may be seen as unreachable and is not the purpose of this thesis. Thus, the basic idea of the hermeneutic view when writing this thesis is rather a way of working with the ambition to attain the best understanding as possible for the different parts and the context where it belongs.

2.2. The Research Approach

Induction and deduction are two different approaches the researcher may use to relate theory and empirical data.[40] Whether a qualitative or a quantitative method should be used when gathering the empirical data is another consideration the authors need to make.

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[35] Gummesson (1991) p. 18
[36] Jacobsen (2002) p. 37-38
[37] Jacobsen (2002) p. 31
[38] Jacobsen (2002) p. 37-38
[39] Arbnor, Bjerke (1994) p. 84
[40] Jacobsen (2002) p. 45

2.2.1. Deductive versus inductive

According to Jacobsen, the deductive approach is an attempt to draw conclusions about certain phenomena from existing expectations.[41] The inductive approach is the opposite of this. Instead of theoretical concepts, the collected data stands at the beginning of the research project. This enables the researcher to create new innovative approaches to analyze findings and understand results, which might result in the development of new theories.[42]

This thesis has a primarily deductive approach. The base sources of this thesis have been published material and existing theories regarding cultural differences, reward systems and Swedish management. Furthermore, assumptions have been made on the basis of already existing literature, which, for example, enabled us to write the section on reward systems and Swedish management. These theories were then related to the information gained from the two chosen companies, with the ambition to answer the question of the thesis.

However, it may be problematic to talk about pure inductive or deductive approaches. Jacobsen points out that today it has become more common to talk about more or less open approaches.[43] Expectations did come up during the initial readings but with the hermeneutic approach during the gathering of empirical material, we consider this thesis to represent the more open approach.

The weakness of the deductive process lies in the risk that we get answers about how the respondent understands the researcher's interpretation of reality, rather than how the respondent actually understands it. Therefore, it is important that the researcher checks the relevance of the questions with the respondents. The demand for relevance must be met before the research study is conducted.[44] To address this problem, we discussed the questions with the respondents before the interviews.

2.3. Choice of Research Method

When the structure of the research is decided, one needs to choose what methodological approach to use when collecting information. The thesis question should be the starting point when deciding what kind of scientific method to use.

Within research a distinction is made between qualitative and quantitative research. If the purpose is to analyze statistical information or to attain accuracy when analyzing a phenomenon, a quantitative approach is preferable. On the other hand, if the researcher strives for a more balanced and thorough picture of the situation a qualitative approach may be a better choice.[45] The purpose of this thesis is not to answer questions like "how much" or "how many". Instead, the aim of gathering information is rather to reach a deeper understanding and present a wider picture of the subject and build a foundation for interpretation and analysis, why a qualitative approach is chosen. In line with this approach, the empirical information in our study is gathered through thorough inter-

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[41] Jacobsen (2002) p. 42-48
[42] Gummesson (2000) p. 176
[43] Jacobsen (2002) p. 42-48
[44] Jacobsen (2002) p. 45
[45] Jacobsen (2002) p. 57-58

views with representatives of the companies and from different kinds of secondary data such as annual reports, and literature about the organizations in question.

2.3.1. Qualitative approach - advantages and disadvantages

Qualitative method focuses on details and nuances in the answers of every respondent and therefore openness may be seen as a key trait of this approach. The researcher keeps an open mind and will not be totally sure how the interview will play out. A qualitative approach often provides high internal validity and is characterized by flexibility by making it possible to gradually reconsider the problem question, the structure of the research and the analysis.[46]

When using a qualitative approach only a few respondents are reached, which might influence the representativeness negatively. Furthermore, because of the richness of the information it may also be difficult to compile and analyze the material gathered. Since the approach generates a lot of information the question is whether the researcher can analyze the information with a completely open mind. Since this is not likely, there is a great risk that the researcher filters the information without being aware of it. The flexibility of the method may be another problem, because of the risk that it results in the study ending up far off from the original purpose.[47]

It has been a challenge for us to keep focused on the main topic when working on this thesis, but we were helped by our interview with Sten Jönsson, Professor Emeritus and initial readings that gave us a good introduction and helped us prepare for our interviews. The fact that we had made careful delimitations also contributed to make the gathering of empirical data more focused. When discussing wide concepts such as culture, the delimitation part made it easier to benefit by the flexibility of our qualitative approach without losing focus.

2.3.2. Case studies

What characterizes a case study is that it studies an area more deeply and thus generates more detailed descriptions of individual cases than for example a cross sectional study does. A case study is an example of an investigation of a specific phenomenon, which may be an individual, an organization or a specific situation. The case study may also cover, for example, two different organizations. Furthermore, a case study almost always keeps a holistic perspective, with the ambition to give a complete as possible picture.[48]

In this thesis we analyze the formal reward system of two chosen companies and whether culture has influenced the design of the reward systems. The focus is to deepen the understanding about the choices and models used by these two companies rather than analyzing a wider selection of companies. Furthermore, our purpose is to present a foundation for interpretation and to give an as exhaustive picture as possible of the chosen problem area, and our study can therefore be seen as a case study.

We have chosen to interview the head of human resources of each company. Their experience together with the fact that they had the greatest influence on and knowledge of the processes behind the reward systems in their companies made them ideal respondents. The interviews were each approximately one and a half hours long, and were thus

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[46] Jacobsen (2002) p.143
[47] Jacobsen (2002) p.144
[48] Jacobsen (2002) p. 97

of a comprehensive kind. In addition to the face-to-face interviews, a few additional questions were asked via email afterwards. Annual reports and information from the websites of the companies also helped us to get a more complete picture of each company.

There are two main arguments against why our thesis should be considered a case study. Firstly, according to Jacobsen, a case study should be developed during a longer time.[49] The timeframe of this thesis was only ten weeks, which might be seen as to short to fulfill this requirement. Secondly, the number of interviews might be too few. It would have been interesting to also include managers from different divisions of each company to further deepen the understanding of their experience of the reward system, but since our purpose was only to analyze how different cultures influence the design of formal reward systems, this was left outside this thesis.

2.4. Data Collection

To begin with the search for relevant literature about culture, reward systems, incentives and means of control were carried out using the university's´ systems. Early in the process we expanded our searching to include also Swedish management. The terms were formulated in both English and Swedish to cover relevant written material. A few older theses mainly from the University of Economic and Business in Gothenburg regarding closely related areas were collected. The same process was conducted within the archives of articles, which were accessible through the website of the university. The databases used were mainly Business Source Premier and Edgar. Further, a few search engines were used, such as SCIRUS and Google Scholar to clear out relevant written material. We also got interesting recommendations from our tutor and from the respondents along the way.

2.4.1. Secondary data

Secondary data contains already gathered material, such as annual reports, older thesis, articles and other published material within the area.[50] In this thesis this type of material has been used to create a frame of reference to the problem area. Secondary data has also been used to give an insight in the studied organizations whereas annual reports and company website gave us an overall picture. Among the used theories some authors are more frequently referred to. For example Geert Hofstede. The reason for this is that he is widely used and often referred to, when discussing cultural dimensions. Sten Jönsson is another author well represented in this thesis. He has studied Scandinavian Management for the last thirty years and is a prominent researcher within the area of Swedish management, which is why we have chosen to refer to his research throughout this thesis.

2.4.2. Primary data

For primary data, interviews have been used in this thesis. At an early stage we discussed the alternative to use questionnaires, but for many reason this option were not chosen. Firstly in the beginning, our previous knowledge was limited, why it would have been difficult to formulate suitable questions. Secondly the timeframe for this thesis is finite and it would have been difficult to have time to manage the questionnaire process

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[49] Jacobsen (2002) p. 97
[50] Jacobsen (2002) p.152

in a satisfying way. Finally the purpose of the research conducted is to deepen the understanding, therefore thoroughly face to face interviews were considered more suitable.

Telephone interviews were also considered, but for several reasons face to face interviews were chosen. Firstly our issue may be seen as sensitive when discussing reward systems and to make it possible to keep the openness and be able to ask further questions a face to face interview were preferred. Telephone interviews are usually unsuitable when the research is distinguished by open questions.[51]

2.4.2.1. Interviews

The empirical data later presented have been collected through interviews with responsible people within the HR department at FlexLink and Gunnebo. The interview at Gunnebo was implemented with the Compensation and Benefit Manager, who have been with the company since 1993. At FlexLink we interviewed the Chief of information who has been with the company since 2001. Both respondents have daily contact with issues related to the company's formal reward system and influence its design both in Sweden and abroad.

It was of high importance for us to get in contact with the persons with the greatest knowledge and experience of the company's formal reward system and how it is used both in Sweden and internationally. Therefore, before the interviews were carried out the main headlines, which were supposed to be the foundation for the interviews, were forwarded to the respondents, which are presented in appendix 1. This also secured that the questions were of high relevance to the respondents. The questions were mainly of an opened kind without the purpose of lead the respondent into predetermined answers. Still it is important to point out that this procedure might have other negative aspects. The respondent knew what we wanted to talk about and might have created a picture of what we presumably expected, but we considered the questions of such an open kind that it did not affect the answers negatively.

Our purpose was to focus on the overall design of the reward systems and how it may have been influenced by different cultures. Therefore we did not consider the fact that we did not speak to several respondents at the companies to be of crucial importance to the study. Thus the knowledge and the influence of the respondents were more important than to get the information from several sources. Further the interviewers asked the questions, which were of open kind, alternately. This way made it possible to take notes without losing focus on the answers of the respondents. The titles and not the full names of the respondents at Gunnebo and FlexLink will be used in this thesis for the reason that we did not consider that influencing the quality of the study

To further expound the discussion regarding Swedish management we also interviewed Sten Jönsson, Professor Emeritus at GRI (Gothenburg Research Institute). This interview was carried out as an open conversation with reward system according to Swedish management as a starting point and a few questions as a guideline, which is to be found in appendix 2. This interview was recorded and we did not consider this affect the quality or openness in the interview, it rather made it possible to focus on the ongoing conversation. This interview went on for approximately one and a half hour.

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[51] Jacobsson (2002) p. 161

The interviews were carried out in Swedish, which led to some methodology problems, as the language used in this thesis is English. In order to handle this, the respondents were given the opportunity to review the draft of the summarized interview. The Benefit and Compensation Manager at Gunnebo used this opportunity and via email gave us some feedback and also forwarded some material in order to help us grasp the whole picture of the reward system of the company. We did not consider the changes made as something affecting our first impression of the interview rather as useful extra information.

2.5. Research Quality

2.5.1. Reliability

The purpose of estimating reliability is to assure that if someone else would repeat the investigation the same findings would be discovered. Due to the qualitative kind of this thesis, there is a risk for the reliability to be negatively affected.[52] Therefore, in order to reduce biases and to attain a higher level of reliability a few choices have been made. Firstly all the interviews were carried out face to face and both the authors were present, which made it possible to afterward compare the notes taken. After the interviews the notes were summerized and the respondents were given the opportunity to read our summarized notes and get back with feedback, however this was not made after the interview with Jönsson because this one was recorded. Furthermore, to reach a higher level of reliability, an interview guide were used for all interviews and all questions were covered.

In order to further assure the reliability in this thesis, original sources have been used as far as possible. If original sources are not used there is a risk that the source has been wrongly reproduced and may therefore be misleading.[53]

2.5.2. Validity

Researches distinguish between internal and external validity.[54] The internal validity refers to the extent the findings of the research correlate with the actual reality. When using a qualitative research method the internal validity is one of the strengths aiming to grasp the respondents' point of view. To secure a higher level of internal validity only the titles of the respondents from the two companies are used throughout in this thesis. Furthermore to increase the level of internal validity quotes have been used in the empirical findings.

External validity refers to the extent the findings of the research can be generalized beyond the study conducted.[55] Because of the qualitative approach the level of extern validity in this thesis may be considered as low. There exist a possibility that the results may have been different if the study was conducted in another region apart from Gothenburg and if other companies were used, however the purpose of this thesis is not to generalize as rather deepen the understanding for the problem area.

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[52] Arbnor, Bjerke (1994) p. 122
[53] Repstad (1999) p. 151
[54] Arbnor&Bjerke1994 p. 122
[55] Ibid.

