HUMAN RESOURCE MANAGEMENT – THE KEY TO SUCCESS IN EMERGING MARKETS?

-

THE CASE OF LINDEX

Malin Nilsson & Anna Wiberg

ABSTRACT

Globalisation and increased competition has forced MNCs to cut costs, increase efficiency and reach competitive advantage by moving out operations and functions to emerging markets. China is a good example of an emerging market that recently has received growing attention. However, in order for a MNC to be successful, the need to handle people from different cultures becomes a vital issue to grasp.

Consequently, the area of Human Resource Management (HRM) and International Human Resource Management (IHRM), emphasising a company's need to look after its human resources, develop them, motivate them and make them grow in order to be efficient becomes vital. The topic of IHRM has received great academic attention, and is said to be critical for the success of firms operating on the global arena. Arguable, effective IHRM is said to make the difference between survival and extinction. Additionally, national culture as an influencer upon the area of HRM may become essential to understand.

We address the area of how Swedish MNCs should manage the area of HRM when operating in emerging markets. China serves as an example of an emerging market and Lindex, the assigner, serves as an example of a Swedish MNC. Additionally, IKEA and Ericsson are used as reference companies in order to gain a higher level of understanding.

The aim is to increase the knowledge within the area of HRM and IHRM and provide valuable recommendations to Lindex.

Key Words: China, HRM, IHRM, Lindex, IKEA, Ericsson, National culture

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Malin Nilsson   Anna Wiberg

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Part I Research Framework

1   Introduction

In this section, we will introduce the reader to the area of research. It is the beginning of our journey aimed at inspiring the reader with a background to the thesis. What is the subject? What made us choose this area of research and how will we proceed with the mission?

1.1   Background

"The world is becoming more competitive and volatile than ever before, causing firms to seek to gain competitive advantage whenever and wherever possible. As traditional sources and means such as capital, technology or location becomes less significant as a basis for competitive advantage, firms are turning to more innovative sources. One of these is the management of human resources" (Sparrow et al. 1994).

Globalisation has brought with it an increasing number of companies crossing borders in order to reduce costs and enhance efficiency. Crossing borders does however not necessary mean reaching out to new customers or the localization of low cost production units. Instead, there can be strategic reasons where internal functions are moved out in order to reduce labour costs and increase efficiency. Consequently, in the global arena a firm's competitive advantage may no longer be dependent on their supply of physical resources, but instead on the quality of their labour forces, i.e., their human resources.

A further result of globalisation is that international managers today face an external environment that is more complex, dynamic, uncertain and competitive than ever experienced in the past (Thomas 2002). Therefore, in order to gain competitive advantage, increasingly attention has been put to the East and its emerging markets, where China has become a production centre and an investment area for many MNCs. However, many fail when doing business in China due to mismanagement. This is mainly a result of cultural differences that exist between the East and the West (Kipling 1996). Accordingly, issues involving people and culture are a complex and delicate matter. Without sufficient understanding of institutional and cultural differences, foreign companies will not succeed in taking full advantage of available resources and opportunities. A major challenge for an international company operating in different markets is therefore to adapt to different cultures. However, this adaptation requires a clear understanding of cultural differences, perceptions and values (Li 1999, Tayeb 1998).

The complexity involved when moving into new markets has resulted in that many firms have traditionally been reluctant to set up offices with local personnel,

and instead preferred to use expatriates in order to "get the right things done" (Marschan-Piekkari et al. 1999). However, expatriates may have problems getting to know the local conditions and the business culture. Furthermore, the costs involved by only using expatriates to ensure a firm's survival in a foreign country are high. Therefore, localisation may be preferred, which implies that handling local employees and managers becomes a central issue to grasp (Marschan-Piekkari et al. 1999). Related to this, is the issue of Human Resource Management (HRM) and International Human Resource Management (IHRM) in particular. In Porter's (1985), much recognized value chain model, HRM is seen as one out of four support functions for the five primary activities of the firm. The HRM function is thus seen as cutting across the entire value chain of a firm (Dowling et al. 1999).

Today it has been accepted both on the domestic as well as on the international market, that employees create an important source of competitive advantage. It is thus of uttermost importance that firms adopt HRM policies and practices that utilize the employees in the best way possible. Thorough recruitment and selection processes, effective compensation systems, extensive development and training activities as well as performance management are therefore said to have an essential impact on the performance of a firm. It has also been found that if HRM is linked to the overall business of a firm, performance will be enhanced even further. Additionally, due to the complexity of managing people from different cultures, how to manage employees globally is argued to have a profound impact on a firm's result (Björkman and Xiucheng 2002).

Through their study of 62 foreign companies in China, Björkman and Xiucheng once more highlighted the "…positive effects of HRM practices and HRM-strategy integration on organizational performance" (Björkman & Xiucheng 2002), within foreign companies operating in China. Several authors have prior to their study also argued for the importance of HRM in order to ensure successful operations in China since there is said to be a lack of high-performing local staff (Björkman & Xiucheng 2002).

Consequently, firms may use HRM activities as ways to gain competitive advantage, since the function is difficult to duplicate and imitate. "…while technology and capital can be acquired by almost anyone at any time, for a price, it is rather difficult to acquire a ready pool of highly qualified and highly motivated employees" (Sparrow et al. 1994). However, the fact remains that few organisations know how to manage HR effectively, especially in the dynamic environment that they are exposed to today.

1.2 Problem discussion

Our interest in China was captured during the spring of 2003 after reading several articles concerning Swedish companies in China as well the book, Wild Swans

(Chang 1991), which shows the intriguing history and complex culture of China. Since 1980, China has received growing academic attention and the World Bank predicts that it will replace US as the largest economy within the coming 20 years. However, it is emphasised that it is one of the most risky markets to do business on (Fang 1999). It is therefore essential that firms understand the differences that exist between the East and the West.

As our interest lay within in the area of retailing, we approached Lindex to see whether they had any concerns regarding their purchasing operations in China, which led us to the opportunity to get involved in this thesis.

Lindex, a Swedish based retail company, is a good example of a company riding on the wave of globalisation in its search for cutting costs and hence stay competitive. The company operates within three business areas: Ladies' Wear, Lingerie and Children's clothing. It is market leader in Sweden in the lingerie sector and a big player within the other two areas as well (Lindex 2 2003). The turnover for the financial year of 2002/2003 amounted to MSEK 5 312, which was an increase of 5,6 per cent compared to previous year. The company employs around 5000 employees world-wide (Lindex 2 2003, Lindex 1 2003).

According to Lindex, total costs need to be reduced with 1/3 in order for the company to stay competitive. Therefore, low cost alternatives are in focus, hence administrative functions and purchasing units are being moved out to low cost locations such as China in order to increase both efficiency and profitability (Andersson 2003).

In our previous studies in the area of International Business, we have looked upon the area of cross cultural issues and various dilemmas that MNCs may face in different environments. We know that firms in need of cost reductions have to be creative in order to survive, since it can no longer be considered a competitive advantage for a company to move out production to low cost countries. Consequently, a great challenge appears when other parts besides production, such as purchasing and administrative units are being moved out as in the case of Lindex. Then the importance of e.g., skilled labour and corporate know-how play a crucial role for a firm's success, which demands greater efforts to transfer and coordinate.

Salaries of not just blue-colour workers in China, but also white-colour workers, are much lower than the Swedish equivalent. Hence, Lindex argues that when it comes to pure labour costs, the company will save an extensive amount by locating different functions in China. However, the main issue is not to locate competence where it is most cost efficient, but most suitable and manageable (Andersson 2003). Moving out production and hiring blue colour workers is a challenge in itself, but moving out invoicing, purchasing, design etc., calls for a whole new way of handling people. Then the issue of how to manage employees from other countries in the best way possible becomes vital to grasp in order to

reach a competitive advantage. There are also issues concerned with advantages and disadvantages of using expatriates versus local employees. Consequently, the area of HRM and IHRM becomes more important to understand today.

Lindex has acknowledged that there are not only opportunities, benefits and cost reductions involved in going abroad since many problems may arise. Like many other Western companies coming to China, Lindex is facing some managerial problems in handling its Chinese employees. A lot of issues thus arise: is it possible and even optimal to transfer Scandinavian management with local adjustments, what are the cultural differences when it comes to management, is there such a thing as an optimal cultural management solution and on what managerial levels should the company use local managers versus expatriates and what kind of Chinese is preferable?

Lindex believes that it is the individuals and their ideas that constitute the long-term profitability. Hence, managing the employees and bringing out the best in them is argued to be crucial for its success (Andersson 2003). As Lindex is spread out worldwide, it is therefore a challenge to try to connect the network of offices and individuals and reach a feeling of cooperation. Therefore, the area of HRM becomes an essential issue to understand.

1.3 Research Problem

Throughout the discussion and our prior research upon the start of the thesis, we have tried to incorporate and combine the above discussions into *two* research problems, one general with an *academic perspective* and one more specific with a *business perspective*.

As Lindex is the assigner of the thesis, we attempt to guide them within the area of HRM and IHRM. However, we will use Lindex together with two reference companies, IKEA and Ericsson, as tools in order to be able to answer research problem number one and two, presented below.

Research problem number 1:

> **How should a Swedish MNC manage the area of Human Resource Management, when operating in new emerging markets?**

Research problem number 2:

> **How should Lindex manage the area of Human Resource Management when operating in Shanghai/China?**

Within research problem number two, Lindex serves as an example of a MNC and Shanghai/China as an example of an emerging market. In order to be able to answer these research problems we have identified three research questions:

1. **Does national culture need to be taken into consideration within the area of HRM?**

With this knowledge, we will be able to gain a good platform for further discussions.

2. **Is HRM an important function in China today?**

This question needs to be answered since the relevance of HRM strongly influences the research problems and play a significant role regarding how foreign MNCs should look upon the area.

3. **How have Swedish companies like Ericsson and IKEA managed within the area of research when operating in Shanghai, China?**

In order to be able to answer our research problems, Ericsson and IKEA are used as reference companies and tools. Even though they are not comparable with Lindex, their way of handling HRM can play a crucial role concerning the answer of the research problems and for the coming recommendations. Hence, we aim to find out how HRM is managed in reality.

By the model in Figure 1, we attempt to show the reader our train of thought. Research problem one and two represents the dualistic approach that we have taken in this thesis since Lindex is the assigner, yet the thesis is also aimed at serving a higher academic purpose. Research problem one represents the academic approach whereas Research problem two represents the business approach.

Figure 1 Research Problem and research questions

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┌─────────────────────────────────────────────────────────┐
│                   Research Problem 1                      │
│   How should a Swedish MNC manage the area of HRM when    │
│            operating in new emerging markets?             │
└─────────────────────────────────────────────────────────┘

┌──────────────┐                          ┌──────────────┐
│  Swedish MNC │                          │   Emerging   │
│              │                          │    Market    │
└──────────────┘                          └──────────────┘

   ┌──────────┐                              ┌──────────┐
   │  Lindex  │                              │  China   │
   └──────────┘                              └──────────┘

┌─────────────────────────────────────────────────────────┐
│                   Research Problem 2                      │
│     How should Lindex manage the area of HRM when         │
│             operating in Shanghai/China?                  │
└─────────────────────────────────────────────────────────┘

┌──────────────────┐ ┌──────────────────┐ ┌──────────────────┐
│ Research         │ │ Research         │ │ Research         │
│ question 1       │ │ question 2       │ │ question 3       │
│ Does national    │ │ Is HRM an        │ │ How have Swedish │
│ culture need to  │ │ important        │ │ companies        │
│ be taken into    │ │ function in      │ │ like Ericsson    │
│ consideration    │ │ China today?     │ │ and IKEA managed │
│ within the area  │ │                  │ │ within the area  │
│ of HRM?          │ │                  │ │ of research when │
│                  │ │                  │ │ operating in     │
│                  │ │                  │ │ China?           │
└──────────────────┘ └──────────────────┘ └──────────────────┘
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Source: Authors own

1.4 Purpose

As Lindex has started its journey of spreading out other value chain functions besides production, managing people from different cultures becomes a great challenge for its survival. China is said to be one of the toughest management tests and therefore our focus will be on cross-cultural management and HRM issues within Shanghai, China.

Hence, the purpose of the thesis is to increase the knowledge regarding HRM and IHRM, applicable for a Swedish MNC operating in Shanghai, China as well as highlight if the issue of national culture is an important influencer on HRM?

A further question that arises is whether there is such a thing as an optimal theory to apply? Hence, the thesis aims at serving Lindex with a broad theoretical framework on how to face the dynamic environment and manage its employees in Shanghai, China. Furthermore, the thesis also aims to provide Lindex with information concerning other Swedish companies dealing with similar issues in

Shanghai, China, i.e., Ericsson and IKEA, which will help us in answering research problems number one and two.

The thesis also wants to contribute to the academic debate concerning IHRM, a debate that today has gained a lot of recognition and attention, where the issue of managing people globally is becoming more important for the success of firms operating on the global arena.

1.5 Delimitations

We have chosen to concentrate upon four areas within the HR function: *recruitment and selection, training and development, performance management* and *compensation and rewards*. The selection has been made due to their relevance within HRM theories.

Furthermore, China has been chosen as an example of an emerging market due to its rapid development and historic background and can therefore not be seen as representing all emerging markets worldwide.

Additionally, the main focus is Shanghai in China and how Ericsson and IKEA, as reference companies, have structured their policies globally and with local adjustments. This is due to their history in China as well as strong focus on HRM. However, detailed information will not be grasped within this thesis, where instead general policies are in focus.

We would further like to emphasise that since Shanghai is the area of research, other parts of China will not be looked at. Still, we are aware of the fact that great differences exits within China, but these will not be taken into consideration since the offices we focus on are located in Shanghai.

In addition to this, we will not go into financial aspects when giving recommendations to the assigner, nor will the industry characteristics be described.

Finally, the legal perspective and domestic regulations have been neglected. Even though their strong influence within the area of HRM, time restrictions made us choose not to look into that issue.

All delimitations mentioned have been made in order not to make the thesis unnecessarily broad, and instead keep a good focus and facilitate a more in-depth study, which we believed to be possible during the limited amount of time that we had at our disposal.

1.6 Outline of the thesis

Figure 2 Thesis outline

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           ┌    ┌─────────────────────────────────────┐
           │    │         Introduction                │
           │    │   What is the focus of the thesis?  │
           │    └─────────────────────────────────────┘
           │                     ↓
  Part I  ┤    ┌─────────────────────────────────────┐
           │    │         Methodology                 │
           │    │  How have we conducted the research?│
           │    └─────────────────────────────────────┘
           │                     ↓
           │    ┌─────────────────────────────────────┐
           │    │      Theoretical Framework          │
           └    │ What theories are relevant to the   │
                │             thesis?                 │
                └─────────────────────────────────────┘
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- **Part I**
  - **Introduction** — *What is the focus of the thesis?*
  - **Methodology** — *How have we conducted the research?*
  - **Theoretical Framework** — *What theories are relevant to the thesis?*

- **Part II**
  - **Empirical Findings Part I** — *China and contemporary HRM in China*
  - **Empirical Findings part II** — *Contemporary HRM at Lindex, IKEA and Ericsson*

- **Part III**
  - **Analysis** — *How are the empirical findings linked to the theoretical framework?*
  - **Conclusions & Recommendations** — *What conclusions can we draw and what recommendations can be given?*
  - **Suggestions for further Studies**

2 Methodology

Now the journey has started and we look at our map and compass in order to find the most suitable way, hence how to proceed in the best way possible in order to reach valid conclusions. In this chapter we aim to describe the path we have chosen in order for someone to make the same journey, i.e., how the data collection has been gathered, which form of research we have used and what kind of problems we have encountered, in other words: our road to knowledge. All roads have their advantages and disadvantages; the most important is to not get lost.

A common metaphor of methodology is 'the road to knowledge'. The word 'methodology' can be derived to the Greek 'me´thodos', consisting of 'meta', translated to after and 'hodos' translated to road. For Plato and other philosophers 'me´thodos'' was the way to follow in order to reach knowledge (Jonasson and Johnsson 2002). This chapter will describe our road to knowledge and our scientific approach in order to be able to answer the research questions and research problems.

2.1 Research Strategy

Our first step in this process was to search for valid theories and data within the area of research, in order to increase our knowledge. Thereafter we looked at different research strategies and decided to perform what Yin defines as a *Case Study* approach, in order to have a modus operandi to follow.

> "A case study is an empirical investigation that studies a current phenomenon within a real life context, especially when boundaries between observable fact and context are not clearly evident" (Yin 1994).

Additionally, our research problems reach the criteria of a "how" question, since a case study, is "when a 'how' or 'why' question is being asked about a contemporary set of events over which the investigator has little or no control" (Yin 1994). We chose this approach since observation and interviewing have been selected as main sources of information, which will be described later on in this chapter.

Yin argues that the unique strength of a case study is its ability to deal with a variety of evidence, documents, interviews and observations, which we have done throughout the thesis (Yin 1994). However, critics to the case study model are that there is a lack of rigidity and that it normally provides little basis for scientific generalisation and often end up being too long.

We do however believe that we have reached a high level of legitimacy, and our choice of looking at three companies instead of one has provided us with thorough information. Regarding the length of the thesis it is difficult to say what is too long. Due to our base of empirical findings, we argue that the length of the thesis could not have been cut down more than it already has.

2.1.1   Company selection and other sources

In order to succeed in managing Chinese employees and adapt HRM polices and practices to new markets, Lindex needs to understand the Chinese culture better. Therefore, in order to reach valid information, the thesis is performed as a comparable study with other Swedish MNCs located in Shanghai. Additionally, head-hunters, management consultants and university students have been selected due to their knowledge regarding China and its market characteristics, and therefore serve as different valuable sources of information.

IKEA and Ericsson have been chosen in order to reach a higher level of understanding within the area of research, and thereof be able to provide Lindex with valid recommendations. We have chosen to focus on Swedish MNCs due to easy access and great possibilities as students at Gothenburg School of Economics and Commercial Law in Gothenburg, Sweden. Furthermore, IKEA and Ericsson have been selected due to their Swedish backgrounds and their location in China and Shanghai for several years. Thereof their knowledge and their already made mistakes can prove to be interesting. The fact that they belong to somewhat different industries is not seen as an obstacle since HRM policies and practices are possible to compare despite the industry. Additionally, we consider Lindex, IKEA and Ericsson to be at different levels within the area of HRM, which makes the study even more interesting. Since IKEA and Ericsson have also been present for a while on the Chinese market, they may be good sources concerning the Chinese market's characteristics and the exogenous factors influencing HRM.

Due to the fact that Lindex has in the past, to some extent, benchmarked itself against IKEA, this company was an easy choice. IKEA has been present in Shanghai for several years, and can also be said to work in a similar sector. The choice of Ericsson was made due to existing contacts at the Shanghai office, which we considered unwise not to use. Therefore, having in mind that Ericsson and Lindex are not comparable as companies but still has HRM issues to face, our second choice was made.

Furthermore, China was chosen as an example of an emerging market due to its relevance in the global economic development, its transition and last but not least its historical bounds and cultural differences, which woke our interest.

We were also given the opportunity to use the network of Mr. Fung, a businessman in Hong Kong. Thanks to his network, we were able to perform interviews with headhunting companies and management consultants in Shanghai and Hong Kong in order to gain background material for the thesis and its subject, as well as reach further knowledge regarding the Chinese market. In addition to this, we had the possibility to meet with Professor Selmer at Hong Kong Baptist University in order to strengthen our theoretical framework. Moreover, we had the opportunity to meet with six students from Fudan University via the Nordic Centre, which

gave an interesting insight into how the younger Chinese generation think about MNCs, China etc.

2.2 Research approach

In order to gain a substance in our work we had to have a clear vision at the start of what the study was about, which demanded several discussions and meetings with Lindex, our professors and last but not least, ourselves.

A market research, which we are undertaking, can be divided into three types of research design: *exploratory, descriptive* and *causal* (Kinnear and Taylor 1991).

An explorative research method is appropriate when knowledge of the subject is relatively small. This is a form of pre-examination where necessary knowledge is acquired, in order to be able to enter more deeply into the subject. Useful techniques are observations, case studies, studies of secondary data and interviews with experts on the subject (1991).

A descriptive research method, on the other hand, requires further basic knowledge of the subject. It is characterised by a clearly defined problem, specified objects of exploration, a detailed need of information and a detailed and well-structured exploration design. The aim is to describe how things are without explaining why and methods of data collection are surveys, studies of primary and secondary data and simulations (1991).

Since our knowledge regarding HRM, IHRM, cross-cultural management and theories concerning national culture were quite low at the beginning of the study, we started with an explorative method and continued with a descriptive one.

Exploratory research has been used in form of interviews, case studies and literature studies. Whereas, descriptive methods have been applied since the problem is clearly defined and facts on the subject have been surveyed, such as studies of both primary and secondary data. The theoretical platform also provides us with a descriptive background.

However, in order to complete the research design we had to construct a preliminary theory since a theory facilitates the phase of data collection. As theory development takes time and is difficult, we faced some problems regarding how to find the most suitable ones and link them to each other. We therefore reviewed literature related to our study and had widely discussions. To answer our main problem, we found it relevant to bring up perspectives of HRM, IHRM, cross-cultural management and national culture in the theoretical framework, as mentioned.

However, after the field study we felt a need to once again look over the theoretical chapter since we were afraid that the theories we had identified could be seen

as too general. Hence, upon doing a final theoretical review we found that we had identified the most suitable ones as well as the only ones applicable to the area of research. We did however, add a three-step-process that highlighted the importance of having a well-structured HRM foundation linked to the business strategy in international firms after returning from China. This was done since we thought that it brought all the pieces together, hence structured the theoretical chapter in a better way for the reader, unfamiliar to the subject.

2.2.1   Scientific reasoning

There are three different types of scientific reasoning applicable for a research study: *Inductive*, *Deductive* and *Abductive* reasoning (Yin 1994). We would like to describe our research road as abductive, shown in the model in Figure 3.