3. Theoretical Frame of References

This chapter presents the theoretical frame of references, the masonry mortar that glues to-gether the building blocks of our study. In order to do so focus must first be on an overview of relevant motivational and cultural theories such as Hofstede's, Maslow's and Herzberg's to provide the reader with information about relevant theories in this field of study. Later on this chapter will also include a discussion about Swedish management to create an under-standing of what kind of cultural context transnational enterprises with Swedish head-quarters originates from. Finally the chapter concludes with a part about reward systems and its cultural implementation in terms of globalization and its effects on companies in a multicultural context.

3.1. The Role of Culture

In a world of globalization it is of uttermost importance for transnational enterprises to know each and every of their markets as their own backyard. Hofstede, Professor in cul-tural management at Maastricht University[56], has since the beginning of the 1980ies ar-gued for the tremendous importance in noticing cultural differences in a management perspective. Today Hofstede gargantuan epoch-making research has been regarded as one of largest studies in the national cultural field and is often discussed and cited. As Jones puts it:

> *"Hofstede's research has had a remarkable effect on academics and practi-tioners alike. Hofstede's model has been instrumental in the implementation of many business systems, including: compensation practices; budget control practices; entrepreneurial behavior; training design; conflict resolution; workgroup dynamics and performance; innovation; leadership styles; man-agement control systems; participative management."[57]*

Hofstede's research subject was IBM employees, between1967 to 1978, in over 50 coun-tries and included 116,000 questionnaires, from which more than 60,000 responded. In his research Hofstede, located five distinct bipolar dimensions and he focuses on all of these in order to give the reader a full worthy perspective of differences in culture and its organizational effects. In his theories Hofstede also distinguishes between family, school, workplace and state and their interactions between each other in a cultural con-text. However due to the nature on this thesis this chapter focuses on the cultural con-text regarding Hofstede´s topic Workplace and its cultural effects on companies in a world of globalization. In doing so it must also be admitted that a nation's culture is like an evolving organism and constantly changes and therefore cannot easily be defined, this is discussed in more detail in part 1.6.1. In his book Cultures and organizations, Hofstede does not specifically discuss the issue of cultural effects on implementation on different types of reward systems and their various effects in different cultural contexts, but the expansion of his theories is easily evolved to include it.

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[56] Regarding Hofstede, Sten Jönsson reviled to us that Hofstede in an interview told him personally told him that the employee re-search was already done by IBM several years before he came in contact with them. Hofstede's research was instead to put together and analyze the facts collected. (Interview, Sten Jönsson 27/4-09). Even thou Hofstede might not have collected the data we argue that he is still of tremendous importance in the cultural/organizational field of study and deserves mentioning in every cross-cultural thesis.

[57] Jones (2007) p. 2

Chiang and Birtch further discuss cultural implementations on reward systems in *A taxonomy of reward preference.*[58] They presented several research questions in their paper such as if "Employees in masculine cultures will place greater preference on financial rewards than those in feminine cultures where non-financial rewards will be preferred" and if "Employees in individualistic cultures will place greater preference on financial rewards than those in collectivist cultures where non-financial rewards will be preferred". [59] In trying to answer these questions they focused on bank employees in United Kingdom, Canada, Finland and Hong Kong to get a global approach. In conclusion they argued that culture as Hofstede defines it is just a mere part in determining a usable reward system in these countries cultural contexts. Instead their findings advocate that the nature of the job itself is a stronger and more accurate way of determining which type of rewards should be practiced.[60]

The criticism against Hofstede´s five demotions theory is extensive due to the nature of his limitations in his study of a highly controversial subject. Many critics argues that the research is outdated due to the rapid changes in a world of globalization, some argues that Hofstede's bipolar dimensions are too few and focus only on one global corporation, IBM . Some critics further argue that a nation cannot be seen to have one homogeneous culture instead each and every country should be seen as a cultural mosaic of its own. Almost all nations have minorities of people from different ethnic groups and therefore their single national culture of a nation is hard to define. Furthermore critics argue to limit a national culture to a specific national state is no proper way to conduct a cultural analysis. In their view a national culture is not bound to the border of a single national state, instead research has founded that national culture often is fragmented a cross a group of neighboring national states.[61]

In order to understand how different national cultures influence the preferred reward system priority one must first be to discover and discuss what motivates a human being. Motivation research is a relatively old field of study with its modern academic introduction in the early fifties. Some of the early pioneers were Maslow and Herzberg and they develop theories of motivation that is still widely cited and used by company managers of today[62]. The field of study itself had its peak of interest in the late seventies and during the eighties and nineties little empirical and theoretical research has been published[63]. Therefore the older theories of Maslow and Herzberg are focused up on in this thesis in order to describe what motivates companies' employees.

In the following part motivational theories such as Maslow´s Hierarchy of needs and Herzberg's theory of motivation will be discussed first in order to gain an understanding to which extent tendencies in motivation influences organizational structures and later on their effect on national culture and the preferences on various forms of reward systems. Risk taking (uncertainty avoidance) and how individuals adapt to it in different cultural settings is also an imported factor and will be discussed further as a part of Hofstede's bipolar dimension theory.

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[58] Chiang, Birtch (2005)
[59] Ibid.
[60] Chiang, Birtch (2005) p. 369
[61] Jones, (2007) p. 5
[62] Bolman, Deal (2005) p. 155
[63] Ambrose, Kulik (1999) p. 233

3.1.1. Maslow and the hierarchy of needs theory

In order to gain an understanding of how reward systems can be applied and their acceptance in different cultural contexts a distinction of human needs must be made. In "Motivation and personality", 1954, Maslow introduces his famous theory about human needs of satisfaction. He describes the needs of satisfaction as a structural hierarchy, often referred to as a pyramid, where ones needs must be satisfied in order to advance to the next level. There are five levels in the pyramid of Maslow's the first and most basic is the level of biological and physiological needs, which includes air, food, shelter, sexual intercourse, sleep, etc. These are necessities in order to live and they are prioritized above all. When these essentialities are satisfied a person needs expand to include the next level called Safety, needs of protection, which includes security, law, order, stability, and also include physical safety, e.g. protective clothing, as well as protection against unemployment, loss of income through sickness etc.[64]

The third steep of the pyramid involves belongingness and love needs and includes family, love, affection, relationship, workgroup, etc. The fourth step involves esteem needs and includes achievement, status, responsibility, reputation, etc. And finally self- actualization, which includes personal growth and fulfillment are about how people think about themselves their ability to be to presumptuous in certain situations.[65]
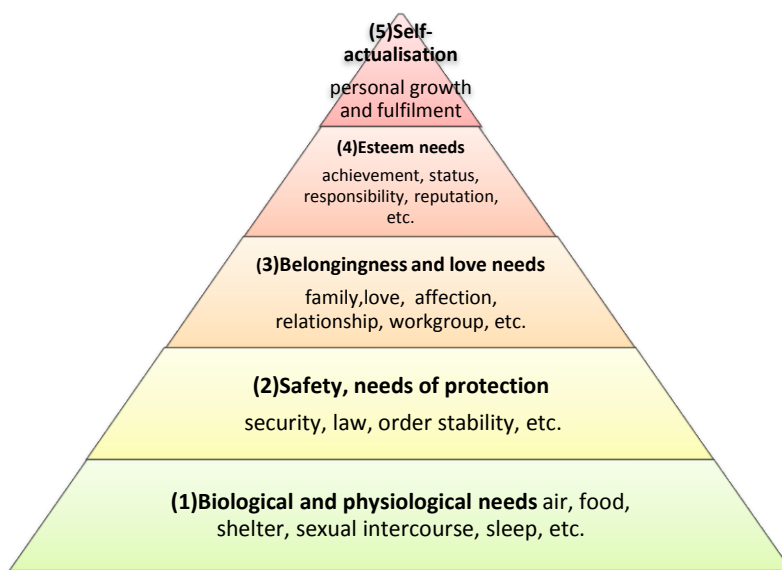
Figure 4, Maslow´s Hierarchy of Needs.

As Gawel points out, Maslow's hierarchy of needs theory has great potential to corporations worldwide. If employees could be pinpointed on a specific level of the pyramid reward systems could be tailor-made to fit the specific employee.[66]

In later years Maslow's ideas have gradually faded from the front pages of psychology but it is still widely used in strategic management.[67] Some researches argue that it is impossible to determine when a specific level of the pyramid is actually reached and that

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[64] Maslow (1987) p. 15-22
[65] Ibid.
[66] Gawel (1997)
[67] Bolman, Deal (2005) p. 154

the individual behavior of individuals is to complex and cannot be structured in a simple hierarchy.[68] Other argues that the theory is outdated and only relevant when focusing on middle-class workers in the USA and UK, which was Maslow study subject. But as Bolman and Deal concludes Maslow's hierarchy of needs is still widely used among companies and has among others inspired FedEx highly regarded management approach.[69]

3.1.2. Hertzberg and the theory of motivation

Herzberg´s theory of motivation, 1959, constructed a two-dimensional paradigm regarding the employee's attitude towards their employers and the best and worst experiences in their working life. The first dimension was hygiene factors and includes administration, supervision, labor conditions salaries etc. and these where factors that not motivate the employees to improve their performance.[70]

On the other hand there were motivational factors, which were based on an individual's need for self-actualization and personal growth such as acceptance, status, opportunity for advancement, responsibility, sense of personal achievement and personal growth. This factor motivated the employees to peak their performance and maximize the companies' outcome. Hertzberg saw in his research in the USA in the late fifties a tendency towards focusing on hygiene factors in order to improve their employees' motivation. He called these KITA factors, kick in the tail factors, because employees were forced to improve to meet companies' new set standards, which were continuously supervised.

Instead Herzberg argued his motivational factors, which created improvement because the employee want improvement as it is part of their own goals of satisfaction.[71] In doing so Herzberg argues management must focus on motivation and rearranging employees in order to enrich their work, which he furthers defines as more freedom, greater responsibility and more use of employees individual talents.[72]

3.1.3. The bipolar cultural dimension theory of Hofstede´s

The theories of Maslow and Herzberg above describe the differences in reward preferences at the individual level. The following part will describe Hofstede´s bipolar cultural dimension theory in order to obtain an understanding of differences in national cultures and which reward systems that might be preferred in different cultural settings.

3.1.3.1. Power distance index (PDI)

Hofstede defines power distance Index (PDI) as to which accord less powerful participants accepts unevenly distributed power and dominance by more powerful ones. In countries with high levels of PDI Hofstede´s theory states that there is high acceptance for social and organizational inequities between humans and their companies' organizational structures. On the other hand in countries with low levels of PDI stands out as the pioneers of equity between their states citizens. Regarding organizational structures and cultures Hofstede argues that countries with high levels of PDI companies have a tendency of preferring strict hierarchical systems. In such a system a person knows his place and shows respect and not uncommon idolizes their superiors. In return they de-

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[68] Gawel (1997)
[69] Bolman, Deal (2005) p. 155
[70] Bolman, Deal (2005) p. 191
[71] Bolman, Deal (2005) p. 190
[72] Ibid.

mand respect and idolization from their subordinates. The salary structure is also highly versified with some people in superior positions earning substantially more, plus bonuses in a variety of forms, than their equivalent counterparts at bottom level. On the other hand people in a country with low levels of PDI prefer a loose form of hierarchy where people are seen as equivalent and responsibility is an opportunity.[73]

3.1.3.2. Individualism versus collectivism

In Hofstede´s point of view a high level of individualism (IDV) means that people in a certain state solely prefers to take care of themselves and the uttermost closet relatives. On the contrary a collectivistic nation incorporates its people in collectivistic groups, such as classes etc., from the cradle to the grave. The collectivistic empathies also agree on the approach that its people highly benefit from working and living together and enjoy the benefits of solidarity within their specific group.[74]

At a company perspective, employees with high levels of IDV tend to act in their own interests and use the company in order to gain as many opportunities as possible. The employees only work for the companies' best interest if they are compatible to their own. Different types of reward systems are often used to bridge these differences in interest between the company and its employee[75], which will be discussed further, later on. On the other hand companies in countries with low levels of IDV tend to see the relationship between company and employee in more moral terms[76]. It is most comparable with a large extended family and their protection is guaranteed as long as they are loyal and trustworthy.[77]