Figure 3 Our research road
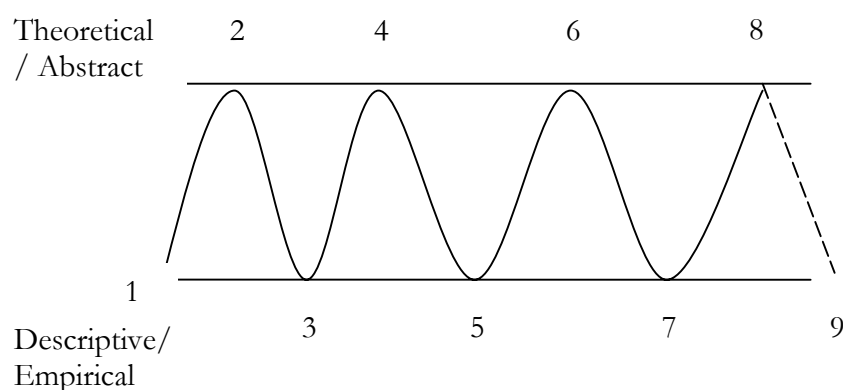
Source: Authors own

The reason for an abductive approach was that we lacked knowledge within the area of HRM upon the start of this thesis and therefore the data gathered in the theoretical and empirical parts were analysed throughout the entire research. This ongoing analytical process between theory and empirical findings helped us to answer the research questions related to the problem formulation, and to develop a conceptual model to better suit the area of research, as well as to come up with recommendations and conclusions at the end of the process.

Our 'geographical' movements can be seen in the model, where nine major shifts have been identified. After deciding upon the area of research, *step one*, we looked for a theoretical base consisting of HRM, which lead us to *step two*. Thereafter we went back to the secondary empirical data, *step three* and found that IHRM and SIHRM needed to be added, which lead us to *step four*. This made us look deeper into the secondary data already gathered within the area of research. We were also in contact with Professor Schuler, one of the main scholars within the area of IHRM, in order to find answers to our wonderings. With this background we went to China, *step five* and conducted our interviews, hence most of the primary data was gathered. With increased knowledge, we returned after two intensive

weeks and went back to the theoretical framework, *step six*. At this stage, we had found a new perspective, i.e., the three steps of HRM, which we considered important to add. Thereafter, having linked our empirical findings to the existing theoretical platform, we developed our own conceptual model and went from *step seven* to *eight*, which we later in the analysis link to our empirical findings of *step nine*, where also practical recommendations are given.

Furthermore, there have been constantly minor movements throughout the process, due to our worries, wonderings and progress. The movements between theory and empirical findings may be a consequence of a lack of a universal and complete theoretical model within the area of research. Nevertheless, it was worth the effort since we afterwards feel that we have gained a higher level of understanding, which would not have been the case if we had found an adequate theory from the beginning.

The main focus in the theoretical chapter is the strategic international human resource management framework, whereas the analysis is based on a conceptual model, developed after the collection of our empirical findings, i.e., our exploratory research. The model has been chosen to end the theoretical chapter in order for the reader to carry it with him or her before entering the analysis chapter.

We would further like to mention that since Lindex is the assigner of the thesis, we shift between an academic and a business focus. We are aware of the risk this involves since problems may arise when linking these areas to one another. Even though we have faced some difficulties that it involves, we have done our best to incorporate these two aspects.

We would also like to mention that the final days before deadline, we were given a recommendation to make two reports, one business report and one academic report, instead of one in order to take advantage of the situation that the empirical findings provided us with. However, due to lack of time for extensive changes in our purpose, our problem formulation and our analysis, we stayed with our original approach. This decision was further based on the wish from Lindex to both receive an academic thesis with a thorough theoretical background as well as a business report containing information from other companies within the area of research.

2.3 Research Method and Data Collection

Another method to categorise different types of research is to identify the project as a *quantitative* or *qualitative* study. In a quantitative research the collected data is coded in order to be analysed quantitatively, which includes large-scale surveys, experiments and time-series analysis. In studies where data cannot be analysed efficiently in a quantitative way, qualitative research is appropriate and the analysis and interpretation of the data is more subjective (Lekvall and Whalbin 1993).

We have based our thesis upon qualitative data, gathered through in-depth interviews. However, in a qualitative study the researchers are the primary instruments for gathering and analysing data. Still one needs to have in mind that as we are human instruments, mistakes are made, opportunities are missed and personal biases interfere (Merriam 2001).

Additionally, there are different sources to choose among when performing a case study, *primary* data or *secondary* data.

2.3.1 Primary Data

Primary data is data collected by the researchers for a fixed purpose. It is advantageous due to the high degree of reliability and control over errors. The data can be collected in a number of different ways, for example interviews and case studies (Patel and Davidson 1991).

The primary data used in this thesis is based on interviews conducted with Lindex and the reference companies, IKEA and Ericsson in Shanghai. Additionally, we believed interviews with the Swedish Trade Council in Shanghai, consultancy firms as well as head-hunters located in Shanghai and Hong Kong to be valuable resources of information due to their specialist knowledge. Students at Fudan University in Shanghai have also been interviewed in order to gain knowledge regarding the mindset of the young generation in Shanghai and their visions of the future when it comes to China as a market and MNCs entering. Furthermore, Professor Jan Selmer at the Baptist University in Hong Kong has been used as a source since his main area of research is cross-cultural management.

Most of the primary data were collected during a two weeks field trip to China, where we spent ten days in Shanghai and three days in Hong Kong. Still, it is important to note that primary data always is limited to the case, the number of respondents, time etc. We do however argue that we have a good foundation to work on since the number of in-depth interviews reached 30 persons and most of the data corresponds and complement each other.

2.3.1.1 Interview Techniques

There are several types of interview techniques. The point of doing qualitative interviews is to raise the value of information and create a foundation for deeper and broader knowledge about the subject (Holme and Solvang 1991). Personal interviews have the advantage that it makes it easier for the interviewer to build a relationship with the respondent and get more in depth answers. They are also preferable in studies where smaller amounts of people are interviewed, since it is relatively expensive and time consuming. We have focused upon personal interviews due to its relevance within this thesis.

However, it is argued that the researchers must be critical since there are many pitfalls that can decrease the credibility of the research. To be aware of these weaknesses and take them into consideration when drawing conclusions from the findings may counterbalance them to some extent. There are three criteria for truthfulness that are important to consider: *respondent errors, measurement errors* and *interviewer effect* (Patel and Davidson 1991).

Respondent errors arise when the research is erroneous due to the fact that the respondent cannot or will not give correct answers. Since we have had the opportunity of using Mr. Fung's network together with other contacts, we believe that we have diminished this possibility of errors.

Measurement errors arise when the tools of measurement are wrong, for example badly formulated questions. As we made sure that an objective party read the interview guides before the interviews took place we feel that these errors have also been minimised.

Interviewer effect arises when the interviewer in some way affects the respondents' answers. The risk is larger as we are unaccustomed to interview situations. We have been aware that it may affect the interviews in a negative way, and have therefore tried our best to not steer the respondents or affect their answers in any way. However, critical awareness of different types of research errors that may be evident is important from the beginning of the process. Since the majority of the interviews had to take place in China, several books concerning cross-cultural studies in China were studied. "The lack of access to reality is the number one barrier to the Chinese researcher" (Fang 1999), where Chinese distrust towards foreigners is another. Figure 4 shows some methodological barriers to a Chinese business research.

Figure 4 Methodological barriers to Chinese business research

China Research

Access to reality

"No tape-recorder!"

Sensitivity

Language barrier
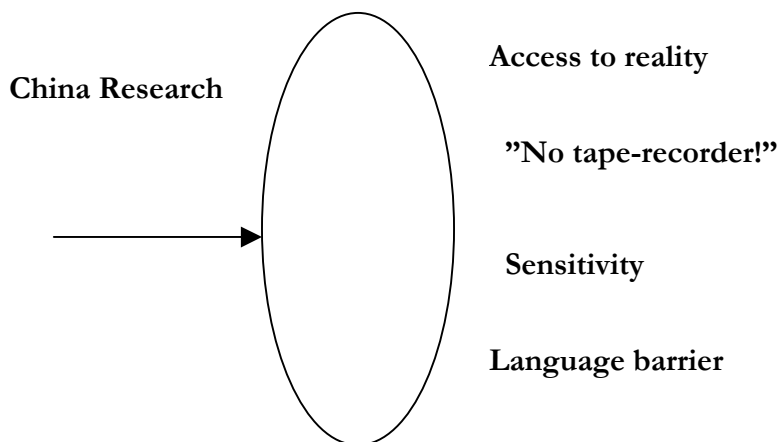
Source: Fang 1999

A tape recorder is mentioned as a barrier since most local Chinese do not feel comfortable knowing that their words are being taped, which dates back to the

Cultural Revolution. Moreover, Fang describes sensitivity related to the confident nature of caution against a third party's involvement as another. Finally, the language is a clear obstacle. However, personal contacts or recommendations from influential Chinese authorities are described to lead to an increased access to business reality (Fang 1999). This information was taken into consideration before starting data collection trough interviews. Additionally, we need to add language as a barrier through our conducted interviews since none of us speaks Cantonese, Mandarin or Shanghainese. Instead, most of the interviews were performed in English, a second language for both parties.

Our interviews were prepared in the way that the respondent received a questionnaire and parts of the background material a week before each meeting. The interviews varied between 1,5 hours to 2 hours each and were performed without a tape recorder. However, in order not to forget crucial facts and ideas we used a tape recorder after each meeting. Both of us also took careful notes during each meeting and consulted each other afterwards in order to increase validity and reliability.

2.3.2 Secondary Data

Secondary data is information collected by somebody else. It can be divided into two categories: *internal* and *external data*. Internal secondary data is available within the organisation studied, for example annual reports, whereas external secondary data is provided by sources outside the organisation, such as reports and books. Internal data should always be valued above external data.

The advantages of secondary data are that they save cost and time. Secondary data can also serve as comparative data, which primary data can be evaluated and interpreted against. Two major disadvantages of secondary data exist; it may not fit the project since it was not acquired for this purpose and the accuracy may not be as good as that of primary data (Kinnear and Taylor 1991).

External secondary data has been used in the form of Internet sources, magazines, literature, past research and thesis etc. whereas internal data have been collected through the examined companies' intranet. Secondary data was of uttermost importance at the beginning of our study, before primary data had been collected. However, we also received secondary data during the fieldtrip since Professor Selmer provided us with parts of his written material.

2.4 Validity and Reliability

As a case study involves interference every time an event cannot be directly observed, validity becomes an important aspect to reflect upon. It is therefore important to know whether the findings are generalisable beyond the single case study. Evidence from multiple cases is often considered more persuasive where the overall study is considered more robust. Pilot cases can also increase validity

and impede mistakes from being made. Furthermore, the skills required for collecting data for a case study is much more demanding than for experiments and surveys. In addition, there are different types of criteria for judging the quality of a research design (Yin 1994):

Construct Validity, which is about establishing correct operational measures by for example using multiple sources.

Internal Validity, which is about establishing a causal relationship by doing pattern matching, explanation building etc.

External Validity, which is about establishing the domain to which a study's findings can be generalised.

Since our study was conducted on the Chinese market with its specific features, the findings may not be possible to generalise to other markets, which can influence the construct validity in a negative way. Still, we argue that the theoretical framework of HRM and cross-cultural management, leading to our final conclusions, are applicable to emerging markets in general. Moreover, our choice of companies and their different levels of maturity within HRM increase the construct validity even further, since we consider these findings possible to generalise, and therefore increase the validity in a positive way.

Moreover, a case study that follows the pattern of triangulation is said to be more credible and judged as more correct since the findings are based on several sources that provides similar data. Our use of triangulation of looking at different companies and comparing them can therefore be said to increase the internal validity since the interviews provided us with comparable data. Additionally, due to that the study has been based on a limited number of respondents in China, it can be argued that more interviews would increase the external validity. However, due to time limitations it was not possible to conduct more interviews.

Reliability is demonstrating that the data collection can be repeated with the same results. The goal when discussing reliability is to minimize the errors and biases in the case study. One way of doing it is to conduct the study as if someone was always looking over your shoulder, in this case Lindex as the assigner and our professors were looking over our shoulders.

Moreover, subjectivity can be prevented by consistency in asking questions. We have tried to avoid it through the mentioned interview guide, which can be found in Appendix 1. Discussion between us has also lead to a higher reliability since we ensured that we had understood the interviews in the same way and therefore tried to avoid misunderstandings. In accordance with figure 4, we also believe that Mr. Fung as a very influential business man has increased our access to business reality and thereof lead to a higher level of reliability among our empirical findings than if this network had not been available.

Furthermore, the time limit can be considered a problem since more interviews, more in-depth data collection can always be gathered, and improvements can always be made. We do however believe that we have reached a high level in our data collection, and that another similar investigation would lead to the same results, thereof a high level of reliability.

2.5 Evaluation and problems related to the methodology

During our two weeks in Mainland China and Hong Kong, we performed 25 interviews, which we consider to be of the in-depth character. We were surprised that everything worked smoothly without any major interruptions or problems. Since many of the respondents had busy schedules, a few meetings had to be rescheduled. Still only one had to be cancelled due to lack of time for the respondent. All interviews involved a lot of waiting and were rather time consuming. In addition, we were exhausted after two intensive but educational weeks and felt that our preparations before going had been useful.

As mentioned, a tape recorder was not used at any of the interviews in order to make the respondents speak more freely, which we consider the right choice when looking back. The methodological problems we met during the data collection were mainly language barriers, since many of the interviews were performed in English, which was neither our mother tongue nor the respondents. Some respondents also had a low level of English and came to answer our questions in the wrong way. Still this only concerned one or two respondents and we therefore do not consider it a problem.

When interviewing Chinese managers in their 40's we experienced somewhat vague answers compared to the younger generation, which also has to be taken into consideration.

After collection of empirical data, we returned to the theories in order to try to connect the empirical findings with the existing framework. However, a few modifications were added while others were revised. We need to comment that our research problem was slightly re-made after returning from China. When data had been gathered we realised the difficulty involved in finding detailed information regarding the area of research, especially from the case and reference companies. Since we found it impossible to make them share their HR practices with us, we had to be satisfied with its policies and therefore some adjustments to the research problem were made. However, a question that arises in correlation with this is for what reason the companies were unwilling to show their practices to us? Can it be that it looks better on paper than in reality?

However, a further limitation and methodological problem was, as mentioned, the lack of well-developed IHRM theories and models. Since we did not have any knowledge of the area prior to this study, we believed that there would be a well-developed theoretical framework. This, especially since many articles and scholars

spoke of the increasingly importance of IHRM. However, we were mistaken and spent too much time looking for suitable IHRM theories.

It should also be noted that due to long waiting periods at the library, we did not receive several of the books needed prior to our departure to China. Worries regarding theories and the subject could have been avoided if these books had arrived in time.

Due to the purpose of this thesis, i.e., serve Lindex as the assigner and having a higher academic purpose, one can say that a duality exists, which is a methodology problem. If we would have done the thesis again we may have chosen to do two reports, one for Lindex and one for the academic world, in order to decrease the duality problem. It is important to mention that due to Lindex being the assigner we might have been blinded by a specific Lindex focus.

Furthermore, after having increased our own knowledge regarding China and the area of research, we encountered another duality problem, taking many things for granted versus being able to communicate the findings in a suitable manner for the reader. We have however done our best in order to make it clear for the reader.

It is also important to mention that if more time would have been available, we would have liked to perform more in-depth interviews with the head of the HR Departments at both the Ericsson headquarters in Stockholm and IKEA in Helsingborg. However, due to lack of time, we were only able to conduct telephone interviews with them.

As the companies have provided us with different amounts of information during the interviews, there may be an unequal share of data collection within our empirical findings. This is a methodological problem but also a reality when looking into the business world.

The interviews also made us realise the importance of corporate culture as an influencer within the area of HRM. However, in order to not make the thesis unnecessarily broad we chose to leave out the corporate culture, and instead recommend it for further studies. Still the empirical findings include some parts dealing with corporate culture since it was brought up during the interviews.

As we now have described our road to knowledge and the obstacles we have encountered, we will proceed into the theoretical framework.

3   Theoretical Framework

Upon the start of this journey, our luggage was carefully planned, and only the most essential belongings suitable for this journey have been packed. In this chapter, we would therefore like to show the reader what we have brought with us i.e., our theoretical framework relevant to the area of research.

> "The globalisation of business is making it more important than ever to understand how multinational enterprises (MNEs) can operate more effectively. A major component of this understanding appears to be the field of human resource management and, in particular, the field of international human resource management" (Schuler et al. 2002).

Before entering our theoretical framework, we would like to emphasise that a model is only a model, and any academic field is impeded to grow if it is dominated by certainty (Holden 2002).

Cross-cultural management is a wide concept dealing with a variety of concepts and issues. However, for this study we have, in correlation to our research problems, identified two areas of importance. *Firstly,* we would like to argue that in order for a firm to operate successfully in any market, there is a need to look at the deeper and more *human aspect* of management. As each organization is constructed with a certain amount of people at its core, humans not only form the structure of the organisation but are also the ones operating the organization. Humans therefore, set the main objects for any organization and it is their behaviour that decides whether the organization will reach its targets or not. Consequently, it is argued that the starting point of management should primarily be the management of humans (Su and He 2001). We therefore, find it important for both firms and academics to gain a better understanding of the issue of *HRM,* and in particular, *IHRM* when operating internationally.

Related to this, we have identified a *second* area of importance; the issue of *culture* within cross-cultural management. Hence, we would like to point to the importance of *national culture.* It is important to note that the approach of national culture will mainly serve as a guideline in order to highlight the cultural difference that exits between Sweden and China. It has been argued that by differentiating countries people may view culture as a threat, which can lead to problems. However, we feel the need to highlight differences and similarities that exist in order to gain an overall picture. A few researchers have mainly influenced the area of cross-cultural management. Among these, the Dutch researcher, Geert Hofstede, is said to be one of the most influential (Lim and Firkola 2000, Hill 1998, Higgs 1996, Jackson 2002). Our aim was to move beyond his work, but upon our research within the field of cross-cultural management, we found a lack of updated research. Despite the fact that he collected most of his data in the 1970s, and that

the world has changed dramatically since, his findings are still widely used in many contemporary management textbooks and articles.

Even though the perceived importance of IHRM, research on the subject has been limited, and mainly focused on the behaviour, training and management of expatriates, as well as on their repatriation. Consequently, together with research conducted during the initial phase of the study, and through email contact with one of the main researchers within the area, Randall S. Schuler, it was established that there is a lack of information as well as a clearly developed IHRM model or theory.

It is important to note that some researchers argue that a universal model of IHRM is impossible, due to three reasons: *Firstly*, IHRM seems to be more theoretical than actually applied in reality. It is believed that companies generally practise personnel management rather than HRM. This is due to the fact that companies usually ignore culture or other environmental differences when pursuing international human resource policies. This thus results in Personnel and not HRM policies. *Secondly*, both practical and theoretical concepts vary widely among nations, and one of the main differences is the degree of state interference. In countries where state interference is high, HR policies such as recruitment, pay, training etc., are shaped by national legislation rather than the freedom of each individual company. *Thirdly*, it is argued that culture has been exaggerated in its influence on IHRM practices. "…what is most lacking is a clear theoretical framework with which to compare different forms of human resource practices. This lack of adequate theory in turn prevents a proper methodology being developed with which to test the theory" (Beardwell and Holden 1997).

We have thus had to draw on multiple researchers in order to gain a more comprehensive understanding of IHRM. To begin with, we will look at the area of Strategic International Human Resource Management (SIHRM), where Schuler et al. (1993) have developed a framework, which is believed to be of use to both academics and professionals. The framework is complex and the length and time of this thesis prevents us to go into depth. Therefore, only parts of the framework will be looked at. Hence, the SIHRM framework will be used as a guideline on what factors that may influence HRM. The main arguments are that factors both outside and inside a firm influence the HRM policies and practices when operating internationally. The framework presented in Figure 5, thus dictates the outline of our theoretical chapter in which it is thought as vitally important to look at national culture as well as the internal structure and attitude of a MNC.

First, we will give a brief introduction of the development of HRM and IHRM. Thereafter we will go into the area of SIHRM, followed by a more detailed description of the policies and practises of IHRM. Finally, we will look at a recent study of IHRM where the authors argue that there are three stages of HRM that

an international firm must go through, which is said to lead to an enhanced performance.

3.1 Human Resource Management

The HRM function in today's organizations is to a large extent a Western phenomenon. It is said to have its roots in the personnel management function, and became its own discipline after the introduction by the Harvard group and the Michigan/Columbia group to their MBA curriculum in the USA, in the early 1980s. It is argued that a main difference between personnel management and HRM is that the latter includes a strategic component. Accordingly, it is argued that HRM differentiates itself in at least three distinct ways (Tayeb 1998).

> "First, personnel management focuses on the management and control of subordinates, HRM concentrates on the management team. Second, line managers play a key role in HRM in co-ordinating resources towards achieving profit, which is not the case under personnel management. Finally, the management of organizational culture is an important aspect of HRM, but plays no role in personnel management" (Tayeb 1998).

HRM, as a definition, may be seen as just another resource and production function together with capital, land, raw material and technology. The extent to which firms may utilize and effectively manage HRM is reflected in the hierarchical position of the manager in charge of the function. Consequently, the status of HRM in a firm depends on that firm's overall philosophy and culture (1998). Additionally, the field of HRM can be described as follows:

> "The part of the management process that specialises in the management of people in work organisations. HRM emphasises that employees are critical to achieving sustainable competitive advantage, that human resources practices need to be integrated with the corporate strategy, and that human resource specialists help organisational controllers to meet both efficiency and equity objectives" (Bratton and Gold 1999).

The activities that HR managers undertake may vary from organisation to organisation. Mainly since organizations differ in size and structure, the presence of trade unions as well as the philosophy of senior management and employment strategy. Companies with a lot of employees usually have at least one HR or personnel specialist. Large organizations may even have several managers that are in charge of different activities, e.g., there may be one person in charge of recruitment and selection and one of employee training and development (1999).

The scope of HRM also varies across organizations, but in general, it refers to those activities undertaken by an organisation in order to effectively utilise its human resources. Hence, HRM can be seen as a body of knowledge and a set of activities that define the nature of work and regulate the employment relationship (1999). The key activities in building HRM usually include some or all of the following areas:

Staffing	Obtaining people with appropriate skills, abilities, knowledge and experience to fill jobs in the organization. Pertinent practices are human resource planning, job analysis, recruitment and selection.
Rewards	Design and administration of rewards systems. Practices include job evaluation, performance appraisal and benefits.
Employee development	Analysing training requirements to ensure that employees possess the knowledge and skills to perform satisfactorily in their jobs or to advance in the organization. Performance appraisal can identify employee key skills and 'competencies'.
Employee maintenance	Administration and monitoring of workplace safety, health and welfare policies to retain a competent workforce and comply with statutory standards and regulations.

Source: Bratton and Gold 1999

The trend over the last couple of years has been to identify the linkage of HRM and the strategic needs of the business, i.e., to establish a fit between the external business strategy and the internal HR strategy. "…An organization's HRM policies and practices must fit with its strategy in its competitive environment and with the immediate business conditions that it faces" (Bratton and Gold 1999). It is thus argued that if HR components are not an integral part of the strategic planning process, it will be difficult to implement strategic business plans.

3.2 International Human Resource Management

The topic of IHRM received great attention during the 1990s, and is today said to be critical for the success of firms operating globally (Kamoche 1997). Arguable, effective IHRM can make the difference between survival and extinction.

IHRM refers to the worldwide management of HR and its purpose is to enable the firm to be globally successful, by being: competitive worldwide, efficient, local responsive, flexible and adaptable and capable of transferring knowledge and learning across globally dispersed units (Schuler et. al. 2002).

The complexity involved in operating in different countries and employing different national categories of employees is the most important variable that differentiates international HRM from domestic. However, there are many times when firms underestimate the difficulties and complexities involved in international operations. In order to succeed in a host country, there needs to be an awareness of cultural differences. This is of uttermost importance especially for the HR managers at headquarters and in the host country or a specific region to understand. Thus, HRM practises are cultural-sensitive and it is vital for companies to keep in mind that what works at home may not necessarily work abroad. Consequently, when developing IHRM polices and practices, a company has to ask itself: Which practices should be designed centrally and which needs to be adopted

locally? Questions whether a MNC can use common staffing practices worldwide and how they develop a global mindset are as important as adapting, appraising and training to local conditions (Schneider and Barsoux 1997, Braun and Warner 2002, Tayeb 1998).

The same strategic trend visible in HRM can be seen in the area of IHRM, resulting in the development of strategic international human resource management, which is still being used by Schuler et al. (2002).

3.3 Strategic International Human Resource Management

The SIHRM model presented in Figure 5, argues that a MNC has two major components which influence strategic international HR issues; the inter unit linkages and the internal operations. The inter unit linkage refers to a firm's capabilities to manage the integration or differentiation of its worldwide unit's. The internal operations refer to the need for each unit to function as effectively as possible within its own national environment, i.e., should the local units be given autonomy or should there be control (Schuler et al. 1993)?

Figure 5 The SIHRM Framework
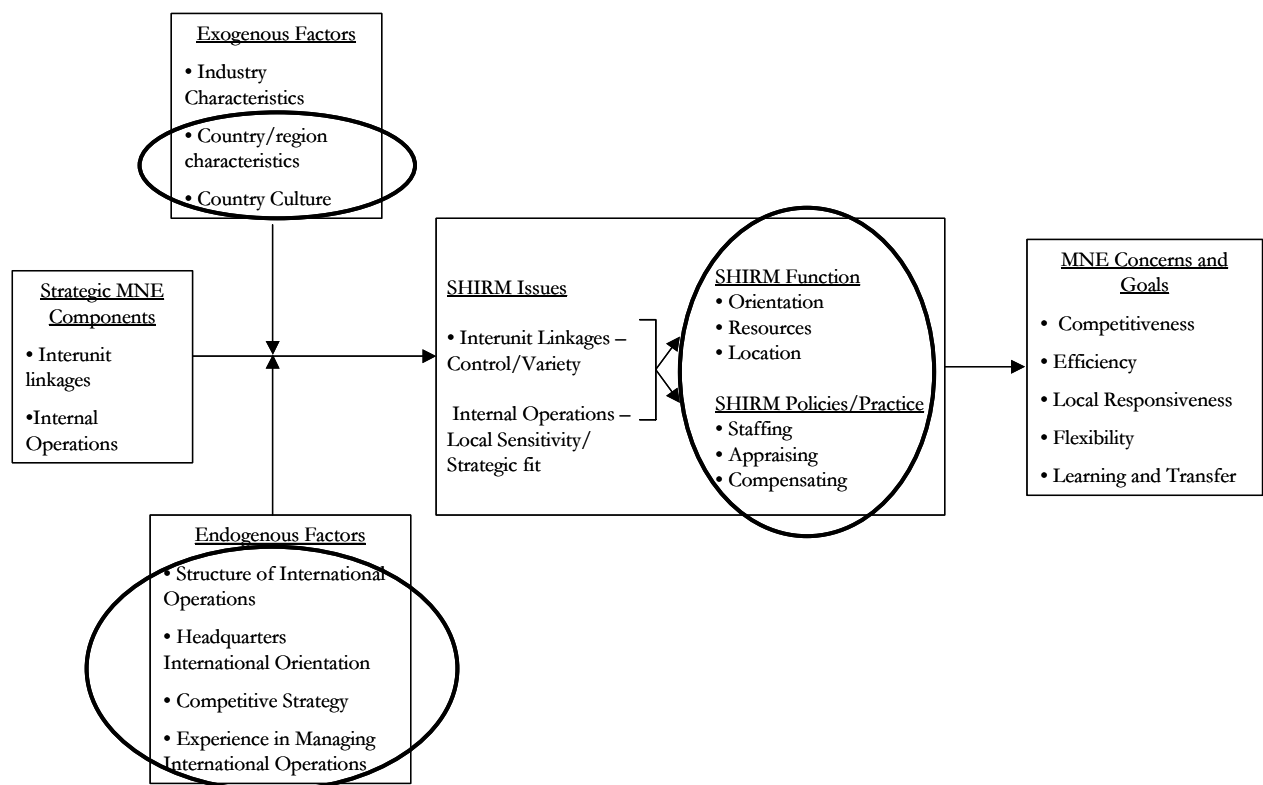
Source: Schuler et al. 1993

The inter unit linkage and the internal operations are said to influence the *SIHRM functions*, which is the orientation, resources and location of the HR function. Hence, the deciding factors of where to locate the HR function, whether it should

be decentralized or centralized as well as the time, the energy and financial resources devoted to operating the HR organization. For example, a firm may chose to staff a large HR Department that only deals with SIHRM issues, hence concerned with the selection, repatriation and compensation of expatriates. A firm may also hire employees that are devoted in training management, and thus develop a pool of global managers (Schuler et al. 1993).

The SIHRM issues further influence the *policies* and *practices*, which refers to the development of basic guidelines and specific practices on how individuals should be managed. The policies and practices that are most relevant to the strategic needs of the firm are those relating to *staffing, appraising, compensating* and *training and developing*. If the headquarters for example only has general guidelines, and there needs to be a system for rewarding individual performance, it is up to each local unit to develop their own incentive schemes (1993).

Considerations should also be given to the *exogenous* (outside) and *endogenous* (inside) factors of a firm, since these are said to have a direct and immediate impact on the inter unit linkages and internal operations, which in turn influences the SIHRM issues, functions and policies and practices. The former includes industry characteristics and national characteristics; the latter includes the structure of operations, international orientation of the headquarters, the competitive strategies and the international experience that the company has. All the above-mentioned components are said to have a strong influence on the goals of the firm (1993).

Once again, we would like to emphasise that only parts of the SIHRM model will be looked deeper into. As the exogenous and endogenous factors are considered to be the main influencer of SIHRM issues, we will first look at these. Hence, in correlation to the aim of this thesis and shown by the circles in Figure 5, we have decided to only look at the national characteristics as the main outside influencer.

3.3.1 Exogenous Factors; Country Culture

As culture influences the way people behave and think it is argued that it has an impact on managerial attitudes, managerial ideology and technology transfer and business-government relations. This is due to the fact that organisations and its employees do not live in a vacuum, which separates them from their cultural environment. Accordingly, a firm's HRM is a result of what a nation's society can offer managers and how these managers effectively utilize what is offered to them (Tayeb 1998).

Hence, a firm's HRM policies and practices are influenced by various socio-cultural, economic and political institutions a nation has. Work-related values and attitudes, such as power distance, tolerance for ambiguity, honesty, pursuance of group or individual goals, work-ethic and entrepreneurial spirit, have been argued to be part of the cultural identity of a nation and are directly relevant to HRM.

Consequently, there needs to be a clear understanding of the national culture in which a firm chooses to operate (Tayeb 1998). It is thus argued that it is of vital importance to consider cultural differences when deciding which practices should be globally used and which ones need to be locally adjusted (Janssens 2001).

In order for managers to be able to deal with cultural problems as well as the opportunities that exist when conducting business internationally, it is thus important to understand how people from different countries act, think and behave. It is further argued that firms and managers that are able to handle this appropriately will gain a superior competitive advantage (Lim and Firkola 2000).

Despite the magnitude of research conducted within this area, a good theory tackling all the issues involved in cross-cultural management still does not exist (Lim and Firkola 2000). However, since the emergence of cross-cultural management in the 1960s, as a branch of international management and an academic discipline, several frameworks have been developed in order to categorize and comparing cultures. Although these frameworks have been conducted at different times and by different methods, they have resulted in similar descriptions of cultural dimensions. Still, while the dimensions used within these frameworks may vary, researchers do agree that "…cultural values are deeply anchored and enduring; that they vary systematically between societies; and that they conditions organizational practice" (Evans et al. 2002).

In order to understand how culture influences managerial practices, a definition of culture is needed. The concept of culture is nevertheless hard to define. In 1952, Kroeber and Kluckhohn registered 164 different definitions. This study will be based on the definition offered by Hofstede as: "Culture … is that complex whole which includes knowledge, belief, art, morals, law, custom, and any other capabilities and habits acquired by man as a member of society" (qtd. in Liu and Mackinnon 2002). Hence culture is:

> "the collective programming of the mind which distinguishes the members of one human group from another…the interactive aggregate of common characteristics that influences a human group's response to its environment" (qtd. in Holden 2002).

Hofstede's study of work values, published in 1980, was based on a questionnaire survey of over 117 000 employees at IBM. Based on his findings, he created four dimensions in which he classified the 40 countries and three regions studied. These dimensions were: (Hofstede 2003).

Individualism versus collectivism, the degree to which individuals are integrated into groups. On the individualist side, the ties between individuals are loose, hence everyone is expected to look after him/herself and his/her immediate family. On the collectivist side, people are from birth integrated into strong, cohesive ingroups, often extended families that continue protecting them in exchange for loyalty.

Power distance, the extent to which less powerful members of organizations and institutions like the family accept and expect that power is distributed unequally. This represents inequality. It also suggests that the followers as much as the leaders endorse a society's level of inequality.

Uncertainty avoidance deals with a society's tolerance for uncertainty and ambiguity, and refers to man's search for Truth. It indicates to what extent a culture programs its members to feel uncomfortable or comfortable in unstructured and unknown situations. Uncertainty avoiding cultures try to minimize the possibility of such situations by strict laws and rules, safety and security measures and on the philosophical and religious level by a belief in absolute Truth. People in uncertainty avoiding countries are more emotional. Whereas uncertainty accepting cultures are tolerant of opinions different from what they are used to, hence try to have as few rules as possible.

Masculinity versus femininity refers to the distribution of roles between genders. The women in feminine countries have the same modest, caring values as men, whereas in masculine countries they are somewhat assertive and competitive, but not as much as the men. Hence, there is a gap between men's values and women's values.

In 1991, Hofstede added a fifth dimension after conducting an additional study. This resulted in the dimension of the Confucian dynamism, which he described as a culture's Long-term Orientation.

Long-term versus short-term orientation, deals with Virtue regardless of Truth. Values associated with Long Term Orientation are thrift and perseverance; values associated with Short Term Orientation are respect for tradition, fulfilling social obligations and protecting one's face. However, the dimension also applies to countries without a Confucian heritage (Hofstede 2003).

Hofstede gave each of the studied countries a score from 0 to 100 in each dimension and was thus able to classify them. The scores given to each country was only an average score, hence two individuals may not differ in the same way as their respective countries are said to differ. Consequently, within each country, there may be differences within a dimension, i.e., the mean score may not at all represent a particular individual. As a result, the classification of different national cultures along a limited number of dimensions may result in dramatic oversimplifications. Thus, it may create stereotypes of how people act, think and behave. Despite this, it is argued that this kind of classification is a helpful tool for managers and researchers as long as its limitations are clearly understood (Thomas 2002).

It is also important to note that the culture of the mother company has a clear effect on the international strategy that the firm peruses and influences the HRM practices chosen. Consequently, it is argued, that it is essential for firms to under-

stand themselves before trying to understand other people and practises (Evans et. al. 2002).

3.3.2 Endogenous factors

3.3.2.1 Structure of a firm's international operations

Furthermore, there are several strategic issues that a firm has to consider when going abroad. Normally it depends on the nature of the company, its size and its objectives of establishing international operations. Hence, a company can take the shape of one out of four different categories: *the international corporation, the multinational corporation, the global corporation, and the transnational corporation.* The classification is dependent on the degree of international activities that are separated in order to respond to the local regions and integrated to achieve global efficiencies. The strategic categories are also believed to have a significant impact on HRM (Schuler et al. 1993).

Table 1 Structure of a firm's international orientation

	Multinational	*International*	*Global*	*Transnational*
Strategic orientation	Building flexibility to respond to national differences through strong, resource, and entrepreneurial national operations	Exploiting parent-company knowledge and capabilities through worldwide diffusion and adaptation	Building cost advantages through centralized, globalscale operations	Developing global efficiency, flexibility and worldwide learning capability simultaneously
Configuration of assets and capabilities	Decentralized and rationally self-sufficient	Sources of core competencies centralized, other decentralized	Centralized and globally scaled	Dispersed, interdependent and specialized
HRM	More focus on developing practices suitable for different local environments and staff the local operations with local nationals.	Moderate HR issues, usually handled by expatriates.	Focus on running the business as a single global operation. Need for coordinating the units through directives from headquarter, little degree of autonomy.	Needs people who are able to both look to local as well as global needs.

Source: Adapted from Bartlett and Goshal (2000) with own moderations based on Schuler et al. 1993

Schuler et al. argue that within the *international division form*, the domestic firm generally ads on a unit dealing with concerns of the international business. The unit will be identical to the domestic business of the firm and usually there will only be moderate consideration of the local environment, hence local commitments are

normally minimal. As a result, the international division unit's HR Department may be concerned with selecting the head of the international operation as well as the expatriate who will be sent abroad to operate the international unit. The HR issues that will arise within this structure will be moderate compared to the issues that can and will arise within the global structure (Schuler et al. 1993). Hence, within the international division structure, an expatriate usually handles the HR issues.

In the *multinational structure,* the MNC is generally decentralized with an organization based on geographical locations. "This structure may range from several locations each serving the single domestic markets to a few large regional locations serving many markets" (Schuler et al. 1993). Consequently, it will have the capacity to respond to the needs of the local market, it may however be at the expense of loss of efficiency and economies of scale. With regards to HRM there will be more focus on developing practices suitable for different local environments, and thus staff local operations with local nationals. However, an expatriate may be chosen as the head of each operation, but he or she needs to have a considerable degree of autonomy (1993). Schuler et al.'s definition of a MNC is:

> "Any enterprise that carries out transactions in or between two sovereign entities, operating under a system of decision making that permits influence over resources and capabilities where the transactions are subject to influence by factors exogenous to the home country environment of the enterprise" (Schuler et. al 2002)

In the *global structure*, the MNC operates on a global arena in order to achieve economies of scale and to spread development costs over a large area. It can be viewed as a multinational firm, but the control of the operations is run from the headquarters. Hence, the local unit only carries out the directives given to them. With regards to HR practices, focus is on running the business as a single global operation. Accordingly, there is a need to co-ordinate the units through directives from the headquarters, hence the local unit manager has little degree of autonomy. Within this structure, there is the question of how the headquarters can ensure that the local employees will carry out the given directives. Hence, should this be controlled by an expatriate or are formalized policies and practices sufficient ?

Finally, the *transnational structure* wants to gain the advantage of both the multinational and the global structure, as it seeks both economies of scale and local sensitivity. More emphasis is put on reaching the goals rather than looking at its structure. Consequently, a transnational company is rather a mentality than a real organizational structure. However, in order to reach the objectives, it needs people who are able to both look to local as well as global needs (Schuler et al. 1993).

3.3.2.2 Headquarters' international orientation

A headquarters' international orientation is an essential factor, which has significant influence on the internal operations of a firm's different units as well as the

development and maintenance of HR policies and practices. Traditionally, these attitudes have been classified into three categories; *ethnocentric, polycentric and geocentric.* (Schuler et al. 1993)

Ethnocentric: Strategic decisions are made at the headquarters and key jobs at domestic and foreign operations are helped by headquarter management personnel. This usually results in a staffing policy where all key management positions are filled with parent country nationals. This strategy is mainly pursued for the following reasons; the firm thinks that there is a lack of qualified local individuals, using expatriates is the best way to ensure the transfer of corporate culture, and finally to ensure the transfer of know-how. HR policies and practices will thus be developed in favour of parent-country employees. Furthermore, the standards of compensation, training, staffing performance appraisal and management development will be imposed on the local units (Schuler et al. 1993, Hill 1998).

Polycentric: The MNC treats each subsidiary as a distinct national entity with some level of decision-making autonomy. Local nationals usually manage the subsidiaries, while parent-country nationals (PCN) have the key positions at the corporate headquarters. The HR polices and practices will be more oriented towards host-country employees and the units will have considerable autonomy with regards to HR decisions and activities (Schuler et al. 1993, Hill 1998).

Geocentric: The organization ignores nationality in favour of ability. Consequently, the staffing policy is one that wants the best people despite nationality for its key positions. As a result of this the HR policies and practices will not be differentiated among its employees based of nationality (Schuler et al. 1993, Hill 1998). A summary of the advantages and disadvantages can be seen in Table 2 below:

Table 2 Headquarters' international orientation

Staffing approach	Strategies appropriateness	Advantages	Disadvantages
Ethnocentric	International	Overcomes lack of qualified managers in host nation.	Produces resentment in host country
		Unified corporate culture	Can lead to cultural myopia
		Helps transfer core competence	
Polycentric	Multinational	Alleviates cultural myopia	Limits career mobility
		Inexpensive to implement	Isolates headquarters from foreign subsidiaries
Geocentric	Global and transnational	Uses human resources efficiently	National immigration policies may limit implantation
		Helps build strong culture and informal management network	Expensive

Source: Hill 1998

3.3.3 Experience in managing international operations

The extent to which managers in a MNC has experience of international operations will also influence the nature of their decisions related to IHRM issues, functions, policies and practices. Based on previous researchers regarding this area, Schuler et al. offers the following propositions.

- "MNEs with limited experience in managing international operations will be less likely to change their strategic international HR policies and practices to accommodate local or regional demands" (Schuler et al. 1993).

- "MNEs with more experience will be more likely to be effective in operating a more complex organizational structure than MNEs with less experience" (1993).

3.4 SIHRM Policies and Practices

SIHRM policies and practices refer to HRM policies and practices applicable to international firms. As mentioned, the policies and practices that are most relevant to the strategic needs of the firm are those relating to staffing, appraising, compensating and training and development (1993). Hence, we have chosen to take a deeper look at Recruitment and Selection, Training and Development, Performance Management and Compensation.

3.4.1 Recruitment and selection

Whether a firm is domestic or international, hiring and placing the right people in the right place is vital. Recruitment may be defined as "…searching for and obtaining potential job candidates in sufficient numbers and quality so that the organization can select the most appropriate people to fill its job needs" (Dowling et al. 1999). Whereas selection refers to the "…process of gathering information for the purposes of evaluating and deciding whom should be employed in particular jobs" (Dowling et al. 1999).

There are four critical decisions in the selection process: What/ Who do we want?, Where do we find them?, How do we attract them?, How do we identify them? The main methods used for recruitment are: Internal existing employees, using existing contacts, external contacts or advertising/media. Whereas the selection methods usually consists of interviews, mostly face-to-face, or tests consisting of attainment tests, aptitude tests, intelligence tests or personality questionnaires (Beardwell and Holden 1997). Furthermore, there is a need to have well-developed internal labour market arrangements for promotion, training and career development, since it makes it easier to recruit internally. It is also important to note that if there is a lack in local hiring experience, the firm may localize the HR function or at least employ a local recruiting source. In a polycentric firm, it may be appropriate to hire a local HR manager (Dowling et al 1999).

The recruitment and selection process is vital, since the right person at the right job may lead to a competitive advantage. Traditionally, MNCs have used parent-country nationals (PCNs) in order to ensure that policies and practices of the headquarters are carried out correctly. However, due to cost issues firms have increasingly had to turn to third-country nationals (TNCs) or host country nationals (HCNs). As a result, many firms have found themselves with co-ordination and control issues. Hence, expatriates are still used in order to act as structure reproducers, building local talents, protecting company interests and transfer a firm's corporate culture (Dowling et al. 1999).