3.1.3.3. Masculinity (MAS)

In a country with high levels of masculinity, such as Japan,[78] people tend to seek dominance over each other by showing their might and motivate their actions by their local class situation. Acceptance and salary tends to be tremendously important and different forms of strict hierarchical constellations are often common[79]. The male gender is often more dominant in these types of societies and females are expected to be submissive and take care of household activates of lesser importance, but this is not the primary point in this perspective of Hofstede's. Hofstede as the difference between masculinity and femininity in a cultural context and what the inhabitants of a specific national state prefer define the difference between masculinity and femininity. In a country with low levels of Masculinity, such as Sweden, the inhabitants prefer more feminine values and tend to focus on relations and quality of life. People in such organizations tend to be more humble and the structure tends to be less hierarchical and employee equality is often more essential. Incentive pay such as bonuses, provisions etc. is often team based or adapted to a wide company standard. Compromising often solves conflicts between employees and individual perspectives are often respected and encouraged. In masculinity based companies bonuses are often based on financial results and employees are rewarded by their performance as individuals.[80]

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[73] Hofstede (2005) p. 72
[74] Hofstede (2005) p. 105
[75] Merchant, Van der Stede (2007) p. 8
[76] Hofstede (2005) p.117
[77] Hofstede(2005) p. 99-105
[78] Hofstede (2005) p.133
[79] Hofstede (2005) p.145
[80] Hofstede (2005) p. 161

3.1.3.4. Uncertainty avoidance index (UAI)

With the term uncertainty avoidance (UAI) Hofstede means to which degree people in a society feel fear, or tolerance, not to be able to influence and control the outcome of their actions. In a country with high levels of UAI, such as Japan, both social and juridical rules tend to be favored and applied[81]. Hard work by employees, long after closing hours, is often expected from their employers and the employees tends to change place of work less often in their lifetime. Time is money in such societies and employees often focus to implement discoveries rather than focus on research, which is time and money consuming[82]. The inhabitants of a country with high levels of uncertainty also tend to express themselves on a more emotional level that motivates their inner personality[83]. There may also only be right and wrong in such a society, noting in-between, and people, as always, prefer to be on the winning side. On the other hand in a society of low levels of UA people have a high tolerance for ambiguity and have a tendency to put less importance to social and juridical rules. Instead unwritten rules such as codes of conducts are more widely implemented in such originations. Top managers, in these societies, should focus on strategically important decisions to make the company grow and avoiding getting involved with inferior production related problems. Employees tend to change work place more frequently than their UAI counterparts.[84]

3.1.3.5. Long term orientation (LTO)

Hofstede defines long term orientation (LTO) as to which degree the inhabitants of a nations focus on future effects of their certain actions. In a country with high levels of LTO, such as Peoples Republic of China (PRC) and Southeast Asian countries as a whole, work and family is not often separated.

Hofstede further argues that countries with high levels of LTO prefer using benefits in the future instead of present time, likewise rewards such as bonuses are often distributed later on after a year or more have passed.[85] Companies also tend to use their earnings as to further research and improve their companies' possibilities to blossom in the future. Also the financial results in ten years seem to be equally important than the result in the upcoming year.[86] On the other hand a country with low levels of LTO focuses more on the present and tries to maximize their profits in the short run. Employees tend to focus more on their own well-being and self-esteem rather than the interests of the company. Companies are often seen as a springboard to well-being and established for the employees, not the other way around, which is common in countries where LTO levels are high.[87]

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[81] Hofstede (2005) p. 183-184
[82] Hofstede (2005) p. 205
[83] Ibid.
[84] Ibid.
[85] Hofstede (2005) p. 249
[86] Hofstede (2005) p. 241
[87] Hofstede (2005) p. 241

3.2. Swedish Management

In this part first a short introduction of the background of Swedish management will be provided. Further we will examine the link between Swedish management culture and Hofstede's cultural bipolar dimension theory and finally reward systems according to Swedish management tradition will be discussed.

3.2.1. Swedish Management –characteristics

Swedish management originates from the Swedish culture and tradition, a way of interacting with people, which partly derives from agriculture's fundamental need of cooperation. A belief that one will gain by helping others is fundamental. In modern time labor unions are an example of this spirit of understanding.[88] As recently as the late 19th century Sweden was primarily a farming economy but industrialized quickly. Industrial companies such as Alfa Laval, ASEA and Ericsson quickly established themselves on the Scandinavian market. Their commercial success led to further economic growth, and the Swedish model with a social-democratic government committed to full employment, generous social policies and powerful labor unions began to emerge.[89] All of this is relevant as it helps to explain and describe Swedish management. Homogeneous groups with a strong work ethic characterize Swedish culture. Generally, Swedes display a strong wish to fit in and adapt to the norms and expectations of others in their group.[90]

Researchers agree that there exist some particular characteristics in the way Swedish companies are organized and led.[91] According to a report by the Swedish government agency VINNOVA, distinguishing features of Swedish management are trust, cooperativeness, involvement, consensus and innovation. But time-consuming processes to gain approval for decisions, indistinctiveness and fear of decision-making also characterize it. Furthermore, the report points out that Swedish management promotes creation of long-term value, but it also questions how well this works in a globalized economy with higher demands for short-term profit. Furthermore many of the respondents in the report by Vinnova points out that Swedish management has a strong connection to the Swedish culture and traditions.[92]

The research program *Scandinavian Management* resulted in the book *Goda Utsikter,* where twenty prominent managers were interviewed about their career and things that had affected their view of good management. According to this research some essentials of Swedish Management were to have vision, communicate and seek consensus. This may be seen as a matter of fact but this picture of Swedish management differs from that of management styles of other countries, where analyzing markets, competing and measuring financial figures to attain short-term profits, often characterize the management styles. According to the managers, plans and reports were not a prominent feature, nor were accounting or financial figures.[93] When using the opposite of other countries as a description of Swedish management words as informal, pragmatic and cooperative were adjectives mentioned.[94]

Furthermore, Jönsson and Strannergård summarize Swedish management into four

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[88] Vinnova Rapport, (2007) p. 9
[89] Birkinshaw, (2002) p. 11
[90] Julian Birkinshaw, (2002) p. 12
[91] Jönsson (1995), Birkinshaw (2002), Vinnova (2007), Jönsson, Stannergård (2009)
[92] Vinnova Rapport (2007) p. 7
[93] Jönsson (1995) p. 35
[94] Jönsson (1995) p. 40

main points. Firstly, Swedish management is built on trust and an ability to delegate. Secondly, one struggles hard to gain everyone's approval in discussions. Thirdly, an important characteristic is the willingness to negotiate, rather than getting into conflict. Lastly, the final characteristic pointed out is the ability to follow up verbally rather than analyzing figures and reports.

The quotation below summarizes a theme that emerged repeatedly in the interviews in Jönsson's study:

"Swedish management is indistinctive and unclear, which is both a strength and a weakness!"[95]

On one hand the fact that Swedish management is understood as a management style without clear directives contains a positive aspect. This pattern of behavior gives the employees space for creativity and for taking responsibility. It also gives good conditions to foster teamwork, which is another prominent feature in Swedish management. In short, Swedish management is characterized by decentralized structures and involves trust, which is stimulating if there is room for acting independently. Decentralization only as a well-defined responsibility to fulfill a specific task, only leads to strengthen the management of the company Jönsson points out. On the other hand, the weakness in the quote above is that representatives of cultures where team members expect clear instructions from their manager may find open discussions vague and feel a lack of directives. People from more authoritarian cultures, such as Germany, France and The United States find this way of working ineffective and it is not seen as good management. The lack of straight answers may therefore be seen as a key weakness of Swedish management.[96]

Jönsson and Strannergård emphasize that it is important to keep in mind that conclusions about culture are generalizations built on the respondent's experiences and backgrounds, which is why a completely true picture is impossible to present as it may be very individual and also differ within the country.[97]

3.2.3. Swedish management and the bipolar cultural dimension theory

According to Birkinshaw, Sweden has a strong collectivistic culture characterized by a belief in the importance of the team rather than the individual.[98] This is the opposite of the United Kingdom and the United States, the author points out.

> *"The UK and The US are the opposite; they have a highly individualistic culture where children learn from a young age to stand up for themselves, to seek out attention and to compete with their peers. In Sweden, by contrast, children are expected to be average and the school system damp down any naturally competitive instinct they may have."*[99]

When using the bipolar cultural dimension theory to analyze how countries differ, it is important to keep in mind that because a country scores high on one dimension this does not mean that the opposite characteristic does not exist at all. What matters is how

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[95] Jönsson (1995) p. 320 (Quotation translated by the authors of this thesis)
[96] Ibid.
[97] Jönsson, Strannergård (2009) p. 337
[98] Birkinshaw (2005) p. 12
[99] Ibid.

a certain country scores compared to other countries.[100] An example of this, according to Hofstede, is that Sweden is an individualistic country compared to Japan but more of a collectivistic culture compared to the United States.[101]

Jönsson shows how the different measurements of Hofstede justifies the assumptions that Swedish people should be suitable for teamwork but underline the fact that Swedish people despite that need space for individual performances. The Swede does not have a strong need to avoid insecure situations where one risks losing face. Swedes have a high level of tolerance for uncertainty which makes them less resistant to change, more able to accommodate new ways of thinking and more tolerant.[102]

Hofstede's next dimension, power distance, is about the level of inequality between individuals in society. Sweden has according to Birkinshaw low grade of power distance and is characterized by informality and openness.

> *"Try to talk to a CEO in The UK or The US and you have to get past a protective secretary and a PR minder. In Sweden I have called CEOs directly and got straight through, not a secretary in sight."*[103]

Finally Sweden scores high on femininity. This can be seen in policies about maternity/paternity leave and in team situations, where a manager tries to understand and support employees. High scores on femininity also mean that one values good long-term relationships at work.[104] In Hofstede's study, Swedish people seemed to value teamwork and a good relation to the manager concurrently as they do not feel uncertain about new tasks.[105]

All of this is relevant for understanding how a reward system should be designed to be in line with Swedish management. This topic will be discussed in the next part.

3.2.4. Swedish management – reward system

In the early 90's Paul et al pointed out that Swedish companies for the last decades have had a strong tendency towards rewarding collectively, and argue that this has its roots in the dominance of Swedish labor unions. Collective agreements and solidarity has been a part of Swedish business for a long time. Contrary to this, The US have during the past decades had a clearly defined direction towards more rewards on an individual level and has well developed bonus programs to guide the management of the organization. Furthermore, the authors point out that Swedish organizations have recently started to see the benefits of designing their reward systems to a more individual focus, which they say is due to the high motivational effect this has on individuals.[106]

Jönsson and Strannergård point out that in former times clear control systems did not exist and it was therefore impossible to measure and follow up on details. Today, however, it is easy to measure in all conceivable ways, which is according to Jönsson and Strannergård the total opposite of the Swedish tradition, which has never been particularly concerned about figures.[107] Jönsson points out that when the study in *Goda utsikter*

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[100] Jönsson (1995) p. 63
[101] Hofstede (2005)
[102] Jönsson (1995) p. 27, Jönsson, Stannergård (2009) p. 324
[103] Birkinshaw (2002) p. 12
[104] Jönsson (1995) p. 27
[105] Jönsson (1995) p. 71
[106] Paul, Alm (1991)
[107] Jönsson, Strannergård (2009) p. 334-338

was conducted, no one had formal reward systems or bonuses. During the interviews the respondents explained that people take responsibility anyhow and therefore were not in need of such systems, which become clear in this quote:

"It is a strength that Swedish managers are honest; they take responsibility without artificial incentives such as bonuses. The idea seems to be that if you are responsible you follow up on yourself and keep the boss informed"[108]

According to Jönsson, all companies today have more or less standardized reward systems and he is surprised over how fast this has developed. In former times there were profit share systems but no bonuses, he points out. He considers one of the reasons to be the rise of consultancy companies, such as McKinsey, who have introduced many foreign management practices to Sweden. Another reason suggested by Jönsson, may be the domino effect, which is the idea that if the company does not offer the same bonuses they risk losing competent employees. According to Jönsson this idea that people are unfaithful is strange and does not fit into the traditional view of Swedish management.[109]

Jönsson and Strannergård further point out the difficulties companies have had dealing with this transformation. They stress that if systems measure objective results, the outcome is likely to be that employees act on the basis of those measurements rather than pursuing real durable results. It takes time to rearrange and adapt to a system where rewards instead of personal integrity drives employees to take personal responsibility for their actions. Therefore, the authors suggest that generous reward systems may undermine and weaken Swedish management culture.[110]

Furthermore, Jönsson concludes that if formal monetary reward systems are used, the result will be focused on the figures rather than the activity of the company. This is very far from the traditional picture of Swedish Management. Jönsson emphasizes the importance of good communication and that today's reward systems may stand in the way of that. Jönsson also realizes the need for some kind of standardized systems when acting globally, but emphasizes that one needs to consider the consequences. The systems may distort managers' perception of reality.

Jönsson suggests that according to Swedish tradition, collective rewards have been more successful than rewards focused on the individual. But he believes that this may change, as the today's generations read American literature on how to reward employees and might therefore in the future see the new standardized systems as something natural.[111]

Jönsson believes that the Swedish management tradition will last and the domination of the United States will weaken in the area of reward system design. He points out that this would be the result of a globalization process where the best method will survive and spread and notes that today the American method is being questioned a lot. He believes that best practice lies in the idea to learn from the best and the idea of best practice is on its way to change.[112]

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[108] Jönsson, (1995) p. 135 (Quotation translated by the authors of this thesis)
[109] Interview, Jönsson 2009-04-27
[110] Jönsson, Strannergård (2009) p. 334-338
[111] Interview, Jönsson 2009-04-27
[112] Interview, Jönsson 2009-04-27

3.4. Reward Systems

In order to survive and expand in the long run companies of today has become more and more dependent on their workforce and their specialties and knowledge. The workforce knowledge is one of the most important building blocks in construction and managing a company. But when company's of today starts to see their employees as, perhaps, their companies greatest recourses they can also be seen as a severe vulnerability. In order to limit this vulnerability companies provides employees with possess valuable skills and knowledge, higher salaries and extra incentive pays in order to keep them at bay and not provide their knowledge to other companies in form of changing their place of work. This in turn relate to the fact that in the world of today employees are put on a global market where employers, such as transnational enterprises have to struggle, in order to get the most adaptive staff with skills for a certain task. Thus, the most prominent and skilled employees will also get the highest salaries bonuses. Rewards should also be seen as a motivational factor that stimulates the employees to do their best and unite their interest with the company's. Reward systems have also the potential to influence behavior and change attitudes towards adjustments. So when an employee contributes to the company's achievements they should be properly rewarded, which will stimulate the employees to repeat their actions.[113]

3.4.1. Reward system - means of control

For almost all companies it is very important to control the activities in the organization in a way that fulfill its strategic plans. The reward system is an important part of the company's control system to ensure congruence between the goals of the individual and the company. The purposes of different reward systems may vary, but the most common purpose is to motivate the employees and spur them in a direction of taking an active interest in the organization. But a reward system may also have a broader meaning. According to Steers and Porter the reward system may be a way of attracting and retaining the right people and to motivate these to work in a more efficient way.[114]

As mentioned above, it is important to create congruence between the goals of the company and those of the individual. If this is not the case and the reward system does not reflect the goals of the company, individuals may not care to try to fulfill these company goals. One reason may be that the reward system rewards a certain behavior, but if the system is poorly designed it may create a behavior other than what the company wants. The outcome will be a non-alignment between goals, and this might harm the company in the long run.[115]

Furthermore, a decisive factor regarding rewards is that the employees must understand what they are being held accountable for, and they also need to understand how they can influence the results.[116] According to Merchant, the reward also needs to be seen as something valuable and attractive by the employee, otherwise the employee may not be motivated. Problems occur when individuals within different divisions and departments do not share the same preferences. Since individuals have different needs it is important that the reward system is flexible and suits all concerned. If the system does not fulfill those criteria, there is a significant risk that the preferred behavior will not be

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[113] Chiang, Birtch, (2005) p. 360
[114] Steers and Porter (1991) p. 112
[115] Merchant, Van der Stede (2007) p. 29
[116] Merchant, van der Stede (2007) p. 35

displayed or that the employee loses his incentive to perform in the interest of the company.[117]

3.4.2. Reward systems – financial versus non financial targets

The goals, which the reward system usually is based on, may be divided into financial or non-financial targets, which further may be divided into individual and collectivistic goals. In a historical view financial goals have dominated and include targets expressed in terms such as return on capital, profit margins and return on investments. Lately a new tendency towards non-financial goals, such as customer loyalty or market shares can be seen. Financial targets are clear, precise and easy to measure but lately this method has been criticized. Merchant points out the risk of making managers excessively short-term oriented. They also discuss the issue of sub optimization caused by the use of financial measures.[118]

3.4.3. Individual versus collectivistic rewards

Individual rewards acknowledge individual achievements whereas collectivistic rewards are given to a group for their shared achievements. Examples of individual rewards are a salary raise, an increase in responsibility, more time off or a personal bonus. Examples of collectivistic rewards are education courses, general profit sharing or team bonuses based on the performance of a specific group or the performance of the whole company.[119]

According to Persson, a combination of individual and collectivistic rewards are preferable for the design of a company's reward system, since both forms of rewards lead to positive and negative side effects. Persson also points out that collectivistic rewards may result in decreased competiveness. Furthermore, collectivistic rewards are easier to administrate and are usually less expensive than tailor-made individual rewards. Rewards intended for all employees within an organization aim to integrate the employees and the company. On the other hand, rewards directed to the individuals within the company lead to a differentiated organization. The purpose of such systems is to encourage certain behaviors and what system a company should choose depends on this purpose. If the management team of the company wants an overall efficiency increase within the organization, the more integrating solution should be used. If they on the other hand prefer a different kind of efficiency connected to achievements within the organization they should consider more individual and differentiating solutions.[120]

Persson furthermore points out that there is a risk with reward systems that are based on the employee's position rather than the employee's personal knowledge and experience. He stresses that the first weakness of a system like that does not give the employee incentives to fully utilise his or her competence. The second weakness of such systems, according to Persson, is that if the employee does not see a reasonable chance for advancing to a desired new position, a reward system based on that transformation will not have any motivating effect.[121]

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[117] Merchant, Van der Stede, (2007) p. 395
[118] Merchant, Van de Stede (2007) p. 436
[119] Steers, Porter (1991) p. 42
[120] Persson (1994) p. 96
[121] Persson (1994) p. 136

3.4.5. Reward systems in a multicultural context

When and if companies choose to expand abroad they also export some of their headquarters culture and their way of doing things. Sidney R. Robertson, Executive Vice President in Organization resource Counselors Inc, argues that multinational companies no longer can afford to use a one-culture philosophy. Instead multinational companies must become multicultural ones where every part is individually adapted to fit the cultural context of the harboring market.[122] Robertson further develops a five step approach to a reward system, which include a global compensation strategy, a strategy to pay compensation to employees working outside their home countries and a local national compensation strategy. Many companies of today have to deal with the two later theirs but larger global ones even have to deal with the first one.[123] In order to do so, Robertson advocates that global enterprises must consider elements of global adaptation in order to get the compensation program to work.

First global enterprises must recognize and deal with the cultural dominance of their headquarters. In doing so they must adapt by loosen the patterns of how things are done correctly in the company and see to the cultural context of the specific country when determining a reward system.

Second global enterprises must balance local and global considerations and find a preferred state of equilibrium. When a company grows continuously on a global scale a team of employees with transnational responsibility must sooner or later be established to deal with these problems. Robertson argues that this transnational team must work as if they were independent from their headquarters home culture and become one with the culture of every branch and subsidiary in order to work properly.[124]

The goal of these transnational managers must be to constantly adapt the company to the environment and make it work as a chameleon in different cultures. In order to do so, these managers must establish a competitive reward system, adapted to the specific national culture so the most talented personal and those with a requested skill will work for them. The global as well as the local reward strategy must also be aligned with the company's business strategy otherwise employees might focus on tasks, which are unbeneficial and even harmful for the company.[125]

Thirdly, Robertson distinguishes culture as the difference of language, it context, utilization of time, manner and how information flows and argues for the importance when adapting or implementing a reward system to a specific cultural context.[126] Fourthly, Robertson states the importance in noticing how links between compensation and communication are established in order to set up a reward system. For a reward system to work, communications must be direct and clear so employees easily can understand what is required and expected from them.[127] In the fifth and final step, Robertson empathizes the role of human capital when adapting to another market. He divides the employees of a global company into groups of cutting edge, critical, core and complimentary employees and argues for an independent reward system and specified payment

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[122] Robertson (1999) p. 603
[123] Ibid.
[124] Robertson(1999) p. 605
[125] Ibid.
[126] Robertson(1999) p. 606
[127] Ibid.

strategies for each of these profiles in order to compete on a world scale basis.[128] In her conclusion Robertson argues that to recognize and adapt to the above criteria companies must use a highly flexible reward system as a global framework, which later on must be modified and adapted to multiple national cultures.[129]

Chaing and Birtch further expand Robertson's discussion by including Hofstede´s bipolar dimension theory, discussed above in part 3.1.3. In a *Taxonomy of reward* preferences discussed above they use Hofstede's cultural indexes as a starting point for their analysis of reward preferences in different cultural contexts.[130] In their paper Chaing and Birtch put forward a theory that a collectivistic defined country, such as PRC tend to prefer non financial rewards instead of financial ones and rewards as well as punishments often are official and made in public. Neither does the collectivistic individual obtain satisfaction from work well done nor individual achievement. Instead Chaing and Birtch argue that they feel satisfaction from "work well recognized"[131] and prefer to see themselves as being part of a collective at work and therefore tend to prefer group reward systems. On the other hand an individualistic national culture, such as the US, has strong preferences for recognition of individual achievements and therefore advocates an individually based reward system. Individualistic cultures also tend to accept larger monetary differences between employees on the payrolls as well individually based bonuses and incentive payments.[132]

On the contrary, employees from collectivistic nations have a preference for the well-being of their social group and its structural harmony. Instead their reward systems are more based on relationship and morale.[133] A good example of this is guanxi, in PRC, which can be defined as "relationships" and often referred to as the network of business relationships. The Chinese businessmen often use their relationships with other businessmen and government officials to gain advantages over their competitors. In essence, this works as a network of exchanging favors[134]. Chaing and Birtch also argue for the importance in defining a masculine contra feminine culture when a company is determining to choose a reward system set on cultural preferences. And implies that in Hofstede´s bipolar dimensional theory a masculine culture tend to be more compatible with reward systems as it is more focused one monetary achievements and rewards is often more directly tied to the results of a company.[135]

Chaing and Birtch´s also discuss the work of some other researches such as Dunphy, D.C., Hackman, B.K. and Beer, Katz to further widen their perspective. In their paper *Locus of control in human resource management* Dunphy and Hackman found a connection between individualism-collectivism and power distance in term of locus of control.[136] In their theory meant that internal locus of controls were born from high individualism and low power distance, whereas external controls was associated with collectivism and high power distance. They further argue that employees in an individualistic and low power distance culture believe that they are in greater control and influence their set reward system than their counterparts in a collectivistic high power distance cultures.