Consequently, there is no set standard or circumstance when a firm should hire a PCN, TCN or HCN. Depending on a specific situation or national environment, a firm may choose different ways. Schuler et al argue that; a) "As a means for control and co-ordination, MNEs will initially attempt to utilize PCNs in preference to HCNs or TCNs; but, resource considerations will give way to facilitating the utilization of HCNs and TCNs by MNEs to control and co-ordinate their global operations" (Schuler et al. 1993) b) "As MNEs increase their reliance upon HCNs and TCNs to control and co-ordinate their global operations, they will devote more resources to socializing the employees and developing policies and procedures that might be used to guide local decision making, while still allowing some local discretion" (Schuler et al. 1993).

Whether a firm should hire locally, globally or use expatriates may also depend on: its general staffing policy i.e., ethnocentrism, polycentrism, geocentrism and regioncentrism, its ability to attract the right candidate; and the host government hiring policies. Moreover, language competences are argued to be a key issue in international recruitment (Beardwell and Holden 1997).

There are different advantages and disadvantage related to hiring PCN, TCN or HCN, seen in Table 3:

Table 3 Advantages and Disadvantages of PCN, TCN and HCN

Parent-country Nationals

Advantages

- Organizational control and coordination is maintained and facilitated.
- Promising managers are given international experience.
- PCNs may be the best people for the job because of special skills and experiences.
- There is assurance that subsidiary will comply with company objectives, policies, and so on.

Disadvantages

- The promotional opportunities of HCNs are limited.
- Adaptation to host country may take a long time.
- PCNs may impose an inappropriate HQ style.
- Compensation for PCNs and HCNs may differ.

Third-Country Nationals

Advantages

- Salary and benefit requirements may be lower than for PCNs'.
- TCNs may be better informed than PCNs about host-country environment.

Disadvantages

- Transfers must consider possible national animosities (e.g., India and Pakistan).
- The host government may resent hiring TCNs.
- TCNs may not want to return to their own countries after assignment.

Host-Country Nationals

Advantages

- Language and other barriers are eliminated.
- Hiring costs are reduced, and no work permit is required.
- Continuity of management improves, since HCNs stay longer in positions.
- Government policy may dictate hiring of HCNs.
- Morale among HCNs may improve as they see career potential.

Disadvantage

- Control and coordination of HQ may be impeded.
- HCNs have limited career opportunity outside the subsidiary.
- Hiring HCNs limits opportunities for PCNs to gain foreign experience.
- Hiring HCNs could encourage a federation of national rather than global units.

Source: Dowling et al. 1999.

Much research within IHRM has dealt with and continues to deal with, expatriates, i.e., sending parent-country nationals to overseas activities. In a broad sense, there are three main objectives why companies choose parent company nationals (PCNs), or expatriation, when moving aboard. The first reason is to fill positions, i.e., to get the job done. This is usually the result when there are no qualified host country nationals (HCNs) available or if it is thought to be difficult to train. Hence, PCNs are mainly used to transfer technical and administrative know-how. The second reason for using PCNs is management development. This

entails giving a company's managers international experience, which in turn is said to prepare them for future organisational tasks. Consequently, this transfer does not consider whether qualified HCNs are available or not. A third reason for using PCNs is due to organizational development and argues that the use of expatriates creates, "…corporate-wide socialization effects and create international communication networks, thus allowing for more decentralization than available through traditional bureaucratic means" (Selmer 1998). Selmer sums this up by arguing that two out of the three reasons for the use of expatriates is due to "…organizational control, either formal/ bureaucratic control or informal control through socialization" (1998).

When it comes to specific TCN and HCN selection and policies there is substantial lack of information. Dowling et al. (1999) argues that when selecting TCNs from its own organization the same selection criteria can be used for PCN. Looking at the hiring and selection of HCNs, a combination of task-oriented and people-oriented approaches may be most suitable in order to recruit people who will fit the organisation. However, there are many cultural aspects that need to be considered when discussing recruitment and selection. Both the size of the national and the regional labour markets varies considerably among countries. Moreover, the composition of the labour force and the available experiences and skills are highly important. Moreover, the national level of education, professional training, cultural values, economic support by national authorities etc., varies greatly from country to country. Additionally, there may be requirements from the government concerning the employment for foreigners and immigration that has to be taken into consideration. Finally, there has been a trend in hiring foreign-born nationals, i.e., local employees that have been born and raised outside their home-country, but now are willing to move back (Beardwell and Holden 1997, Dowling et al. 1999).

3.4.2 Training and Development

The issue of training and development is vital for the continued success of a company. Effective utilisation of training and development of skills are further believed to enhance a firm's efficiency. "Such HRM concepts as 'commitment' to the company and the growth in the 'quality' movement have led senior management teams to realize the increased importance of training, employee development and long-term education"(Beardwell and Holden 1997). Additionally, HRM emphasise the importance of people and skills in reaching organisational efficiency. In relation to this, there has been an increased need to complement the qualities of employees with the needs of the organisation, requiring careful planning and emphasis on employee development (1997).

Dowling et al. (1999) distinguish between training and development, where training is designed to improve the existing skills and behaviours of an employee,

whereas development is designed to increase employee's capabilities relating to future job positions.

Training is said to be important due to the fact that it increases employee's skills, competencies, know-how and tacit knowledge, facilitating quality and flexibility. The main purpose of a person's career development is "…to meet the current and future needs of the organisation and the individual at work, and this increasingly means developing employability" (Torrington et al. 2002). The benefits of the organisation are that:

- It makes the organisation attractive to potential recruits,
- It enhances the image of the organisation, by demonstrating a recognition of employee needs,
- It is likely to encourage employee commitment and reduces staff turnover,
- It is likely to encourage motivation and job performance as employees can see some possible movement and progress in their work,
- It exploits the full potential of the workforce (2002)

Development, facilitated by training and learning is believed not only to be important for the organisation but also for the individual. In order to ensure a firms' survival it is essential that companies make the learning and development of its employees, part of the overall strategy. The outcome of a person's learning and development is said to be:

> "…the way they think, feel and interpret their world (their cognition, affect, attitudes, overall philosophy of life); the way they see themselves, their self-concept and self-esteem; and their ability to respond to and make their way in their particular environment" (Beardwell and Holden 1997).

There are many issues related to training of HCNs. If extensive training is needed upon the employment of low-cost workers, the cost of labour will automatically increase. However, the increased labour costs are not the only issue involved, since trained employees become more attractive to competitors who may increase their wages in order to lure them away. Consequently, there are important training and costs consequences in order to reach a preferred level of competence that firms need to consider (Dowling et al. 1999).

The area of training can further be utilized both locally, as well as in the parent-country. International training for the HCNs may either be performed at the headquarters or home-subsidiary operations. There may also be different motives for bringing the HCNs back to the parent-country for training e.g., it may aim at facilitate specific firm-based training or increase corporate culture awareness. HCNs also require adequate language skills in order to benefit from parent-based training (1999).

When looking at the area of training and development, companies therefore have to identify the skills needed and ensure active learning in order to reach a long-range future in relation to explicit corporate and business strategies (Beardwell and Holden 1997). For the training to be effective both the individual's training and the organisation's objectives needs to be taken into consideration. A training cycle based on a Human Resource Development Plan can be summarised into the following model:

Figure 6 Human Resource Development Plan
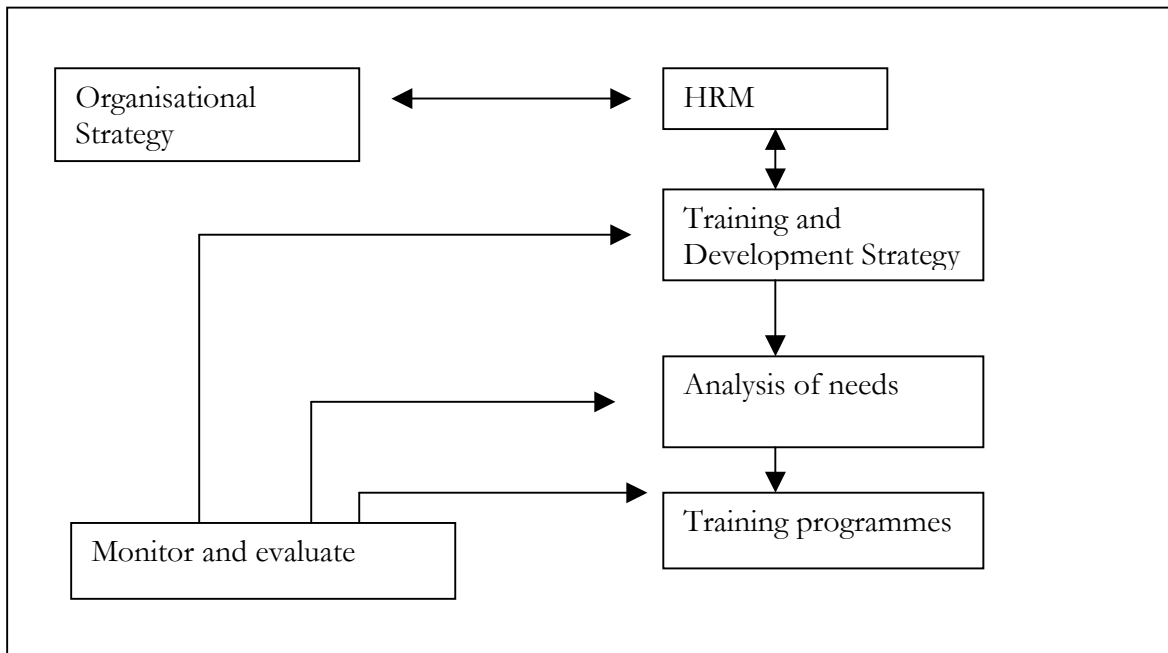
Source: Holden and Beardwell, 1997

Job rotation is another way to increase employee development. Furthermore, international meetings in different locations are considered good for development since it is fostering interaction and personal networks, which later can be used to build global teams.

3.4.3   Performance Management

> "a performance appraisal system can 'assist executives in clarifying and articulating objectives and expectations for themselves and their employees', and help companies to gain competitive advantages via cost reduction and improved efficiency" (Zhu and Dowling 1998).

During our research within the area of HRM we have found that Performance Management was the HR activity most difficult to grasp. It can mean several things, and go under different names e.g., Performance Management, Performance Appraisals or Performance Evaluation. There are also different levels of performance evaluation; organizational performance, individual performance or team performance. Performance Management has been developed as a concept

that is believed to co-ordinate targets, training, appraisal and payment in order to deliver employee effectiveness. Within this, appraisal is said to be the hardest feature for managers to handle (Torrington et al. 2002).

However, we found that Zhu and Dowling gave the easiest definition to grasp, which they referred to Performance appraisal (PA) as "…the process of identifying, observing, measuring and developing human performance in organizations" (Zhu and Dowling 1998). Together with other HRM activities such as rewards system, PA is though to be a vital part of contemporary western HRM systems.

PA has three major purposes within a firm; administration, development and communication. The administrative purpose includes staffing, compensation, promotion, reward and punishment systems. The developmental part looks at identifying and developing potential employees for future performance. This is further thought to be linked with succession and personal development planning. The objective of communication is to provide feedback to employees about their behaviours as well as identify results that they should continue to reach or be able to achieve (1998). The management of performance is thus said to be of vital importance and of great challenge for firms operating internationally.

Figure 7 Basic components of Performance Management
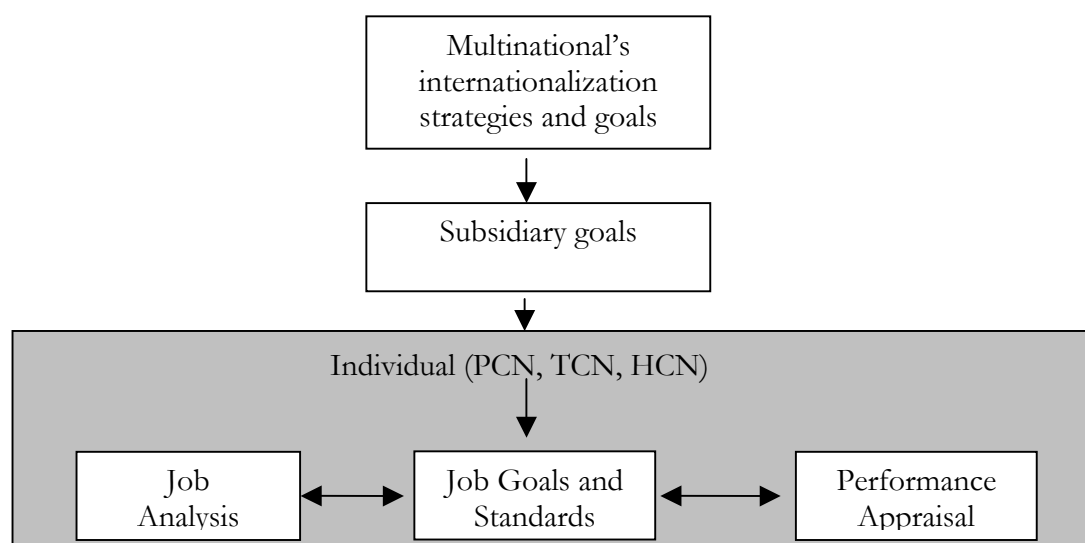
Source: Dowling et al. 1999

The basic components of performance management is visualised in Figure 7. It shows the link between the multinational's internationalisation strategies, its goals for individual international operations in terms of contribution to global profitability and individual performance management, whether it is a PCN, TCN or HCN. It is argued that the link is important since employees' performance is evaluated according to the expectations of wanted outcomes as well as behaviours that are thought to lead firms to reaching their goals (Dowling et al. 1999).

Traditionally, performance management was comprised of a formal process of goal setting, performance appraisal and feedback. The information is used to determine pay and promotion as well as establish training and development needs. Moreover, it is argued that company goals, on which job goals and standards are established and measured, influence the individual's job analysis and job description (Dowling et al. 1999).

The research on performance management concerning local employees is limited. Still it is important to question whether the practices of performance management are applicable to a specific culture. In some countries, performance management may be seen as a sign of distrust or insult, especially in Asian countries where saving face is important and hence may prevent direct confrontations. However, by using HCN, the cultural issues in relations to appraisal may diminish. Hence, HCN may assist in devising a suitable system for appraising local staff. Furthermore, the need for local responsiveness can result in firms not being able to implement a uniform approach throughout worldwide operations (1999).

3.4.4 Compensation

In most theoretical models, pay is central to a firm's relationship with its employees. Rewards are also included under compensation and refer to all forms of financial returns, tangible services and benefits that an employee can receive as part of the employment relationship. It is argued that there are mainly three objectives of compensation management; attract and retain adequate employees, maintain or improve employee's performance and comply with employment legislation and regulations. These objectives also have to be reached within an agreed budget (1999). Consequently, pay can affect an individual's decision to join a company, work effectively, accept responsibilities, undertake training or join a trade union (Beardwell and Holden 1997).

It is important to have in mind that employee's perception of how fair they are being treated by the company is of prime importance. Concerning equity in remuneration, both internal criteria and external are essential. Internal criteria are the "assessment of pay of an individual or group by reference to the contribution made or capacities required in respect of such factors as effort, qualification and aptitude" (1997). External relativities on the other hand are described as "the assessment of pay by comparison with the incomes of other individuals or groups" (1997).

In order for a firm to be successful in its compensation policies, there needs to be knowledge of employment and taxation laws, customers and environment as well as employment practices of foreign countries. There are also several influences on pay determination that needs to be taken into consideration. These are; beliefs about the worth of the job, individual characteristics, labour market, remuneration and policy strategy, strength of bargaining groups, the cost of living and government intervention. There is therefore, a need to be aware of currency

fluctuations and the effect of inflation on compensation, as well as an understanding of why and when special allowances must be given. Since this can be a complex area to grasp, many MNCs have hired special consulting firms within this area (Beardwell and Holden 1997).

Scholars and professionals further argue that; "The design and management of reward systems constitute one of the most difficult HRM tasks for the general manager" (Bratton and Gold 1999).

3.5 A Contingency Matrix Approach to IHRM

The challenge facing IHRM is how to effectively adapt and fit concepts and techniques across cultures. In order for a firm to be successful it is important to consider the local environment when planning and implementing various types of strategies and techniques (Luthans et al. 1997).

Contingency approaches can be found in various literatures concerning organisation design. One example of a contingency matrix is the "if-then" relationships seen in Table 4, that are used to analyse and provide practical guidelines for effective IHRM. The "If" in the matrix is the country or culture and the "then" is the HRM concept or technique that will best meet the goals of the MNC. The approach intends to make the best fit between the country/cultural environment and HR concepts and techniques aiming at strengthen the core competency of the MNC.

The main point with the matrix is that IHR managers should be able to construct a similar matrix depending on which country is in focus. The horizontal rows represent a sample of HR functions. (Others can be added depending on the needs of the MNC). The practical value of the contingency matrix is that it could serve as useful to organise existing knowledge and give useful guidelines to managers dealing with diverse cultures (1997).

The national cultural dimension can be seen in the "if" side, i.e., the vertical columns where Hofstede, once more, has been the main influencer.

Table 4 A Contingency Matrix

	China	India	Sweden
Recruitment & Selection			
Training & Development			
Compensation and reward			
Performance Management			

The discussion concerning "if" the cultural environment gives a starting point for filling in the cells of the matrix. However, the real challenge lies in drawing from the body of relevant research and practical experience, developing the matrix and coming up with good HR recommendations, the "then". In our research, answers to the following questions must be identified: **If** China, **Then** for effective recruitment and selection…etc. (Luthans et al. 1997).

The relationship between the organisation and its environment can be described as an emphasis on the importance of the environment for the organisations future development. The contingency view emphasises that in order to survive, grow and become effective an organisation needs to suit its internal relationships to the surrounding environment (Luthans et al. 1997).

This matrix will be used as a comparative framework as well as a summary later on. We therefore want to highlight that it is not considered a pure theoretical model, hence not an analytical tool. Thus, our own modifications will be made in order to suit our area of research better. We therefore look at the different companies examined instead of different markets.

3.6 Three steps of HRM in the International Firm

Many scholars have collected data on shareholders return arguing for a strong relationship between HRM and a firm's positive performance. However, there are also those that are sceptical when it comes to this relationship and strongly question the evidences. Evans et al (2002) argue that in response to this controversy there exist three different stages of IHRM that can contribute to a firm's performance. These stages correspond to a firm's development, and are

referred to as building HRM, realigning HRM and steering via HRM. Each step relates to a different theoretical perspective, which has consequences for IHRM (Evans et al. 2002).

3.6.1 The Builder: Step I

The first step refers to the importance of creating a basic foundation and insuring that there are internal coherences among the HR policies and practices. Making this work usually is the responsibility of a specialized personnel or HR Department, but it may also be perused by the line management. Within this step, the link between HRM and organizational performance is directed due to the fact that if companies pay close attention to HRM it may increase performance. Every company has to struggle with a number of basic and important HR issues, e.g., attracting, motivating and retaining people (2002). The fundamental principles of HRM are "'getting the right people into the right place at the right time'" (qtd. in 2002). To manage these basic tasks properly is vital for a company's performance.

Furthermore, if a company has not built a basic foundation of HRM when going abroad it will be severely handicapped. It will experience difficulties in managing the transfer of expatriates and their repatriation. A company without a solid HRM base will find joint venture negotiations hard and acquisitions may become a nightmare (2002).

In addition, a solid HR foundation is partly the result of individual HRM practices, e.g., compensation, recruitment or development. However, more importantly is the consistency of these practices i.e., the way in which they fit together. Each individual practice may contribute separately to the performance of employees and to the firm. Still, it is argued that when all practices are considered as one, it will contribute much more to the overall performance. Evans et al. argue that there is a great deal of evidence pointing to the fact that if a company pay careful attention to the selection and recruitment process, developing these people in the right manner, worry about how to retain them, and try to establish an appropriate way of linking performance with rewards will help gain superior financial results (2002).

In order to ensure this, the practices need to be internally consistent. Consequently, the theory behind the builder step is the *fit theory* and the key word is *consistency*. The theory focuses on internal coherence between issues of HRM and other parts of the work system. Hence, the use of selection, compensation and development may not necessarily be effective by themselves. Instead, the importance lay with how these practices are linked together with the work technology, supervisory system, measurement system and other elements of the company. Objective setting, appraisal and reward systems may contribute separately to performance, but when they are a part of an overall performance management system they will contribute much more. "It is an inward-looking perspective of the firm. From an international perspective, cultural differences,

local labour, market patterns and legislative constraints are an important influence on *internal fit*" (Evans et al. 2000).

Consistency is further said to be important for performance reasons. If a firm, for example, invests a lot of money in skill development, the firm should also pay close attention to retention through feedback practices, compensation and attention to career management. Consistency is also psychological important since the policies of performance, motivation and retention of staff will suffer if the employees think that they are inconsistent or if they feel that they are being unfairly treated. It is further argued that successful companies have built their connected HR practices, i.e., the HR system, with an underlying theme or messages visible to all employees. These themes or messages are often embodied in a philosophy of management or value system that results in coherence (2002).

A distinction can also be made between three aspects of consistency. Firstly, *single-employee consistency* indicates if employees experience different HR practices such as appraisal, promotion and compensation as complementary or confliction. Employees may experience these practices as an inconsistent mix of policies due to poor design and conflicting management priorities. Secondly, *consistency among employees* refers to employees in similar position but in different departments or units feel that they are being treated fairly. This is particularly important in an international firm. Thirdly, there is *temporarily consistency* where it is argued that if practices and policies constantly are changing, productive energy may be drained and frustration may be created (2002).

The fit theory further argues for practices to be tailored in order to fit specific circumstances. A firm may build its HR practices around network properties that promote long-term skill development; hence all practices of HR need to be looked at and tailored to fit this objective. For example, recruitment needs to be selective, aimed at finding candidates that will fit with the values of the company and being long-term potentials rather than just filling a vacant position in order to get immediate job skills. Training and development should also be heavily emphasized and carefully planned and salaries should be above the industry average in order ensure retention. "Extrinsic rewards linked to short-term performance may be downplayed as to encourage long-term orientation, though benefits are generous to lock people in" (2002).