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[128] Robertson (1999) p. 607
[129] Robertson (1999) p. 608
[130] Chiang, Birtch (2005) p. 360
[131] Chiang, Birtch (2005) p. 361
[132] Ibid.
[133] Ibid.
[134] Kjellgren (2000) p. 88
[135] Chiang, Birtch (2005) p. 363
[136] Dunphy, Hackman (1989)

On the other hand employees in a nation with high power distance and collectivistic cultures felt that control and influence of setting a reward system were beyond their control and they were also less flexible and risk adverse due to higher levels of uncertainty avoidance.[137]

In Beer and Katz paper *Do incentives work?* which contains of 205 interviews with managers from over 30 countries they argue that masculinity and uncertainty are highly compatible with a reward system based on performances. In masculine cultures advancing in hierarchical structures is regarded as important in order to gain recognition and idolizing and therefore a reward system that links achievements to results is preferred.[138]

[137] Chiang, Birtch (2007) p. 362
[138] Beer, Kartz (1998) p.26-29

4. Empirical Study

This chapter provides the empirical information, which was obtained during the interviews with representatives at FlexLink and Gunnebo. But first an brief introduction of the two selected companies is provided in order to present their business strategies and how their visions and mission are set up. This part has the purpose of informing the reader about the organizational structure of the two selected companies and in doing so provide a sufficient base for the interviews. Secondly the material from the interviews with FlexLink and Gunnebo representatives are processed. In this part we also urge the reader to read Appendix III, which elaborates the factors Gunnebo uses in their IPE analysis system, and Appendix IV, which provides graphs about the discussed national cultures scores according to Hofstede's bipolar cultural dimension theory.

4.1. FlexLink

Born out of SKF AB FlexLink is today one of the leading enterprises in the Industrial automation industry and are present in several countries on all continents except Antarctica[139]. FlexLink has approximately 700 employees and sales units in 27 countries (If business partners are included FlexLink has representatives in over 60 countries) and turnover in 2008 was 1,446 billion SEK. The company is divided in to three substructures; Business Developments main responsibilities are market and technology analysis and strategy development. The product and supply division are responsible for the design, supply and distribution of components and function modules. Sales units are based on geographical regions and are further divided in to the Americas (Brazil, Canada and USA), Asia/Pacific (Australia, China, India, Indonesia, Japan, Malaysia, Singapore and Thailand) and EMEA (including entire Europe and some neighboring countries such as Turkey, middle East and the continent of Africa. Se figure 4, below.
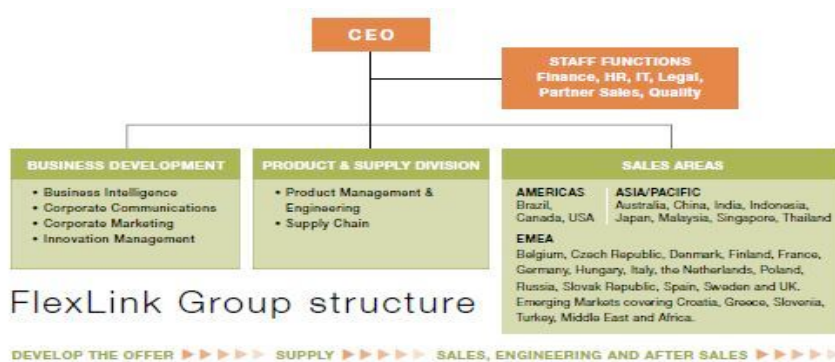

Figure 5: The organizational structure of FlexLink[140].

The market of industrial automation is itself relatively fragmented with many smaller often family owned companies which operate on a national level and some larger multinational enterprises that operate on a global scale. Many of the smaller and medium sized companies on national level focus on providing a limited number of clients with its products. Normally these kind companies do not have their own machinery and parts and instead integrates them from other manufactures.[141] On the other hand FlexLink provides its customers an all with in-house engineered automation system and focuses

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[139] FlexLink Business review (2007) p.7
[140] Flexlink Homepage1
[141] FlexLink Business review (2007) p. 7

on production logistics in the area of automotive, electronics, food and dairy, medical and pharmaceutical, paper converting, personal products, tobacco, computer assembly and optical equipment.[142]

The vision of FlexLink is to be seen as first choice in production logistics and its mission is to provide companies with production logistics solutions with will allow customers to achieve full production efficiency.[143] FlexLink business itself is built up on buying custom-made parts from global subcontractors and put them together in to custom designed automation systems   in Poland and Malaysia which in turn later on is shipped to customers worldwide. The local offices are largely focused on sales and maintenance in a specific country or area and a form of internal pricing is used when a system or components is shipped to a customer through specific office. On delivery an assembly team of FlexLink personnel or certified Business partners assembles the bought automation system and also makes specific modification and adjustments for the customer's account. FlexLink can also be called a knowledge-based company with a relatively flat organizational structure where only the top executives may have their own offices. Also worth mentioning, of the total amount of employees 45% holds university degrees 65% of total are engineers and technicians and 21% are females.[144]

4.1.2. Interview-FlexLink

The following part is based on an interview with the Chief Information Officer at FlexLink Group. The interview took place on May 12th 2009 at FlexLink's head office in Gothenburg[145].

The interview began with a general discussion about culture. The respondent pointed out that cultural differences are a matter of fact but the company culture needs to be common even if the local cultures may differ. The respondent believes the company culture is of high importance for today's employees, thus it is not only the money that counts when employees choose their employer. Examples of this are to be found in all countries; in the United States for example social benefits are of high importance, in India housing allowance and titles are on top of the list while in China monetary rewards are the most important.[146]

The respondent refers to the company's code of conduct when discussing the values of the company and points out that it is important that everyone understand the common goals and how they should be attained. This is communicated through the credo of the company, which is summarized in the words honesty, trust, teamwork and openness. Furthermore, the credo is about believing in creating costumer value, thriving on change and building networks. FlexLink also express a belief in individual initiative, drive and responsibility. The code of conduct describes the importance of a high level of ethics in all their business activities The company believes in common sense and sound judgment, and encourage its suppliers, consultants and employees all over the world to follow these principles.[147] Even if the credo may seem to be obvious the communication of it is not always met without resistance, the Chief Information Officer points out. The respondent recalls a situation where a manager did not find the teamworking part ne-

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[142] FlexLink homepage 1
[143] FlexLink Business review (2007) p. 2
[144] FlexLink Business review (2007) p. 11
[145] Interview guide, Se appendix I
[146] Interview, Gunnebo 2009-05-12
[147] FlexLink, Code of Conduct brochure

cessary, whereby the respondent had to point out the importance of working as a team to attain success to the manager concerned.

FlexLink uses reports from the consulting company Mercer[148]. The services of Mercer are expensive, which is why FlexLink only uses a limited number of their services. The Chief Information Officer sifts through what reports should be ordered from Mercer and further evaluates what information may be useful for the local managers in other countries. The reports and services Mercer offer are used as a guideline rather than best practice directions, the respondent points out, and further explains that the system is used to get an idea of the conditions in a specific country.

In addition to the base salary, bonuses are used for the top level of management and represent 20 to 35 per cent of their annual income. The bonus is divided into different parts related to different goals of varying degree of difficulty, each linked to different success criteria. With other words, both goals based on figures and more long-term organizational goals are used. For example, FlexLink wanted to encourage the use of company resources in Poland and therefore included this in the bonus goals, the respondent explains. Both when deciding base packages and bonuses for employees a negotiation takes place between the Chief Information Officer and the local manager, although there are more policies that are also followed. It is also possible to use bonuses in other divisions in the organization.

The respondent also gives some examples of what might differ when discussing payment and rewards in different countries. One thing that differs is the requirement for access to a company car. In Holland for example almost everyone have a company car, which is far from reality in many other countries. Another example is the norm of paying thirteen monthly salaries in some countries. If that is the standard in a country we have to adapt to that to keep the employees motivated, the Chief Information Officer points out.

The respondent believes equitable wage policies are important in Sweden because of the existing collectivistic tradition and the importance of fairness. The respondent recalls trying to introduce bonuses for the application engineers in Sweden, which had been a success in other countries but here the manager did not believe in motivating the employees with rewards, such as individual bonuses. This was respected and even if the respondent does not believe in standardized systems totally and expresses that people are not systems, the respondent still points out the importance of incentives for employees to perform. The power of the trade unions also has an impact on salary negotiations; the unions in Germany and Italy are for example very strong, which the company needs to take into account.

In the future when the recession of the economy is over, an international High Potential System is on the agenda of the company. This may be used to get hold of ambitious high potential employees within the company.

Performance reviews with ratings are used in all countries and are essential when deciding the salary of an employee. This is used in order to motivate and get the employee involved in the salary process. Penalties are not used, but as the respondent explains, some employees will always attract more attention from the manager and get more

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[148] Mercer, from the US, is one of the largest consultancy companies working worldwide with position evaluations and market salaries.

open feedback. We believe in positive feedback, the Chief Information Officer points out, but it is very different to how this is handled in different countries. In Sweden it is common and appreciated, which is not the case in all countries although Flexlink do their best to encourage the use of it.

The importance of status differs among countries. For FlexLink, status is not important at all, the respondent advocates and this pervades the company's way of management. An example is the use of titles, which differs from country to country. In Germany, for example, the uses of titles are of high importance. For us at FlexLink it does not get much attention but in Sweden in general the use of titles seems to be increasing, the respondent reasons. Attempts have been made to standardize the use of titles but variations still exist due to cultural differences between different countries.

Even if adjustments are made in different countries we do have salary policies for everyone to follow, the respondent explains, and the local managers may even find us to be inflexible now and then. Our employees probably think that the system is standardized but compared to other companies the respondent does not believe it is, and points out that FlexLink uses an as standardized system as needed depending on the size of the company. The respondent further underlines that it is important to keep the flexibility when reward employees in different countries.

> *"I cannot see how a reward system could work without adapting to the cultural differences at all."*

To control decisions made by managers in the organisation "the grandfather principal" is used, which means that all decisions are controlled one level above. So in the end the Mercer system and the salary policies pervade all decisions of the managers at FlexLink the respondent concludes. However, the possibility to control if the policies are followed exactly is limited.

> *"We do not have a PA(personal administration) system as Volvo where everyone's salaries are visible. We are the large small company and we trust each other"*

Why the company's reward system looks like it does may depend on the size of the company, the respondent reasons. In the beginning, the company did not have standards and policies at all and these have been developed little by little. If the company had 2000 more employees the system may have been more standardized.

4.2. Gunnebo

Gunnebo is a leading Enterprise in the markets of security solutions which includes, secure storage, site protection, entrance control and cash handling and its business idea is to:

> *"Supply security products and systems, which combine a high level of security with flows of money, people, vehicles, goods and other valuables."*[149]

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[149] Gunnebo Annual Report (2007) p. 8

Gunnebo has approximately 6400 employees in 25 countries scattered around Europe, Asia, Africa, Australia and North America. If agents and distributors are included Gunnebo has a presence in more than 100 markets worldwide.[150] Operations in France has the largest amount of the population with 24% of the total amount of employees, Indonesia are in second place with 13% of total employees and head office in Sweden has 7% out of the total amount of employees. Of the total amount of employees 17% are females. The turnover of Gunnebo was 6,907 billion SEK in 2007 of which Europe represented 38%, North and South America represented 31%, Asia-Pacific represented 25% and others represented 6%.[151]

The organizational structure of Gunnebo is divided in to 25 costumer centers based geographical location which reports back to Headquarters in Gothenburg, Sweden. Each and every Customer Centre is divided into four channels, called Business Lines and includes Bank, Retail, Site Protection and Secure Storage. The specific customer centre has full responsibility for the outcome of a specific business line. Gunnebo has also six Competence centers, (R&D centers) which goal is to supply and serve costumer centers with new innovative security solutions. These are Cash Automation, Electronic Security, Entrance Control, Indoor Perimeter Security, Outdoor Perimeter Security and Secure-Storage.[152]

Figure 6; The organizational structure of Gunnebo.[153]

The market itself is, like the automation industry, relatively fragmented and the seven largest providers of security solutions only account for 25% of the total market. The other 75 % consists of small to mid-size, often local, companies, which might have a strong position on individual markets but cannot be seen as a TNC[154]. Due to the nature of the fragmented market mergers and acquisitions often occur as smaller companies merge or a lager often a TNC incorporates a smaller local one in order to strengthen its position. The smaller local companies naturally also tend to focus on smaller numbers of products and customers while the larger TNCs can provide a total solution based on several different types of product, technology and system solution.[155] Gunnebo uses a salary and reward system adjusted to the conditions of the market and for determining these

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[150] Gunnebo homepage 1,2
[151] Gunnebo Annual Report (2008) p. 38
[152] Gunnebo homepage 3
[153] Gunnebo homepage 4
[154] Ibid.
[155] Gunnebo Annual Report (2008) p. 9

conditions Gunnebo co-operate with a company named Mercer. Mercer valuates the executive staff and points out a mutual direction for Gunnebo's reward system.[156]

4.2.1. Interview-Gunnebo

The following part is based on an interview with the compensation and benefit manager at Gunnebo at the Head office in Sweden. The interview took place on May 7th 2009 at the respondent's office in Gothenburg.[157]

HIDEF Kapital AB was founded in 1993 and when HIDEF bought Gunnebo in 1995 the name of HIDEF was changed to Gunnebo AB and the "old" Gunnebo changed named to Gunnebo Industries AB. During the early years of the Gunnebo group expansion through acquisitions has been mainly been focused upon and due to the inorganically expansion strategy Gunnebo existed in 2006 of over 40 companies with several different brands which penetrated different markets.

In 2006 Gunnebo initiated an integration program called Gunnebo One Company program which aim was to use Gunnebo as the name of the entire organization and to stream line the organization structure into country based sales companies and competence centers responsible for product/technical development and manufacturing which with the Sell of Gunnebo Industries were 100% focused on providing different kinds of security solutions.

As pointed out by the compensation and benefit manager Gunnebo recognizes the need to be competitive in the international market place and is committed to ensuring that its remuneration practices enable the Company to:

- Appropriately compensate employees for the services they provide to the Company;
- Attract and retain employees with skills required to effectively manage the operations and growth of the business;
- Motivate employees to perform in the best interests of the Company and its stakeholders;
- Provide an appropriate level of transparency; and
- Ensure a level of equality and consistency across the Group.

When discussing of how to appropriately compensate employees Gunnebo relies on an IPE evaluation system provided by Mercer[158]. The IPE System itself is an independent and objective method, which allows Gunnebo to compare various aspects of a job (not the position holder), and to rank positions accurately against each other – across job families (finance, sales, marketing, manufacturing etc) within any Gunnebo company, and externally, anywhere in the world. The IPE System analyses the size of the Group/Centre/unit and then the jobs according to four 'core' factors, which are subdivided into 10 dimensions, each of which is individually weighted. See appendix III for more specifics about the factors. The system also takes notice of that not all positions at the same level of an organization have the same impact, and require the same level of

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[156] Gunnebo Annual Report (2008) p. 38
[157] Interview guide, Se appendix I

[158] See footnote 137

knowledge and skill, or face the same innovation and communication requirements or operating complexities.

The CEO has the highest ranking in the Group. Thereafter positions are grouped according to the way they contribute such as contribution to the Group business strategy, leadership etc. There are both managerial and professional positions but all positions are evaluated in the IPE system. The evaluations are used for comparing positions, identifying differences between positions, creating a Gunnebo salary structure, comparing internal and external salaries, and being the basis for the salary review. Gunnebo furthermore aligns its remuneration with that of comparable organizations for roles at all levels of the local company. The systematic position evaluation methodology is used to establish each employee's appropriate level of remuneration. The aim within the Group is to pay the employees at market salary level taking qualifications for the job, job experience and individual performance and contribution into consideration.

The Performance Management System (PMS) assists to determine whether an employee has effectively mastered a position and is performing at a fully satisfactory level. Where this is not the case, the PMS provides a structure for providing support to achieve the required levels of performance.

Since every manager has to consider the employee's qualifications for the job, job experience and individual performance and contribution it is not possible to pay every employee at median level. Instead Gunnebo has decided to create a salary range of +/-10% of median salary, which means a minimum and a maximum salary level for each IPE position class. This salary range is considered to be "market salary level" within the Gunnebo Group. The respondent further points out that the EPI and PMS systems provides Gunnebo with a good tool when discussing salaries and other rewards with employees on management level and they also use the so called Grandfather principle discussed above in the case of FlexLink.

The Compensation and Benefit Manger further describes when Gunnebo initiated Gunnebo on Company program in 2006 they also abolished the old title system which before was controlled in each country. In the new system every employee whos work position had the same type of tasks and assignment   as others in other countries were given the same formal title in order to minimize hierarchical structures within the company. Some years later the respondent met an employee from Indonesia with his own fabricated business card with his old title engraved in them.

The second part of remuneration process is bonus. As an example - if a country manager responsible for a Customer centre reaches his/her set bonus goal he/she will receive at most 25% of the annual base salary as bonus. To receive full bonus the targets shall normally exceeded. A threshold level shall be stated. No bonus will be paid if the results are not reaching the threshold level. The compensation and benefit manager further points out that they only use financial measures in determining if a employee met their set qualitative goals.

The Compensation and Benefit Manager further argues that there must be a maximum limit for how much any bonus scheme can pay. The maximum bonus outcome can never exceed the maximum percentage of the annual base salary stated in the employment

contract. Each actual payment will be made in the country in which it has been awarded and is subject to social security costs and local taxes.

The third part involves the complexities of pension   policies in different countries. The Compensation and Benefit Manager explains that pension and insurances differ a lot from country to country and therefore these matters are handled locally and adapted to local legislation or regulated in local collective agreement or in employment contract. The Group policy is that each part of the Gunnebo shall pay pension contributions for employees in accordance to what is mandatory in the respective country. For example in Sweden the employer pays higher fees for pensions compared with Germany and France where the employee needs to take an individual responsibility and save for their own   insurances and retirement.

Finally the fourth part of the total compensation is the possibility to take part in a stock option program. This has been offered to the top segment of Gunnebo´s management. The compensation and benefit manager further stress the importance to look at the total compensation (the parts explained above) when analyzing the remuneration paid to each individual.

The Compensation and Benefit Manager further points out the hardship in determining compensation package when discussing Swedish management and   the use of a Swedish heritage abroad. The respondent further advocates that when global companies structure comes to a certain size it is most preferable to use some kind of standardized salary and reward system based on an evaluation system and the usage market salary statistics enables Gunnebo to align its remuneration with that of comparable organizations for roles at all levels of the local company. The Compensation and Benefit Manager also points out some further differences between countries. In France the old type of executives are seen as goods and an employee does not speak unless they are spoken to which is not comparable to the Swedish point of view.

In conclusion the respondent points out that the importance is to create an understanding for the common system among group companies and employees within the local offices. But on the other hand emphasizes the fact that it is not a fixed system and that Gunnebo have to find a way to strike the golden mean. The system is supposed to work as a tool and be a guide for everyone working with compensations. Nowadays the understanding for the need of the system has increased and managers have started to see the opportunities with the reward system instead of seeing it as an obstacle.

5. Analysis

In the frame of reference we familiarized the reader with our field of study. Chapter four presented our empirical findings from the two selected companies. This chapter will combine the two above chapters and provide the reader with an analysis and discussion about how the empirical findings and the frame of reference are connected.

5.1. Effects on National Culture

We will in the beginning of this part again stress that our objective and sole purpose of this thesis is to focus mainly on formal reward systems and discuss in what way these differs when two Swedish TNCs design their reward systems and if the structure of a reward system is pervaded by the heritage of Swedish management. We also focus on employees on a global management level, which includes those with profit responsibility and reports back to head office.

Both FlexLink and Gunnebo are transnational corporations with a Swedish heritage. They operate in a global environment. They both have employees with different national cultures and serve customers with differences in national cultures. Their products can be bought and used in most part of the world and they compete with companies sprung out of from different cultural contexts. With these above described characteristics the two companies are very interesting when discussing in what way differences in national culture matter when designing a reward system.

In the interview with FlexLink and Gunnebo the both respondents advocate and argue for the importance to control and understand what drives employees' motivation. As an example of the theory of Maslow and Herzberg the respondent at FlexLink points out that all employees do not want to become executives. Instead many tends to focus on softer values such as self- actualization and esteem needs, such as responsibility, reputation, and what Herzberg defines as motivational factors such as the need for self actualization. The Chief Information Officer further points out that motivation is not just driven by monetary compensation and further finds examples of this in all of the 25 countries were FlexLink has sell offices in; in The US for instant social benefits are of high importance to the employee, in India housing allowance and titles are on top of the list while in China (PRC) monetary rewards are the most important. The preference of monetary rewards in PRC is itself highly contradictive to Hofstede´s view of PRC as a strongly collectivistic country, described in appendix IV. Chaing and Birtch also advocate the same approach as Hofstede and argue that the collectivistic PRC tend to prefer non-financial reward systems. This change in motivation preferences in PRC might be due to the rapidly changing social structure of the PRC as the ruling party has started to accept and advocate capitalism. Therefore the relatively oldness of Hofstede's bipolar cultural dimension theory might make it outdated. Chaing and Birtch´s paper on the contrary is relatively recently published but uses the same building blocks as Hofstede provided. The Compensation and Benefit manager at Gunnebo also argues for the importance of motivation and the different aspects that need to be fulfilled in order to satisfy employees and the respondent even further stress the agency theory by discussing how to motivate employees to perform in the best interests of the company and its stakeholders. The respondent at FlexLink also points out the importance in trusting employees, which is included in their Credo. Furthermore this Credo is highly connectable to Herzberg´s motivate and Hygiene factors were FlexLink advocates a motivational approach according to the Chief Information Officer.

During the interviews the respondents from FlexLink and Gunnebo also argue for the importance in noticing cultural differences between countries when implementing and adapting a reward system. On one hand FlexLink uses a highly adaptable model, where the Chief Information Officer adapts salaries individually to performance class and work position. The Chief Information Officer further invest in global salary reports from Mercer and uses them to analyze changes in the market and adapt the salary structure to these reports. On the other hand Gunnebo explicitly uses Mercers services to its full potential and creates a liable environment, where the employee knows precisely what is expected of them. Mercer IPE system itself does not do any adaptations referable to the dimensions of Hofstede bipolar cultural theory, such as to which degree group reward/individual rewards are preferable in some countries whereas in others not. Instead the IPE-system   is based on cost of living, expenses, risk etc, see appendix III for more details about the IPE dimension provided by Mercer. Gunnebo also advocates a market-based salary with the deviation of +/- ten percent. The Compensation and Benefit Manager at Gunnebo motivates this more strict line of salary and bonus system with the importance of creating an understanding for the reward system among the group companies and employees within the local offices. By using Hofstede´s bipolar dimensional theory this approach is more accepted in countries with higher levels of uncertainty avoidance. According to Hofstede high levels of UAI is highly contradictory to Swedish national culture, which has relatively low levels of UAI. France on the contrary, where most, almost half, of Gunnebo´s employees are stationed has relatively high levels of UAI. The strict salary system might therefore be explained as a concession of having a larger amount of employees from France.

FlexLink on the other hand uses an adaptable reward system, which is more in line of what Hofstede define as a part of a Swedish national culture. As described above low levels of UAI means that a national culture has a higher tolerance not to be able to influence and control the outcome of their actions. The adaptable system may also be seen as a disadvantage for FlexLink. When using a highly adaptive system more responsibility is put on the skill of a specific employee or group of employees responsible for the reward system. Their knowledge may not be easily transferred to the successor of such a position.

By using Hofstede's definition Sweden distinguish itself as the country with the lowest level of masculinity in its national culture. A tendency towards the term femininity can be traced in both the respondents TNCs where the way of setting up reward systems corresponds to the "Grandfather principle". Beer and Katz argue that masculinity and uncertainty avoidance are highly compatible with a bonus system based solely on performances. This tendency could also be traced in the both companies. FlexLink advocated an open evaluation system were a percentage of different tasks were included in a system for bonuses. Gunnebo on the other hand bases their bonus system solely on financial performances. The view of Gunnebo does not correspond to the definition of the Swedish national culture provided by Hofstede but it might as pointed out before be due to the employee structure of Gunnebo.

Regarding Long-term orientation (LTO), which Hofstede advocates Swedish culture has relatively low level of, the both respondent companies choose somewhat different paths. On one hand Gunnebo have chosen to measure the goals of those with profit responsibility on a yearly basis. On the other hand FlexLink provides a more open alternative where

financial measures are merely a part. In this reward percentage system, actions of management employee can more directly be focused on upon and maneuvered to include different tasks of important.