However, the issue of consistency becomes complex when a firm decides to move abroad. There are several different options facing an international firm. "When in Rome, do as the Romans do" (2002) is one polar strategy where local responsiveness is considered the best way, whereas the other strategy emphasizes global integration. Upon internationalisation, most firms need to find their strategy between these two extremes.

3.6.2   Realigning HRM: Step II

There is a risk that HR managers get stuck in the stage of HR building, where the strategy of the firm is taken for granted, and hence the HR practices stay the same despite that the objectives of the firm have changed. The focus of the second stage is thus on the changes that HRM needs to consider in order to meet new strategic goals, and the needs of the changing external environment. These changes can be the result of shifts in the marketplace or in competition as well as new technological developments. When changes appear, there is thus a call for a strategic rearrangement within the firm (Evans et al. 2002).

It is argued that if investments in HRM will result in a continued payoff, HR needs to be linked to the strategy of the firm. Consequently, when a firm goes through a strategic change, the HRM system must change as well. The theory behind the second stage is the same as the first step, i.e., the fit theory. However, in the second step, achieving fit becomes more difficult since there are requirements for both internal consistency as well as a need to meet the demands of the external environment i.e., "that the HR strategy fits with the demands of the business strategy" (Torrington et al. 2002). The external fit is usually referred to as strategic HRM.

As argued in section 3.1, strategic HRM refers to the need of a fit between the external business strategy, the external environment and the policies and practices of the HR strategy. "An organization's HRM policies and practices must fit with its strategy in its competitive environment and with the immediate business conditions that it faces" (Bratton and Gold 1999).

As seen in Figure 8, HRM has a clear position in relation to the organisational strategy of the firm. The figure represents the basic ideas of strategic HRM:

Figure 8 Strategic HRM
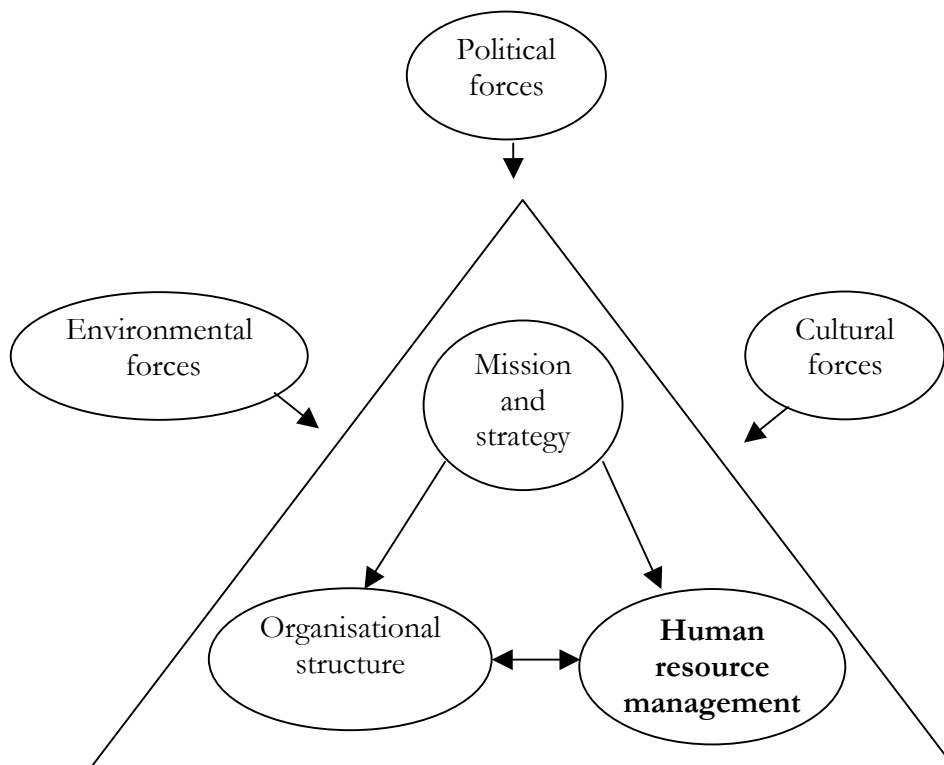
Source: Torrinton et al. 2002

The fit between HR activities will result in organizational capability. Hence, it is difficult to separate logistics from human skills or customer service interface from reward system. It eventually leads to a broader and more complex concept of fit where HRM has to strive for internal coherence on the one hand and an external coherence on the other hand, with five different factors in mind (Evans et al. 2002).

- *The organisation's strategy*: Its objectives (financial aims such as return on investment or economic value added and strategic aims such as growth, market share, cost effectiveness); the balance between short-and long-term objectives is basic for achieving competitive advantage (superior quality, customer service, technical innovation, low cost production),

- *The external institutional environment*; The external social, political and legal norms and constraints

- *The workforce*; The implications of demographics (age, gender, ethnic profilers) and heterogeneity or diversity

- *The organisation's culture*; For example, whether work is viewed as instrumental or as fun; whether relationships are egalitarian or hierarchic; whether collaboration or competition is valued in peer relationships.

- *The technology and work organisations*; The skills required by the technology; the degree of independence imposed by the work system; the degree to which the technology and work design require judgment and creativity on the part of employees; and related factors.

In the first stage, the above mentioned elements are given. The founding team follows a particular strategy and the institutional environment is that of the home country as well as the technology and work organization. All elements however, change over time and through a firm's expansion, due to increased competition, technological changes and demographic changes. All these changes are thus thought to require a process of realigning HRM (Evans et al. 2002).

It is therefore important to note that the process of realignment is more than a technical task of modifying HR practices, isolated from business strategy and from each other. Adjusting to new demographic trends, to new market needs or to technological change is a long process, hence reconfiguration can take a long time to achieve (2002).

Upon realignment, the fit theory argues for a close relationship between the strategic and business factors as well as the people and the HR aspects. Human resource, organizational, strategic and other factors should not just be linked, but rather inseparable. This leads to a need of HR professionals being looked upon as business partners, familiar with external changes that may result in a need for HR realignment as well as being involved in the business planning process (2002).

HRM is not only said to design and facilitate processes that will result in effective realignment, it also plays a key role in the implementation of change. There are a number of steps that are important, where the process is said to facilitate learning. The first step is that of redefining roles and responsibilities. The second deals with training and coaching, i.e., developing new employee skills. The third step is the formalization of new appraisal and succession criteria, resulting in the replacement of people who cannot adjust, accompanied by recruitment of people with the desire new competencies. The final step is the formalization of the new organization in new criteria for measurements, compensation etc. (2002).

Evans et al. argue that managing the changing process will be more complex when a firm goes abroad. However, the complexity in realignment is minimised if a firm is able to adopt a clear, consistent polar strategy towards internationalisation. Hence, a firm with a global strategy has a consistent stance, where policies and practice are determined by the Headquarter and implemented locally by trusted expatriates. The local employees are also entrusted with responsibility are

socialised into the global strategy. When there is a localisation strategy, it is the responsibility of the local management team to figure out how strategic changes should be worked out. However, no company today uses a pure global or local strategy as Percy Barnevik, former CEO of ABB points out:

> "Too many people think you can succeed in the long run just by exporting from America or Europe. But you need to establish yourself locally and become, for example, a Chinese, Indonesian or Indian citizen. You don't need to do this straightway but you need to start early because it takes a long time. It can take 10 years" (Evans et al. 2002).

3.6.3   Steering with HRM: Focus on dualities: Step III

The third step is less familiar and rather new within the field of HRM. Within this step, it is argued that the strategic and HR factors cannot be separated, as both are completely interlinked. The main focus is on developing organizational capabilities and employees in order to succeed in a world of constant change. This means to be able to manage the tensions between opposing forces such as short-term operating results and long-term growth, global integration and local responsiveness etc. (Evans et al. 2002).

A firm cannot go through constant change i.e., realignment, due to costs issues as well as the importance for consistency in order to keep employees satisfied. The authors however, argue that there is a dualistic pattern in change, visualized by the swings of a pendulum between centralization and decentralization, between exploiting resources and revolutionary progress focused on developing new resources. They argue that there needs to be a "navigator", i.e., a HR person, who can steer between the dualities and paradoxes. Consequently, underlying the third step is the Duality/Paradox theory. The opposites issues or factors, which a firm faces, are not either/or choices, which one is most appropriate depends on a particular context (2002). Hence, it is argued that these dualities must be reconciled. Below some of the dualities are shown:

Managing today's assets -	Building tomorrow's assets
Satisfying customer needs -	Being a head of the customer
Short term -	Long term
Competition -	Partnership
Low cost -	High value-added
Differentiation -	Integration
Decentralization -	Centralization
Taking risks a -	Avoiding failures

The opposite forces can never be reconciled once and for all since they will always create tensions and it is the job of the navigator to anticipate and manage the dualities. Evans, et al uses the metaphor of the navigator on a yacht in order to visualize the tension that exists between these forces. "It is the job of the navigator to manage a constant but varying tension between the need to maintain a particular course and the changing winds and currents" (Evans et al. 2002). Ghoshal and Bartlett also show the importance for firm to understand these dualities, where they argue:

> "Managers in most worldwide companies recognize the need for simultaneously achieving global efficiency, national responsiveness, and the ability to develop and exploit knowledge on a worldwide basis. Some however regard the goal as inherently unattainable. Perceiving irreconcilable contradictions among the tree objectives, they opt to focus on one of them, at least temporarily. The transnational company is one that overcomes these contradictions" (Evans et al. 2002).

The duality theory, the base for the third step of HRM, is thus thought to go hand in hand with how a transnational firm should be managed (2002).

Many firms have decentralized the responsibility to local business units or subsidiaries. It is believed to have many advantages such as being close to customers, more local innovation, entrepreneurship, better employee morale, knowing the market etc. However, not everything is perfect with decentralization as it may lead to reinventing the wheel. The not-invented-here syndrome, duplication of back-office functions, slowness in responding to technology change, difficulties in dealing with matrix pressures, lack of shared resources to respond to emerging needs often results in a firm going back to centralization. However due to "…bureaucracy, loss of responsiveness, and the inability to retain good people wings the pendulum aging to decentralization" (2002). This can result in the creation of a vicious circle where the firm once again wants to go back to decentralization.

Consequently, all firms maintain their corporate integration through rules, central procedures, planning and hierarchy. However, as the integration process grows there is a need for more rules, more control as well as the headquarter not wanting to let go, which result in a lack of local entrepreneurship and a problem of retaining good people. Consequently, tools used to ensure integration need to be complemented with informal mechanisms for coordination; lateral relationships, best practice transfer, project management, leadership development, shared frameworks, as well as socialization of recruits into shared values. The tools referred to as "glue technology" are mainly practices of HRM, which are believed to ease the gap between the duality of decentralization and centralization (2002).

> "This changes the roles of local leaders, who while acting as local entrepreneurs also need to have a clear understanding of global strategy. Strategic management becomes a process that involves all key leaders around the world, and local managers need to have a global mind-set. The role of people in central staff positions, including

corporate HR, is not to tell local people what to do or to solve their problems for them, for this would be incompatible with needs for local autonomy. Instead, central staff must act as network leaders, getting people together to face up to common problems. These challenges are of crucial relevant to HRM" (Evans et al. 2002).

3.7 Conceptual Model

As we have gone through the human aspect of cross-cultural management and pinpointed the importance of HRM, we have seen that it is vital that firms develop a solid foundation of HRM. The HRM system and its practices need to be internally as well as externally linked with each other if to result in performance. In accordance with the SIHRM framework we have also identified the importance of exogenous and endogenous factors upon HRM polices and practices when a firm becomes international.

In order to answer our research questions based on the theoretical perspectives, we have therefore, developed the following model, which will help us analyse the empirical finings later on.

Figure 9 Conceptual Model
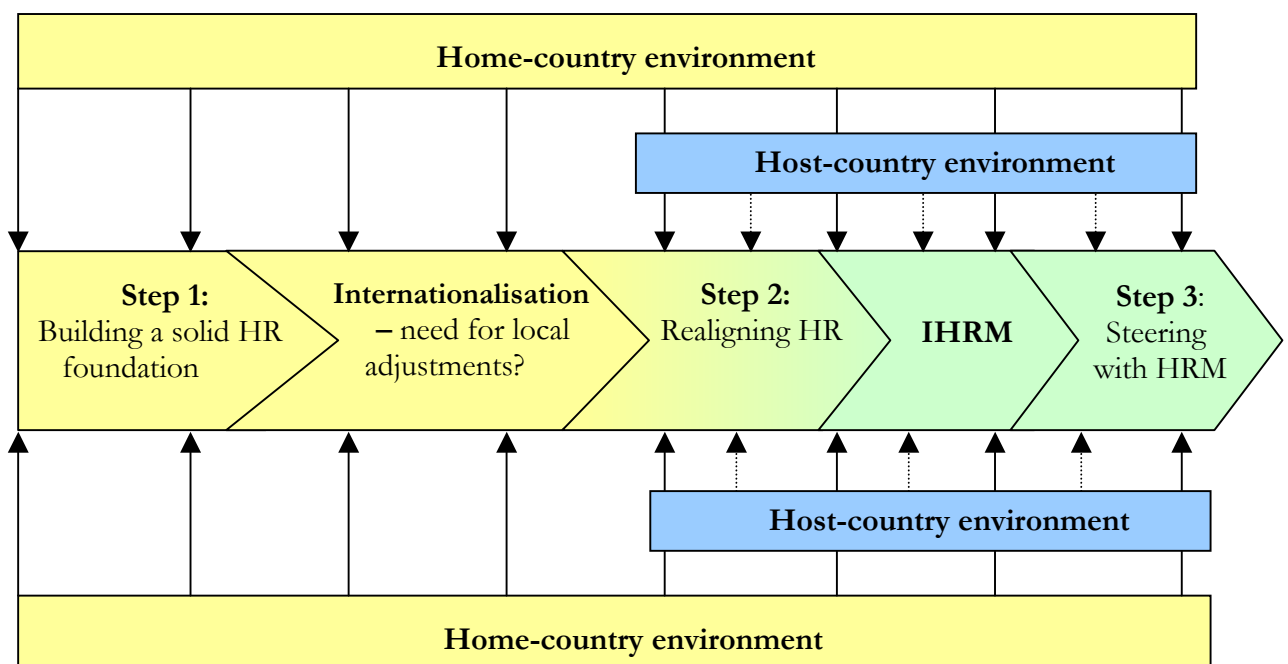
Source: Authors own

The framework of the model is based on the theoretical discussion offered by Evans et al. (2002), where a firm's overall performance is based on three stages of HRM, which are linked to the maturity of a company and its overall development. Moreover, these stages are said to become even more important when a firm expands across national borders.

In step one it is vital that a firm develops a solid HR foundation. The HRM system and its practices need to be internally linked with each other if they are to result in performance. However, in accordance with step two, HR also needs to be linked with external factors such as the organisation strategy, the external institutional environment, the workforce, the corporate culture, technology and work organisations. Therefore, when a firm moves abroad, it is important that the HR system change in order to meet these external influences. How, and if, these changes occur is further said to be dependent on the framework of Schuler et al. (1993) and the influences of the exogenous and endogenous factors. The exogenous factors represent the culture of the host country, whereas the endogenous factors represent the internal influences from the Headquarter.

Consequently, when a firm moves abroad, whether to reach new strategic goals, relocate production closer to raw materials, sell or market a product or search for cheaper labour, HR needs to be realigned in order to meet the demands of the local market. Hence, it is essential that a firm does not forget to take the national culture of the host country into consideration, when developing IHRM. During the initial phase, HRM will resemble the mother country. However, as the company expands abroad the national culture of the host country together with other endogenous factors has to be taken into consideration. IHRM is thus thought to be a mix of parent country policies and practices as well as adjustments to the local environment. Consequently, both influence HRM.

Moreover, as the firm establishes more local units worldwide it also becomes essential to act as a transnational company in order to be able to foresee future issues and crises and operate the daily activities in a most suitable manner. Consequently, in accordance with step three, the issue of dualities becomes central as the firm expands and grows and thus needs to be steered with HRM.

Part II –Empirical Findings

We have reached the other side and are now standing on unfamiliar ground. We are excited by what we can experience and learn and what new places we might find. We therefore, happily presents to the reader the most exciting part of our journey, our story i.e., our empirical findings.

4 China

The big economic event of our time is said to be the rise of Asia where China is in focus as the world's second largest economy in 2002 (Wolf 2003). Real GDP growth in China accelerated from 7,3 per cent in 2001 to 8,0 per cent in 2002, and investments grew by 16,1 per cent due to fiscal policy incentives. Retail sales rose by 8,8 per cent the same year whereas inflation turned into deflation due to excess domestic supply of agricultural and manufactured goods. There were also tariff reductions related to China's accession to the WTO (Asian Development Bank 2003).

China faces a dynamic future, with many new MNCs entering the market. Its foreign trade totalled US$450,7 billion during the first seven months of 2003, which was an increase by 37,9 per cent compared to the same period last year. Furthermore, exports increased by 33,4 per cent to US$228,4 billion and imports increased by 42,9 per cent to US$222,3 billion from January to July 2003. Additionally, China's GDP growth was 7,5 per cent in 2001, 8 per cent in 2002 and 9,9 per cent during the first quarter of 2003 (English People Daily 2003).

Moreover, almost 4/5th of the top MNCs have set up business in China. However, cultural differences and clashes present challenges due to the growing frequency of business communication. As a result of China opening its closed economy, there has been an increase in FDI, technologies and management expertise and foreign cultures, which has challenged the traditional thinking and behavioural pattern of its people (Baocheng 2003).

Still, the income inequality, especially between towns and urban areas, has risen sharply, leading to a growing gap between rich and poor. For cities to be able to expand, industries with skilled labour and higher technology are needed. This may however be hard to achieve since the education system in China is in need of improvement, and only 2 per cent of its GDP is spent on education (The Economist 1 2003).

Moreover, Shanghai is said to be the most sophisticated city and most familiar to western practices. Therefore, it is no surprise that it is the single largest urban recipient of foreign investment (Chan 2003, Tham 2003). Eastern China, mainly Shanghai, and the two rich provinces Jiangsu and Zhejiang, constitute close to ¼ of the country's BNP (Swedish Trade Council 2003). Shanghai is described as a

business-oriented city with a sophisticated culture, characterized by professional decision-making, best value for money and quality focus. It is further looked upon as being ten years ahead of Beijing whereas Hong Kong is ten years ahead of Shanghai (Rojens 2003).

Despite the increasing interest in China, many companies fail due to lack of understanding China as a nation and its culture. This mainly is due to the fact that "Many Western managers believe that all practices having succeeded in the West can be transferred, with enough patience and ardour, to any Asian country" (Huo and Von Glinow 1995). Nonetheless, it is important for western companies not to look at the Chinese market as a whole since there may be strong differences inside the country (Fung 2003, Wang 2003). Each market has different needs and wants, which is important to consider. However, the Chinese tradition is argued to be the main influencer upon doing business in China (Whiteley and Quan 2000). There is furthermore no fix formula on how to succeed, instead a lot is about acting with a common sense (Fung 2003).

In addition, there are four main features of the Chinese culture that are said to be important in understanding the Chinese management and organizational behaviours. These are; respect for age and hierarchy, 'face' and harmony, group orientation and personnel relationships (guanxi) (Björkman and Lu 1999). As the underlying factors of these issues are said to be history, national culture and religious background, we will look more closely at these in order to grasp the picture of China. "Business is first about dealing with reality and then change the reality" (Tham 2003).

4.1 Chinese National Culture

4.1.1 Historical background

What makes China different is said to be its magnitude and its history. China is a big country with over 1,3 billion inhabitants, divided into 56 ethnic groups speaking hundreds of different dialects. For the greater part of its 2000-year old history, it has been ruled by an absolute monarchy, which formed a mentality, marked by heavy dependence on the collectives of family, clan and nation. Even today, individualism is not an appreciated quality where collective decisions and responsibility are the norm. The Chinese people have also shared a common culture longer than any other group in the world, and its history is astonishing (Yong 2003).

The revolutions in the beginning of the 20th century lead to the abolishment of the Manchu rule in China, which followed by domestic wars and foreign penetration. After WWI China felt betrayed, and frustrations lead to student demonstrations against the Beijing government and Japan, where Confucianism was attacked and science promoted. The communist thoughts spread quickly over the country and in the 1920's a Sino-Soviet collaboration was established between

China and the former Soviet Union. This was followed by the Nationalist Era, which sought to eliminate communists by force. At the same time Japan began to invade China and with a battle near Peking, WWII became a de facto. The Japanese quickly invaded most of China's east coast and larger cities. However, US came to their assistance and the atomic bomb attacks lead to the surrender of Japan (Halsall 1999).

As a result of the invasion, a civil war broke out, which lead to a flow of Chinese people to Taiwan. In addition, in 1949 Mao Zedong proclaimed the establishment of the People's Republic of China with the Communist Party at the top controlling and leading the society at all levels. Almost ten years later, the Great Leap Forward was launched, designed to help overcome the backwardness of China's economy, industry and technology. It had however, devastating effects on the people and the economy, resulting in severe food shortage and a great industrial decline. This followed by problems with the Soviet collaboration leading to the Cultural Revolution (1999).

During the Cultural Revolution, China was isolated and a whole generation went without education, and China fell further behind the industrialised powers in the world. However, after a while China began to use a more practical foreign policy where it slowly opened up to the world, and 1976 marked the end of an era when Mao Zedong died (1999).

The Post-Mao era started only roughly 25 years ago, with China still committed to communism by Deng Xiaoping at the top. The Four Fundamental Principles, which still guides the society, are; The leadership of the Communist party, people's democratic dictatorship, the socialist road and Marxism-Leninism-Mao Zedong. However, during 1990 China's political system gradually changed and the economy has today become the fastest growing economy in the world (1999).

Nowadays, Chinas economy clearly can be said to be in transition, leaving the centrally planned economy and moving towards a market economy. The economic environment affects labour-force issues such as quality of labour force, hours worked, conditions and compensations. However, even though China is implementing some characteristics of a market economy it is still keeping a hard line politically (Thomas 2002).

To conclude, China has gone through an incredible transformation during the last century and is in the middle of a powerful development characterised by urbanisation and modernisation. Within this spectacular scene foreign companies try to operate in the way they are used to, which may lead to problems. China is not simple and considerations have to be taken to the historical background.

4.1.2 Religion

Even though China is said to be an atheistic country, Chinese people have been strongly influenced by both Taoism and Confucianism, and to some extent, also Buddhism.

Taoists believe that the world is constituted by an interplay of two interacting forces, Yin and Yang. Tao means "the way" or "the path" and these opposite forces can coexist. Chinese people are also dialectical in their judgements due to Taoism. For example, expressions such as "on one hand...but on the other hand" are common in the daily language (Baocheng 2003).

Furthermore, Confucianism has a profound impact on the Chinese way of thinking. Central to the Confucianism is the family unit, i.e., a paternalistic unit where the father plays a vital role. This has influenced both the social and the business life in China. Hence, the concept of hierarchy can be found in the business life where the head of the business is the boss, just like the father is in the family. "Confucianism has permeated Chinese organizational behaviour, resulting in a largely autocratic managerial style" (Selmer 2001). There is not much room for disagreement, where the boss punishes those who do not behave correctly. This is still present among today's youths and is also the way politics is run by a system with little transparency (Tham 2003). Typical terms in the Confucian vocabulary are a patriarchal organisations structure, face (mianzi) and reverence to seniority, loyalty to the ruler, hospitality, humility and nepotism (Baocheng 2003).

In addition, Guanxi has a big influence in the daily life in China, something that was further emphasised during the interviews. It is widely spread in the Chinese culture, and some say, that in order to get things done in China it is not important know *what*, but to know *who* (2003). It is often stressed that personal networking, *guanxi*, is the most important factor when doing business in China. A simplified explanation of guanxi is as follows:

> "Guanxi is a relationship built on a practised form of respect and obligation that adheres to Confucian hierarchical values where favours are given and received only when there is mutual benefit involved and in accordance to how people conduct themselves, based on the five sets of formal relationships set out by Confucius: Man and the state, Man and his siblings, Man and his children, and Man and his friends. Each relationship has its own set of social rules and conduct. If one side benefits too much, then it is the obligation of the other to correct or not proceed with taking the benefit since it is always the obligator who loses face when things are not balanced (Chan 2003).

4.1.3 Culture characteristics of China

As seen in Figure 10, Hofstede argues that the Chinese culture is collectivistic, and in general, the Chinese rank lower than any other Asian country on Individualism, which can be a reason of the high level of emphasis on a Collectivist society by the

Communist rule. This is also manifested in people being close and committed to member group, i.e., a family, extended family, or extended relationships. In a collectivist culture loyalty is said to be dominant. This results in China having a society that fosters strong relationships in which everyone takes responsibility for their fellow members of the group (ITIM 2003).

Figure 10 Hofstede on China

PDI – Power Distance
IDV – Individualism
MAS – Masculinity
UAI – Uncertainty avoidance
LTO- Long-term Orientation
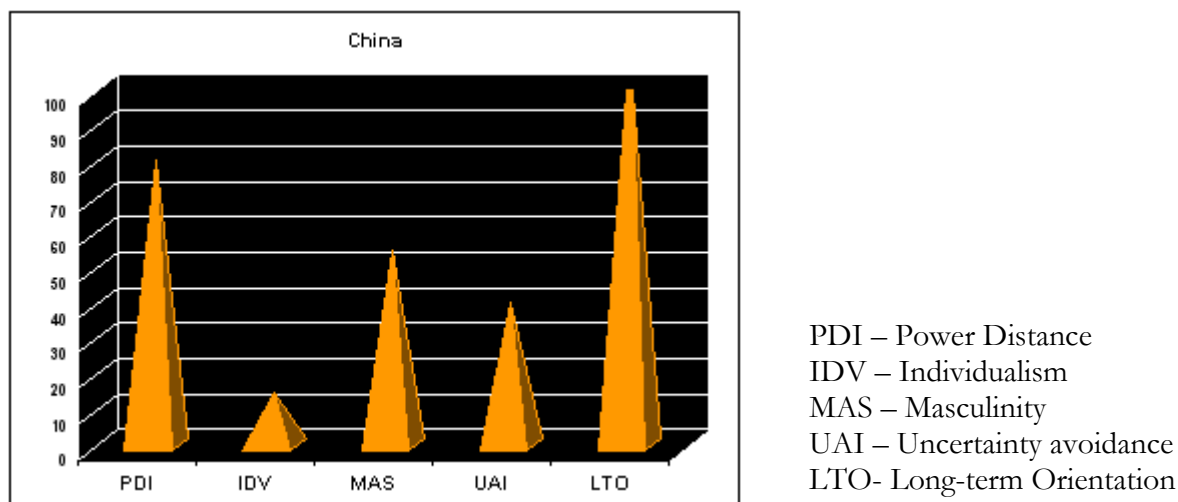
Source: ITIM 2003

It is important to note that China ranks higher on power distance compared to other East Asian countries. Hofstede argues that this is an indicator of a high level of inequality of power and wealth in the society. However, the condition is not necessarily forced upon the population, as China also is an Atheist society, but rather accepted by the society as their cultural heritage. The high power distance also means that China follows a caste system that limits upward mobility of its citizens. It is argued that any culture with a large power distance has inherent inequality within the population, and hence there is a potential of exploitation. As an effect of the large power distance there is a great distance between managers and subordinates (2003). Power distance has also lead to different approaches in communication, where Chinese managers believe that problems are not the concern of the staff. Chinese employees rarely take initiatives, and normally pay more attention to maintaining a harmonious relationship. One reason is that before everything was made on orders (Li 1999). In addition, "To do something wrong is worse than doing nothing at all" in China. There is still a Chinese dream to be able to influence the manager (Selmer 2003).

Masculinity is further said to be rather high, indicating the gender differences within the country (Baocheng 2003).

Hofstede's analysis of China also states a Long-term Orientation, indicating a society's time perspective and an attitude of persevering; meaning overcoming obstacles with time, or with will and strength.

4.2 Some student's perspective on China and western MNCs

In addition to the above information, we met with six Chinese graduate students at Fudan University in Shanghai in order to increase our knowledge regarding Chinese values and thinking among the Chinese youth. This was set up by the Nordic Centre, at Fudan University, one of the three top universities in China.

Upon entering the University we were greeted by an enormous statue of Chairman Mao. The university complex also has 25 000 enrolled students, most living on campus. However, one has to keep in mind that only a rare figure of approximately one per cent attends university in China today. Consequently, "China has the hardware, but not the software, China needs knowledge and its biggest challenge is human resources" (The Economist 2 2003).

All students we spoke to wanted to join a MNC after graduation due to higher salary levels, the western management style and higher levels of experience. Both American and European companies were tempting due to good hospitality and company culture as well as opportunities available. They believed that by working in a western company, their communicating skills and international working capability would increase. MNCs were also said to be able to offer individual development. Therefore, a well-designed training program and a free atmosphere of changing ideas and fewer restrictions between departments together with a possibility to speak directly with the manager were in focus when discussing MNCs as potential employers. "We hate hierarchy", they argued.

China was further described as still having problems with state owned companies, lagging behind MNCs. The state owned companies were characterised as dirty institutions and with low efficiency. Whereas in a MNC, the management concepts are believed to be better and can help one gain a broader perspective and the career opportunities and the professionalism are also considered better. However, none of the students could see themselves spend their whole career in a foreign company. After gaining knowledge, and maybe living abroad, they wanted to return to a local company or an international company of China and contribute to China's development. However, today they described China and Chinese local companies as lacking professional managers. This is despite the fact that MBA programs exist, however the quality and standards are said to be rather low. Still, one student believed that in the future, Shanghai would face hard competition between local companies and MNCs.

When asked to give advice to foreign companies entering China, localisation was mentioned as a key factor as well as the salary level. They emphasised the profoundness of the Chinese culture and that companies need to adapt to the local culture in order to succeed. Additionally, it is important to employ Chinese students and turn them into professional managers. However, to grasp the cultural background and change it in a short period of time is described as difficult. Still,

local employees are considered as crucial when it comes to communication with local companies, distribution etc. Thus a company needs to integrate itself both with the culture and the market. A further recommendation was to employ people with large networks in order to help the company run more smoothly.

Concerning cultural differences between the West and China one student expressed the following statement: *"The Western philosophy seeks for truth, while the Chinese seeks for harmony".*

When discussing values, they considered themselves to share many values with their parents, even though a generation gap exists. For example opinions are different concerning career design. A girl said that she strives for better results and likes to compete with others, while her parents wants her to have a comfortable and stable life. Earlier focus in China was on surviving, but today the focus on daily life is described as different, since new opportunities exist. However, having the existing generation gap in mind, most principles and values are said to be the same and Confucianism still plays a big part in their lives. However, today most young Chinese are described as lacking distinct beliefs. They do not believe in communism, nor capitalism or socialism. Young people are also described as more aggressive than their parents, and have fewer principles.

A final remark was that China still is a developing country with plenty of financial restrictions within many fields. However, these are believed to change within the coming five years due to WTO and therefore MNCs have to prepare themselves.

4.3 Conducting Business in China - Cultural Differences between Sweden and China

In order to gain knowledge concerning differences between Sweden and China, and how HR is looked upon in China, we have performed interviews with three categories of people in Shanghai and Hong Kong: *Head-hunters, Management consultants* and *Academics*: (Mrs. Au, Mr. Wang, Mrs. Fan, Mr. Tham, Mr. Rojens, Mrs. Petzäll, Mr. Petzäll, Professor. Selmer, Ms. Henoch). The main outcome of the interviews are presented below.

4.3.1   Culture Characteristics of Sweden

As seen in Figure 11, Hofstede argues that the Swedish management culture is low in power distance meaning that organisations usually are not very hierarchical. Moreover, Sweden is high on individualism and femininity and is said to be very low in uncertainty avoidance.

However, it is important to note that when it comes to individualism versus collectivism, there may be a duality. Sweden is to some extent individualistic, but can also be argued to be moving towards collectivism. This is due to the fact that Swedes want social autonomy, where they do not want to be dependent on other

individuals. On the other hand, Swedes are also known to " want collective support for their opinions and are pervasive characteristic of Swedish society and dominant Swedish politics" (Selmer 1997).

In addition, there are six fundamental values that are stressed within the Swedish model: equality, freedom, democracy, solidarity, security and efficiency. Sweden is also characterised by the word *lagom*, which means a combination of middle road and reasonable (Jackson 2002).

Figure 11 Hofstede on Sweden

PDI – Power Distance
IDV – Individualism
MAS – Masculinity
UAI – Uncertainty avoidance
LTO- Long-term Orientation
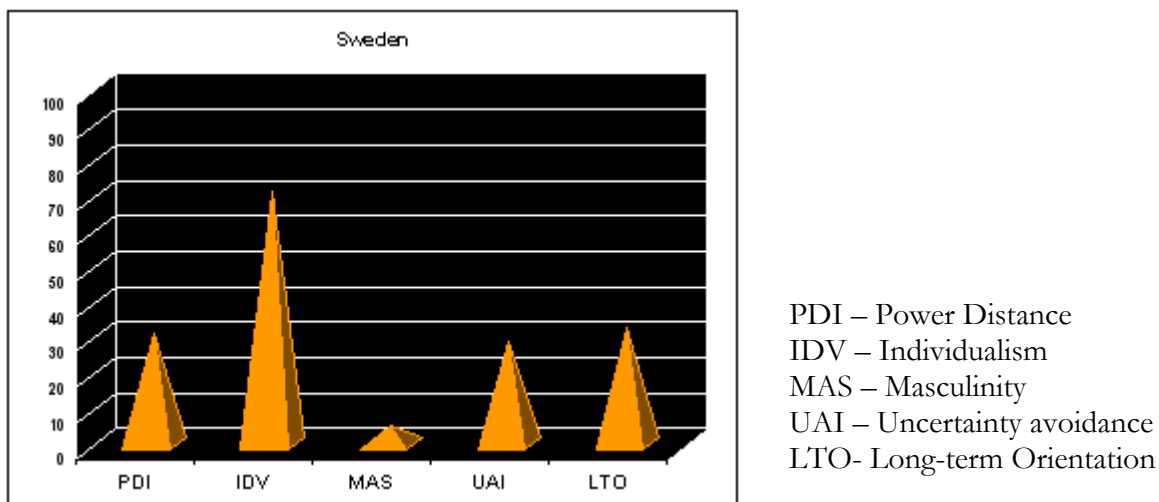
Source: ITIM 2003

Moreover, love of nature, individualism through self-development and equality are said to symbolise the Swedish culture. The Swedish system is also categorised by a matrix structure, overlapping of reporting systems, long decision-making processes etc., which from the outside can be categorised as ambiguous (Jackson 2002).

4.3.2   Sweden versus China

It was argued that in order to know the market faster the best advice is to get a local boyfriend or girlfriend, and join local events and hence learn the Chinese culture (Fan 2003). In addition, "there are many roads that lead to Rome" and a Chinese cannot become a Swede just because we want them to. The Chinese way of thinking can to some extent be changed, but much never can since it runs through the daily lives of each Chinese and the society. Problems may arise if one believes he or she can change the way a Chinese think and behave since cultures do not change easily. The traditional values of China still exist, even though global trends are influencing the society. It is important for Swedish employees and managers to understand these differences. For example, Americans like to be straight with their co-workers and tell them exactly what they think. Hence, yelling

at the personnel in front of other employees is common. If this is done to a Chinese, it can have devastating consequences (Selmer 2003).

The following table summarises Hofstede's dimensions between China and Scandinavia. The dimensions are categorised High (H), middle (M) and low (L) (Worm 19997).

Table 5 A Summarise of Hofstede's dimensions on China versus Sweden

Dimension	China	Scandinavia
Collectivism vs. individualism	H	L
Power distance	H	L
Masculinity vs. Femininity	H	L
Uncertainty avoidance	M	L (M)
Long-term orientation	H	M

Source: Worm 1997

Westerners have described the structures of China's social systems in the following way:

Figure 12 China's social system

[Communication direction]
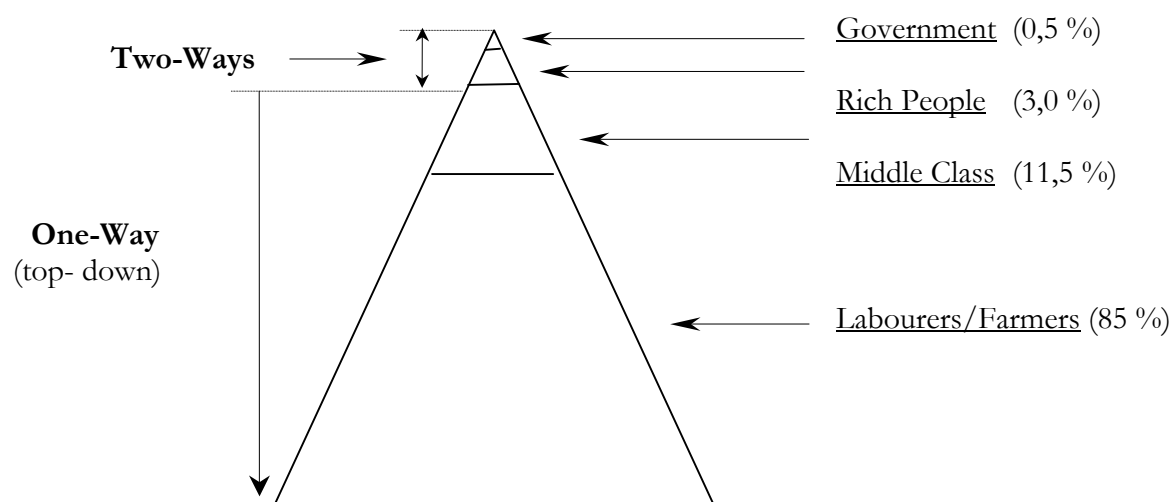
Source: Cross-Ways 2002

China's sharp structure is said to resemble a large power distance and communication gap, with little interaction between people at the top and at the

bottom. Almost all information flows one way - from the top to the bottom. Consequently, people at the bottom are not used to, and not supposed to, speak up or disagree with their superiors, i.e., their manager, their teacher, their father etc (Cross-Ways 2002). Compared to the Chinese social system, the Swedish were described by the Chinese in the following way:

Figure 13 The Swedish social system

[Communication Direction]
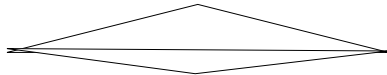
Source: Cross-Ways 2002

As seen in Figure 13, Sweden is said to have a flat structure, where the power distance is small as well as the communication gap. Consequently, people are, despite different work positions in society, seen as equals. Also, communication is said to flow freely in all directions and "people have grown up in a society where it is okay – and expected of one - to speak up, to speak your mind and express your own opinions / feelings - to 'authority' and people in senior positions, such as the boss, your teacher, etc" (Cross-Ways 2002).

Since, everything is built upon hierarchy in China a Chinese is said to get confused when a manger comes to him for advice. Hence, the Swedish consensus style of leadership may not to work. Furthermore, one of the underlying rules in the Chinese society is that "…if I do not take any initiatives and only do what I have been told, I cannot be held responsible for any mistakes, instead the responsibility should lay with the boss..." (Selmer 2003). In addition, the Chinese may try to influence the boss, not for the sake of the company, but in order to gain something. Hence, influencing the boss to go in the direction the Chinese employee wants, which may not be in the best interest of the company (2003).

It was further argued that Swedish managers are usually rather naïve and believe everything a Chinese says. It is therefore important to go back and check that each local employee has understood what is asked of him or her and what the task is. It is vital not to ask "do you understand?". Since a "yes" in Asia does not really mean that the person has understood. He or she may answer "yes" in order to be polite. Therefore, if you here a "yes" from an Asian it may mean (Cross-Ways 2002):

Yes...*I hear what you speak* (but I don't understand)
Yes...*I will do my best* (according to my best ability)
Yes...*I will do* (according to what I have understood)
Yes...*I will try* (but, don't blame me if I cannot do it – the boss should check if I am ok).

Corruption is also something the Headquarter has to bring up with an expatriate before going to China. It is present at all levels, and there are always possibilities to go other ways. It is therefore naïve to think that everything works like in Sweden. One has to be clear in the message concerning what to do when one faces corruption for the first time. One also has to be clear that corruption is something that the company does not accept (Rojens 2003).

It was further argued that good communication, motivation as well as an interest in learning the Chinese culture and language is vital in order to gain respect by the local employees. Managers need to be good listeners and look for signs since a local employee does not necessarily go to the boss and tell them what they think are right or wrong. Hence, if the manager is not adherent they may be surprised when the local employee one day leaves the company even though the boss believed that he or she loved his or her job (Petzäll, L. 2003).

However, one thing that Swedish and Chinese people have in common is conflict avoiding. In China, one still has to be more open to coaching compared to Sweden.

As a result of the differences that exist, Cross-Ways (2002) argues that it is important to focus on the following issues in order to ease the cultural differences:

- Pay attention to the language problem (speak clearly and not too quickly).
- Choose a convenient time and a suitable place for giving information.
- Make 100% sure that the information has been understood

Therefore, when among people from other cultures, one should try to: observe, be curious, get involved and try something new, do not compare which way is better or worse and do not jump into conclusions, instead try to understand. Finally, *show respect and be polite for local traditions.* However, it is important to remember that there is logic behind every "strange" behaviour of every culture. But, a behaviour is only "strange" when (or if) one does not understand the logic behind it.

> "Learn to understand the logic and you will see how beautifully and cleverly each culture has been constructed.... to perfectly suit the human aspirations and the environmental conditions of a particular area at a certain time in history" (2002).

Cross-Ways has given the following recommendations in order to diminish the cultural clashes that may develop between people from China and people from western countries.

- Don't rush to take decisions about how things are!
- Don't jump to quick conclusions – maybe it is as you think, but also, maybe NOT...
- Don't be too quick to judge!
- Try to understand the logic behind!

- Be open-minded!

Don't assume → Get more facts + Ask more questions = Check your Assumptions!

Source: Cross-Ways 2002

As the aim of the thesis is to look at HRM practices in China, the next step is to take a deeper look at what scholars and professionals have said concerning the area.

4.4 HR in China today

During our empirical investigation, many of the respondents argued that it is vital for any western firm, to develop a well-functioning HR system in order to be successful in China. "HRM is first of all about developing general HR policies and practices but also about implementing a corporate culture in order to develop, motivate and transfer know-how" (Petzäll, L. 2003). Some even argued that HRM may be more important in China than anywhere else. This is mainly due to the cultural differences that exit between the East and the West, and the generally lower level of quality when it comes to skills and knowledge.

Many western firms, including Swedish ones, are said to be rather poor at HR and believe that the same practices that are applicable in Sweden are applicable in China. Many Swedish companies in Shanghai run their offices like small enterprises where a Swedish manager has multiple tasks and does more or less everything. Thereafter, middle management is brought in stepwise from the local market. Typically, the HR function comes in at the end of the process since it is not prioritised. However, when the number of employees exceeds 25, many HR questions will arise, demanding a higher level of control and coordination. Accordingly, it was argued that there are great advantages in having a good person from the start building up a good HR structure, which the company can lean on later.

If a company applies HR at an early stage it is important to take someone with sufficient knowledge regarding the Chinese market, people and culture; preferable a local HR manager that previously has worked in a MNC.

Hiring a head of HR is described as one of the most important positions for western MNCs operating in China. It is, however, important to have in mind that the concept of HRM is new in China, hence it may be difficult to find adequate local managers. Therefore, it is usually the norm in Swedish companies that the HR manager is Swedish or recruited from a MNC.