According to Hofstede the Swedish culture has relatively low levels of power distance (PDI), which is both seen in the respondent companies. The example, of the local executives in France, pointed out by the Compensation and Benefit Manger at Gunnebo is highly compatible with Hofstede´s bipolar cultural dimensional theory. As seen in appendix IV France has higher levels of PDI than Sweden where discussion and argumentation are more valued features.

FlexLink and Gunnebo both represent companies that have made changes and adaptations in order to improve the accuracy of their used reward system. On one hand Gunnebo relies on a standardized system, by investing in the Mercer package in all countries, which has the advantage that every affected employee on management level have knowledge of the system and why they receive a specific amount as a reward for their service. A standardized system like this is further widely criticized by Robertsson who argues that a TNC no longer can afford to use a one-culture philosophy. But is it possible for Gunnebo to use a less standardized system, as the Compensation and Benefit Manger points out, when a TNC comes to a certain size it is most preferable to use some kind of standardized reward system. The Chief information officer at FlexLink expresses that as the company grows larger a more standardized system should be used also confirms this. Robertson further argues that multinational companies must become multicultural ones were every subsidiary is individually adapted to fit the cultural context of the harboring market. FlexLink on the other hand, which represent a highly adaptive system that Robertson advocates has an individually based reward system set by the Chief Information Officer with help from the "Grandfather principal". But the question is if a more standardized reward system could be used in FlexLink as well. It could most certainly be done but the costs of investing in a complete Mercer system might simply over weights the benefits that such a system would provide to a TNC with the employee size of FlexLink.

Neither of the respondent companies uses an individually set bonus system comparable to the bipolar cultural theory of Hofstede. In Hofstede's point of view it would be most preferable to use a collectivistic bonus approach in countries with high levels of collectivism in their national culture. Instead the both companies use a percentage system based on the performance of the employee which highest point is set by a percentage of the base salary. Due to this system the adaptation between countries salary structures also affect the set bonuses. If an employee on management level has a higher base salary the percentage of bonus will also increase in monetary terms and raise the total reward given.

As pointed out by Beusch many executives are aware of the challages with cultural differences and feel the importance to integrate national cultures in their companies. However, many of them do not have a clear strategy how to accomplish it, which the both selected TNCs are an example of.

5.2. Swedish management - characteristics

To understand how the reward system of a company works one need to include information of the underlying culture and organizational structure of the company. Are there

any characteristics in the companies´ goals and visions, which may be influenced by their heritage of Swedish culture? There will always be a gap between the goals and vision outspoken and what is actually done, but with that said, the values do say something about a company's ambitions which is why they are included in this analysis.

As presented above according to the research Swedish management differs from that of other countries. Distinguishing characteristics are among others trust, cooperativeness, involvement, consensus and innovation. There exist a clear parallel between the credo of FlexLink with key words such as trust, honesty and openness, and the theories about Swedish management. According to FlexLink those guiding principles are communicated to employees in all countries and the Chief Information Officer at FlexLink advocates the importance that the company's credo is followed.

Gunnebo, with its flat organizational structure and focus on transparency could be compatible with the picture of Swedish management tradition Birkinshaw and Jönsson point out. But when analysing its reward system there are few signs that the traditional characteristics of Swedish management pervade.

The respondent of FlexLink mentions the importance of networking and creates long-term relations. The creation of long-term value and the importance of relations and networking are characteristics mentioned by Vinnova, Jönsson and Strannergård and indicate an influence from Swedish management tradition. The respondent of FlexLink gives an example of the gap between "saying and doing" mentioned above, when talking about networking. It is necessary with good networking skills to be a successful manager the Chief of Information explains but was surprised over the fact that some managers did not find this as something obvious. Another example mentioned is the belief in positive feedback. Positive feedback is common and appreciated in Sweden, but is not the case in all countries the respondent at FlexLink points out, which is why the company tries to encourage certain behavior. The respondent at Gunnebo also points out the importance of understanding and implementation of their policies. One example was when the opportunity came up to exchange the older traditional French manager, one chose to replace him with a manager used to Swedish culture and traditions in his former job. The examples mentioned above may be signs that the respondents of each company see their cultural heritage as something natural and obvious and something worth striving for. This furthermore indicates an attempt to transfer their norms and values to other countries.

Weaknesses of Swedish management pointed out in the literature are characteristics such as indistinctiveness, fear of decision-making and lack of straight answers. The formal reward system used in the two companies may be helping decrease these negative effects and as Jönsson points out be more suitable for more authoritarian countries but stresses that it also may undermine creativity and team spirit.

5.3. Swedish management - reward system

As mentioned above, both Gunnebo and FlexLink more or less use the services the consulting company Mercer offers. FlexLink as mentioned uses only some of the reports and statistics as a guideline and a complement to their salary policies. Gunnebo on the other hand in a greater extent base their reward system on the Mercer software using the system for value the positions and then statistics to adapt to local variations.

The respondent at Gunnebo points out the importance of an understanding for the reward system and the need of an appropriate level of transparency in the design. According to Merchant the ability of understanding is a decisive factor in the structure of a successful reward system. Furthermore both Merchant and Persson points out the importance that the reward needs to be seen as something valuable for the employee to fulfill the wishes of the company. Merchant points out that individuals have different needs and the reward system needs to be flexible enough to handle that, otherwise the preferred behavior may be absent.

When analyzing how the perfect reward system should be designed one need to consider the fact that financial figures and short-term measurements are far away from the traditional Swedish management culture according to the literature. Both FlexLink and Gunnebo have gone from working more at random towards using more standardized systems. The respondent at FlexLink explains that in the late 90s there were no systems at all and they had to figure it out little by little. The respondent on Gunnebo also explains a similar journey but they chose to use consultants and were in a way more determined to change the organization into a more manageable company. This is in line with what Jönsson discovered in his study; that ten years ago no companies used standardized reward systems and today everyone does. Both companies use individual rewards such as bonuses, which were not used at all in before. The bonuses at our two companies include a possible variation from 20 to 35 %. The Chief Information Officer at FlexLink points out that they measure the results both on goals based on figures and more long-term goals, such as focus on certain areas etc. Gunnebo on the other hand only use financial measures. With other words both FlexLink and Gunnebo has gone from rewarding collectively to a reward system based more on individual performances. Persson points out that collectivistic rewards may result in decreased competiveness. Birkinshaw also points out that there exist a lack of competiveness is in the Swedish culture. This may be a reason for why it was not possible for the Chief Information Officer at FlexLink to implement bonuses for the aplication ingenginers. The respondent at FlexLink could see a correalation between this resistance and the Swedish tradition of rewarding collectively. Jönsson advocates that according to the Swedish tradition collectively rewards have been more successful than rewards based on individual performance. But he believes that the young people of today read American literature about how to reward employees and might therefore be more familiar with the new standardized systems and may see it as something natural.

According to Jönsson, reasons for development towards more standardized systems can be consultancy companies and the standardized services they offer but also mention the "domino effect" where the companies change certain processes because it is expected and everyone else seem to do it. Thus both the respondent at FlexLink and Gunnebo stress the importance that the reward system attracts and retain employees, which is in line with Steers and Porter who point out that a standardized reward system may be a way of attracting right people.

Both Merchant and Persson point out the importance of congruence between the goals of the company and the individual when designing a reward system. Otherwise the company's goals may not be fulfilled. The only reason mentioned during the interviews, for why the chosen system is used, is when the company grows it needs to be more manageable. For this purpose a standardized system may be the right choice but it is important for the companies to clear out the purpose with the reward system it may otherwise

become a non congruence between goals and according to Merchant this may harm the company in the long run.

Both FlexLink and Gunnebo use the position class system offered by Mercer. According to Persson there is a risk with reward systems based on the position instead of the employees' knowledge and experience. He further stresses two problems with such a system. Firstly the employee may not use its full competence and secondly if the employee does not see a reasonable chance for changing position such a reward system will not be motivating.

Jönsson and Strannergård pointed out above the fact that standardized reward systems may undermine the traditional Swedish management in the way that reward systems may get in the way for communication, which is a differential feature in Swedish management. Both FlexLink and Gunnebo express the importance of communication and understanding but when explaining how the communication works and that the policies and the reward system pervade the process may prove Jönssons statement that the system gets in the way. Also the fact that both companies express that their employees think the system is inflexible indicates challenges using such a standardized system.

6. Conclusions and End Discussion

The final chapter of this thesis is divided in three parts. First a conclusion of our findings from chapter five is made. This part will also serve as a bridge back to our research question, which discussion will be concluded. In the second part of this chapter an end discussion is provided in order to summarize our thoughts about the chosen thesis subject. Finally we will point out some further research subjects of interest.

6.1. Conclusion

As pointed out in part 1.3 the aim of this thesis is to provide the reader with a further and more thorough understanding of the cultural complexities in motion when discussing the fowling thesis questions;

- In what way do differences in national culture matter when two Swedish transnational corporations design their reward systems?

- o Does the cultural heritage of Swedish management tradition pervade the structure of the reward system?

Our concluding findings from the analysis chapter regarding the primary research question are;

- Prominent researchers advocate a more active approach regarding customization of reward systems, when dealing with different national cultures, than the two selected TNCs implement.

- There are consultancy TNCs who provides services and assistance in how to design reward systems on a global basis.

- The two selected Swedish TNCs in this thesis both uses such services but in different degrees. Gunnebo uses a more standardized reward system, which is mainly because of its administrable benefits. FlexLink on the other hand uses a less standardized reward system, but empathize that a more standardized system should be used as they grow larger.

- The two selected Swedish TNCs do make adaptations to differences in national culture when designing their reward system, but the adaptations made are within the framework of the selected system, mentioned above.

Our concluding findings from the analysis chapter regarding the secondary research question are;

- o When analyzing the fundamental values and credos of the two selected companies´ characteristics compatible with Swedish management are found in both companies. This indicates an influence by their Swedish cultural heritage.
- o The transformation both the selected companies have made, from rewarding more collectively without clear standards or policies, towards the use of a stan-

dardized system including individual rewards, such as bonuses, is not in line with the Swedish management tradition. This indicates that the Swedish cultural heritage we found in the values and credo of the companies does not pervade the structure of their reward system.

o Thus, a gap between their fundamental values and credos and the structure of their reward system seem to exist.

6.1.2. Discussion

Hofstede, Chaing and Birtch and Robertsson, all advocates the grave importance in noticing variation in national cultures when companies expand abroad. But according to our findings in the case studies neither of the Swedish TNCs fully implements nor adapts Hofstede's theory in their reward system although they stress the importance of national culture. Gunnebo on one hand uses a quite standardized reward system, which is more adapted to a mean of the global environment. With the use of Mercers IPE system as a base Gunnebo limit its reward system to be less adaptable to other factors than salary structure in a nation. But this kind of reward system might be more acceptable on an executive management level were global employees different country positions may change over time and the employee is not entirely rotted in one national culture. When it comes to employees on lower levels than management level with profit responsibility, adaptations according to the national culture are made in the reward system and the system itself is set up and controlled by representatives at different sale offices in different countries.

Further a standardized type of reward system might provide such a structurally chattered company as Gunnebo, due to the many accusations, with a necessary tool. The effects of standardized reward system could work as a catalysis and bring the acquired companies   closer together in one TNC with one globalized common reward system. On the other hand FlexLink uses a more adaptable reward system set by the Chief information officer, but it is not near what the above-mentioned researchers, such as Robertsson, advocates. The Chief Information Officer further acknowledges as FlexLink grows lager a more standardized system must be used in order to have a manageable reward system. As the both respondent points out companies national culture does matters when implementing a reward system. But a fully customized reward system may not be the optimal choice. A reward system simply based on preferences in national culture might not be manageable by a TNC head office or even highly unprofitable. As companies of today strive to maximize their profit even the offices handling reward systems must become subject to more efficient.

On the other hand a completely customized reward system may also help in maximizing a TNC profit. If the motivational factors of each employee could be pinpointed and reward systems individually tailor-made it would indeed maximize the output of an employee. But in the end would the gains be comparable to the costs of managing such an individually customized reward system when a TNC comes to a certain scale?

Both companies express the importance of trust, communication, understanding, transparency etc. that are typical characteristics in Swedish management tradition why this may be seen as an influence from Swedish culture, however this does not seem to pervade the structure of the reward system in a greater extent.