4.4.1 Recruitment and selection

As HRM is believed to be crucial for the success of a MNC in China, it was argued that the first priority for a firm is to build a solid foundation, i.e., find the right people. One respondent visualised HRM as a house, where building a solid HRM function is like building a house. In order for the house to be perfect there has to be a professional architect, i.e., a HR manager, who can start to build a ground on which the company can form and build its house on. The first building block is thus to recruit the right person for the right job. Consequently, all interviews argued that it is necessary for western companies to focus on recruitment since they need to have a pool of talented local personnel. In order to recruit the right person it was argued that a clear understanding of the business, and in what direction the business should go was vital, i.e., what the house should look like and thereafter find the right people that will fit that specific house. "Recruitment is everything, where finding the right person is essential" (Rojens 2003).

Due to cost issues, and the need to know the local market, many companies increasingly focus on localization. It does not work to only use expatriates if a company wants to learn how to operate in China. Hence, it is central to recruit local staff and localisation was argued to be the latest buzzword in China. Five years ago the local talent was not very good in China, and hence expatriates were in great demand. The local talent has however, grown quickly, and on certain positions today companies are capable of replacing expatriates. This is due to the fact that today there exist people with ten years work experience of western companies and there is a better level of taking responsibility, higher level of language knowledge and initiative taking. Those leaving University are also more open than ten years ago, and have a better understanding of how things work. Still coaching is greatly needed since the education system does not emphasize teamwork or case studies.

However, it was argued that only using local staff could be risky. Many American companies that tend to only focus on cost issues have traded all their expatriates for local managers. This has sometimes had devastating effects. Hence, expatriates are still needed in order to show how things ought to be done, and what kind of behaviours that are wanted. In order for this to be assured there needs to be someone with a lot of experience in the company as well as someone who is able to communicate the corporate culture. The expatriate was also said to be the link between the Headquarter and the local unit. "As an expatriate you would like to get x people to understand what y wants them to do" (Rojens 2003). It was further mentioned that it is central that the expatriate and the Headquarter make the local employees feel part of the overall organization. If not, there may be a big chance that they will not be loyal to the company and hence look for better offers.

Nevertheless, it was argued that many expatriates do not possess the ability to teach and communicate the company's message to the local employees. This was thus seen as an obstacle preventing localisation. Many of the respondents therefore argued for the importance of choosing the right expatriates in order to transfer corporate culture, organisational know-how as well as home-country orientation.

When asked to give recommendations concerning recruitment and selection to foreign companies operating in China, one respondent said:

1. Do not try to do everything by yourself with your Swedish ideas: Take help from people who know China. Today companies choose to do things by themselves just because it is different and demanding, but it leads to crazy establishments.

2. As early as possible, take in local personnel on key positions and work through them.

4.4.1.1 Recruiting host-country nationals

Upon the recruitment of local personnel foreign managers may encounter problems. One example is the *English teacher syndrome*, where a person who is not competent enough to do the job will be recruited due to his or her high level of English. As mentioned, it may be hard to find the perfect candidate within China due to lack of skills. There are however experienced people that previously have worked for state-owned companies, but these need to be trained in order fit into the thinking and corporate culture of western firms. Therefore, a recommendation from all head-hunters that we spoke to was to concentrate on local candidates that previously have been working in international companies.

Different sectors are also considered to be more mature when it comes to experienced local staff. Bo-Le, a headhunting firm for Fortune 500 companies in China, provides market research on specific industries in order to explain to its clients why they are not able to find suitable local candidates. There may therefore be a need to look somewhere else for talented managers, for example, in overseas Chinese communities. Singapore, Malaysia, Hong Kong and Taiwan are, for example, filled with well-educated middle managers. These firms have a long history of trading with PRC companies, and hence have established a good network within China. However, there are a number of problems related to this strategy, which need to be considered. These people may know the product and the sector but they do not know the Chinese culture. Current research indicates that an overseas Chinese may have more difficulties to adjust than a western expatriate. The overseas Chinese may also be as expansive or reluctant to move oversees as a home country expatriate (Selmer 1998).

Moreover, it is stated that returnees are often looked upon as arrogant and local employees may oppose their higher level of salary. Additionally, MNCs have started to reject applications from returnees that have been away for more than two years since they may no longer know enough about China as a market and how it works (Economist 2 2003).

There are also big generation gaps in China. The older generation of managers is comprised of those being over 52 years old and experienced the Communist Consolidation. The current generation of managers are the ones between 41-51 years old with the Cultural Revolution in their minds, while the new generation of managers are among those who grew up during the era of Social Reforms, 1977. The second generation have received a good education, e.g., from Harvard Business School and been abroad. However, they are still influenced by their parents and Confucianism and the value system is also present in their lives today.

However, the younger generation is hungry to develop and will do anything to get a job that will ensure this. Hence, they want to work for a foreign firm where they can learn the western way of management. It was further argued that the new generation does not have any "luggage" since they do not believe in anything nor have a history of hardship as their parents, and are therefore open for everything and hungry for change. Still, the new generation shows increased individualistic tendencies, which is a result of them being more likely to take risks (Ralston et al. 1999). The younger generation was also said to have become much more westernised during the last couple of years, mainly due to the Internet and the easy access to western movies. Students today are said to spend hours in front of the Internet reading about western countries, western life styles, fashion etc.

Some advice given to Swedish companies was that they should start with a Swedish force, and thereafter localise slowly. It is also important to know what they are doing and whom they aim to recruit.

> "The wrong Chinese at the wrong place can lead to problems. A Chinese talks to everyone, which leads to a lot of gossip and it is impossible to go back when a mistake has been made. The radical decision to localise therefore needs to be carefully considered" (Selmer 2003).

Consequently, recruitment and selection is primary, thus when setting up a local office it was argued for the importance of starting with the recruitment process early since it may take time to find the right local candidate for the job. In order to identify and select the best candidates, an experienced person is needed. One respondent argued that recruitment needs to be handled by local personnel that both understand the needs of the organization as well as the local market. Yet another argued that in order to ease the recruitment process a company might hire a Swedish HR manager with a local assistant. It was further argued that recruitment should not be left solely to a local manager since he or she may recruit his or her family due to tradition. Still, there is no guarantee for anything, since

business is business. "A Chinese always looks to his in-group hence guanxi is everywhere and thus has to be paid back" (Selmer 2003). Additionally, using head-hunters was said to be a good method when recruiting key personnel.

4.4.2 Training and Development

4.4.2.1 Host-country training and development

The most important topic within China today is said to be retention. Previously people in China shifted jobs frequently in order to receive higher salaries, but today people in Shanghai think more long-term and want to become loyal to a company for a longer period of time. Chinese people want to grow in the organisation, but if growth opportunities are not given there are other companies to choose among. It was thus argued that many western companies loose people because they are not given good growth opportunities that motivate the employees to stay with the company. Hence, a company should not demotivate its Chinese employees when they come to work. Most Chinese wake up in the morning with very high motivation because they are so hungry to learn new things. It is therefore important not to create an environment that works against the high motivation of the Chinese employees. Hence, it is essential that training and development is well-planned.

The majority of the Chinese respondents believed that training and development was more important than receiving a high salary. "They want to learn and earn later" (Fan 2003). Consequently, many companies in China today do not offer high salaries, instead they compete with well-developed benefits, training and development plans.

Despite this it was argued that training and develop are not prioritised since it may involve high costs and heavy workload. Nevertheless, it was said to be imperative for firms to develop ways to give recognition and gain trust and loyalty in China, which does not always have to imply heavy costs.

Many companies are afraid to invest in training and development since it increases a Chinese market value and it may thus lead to the employees being lured off to other companies offering higher salaries. However, it was argued that this is a risk that companies need to consider and there is no good solution for preventing people leaving. Loyalty was further argued to be a rare concept in China, something that may only exist in family companies. Money and survival are in focus, and one can only find loyalty in the in-group, never in the out-group. In order to retain the local employees it was thus argued that some kind of career planning is needed. "They need to see that they can learn new things and grow with the company" (Selmer 2003).

Maersk was brought up as a good example of a company that has been successful within the area of training and development. The company can put US$2000 per

employee per year on training. In correlation to training and development, they are also good at evaluation and performance management, which was said to be vital in order to retain employees.

English education, leadership abilities and technical skills are often in focus when MNCs concentrate their training to the Chinese local environment in Shanghai. Assertiveness training was further said to help Chinese people build up their self-independence and make them gain more self-confidence. It is important to make them understand that the company appreciates them and the knowledge they contribute with. Lower level employees may also need training in presentation or meeting skills.

Due to the cultural differences that exits between Chinese local employees and western companies, training and development was argued to perhaps be more important in China than in any other market. It was constantly mentioned that due to the historical background, and the religious and philosophical influences, people in China think and behave different from, e.g., Swedish people. Hence, it is essential to help a Chinese understand the western organisational thinking. Education and training was therefore said to be crucial in order facilitate change and improve both mindsets and attitudes of the Chinese employees. The best way to show a local employee what is right and wrong is through training and more training. A mentor or coaching role is also important together with formal and measurable training programmes. "It does not matter how many employees a company recruits if they do not know how to train and develop them in order to make them understand how to do things. - It is not enough to just find people that are right for the organization and the job" (Rojens 2003).

> "You can make a Chinese into what you want as long as you are clear of what you want since they are so eager to learn. However, if you are not clear, they will turn out to be whatever they want – to make money without any rules. Hence, if they are not guided properly there may be a Wild West" (Tham 2003).

In addition, the respondents argued for the importance of having a clear focus on training and an employee's possible long-term potentials already in the recruitment process. This was considered vital in order to not make the journey too long. However, many firms add training too late, and it was argued that small fast growing companies usually cut back on training due to cost issues, resulting in big losses in the long run. "If companies neglect these issues it may have devastating effects for the future" (Petzäll, C 2003).

Consequently, training and development was argued as vital if a firm wants to survive in the long-term. In order to ensure that money is well spent it is also important that new employees are given proper introduction on what the company expects of them. Many use professional ABC's, i.e., introduction days/package that all newly employed has to go through. It brings up; what does a Swedish boss expect, what is important to consider in order to be appreciated at

work and what the resources and the business ethics are. A thorough introduction is said to be of uttermost importance, and it is essential that companies take the time to sit down with its employees and think about training and development.

A company's vision and cultural values can be the same worldwide, but no matter what kind of training, it needs to be locally adjusted. In China, it may for example not be a good idea to have teachers that only speak English, since all Chinese employees may not yet have a sufficient level of English. It is also important to check that the local employees understand and get something out of the training that they receive. Consequently, the basic elements of training should be centrally decided upon while the pure training activities need to be adapted to fit the local culture. In order to ensure that training is adjusted to the local environment, many companies also choose to outsource this part.

It was further said to be vital that as companies grow, they may need someone that is responsible of HR policies and practices, especially when it comes to recruitment and training and development. However, in small companies this can be expensive. "Still people need tailored made trainings in order to reach a higher level of performance" (Petzäll, C. 2003).

Furthermore, there has to be long term planning and the HR function needs to be long-term oriented and well-planned regarding training and development. Many companies only think about what they need today and not what they might need in the future. One has to realize that different knowledge is needed today and tomorrow, which influences training. Otherwise big problems appear when knowledge disappears. Therefore, succession planning is of uttermost importance, especially in China. One has to train and plan people on broader terms in order not to panic when key personnel disappear.

Additionally, it was argued that it might be dangerous to draw conclusions that training is the only thing needed. Usually the problems lay at the management level. Furthermore, better communication is in general needed in order to overcome cultural differences, with a more human touch.

4.4.2.2 Training for expatriates

Training was not only considered important for the local Chinese staff. It was argued that it is just as essential for expatriates to grasp the Chinese culture and history in order to understand the Chinese way of doing things. Consequently, it may be hard for expatriates to have a clear understanding of the way Chinese people behave and act if they have not received any training regarding the culture. Professor Selmer highlights training and further training in order for expatriates to create new frames of references.

Additionally, Swedish managers sometimes might be a bit naïve and think that everything is fine. It is however important for these expatriate managers to

understand that due to cultural differences they cannot always trust what a Chinese says, as they may not say exactly what the problem is or tell bad news immediately. Hence, it was argued that it is central that expatriates learn that they have to read between the lines when a Chinese speaks, since different from western managers they are indirect in their way of communicating. On the other hand, many foreign managers are aggressive when handling local Chinese employees as they may lack the ability to see the logic behind a Chinese way of acting. Furthermore, it is important to understand that a western company or manager cannot go to China with the attitude "…this is the way we do things in Sweden and we are going to do the same in China" (Petzäll, L. 2003).

Traditionally, companies have used post-departure training for expatriates, but it was argued that it might be better to have training once situated in the local environment. Still, not many companies offer its employees training in the Chinese culture.

4.4.3 Performance Management

In correlation to the importance of training and development, it was argued that performance management is vital in order to retain local Chinese employees. Hence, all respondents argued for the development of a well-planned Performance Management System. A company need to develop techniques in order to evaluate which employees need more training and development and how to reward in the most suitable way. Clear specifications that can be measurable concerning what a company wants is thus needed. Consequently, personal development plans are important since it is what each employee should be evaluated against.

It was further argued that with regards to performance management there is no need to create a whole new system. Instead polices concerning performance management can be brought down from the Headquarter and thereafter be adapted to the local environment. Hence the most important task for Performance Management is:

1. Setting the job direction, i.e., job task, performance criteria, goals and objectives. Identify what the employ should achieve.
2. Looking at results, i.e., performance discussion and constructive feedback
3. Development - Shaping the future, i.e., which training is needed, personal development talks
4. Managing reward, i.e., adequate recognition and rewards, salary and bonus decisions and training.

4.4.4 Compensation and rewards

In the past, salaries were the only motivational factor for a Chinese, but today people in Shanghai have become more interested in their own market value. Still,

some argue that people in China consider money to be most important. Hence, a company cannot be off the map when it comes to salaries. However, today people in Shanghai also treasure a good development plan and want to have the opportunity to grow. "People want to be in a successful firm and be with the winning team, receive bigger responsibility and grow with the business" (Au 2003).

It is important to encourage good behaviours and tell a co-worker when he or she has done something good in front of the rest of the employees. Reward is thus a good way to motivate proper behaviour that is in line with the corporate culture, and when there is bad behaviour, the expatriate or manager should be very clear that it was bad.

For a Chinese, salary related to performance is vital for motivation. Therefore, bonus is considered to be a very good system to make people work hard as well as retain the local Chinese employees. Larger companies are able to attract the best employees through high salaries whereas smaller companies that cannot compete on salary, instead need to find other ways to attract employees, where offering good incentives may be one way.

However, it is vital to have a constant dialogue with each individual and identify what is important for him or her in their lives, as people are motivated by different things. One respondent argued for the importance of social interaction. The American show 'Cheers' was referred to and its slogan – "you go there because everyone knows your name…" (Tham 2003). Motivational factors were thus argued to mostly be the same worldwide. No matter if in US, Sweden or China people do not want to be disrespected. People want to be appreciated for what they do which not necessary have to be shown in the form of money.

4.5 Summary

In summary, despite the increasing interest in China, many companies fail due to lack of understanding China as a nation and its culture. This is mainly due to the fact that many western companies believe that all practices pursued in the West can be transferred and applied in China. However, as seen above many differences exist between Sweden and China.

In correlation to Hofstedes findings, power distance, long-term orientation and collectivism are the main differences between Sweden and China and thus the main influencers that need to be taken into consideration. For example, the consensus style of Sweden may not work in the beginning of a Chinese employment as they are used to orders and hierarchy. Instead, the consensus style may need to be introduced slowly in order for the local employee to understand and learn. In relation to this, there are four main features of the Chinese culture that are said to be important in understanding the Chinese behaviours. These are

a) respect for age and hierarchy, b) 'face' and harmony, c) group orientation, d) personnel relationships (guanxi).

As differences exist, it was argued for the importance of a well-functioning HR system with local adjustments. When looking at HR polices and practices within China, the outstanding issues that need to be taken into consideration for a Swedish company that has local Chinese employees are; loyalty and retention through motivation. This is further believed to be facilitated by training and development, performance management and compensation. Due to the general lower level of skills, previous experience in a western company and training was emphasised in order to employ and develop people with sufficient level of skills and understanding.

Moreover, the importance of cross-cultural training both for expatriates as well as for local employees is of uttermost importance in order for the two cultures to understand each other's thinking and behaviours, thus diminish misunderstandings.

As we now have looked at the features of the Chinese and the Swedish society as well as what head-hunters, management consultants and academics have said regarding the area of HRM in China, we will move on to the next step and look at how Swedish companies in Shanghai have managed their HR function.

5   Swedish Companies in Shanghai, China

I n order to be able to answer our main problem and research questions, attention had to be turned to companies today operating in Shanghai. We have therefore interviewed personnel at Lindex, IKEA and Ericsson in Shanghai. (Mr. Ardfelt, Mr. Holmberg, Mr. Ahlen, Mr. Andersson, Mrs. Danielsson, Mrs. Helde, Ms. Lindhe, Mrs. Cao, Mr. Gao, Mrs. Jiang, Mrs. Chen, Mr. Carlsson, Mr. Gejroth, Mr. Nilsson, Mr. Lee, Mr. Ask, Mrs. Ma and Mr. Pehrson). The information gathered will be presented within the coming pages.

We are going to look at Lindex as the assigner, but also at IKEA and Ericsson as two reference companies in order to be able to make comparisons, hence draw conclusions later on in order to answer our research problems. More companies have not been studied since we consider IKEA and Ericsson to represent not only two major Swedish MNCs located in Shanghai, but also two different industries.

5.1   Lindex

Since its establishment in 1954, Lindex has grown from being a specialist lingerie store into a leading retail chain in the Nordic countries. Last year Lindex acquired Twilfit, which is another garments retail chain. Although there is a joint ownership, these two brands operate independently (Lindex 2002). Today the corner stones of Lindex are described in the following model:

Figure 14 Lindex cornerstones
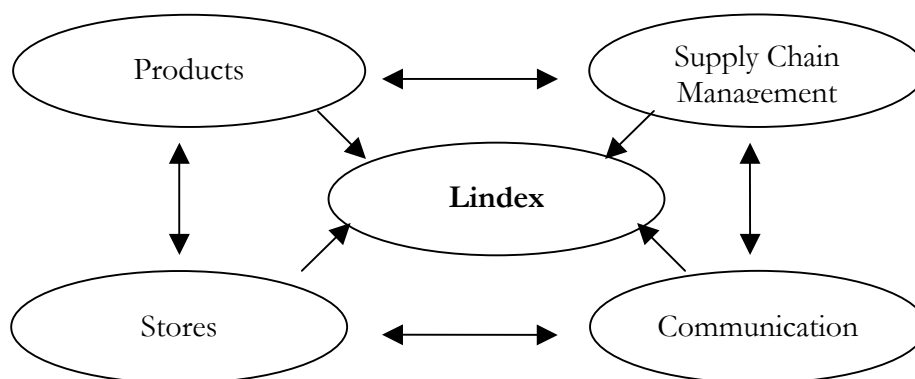
Source: Andersson 2003

Its internationalisation drive began in 1969 with the opening of the first cross-border store in Norway. In 1982, ICA Eol AB acquired Lindex from its founders, Mr. Boman and Mr. Rosell. The expansion process was two-dimensional. Firstly, Lindex expanded its stores to several Nordic countries and later to Germany. Secondly, in order to meet its cost-efficiency objective, Lindex externalised its purchasing function to low-cost countries (Lindex 2002). In 1994, it therefore

located its first office in Asia, Hong Kong. Prior to this, everything was bought via agents (Andersson 2003).

Lindex aim is to take control over the entire purchase chain. Today the share of direct purchasing is around 90 per cent, which has led to lower purchase prices, better quality and increased flexibility. The purchasing function is set up as a global network, where Lindex gets closer to the suppliers in each country. The network increases the possibility to direct the purchase to the right country with respect to price, quality and export quota regulations (Lindex 2002). The worldwide purchasing offices of Lindex are today located in Bangladesh, Hong Kong, India, Guangzhou, Turkey, Rumania and Shanghai. These offices employ 106 people and Shanghai hosts the regional office (Ardfeldt 2003).

When having the customer in focus Lindex look upon itself as a Nordic company. However, the CFO of Lindex, Mr. Andersson, argues that when looking at where Lindex de facto is located, it is an international company. Additionally, one may consider Lindex to be a MNC since it is located in two different parts of the world, and in several countries.

Lindex further knows that if they are to survive within the industry, they have to expand more and more internationally. However, the first priority is to become successful in Germany. Moreover, Lindex wants to move more of its financial and administrative work to low cost countries such as China. This is due to the fact that they need to reduce costs and argue that by moving out different functions they will not only reduce labour costs but can also work 24 hours per day (Andersson 2003).

At the moment Lindex is developing a new corporate culture that aim to connect the different purchasing units as well as the Group of Lindex. However, it is important to mention that a respondent brought up the fact, that due to the lack of clear values and philosophies, one purchasing office recently developed its own values for that particular office.

5.1.1   Lindex in Shanghai, China

Today, Lindex has 30 per cent of its operations in China and are currently buying 35 per cent of its products there. However, the figure is believed to rise in the future, as more focus will be put on China (Holmberg 2003).

Due to strategic reasons, the regional office in Asia was moved 1,5 years ago from Hong Kong to Shanghai. One reason was Chinas entrance into WTO, which created a whole new scenario for production in China. There were also financial reasons for the move, where Hong Kong was getting too expansive. Moreover, there where strategic reasons where the geographical location was considered optimal, since the production of clothes mainly is located around Shanghai. Additionally, Shanghai is a rapidly expanding city with a capitalistic focus. It is also

said to be the centre for the service industry as well as home to many well-known Universities (Andersson 2003).

Due to several reasons, Lindex did not bring any of its employees from Hong Kong when setting up the new regional office in Shanghai. One reason was that a Hong Kong Chinese would cost about the same as an expatriate from Sweden. Culture differences between Mainland China and Hong Kong were also taken into consideration. Today the office has 25 employees, consisting of three Swedes and 22 local employees. These employees work mostly with merchandising, however as administrative work has recently been moved to Shanghai there are also people working with customer invoicing for the whole Lindex organisation. Hence, the employees at the Shanghai office work with purchasing, quality, finance, code of conducts etc. (Andersson 2003).