6.2. End discussion

As also argued by Jönsson, the use of a standardized reward system might also be seen as a part of a larger cultural trend tendency. As the economical and political power of The US has increased more of its cultural influences have also been accepted in to the Swedish national culture. With the implementation of individual bonus system in companies in just a few years, discussed above, adaptations to The US national culture were made rapidly. But did this adoption of bonus culture correspond to the Swedish national culture? It most certainly didn't and with no tradition of such bonuses in Swedish management culture many people have recently, which might be due to the economic recession, come to question its design and usefulness. With the emergence strong nations such in Asia and the tightening national cooperation within the EU the second millennium will most likely witness a new world order. In this new "tripolar" world, the management culture of Sweden will most likely also be subjected to influences from these new powers, which may in time result in a new trends and tendencies towards customized reward systems.

6.3 Further research

In the end of this thesis we will take the opportunity to point out some further recommended research subjects of interest. Are there regional differences in Swedish management culture and how do this pervade the reward system? A future study of how differences in size of Swedish transnational corporations affect the degree of standardization of the reward system would also be of interest. How do standardized reward systems affect employee morale and how a standardized reward system can be used as a protective shield between company and employee may also be further interesting fields of studies.

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Appendix

Appendix I - Interview with Gunnebo and FlexLink

These below questions has been used as a grown frame for the discussion during the interview with FlexLink and Gunnebo

- In what way do the company motivates its employees?

- Which are the fundamental building blocks in the company´s reward system and what is the main purpose of a reward system?

- Have the Reward system changed since the birth of the company?

- Why is the reward system design in a specific way, what have influenced this creation

- Are there any differences in how the reward systems is used and designed abroad?

- Are a standardized reward system used in all countries or are cultural adaptations made?

- What do the respondent think these standardization / adaptation are results of?

Appendix II- Interview with Sten Jönsson

<u>Swedish management</u>

- What are you doing today at GRI?
- When did you first come in contact with Swedish management as a field of study?
- What are the characteristics of Swedish management today?
- In what way has Swedish management changed over the years?
- Has Swedish management been affected by the change towards a global market?
- Is Swedish management still a competitive advantage?
- Is a decentralized system impotent for Swedish management?

<u>Reward system</u>

What are the characteristics for a reward system in Swedish management?

- Collective and non-collective rewards
- Monetary and non momentary rewards
- Short/ Long term based

Are there any differences in how the below quotations would be answered today instead of when *Goda utsiketer* was written.

"Planning and analysis does not pay an important role neither does accounting nor does key figures"

"Companies are more focused on a strategic vision than financial goals and means of control"

"Leadership is more important than bonuses here in Sweden if you want get competitive advantage, trust is more important than incentives"

Appendix III-The factors of the IPE System

The IPE System analyses the four 'core' factors which are sub-divided into 10 dimensions, each of which is individually weighted in the system.
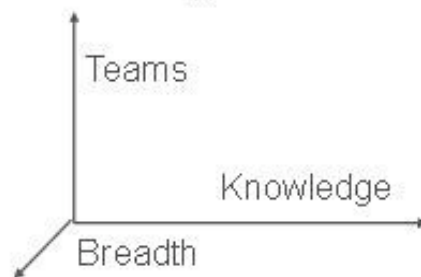
Impact
- Contribution
- Impact
- Organization
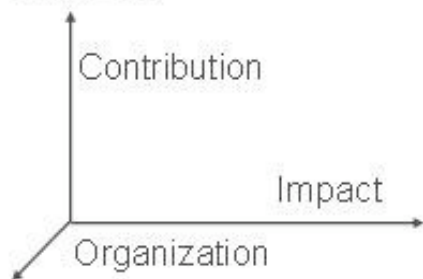
Communication
- Frame
- Communication

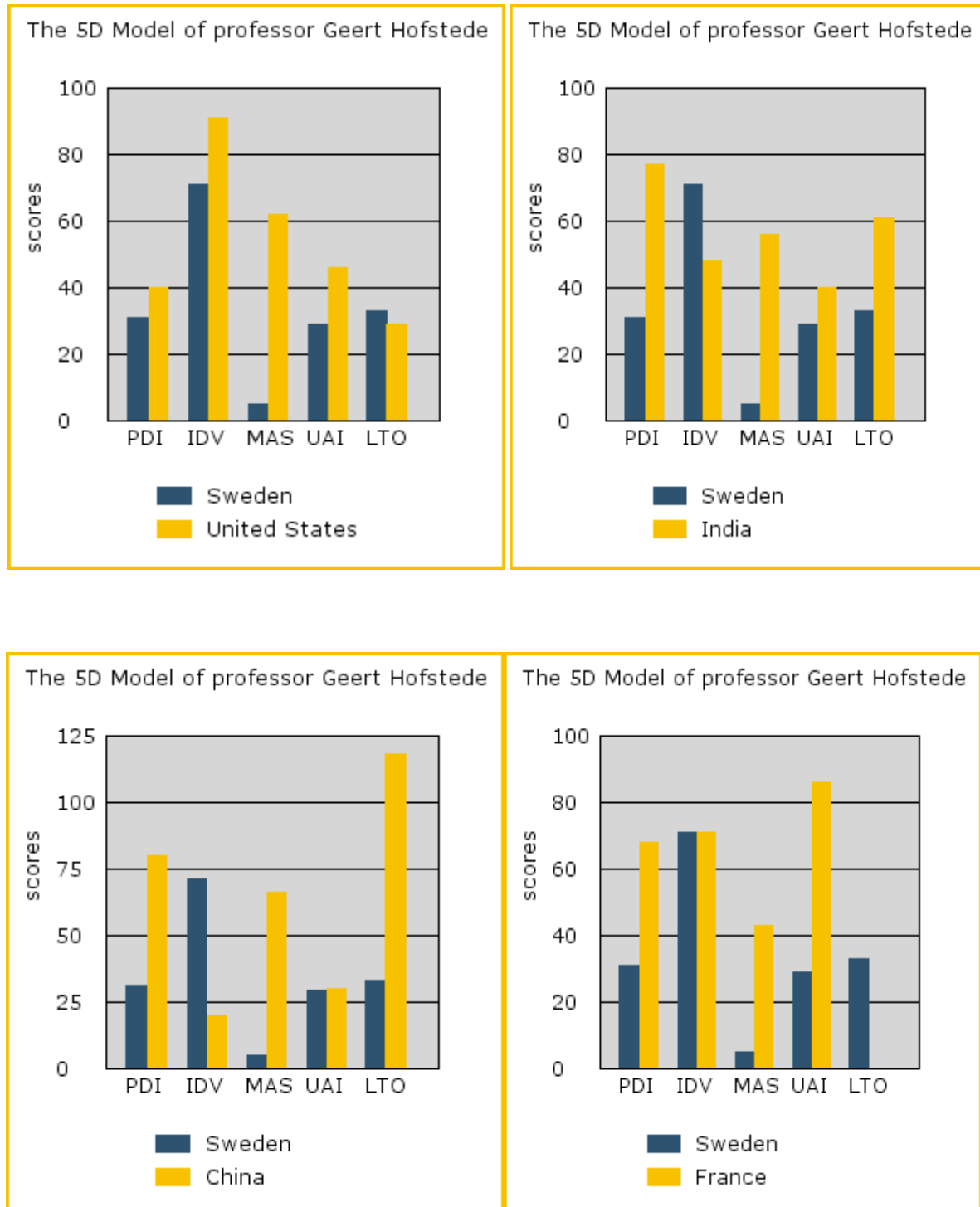**Innovation**
- Complexity
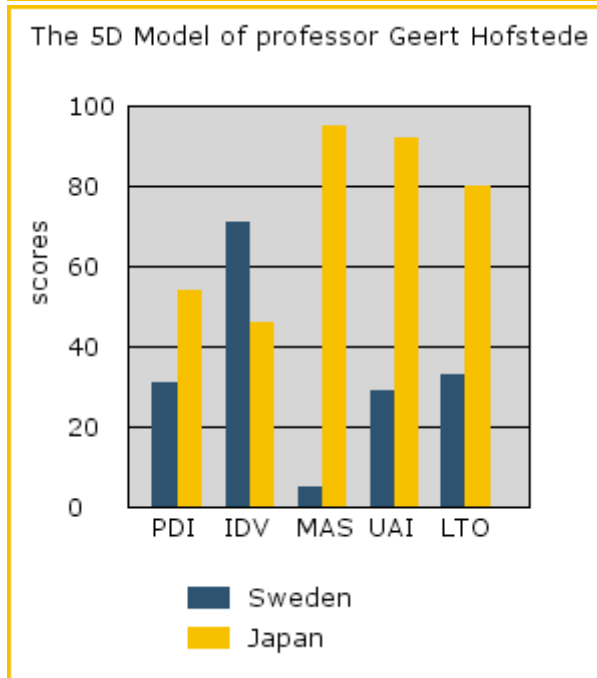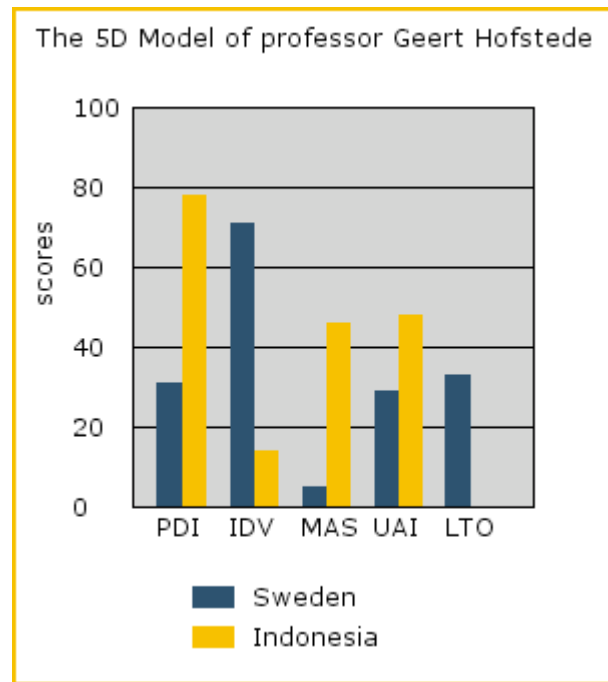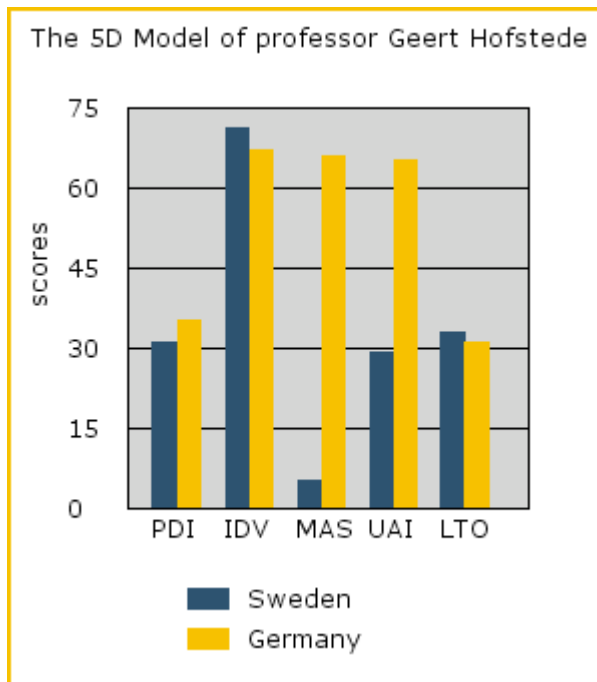- Innovation

Knowledge
- Teams
- Knowledge
- Breadth

Appendix IV- Hofstede's bipolar dimension theory graphs

In the below figures we use Hofstede's bipolar dimensional theory to compare Swedish national culture with other countries national culture which has been mentioned in the analysis part of this thesis.

The 5D Model of professor Geert Hofstede

Sweden / Germany

The 5D Model of professor Geert Hofstede

Sweden / Indonesia

The 5D Model of professor Geert Hofstede

Sweden / Japan

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[159] The above graphs is provided by the homepage of Hofstede