When speaking to people at the office it was argued that Lindex is in great need of hiring more employees. The goal is to expand with at least ten more people within the next year. Furthermore, there is a constant check on the possibility to move out more administrative, controlling or logistics functions. The office is also said to expand naturally if quotas, due to WTO, will disappear in 2005. Looking long-term, the office is believed to expand within the next five years to 50-60 people (Ardfeldt 2003).

Lindex does not have an outspoken policy with regards to preferred nationality of key mangers in the local offices. However, they claim to prefer a Swedish or a global manager as this will result in more control, corporate influences as well as security within their local offices. However, Lindex also believes in a mix of people, hence, having local employees is important. The main idea is to have Swedes located abroad for a shorter period of time. Lindex would therefore prefer to localize as much as possible and only use Swedish managers when something new is to be implemented or transfer know-how. One of the reasons for wanting local employees is mainly due to financial issues, where a Chinese employee with a master degree, costs about ¼ of a Swedish employee. Furthermore, local knowledge is argued to be essential for the success in China. There is however, a problem in finding good local managers that can work in the spirit of Lindex. Therefore, Lindex uses expatriates to deal with key issues. Nonetheless, Lindex in Shanghai has one local manager who is responsible for merchandising. He has been working for foreign companies prior to coming to Lindex and also has a lot of knowledge of the industry (Ardfeldt 2003).

The office manager, Mr. Holmberg has more than ten years of working experience in Asia. He has had the sole responsibility of setting up most of the purchasing offices in Asia, and is said to possess a lot of knowledge and experience of working there. Upon meeting him, it became clear that he knows a lot about China and understands the Chinese way of thinking. Currently, he is however

residing in Bangladesh. As a result, Mr. Ardfelt has found himself as the appointed office manager until Mr. Holmberg returns.

It was argued that the local Chinese employees prefer to work individually, and thus have problems working in teams. Mr. Ardfeldt also argued for the need to be direct as Chinese work better when orders are given. It was mentioned that the Chinese employees has a great respect for their supervisor and not until they have gained trust will they go to the supervisor if something is wrong or if they have any questions. Once the local employee does come and talk to his or her supervisor then that attitude needs to be encouraged. Moreover, only constructive criticism can be given. However, it was said that the local employees are improving, and today they do sit down and talk about what they think is right and wrong, a result of a combination of training exercise and self-learning.

Swedes are looked upon as more direct than a Chinese, hence it was argued that it is vital that new employees at the office, learn how Swedes think and work. Despite the fact that not too many cross-cultural activities have been conducted, the local employees talked warmly about the parties the office has had, especially the crawfish party showing Swedish customs. Last years opening party where both suppliers and buyers were invited was considered a big success. The fact that the CEO attended the party made the employees feel special. Additionally, social gatherings are considered important since many people work long hours, and it makes people talk to each other in a relaxed environment.

5.1.1.1 Employee concerns at the office in Shanghai

Lindex was described by the employees as a flat organisation, which opens up for creativity and joint decisions. However, the consensus style makes the decision-making rather slow. At the Shanghai office information from the Headquarter goes through either Mr. Ardfelt or Mr. Holmberg, who pass it on to the rest of the employees. The support from Sweden was argued to work well, yet the information flow from the Headquarter could be passed on better to the local employees. Sometimes information was said to go through the channel slowly, and the employees are not told what is happening at the Headquarter. There was also said to be a tendency of a "we and them" feeling between the Headquarter and the Shanghai office.

It was thus argued that everyone at the office should be given the opportunity to take part in what is happening, otherwise the local employees may never feel part of a big corporation. It was also said that the team spirit at Lindex needed to be enhanced in order to make everyone feel part of the Lindex team, hence work towards a common goal. Today there are no guidelines or initiatives from the Headquarter on how to create or enhance the Lindex spirit for the local employees at the Shanghai office. Consequently, better information flow was requested and a coordination of HR and corporate values were to some extent asked for.

Additionally, more and more buyers do come out to Shanghai, but it was said that more trips are essential in order to enhance the corporate culture and to include the office in the overall organisation. One employee mentioned that she believed it would be nice to meet her co-workers in Sweden in order to be able to see their faces in front of her, and thereby create a better feeling of togetherness and team spirit. Today, the merchandisers feel close to the Headquarter in Sweden, but it was said that the buyers should call Shanghai more often. Additionally, it was argued that people at the headquarters in Sweden could become better at responding to enquiries.

It is also important to mention that it was argued that some employees are worried about the future of the Shanghai office. They felt that the office in Shanghai was only temporary, since no long-term plans were known to exits. They argued that they would feel safer with long-term plans, e.g., that Lindex would become a Limited company.

5.1.2 Lindex HR Strategy

Up until today Lindex has not had a function labelled HR, instead there has been a Personnel Department, which has been the support and service function for all employees. Its overall mission has been to work with policy issues, guidelines, values and norms within different areas, e.g., work-environment and diversity. Within the Personnel Department the main areas of responsibility lay with; Lindex employees, Recruitment, Organization, Compensation, Training and Development, Introduction, Insurances, Pensions, Work environment, Health and Diversity etc. There is also a function dealing with the employees working at the Lindex stores in Norway, Finland and Germany (Lindex 3 2003, Danielsson 2003).

Lindex has during the last couple of years undergone strategic changes in its operations, objectives and organization. As a result, the HR function is under reconstruction. Mrs. Danielson has been appointed to set up a new function, since Lindex today does not have a clear HR philosophy. "We have become more mature and now the time has come for these questions" (Danielsson 2003). In correlation to this, the headquarters only gives general guidelines to its purchasing units when important decisions have been taken, e.g., when the new strategy was implemented and when pure working routines change. The Shanghai office thus has plenty of freedom when it comes to HR matters. The aim is to coordinate policies and strategies centrally in the future since it is argued that things will be more effective. Despite this, national culture has to influence the area of HR (Danielsson 2003, Andersson 2003).

For the employees in Sweden, Lindex has an Intranet where they can read about Lindex current issues, the Personnel function and all other functions, news etc. However, since the Intranet is in Swedish, the non- Swedish-speaking employees in Shanghai are not able to use it. "Five years ago we said that we would

implement English as a company language" (Mrs. Helde 2003). Furthermore, Mr. Ardfelt considers that the Intranet plays a crucial role for employees as well as enhance the corporate culture. It is a perfect channel for everyone working at Lindex to know more about the company.

At the Shanghai office Mrs. Cao is responsible for the reception and administrative issues, as well as being in charge of personnel matters. The personnel issues mainly involve keeping track of sick-days, absent-days, working hours, overtime etc (Holmberg 2003, Cao 2003). However, if the office grows, several respondents talked in favour of a well-developed central HRM function that set up general guidelines, for example, coordinated training for different departments.

5.1.3   HR Policies and Practices at Lindex

5.1.3.1 Recruitment and selection

There are no general guidelines from the headquarters concerning recruitment and selection. In Sweden, the Personnel Department is said to be the main resource for managers upon recruitment at the headquarters. Their main responsibility is to advertise vacant positions; both internally and externally. Lindex in Sweden aims at recruiting internally as much as possible. If hiring for a managerial position at the Shanghai office, a headhunting firm is usually used, but when hiring for administrative positions, Lindex mainly advertise in newspapers (Lindex 3 2003).

Among the Asian purchasing offices, each office has the sole responsibility to recruit new personnel and identify what kind of people they are looking for. The only requirement Lindex has upon recruitment is to find the right person for the job.

When recruiting a new employee, there is a minimum requirement of a university degree, adequate English skills as well as three years working experience at a foreign company. A merchandiser candidate must also be fashion oriented and fashion interested. The administrative personnel also need to have some fashion sense in order to grasp the importance within certain areas that are of particular interest for a fashion company. Consequently, everyone working at the Shanghai office has worked in a foreign company prior to coming to Lindex, with the exception of Mrs. Cao working in the reception, who also handles the personnel matters. Lindex does furthermore not recruit from universities, but in the future it may be a good way to recruit local managers and employees and train them to fit at the company.

Mr. Ardfelt has together with Mr. Holmberg and with the consultation of Mr. Gao, Lindex China Manager, hired most of the local employees. Mr. Gao is usually the first to interview a merchandise candidate. He mainly looks at the theoretical background of that person, and checks that it fits with his or her CV.

Additionally, he tries to get a clear picture of that persons way of thinking. Thereafter the candidate meets with the Swedish managers who make the final decision. Upon recruiting a new employee, Mr. Ardfelt informs the candidate that they work a lot in teams, hence need to be team players and if this does not suit the candidate, they should seek other companies. Personally, Mr. Ardfelt also wants the employees to be goal oriented.

The office manager mentioned the problem with recruiting, since analyses and profiles applied in Sweden do not work in China. He therefore argues that if hiring ten persons, two persons can be perfect, four OK and the other four completely wrong. It was further argued that sometimes it is difficult to conduct interviews with local candidates due to the low level of English. In addition, it may be hard to evaluate merits and Mrs. Helde argued that once she had to interview 100 candidates for a merchandiser position before finding the right person. This was said to be very time-consuming but it is important that recruitment is given the time needed. In connection with this, it was argued that if Lindex in Shanghai grows it might become important that someone takes over the recruitment and selection processes since it is time consuming.

In Sweden, a new employee is given an introduction day, with the aim to give him or her a clear picture of Lindex as an organization. At the office in Shanghai, there are no general guidelines on how new employees should be introduced; hence it is up to the managers. However, it was mentioned that sometimes, due to lack of time, no one has the time to give the new employee a proper introduction. Despite this, it was argued that things are resolved over time, since the new employees learn after a while.

However, new local employees are shown a video showing the strategies, objectives, products and future plans of Lindex. The video is in Swedish but with English subtitles. The new employees are also given brochures regarding code of conduct, ethics, company background and its standards and visions etc. Some employees have also been sent to Hong Kong or Sweden in order to learn how specific job tasks should be managed.

When it comes to succession planning, Lindex does not have an outspoken plan. Mrs. Danielsson argues that they need to be better at finding talents within the organisation and have long-term strategies. Mr. Gao further argues that he would like to train people who could take over after him. Still, merchandisers have quite a heavy workload, hence there is little time for it as well as the issue being rather sensitive in such a small office.

5.1.3.2 Training and development

At the headquarters, the Personnel Department is responsible for training and development. They offer its employees basic training programs related to the management of a Lindex store and subsequently its employees. Consequently, the

training is mainly aimed at store managers, regional managers and the managers at the headquarters and employees at Twilfit. When it comes to other educational training the responsibility lies with each manager (Lindex 3 2003).

Lindex Academy is a collective name for several different investments and commitments of the development of Lindex employees. Lindex Academy is responsible for: the managerial development program, the talent program, to be the driving engine within building Lindex corporate culture, to be the driving engine on how leadership should be looked upon and coordinate Lindex different development investments.

Lindex Academy has currently started the managerial development program, which was launched in February 2003 and included five different modules. There are about 50 employees participating in the program, mainly managers with employee responsibility. Within the program the participants works with Lindex strategies and corporate values. There is also a goal of individual development and to develop Lindex overall leadership ability. The program is the first of its kind at Lindex (Danielson 2003).

To add to this, Lindex strives to be a continually learning organisation. Formal training programmes are supplemented with continual competence development through exchange of experience between staff in different functions in the company. An example is the system of mentorship, where newly recruited store managers are given an experienced store manager as a mentor. Moreover, the company has training programmes for specialist functions such as display staff, project managers and internal instructors as well as leadership training programmes (Lindex 2002).

Today there exist no general guidelines on training and development for the different purchasing offices. The expatriates at Lindex that we spoke to had not received any cross-cultural training upon their transfer to China. One respondent said that she learnt some things regarding China by talking to other expatriates that had previously lived in China. Upon the move to Shanghai, Mr. Ardfelt asked if he needed any training and found one course. However it was considered too expansive and instead he received some basic information.

Lindex knows that in China, training and development are big motivational factors, perhaps more than salary. Still it was argued that the level of training could be improved especially within the area of merchandising. Other employees also argued that more training would be nice. It was further said that Lindex is very supportive concerning training and development, but the employees themselves have to ask for it. Hence, there is no general planning for individual training, "If they go and ask for training they will get it, but none has asked for it yet". Currently, the merchandiser manager at the Shanghai office is enrolled in an MBA program and other employees have been offered English lessons.

In addition, there are no general guidelines or instructions from the headquarters on how to manage cross-cultural issues. Instead it is up to each individual office manager how to handle the cultural issues that may arise. Consequently, activities at the Shanghai office regarding cross-cultural training have to be conducted on their own initiative. One example is crawfish parties and outings in order to enhance the team spirit. The Shanghai office also uses workshops in order to ease the cross-cultural clashes that may exits. It was thus argued that in Shanghai the office has over time learned how to tackle and deal with everyday issues that may arise between the Swedish way of doing things and the Chinese way.

There are furthermore small development possibilities at the Shanghai office and little chance for advancement for the administrative personnel. The merchandisers can do some advancement and can if possible move across borders into offices in other countries. Some development possibilities do however exist and attempts are made to make the employees like Lindex as much as possible through development talks at a regular basis. Consequently, every person has development talks, but there is no clear development plan.

It is also important to mention that the last management meeting focused on new polices from the headquarters on development and training where both individual performance and profits were discussed.

5.1.3.3 Performance Management

Today there is no clear Performance Management System applied, neither at the headquarters nor at the purchasing offices worldwide.

There is a bonus system linked to people's performance, based on individual performance as well as company performance. The bonus system is based on appraisal evaluation forms that are used twice a year. There are general guidelines set up by the headquarters that everyone is evaluated against. Different departments however have different evaluation measurements and in Shanghai the management team has added some variables, since the local Chinese needs to be pushed a bit more. The bonus system is however considered to be fair since it is dependent on individual working performance.

As it is up to each manager to offer training and development for its employees, Mr. Ardfelt has development and evaluation talks with each of the employees individually and in group. Individual talks are sometimes considered to be hard as the Chinese employee agrees with everything the manager says. In the beginning the individual talks did not work at all, but today they run much smoother.

5.1.3.4 Compensation and rewards

In addition to training and development, the local employees argued that money is another way to motivate the staff. With regards to compensation in Asia, the

bonus system used is worked out by Mr. Ahlen and Mr. Holmberg and approved by the Board. Depending on the country, the expatriates receive specific compensations. For the local employees Lindex tries to be at the market level for salaries in their industry. As mentioned, there are two different bonus systems and there are general evaluation guidelines sets up by the Headquarter. However, the bonus systems differ to a large extent from Sweden, as it is adapted to the local market. The Headquarter has approved these local adjustments.

The merchandisers receive a bonus that is based on a number of orders, deliver position, e.g., supply orders in time, lead time and market share, i.e., how big amount of the total production group. The reason for the company bonus is for the employees to take an active part in the overall company performance and together reach the company's objectives. The individual part, on the other hand, is mainly to give each employee the possibility to take an active part in its own bonus. Additionally, every year the boss goes trough the salary level and ask if there are any questions (Ardfeldt 2003).

It was further argued that it is hard to motivate local Chinese employees at Lindex, since there are no well-defined career paths and the salaries are rather low.

5.2 Ericsson

Ericsson was established in Sweden in 1876, and is one of the worlds leading supplier of total communication solutions. It has around 57 600 employees in more than 140 countries and their headquarters is located in Stockholm, Sweden (Ericsson 1 2003).

The organization is a matrix system, but also considered hierarchical. Still, people like to hear suggestions and it is easy to communicate and the doors should always be open if people want to talk (Ma 2003, Nilsson 2003).

It is vital that everyone at Ericsson understand the culture in order to contribute to its performance. However, it may be hard for a new employee to understand the way Ericsson is set up, since many have worked within Ericsson for a long time and thus have created their own internal network. However, upon entering any Ericsson office in any part of the world, all employees should be greeted with three key values that Ericsson stands for: *Professionalism, Respect and Perseverance.* This is also true for the office in Shanghai. These values underlie the belief system and are aimed at shaping the way Ericsson treats its employees as well as the way they conduct business. Consequently, Professionalism, Respect and Perseverance are the foundation of Ericsson's corporate culture and are believed to guide its employees in the everyday work. Additionally, they argue that their whole organisation is characterised by; Passion to win, Dedication to customer success, fast, urgent creativity and value-added teamwork. These drivers must portray the behaviours of all the employees within Ericsson (Ericsson 1 2003, Nilsson 2003).

Ericsson puts a lot of emphasis on corporate culture, which they believe reduces national differences. Its culture is about winning and everything they do concerning strategic development, philosophies etc are aimed at strengthening its competitiveness. "The strategies we develop, the quality we pursue, and the philosophies we practice must be in the context of strengthening Ericsson's competitiveness" (Ericsson 1 2003). Consequently, Ericsson argues that their values, policies and principles and guidelines are developed and exists in order for them to be able to develop a solid ground, hence be a winning company. They further argue that their culture is important, as it is the way they do their job.

Consequently, Ericsson wants its corporate culture to facilitate that it becomes and stays a global company, where national cultural differences are diminished. This does not mean that Ericsson does not respect national cultural differences, rather the opposite. However, they want all its units worldwide to be a part of the global Ericsson Company, hence work towards the same goals in order to be a winning company. Consequently, they expect all their employees to subscribe to their values and act in accordance with them (Ask 2003, Ericsson 1 2003).

5.2.1   Ericsson in China

Ericsson's relationship with China was established as early as 1892, and in 1894 Ericsson delivered 2000 telephones to Shanghai. However, due to governmental issues Ericsson left China and did not come back until 1985 when it set up its first representative office in Beijing. In 1994 Ericsson (China) Company Limited was established in Beijing. Today it has 26 offices and 10 joint ventures utilising nearly 4 500 employees. This has resulted in that they have become China's leading supplier providing a full range of communications solutions and services in mobile systems, digital mobile phones and datacom (Ericsson 2 2003).

Ericsson has done well in China, hence has a good reputation. They also believe that they have a good relationship with the government, which they consider essential in order to succeed in China (Nilsson 2003).

5.2.2   Ericsson's HR strategy

Ericsson thinks that HR is a vital function since people are their most valuable resource. As a result of the change of top management and the rapidly changing industry and business climate, Ericsson is today in a transition phase towards changing its overall business strategy. The corporate culture, the key contributors, key words, shared values and employee opportunities are thus undergoing change in order to respond to the changing market climate. As the HR function plays an important role in the overall business it also needs to be transformed in order to respond to the strategic changes. The top management of HR is part of the management group and plays an important role in the business strategies and objectives of Ericsson. It has been identified that the HR policies and practices need to be more effective, hence Ericsson has benchmarked itself with other

companies in order to find the best solution. Mr. Ask argues that it is about time that Ericsson undergoes some changes, since the old times are over. "Times are changing and Ericsson has to adapt" (Ask 2003). In order for Ericsson to be able to serve, motivate, retain and develop its employees, Ericsson thus aims at having one HR manager on 120 employees. The new HR strategy has however not yet been implemented (Pehrson 2003).

As Ericsson wants to show that their HR function is more than just a general HR function, it is labelled People and Culture. The name represents Ericsson's view that the Company wants to utilize the human resources they have in the most effective and optimal way. Today the new HR management at the headquarter wants to change the name back to HR. However, Ericsson China would like to keep the name People and Culture, as they argue that the name shows the importance of internal staff communication and that everything is about *people and culture* (Lee 2003, Ask 2003). The objective of People and Culture is, that "Ericsson is the company of choice, attracting people of our choice" (Ericsson Intranet).

Ericsson aims at establishing "The Ericsson's way with local adjustments" (Ask 2003). Each country unit is responsible for their HR function, where the HR manager should, if possible, be local. However, the global leadership runs through all units and functions, hence there is a high degree of standardisation with common philosophies and policies. However, since Ericsson has a great respect for the local environment in the countries where it operates, local adjustments are needed and emphasised. Moreover, Ericsson wants the competence within the company to be shared between the different markets, in order to create global leaders. Consequently, Ericsson aims at internal recruitment, where nationality does not matter, hence competence is the only thing that is vital (Andersson, Pehrson 2003, Ask 2003).

As stated above, today Ericsson's culture is about winning and in correlation to this they want all their HR professionals to drive the development of the Ericsson culture towards a culture that supports the strategic direction of the company, hence the name People and Culture. Furthermore, the employees can also find everything they need to know about HR on the Intranet (Ericsson 1 2003).

In the 1980s there was a HR director set up in Beijing. Before that there were only expatriates as HR directors, but three years ago it changed and Ericsson China got a local HR manager. Consequently, the HR function is today completely localized and the head of China HR is Mrs. Nue, located in Beijing (Ask 2003).

The main contributor to the success of Ericsson China has been its good HRM and HR function (Ask 2003). Concerning the HR policies and practices, Ericsson China has a lot of flexibility to adapt to the local environment, but it mostly follows the guidelines established at the Headquarter. Hence, upon the establishment of a HR function in China, Ericsson China copied most of the

policies from the Headquarter in Sweden. However, as they identified that the most important thing for local employees was development and benefits, they had to adjust to local regulations. In China, Ericsson aims at having an open, honest working climate that is conductive to learning (Lee 2003). The vision of People and Culture in China is:

> "By providing the "Best-in-Class" HR practices, in a customer focused and challenging working environment, we grow together with Ericsson as an excellent employer and market leader in China" (Ericsson 2 2003).

Furthermore, they have an evaluation program among its worldwide operations and employees, where motivational factors, leadership etc are evaluated. China is in the top when it comes to this (Ask 2003).

5.2.3 HR Policies and Practices at Ericsson

5.2.3.1 Recruitment and Selection

Ericsson sees itself as a knowledge-based company, hence argues that it needs to recruit and retain the best people. In order to respond to the dynamic and competitive business world, developing competence is crucial to its success. The business success today and in the future is believed to rest on how well it utilizes its competence management. "By continuously acquiring new competence, we will all be able to meet future challenges" (Ericsson 1 2003).

When it comes to recruitment and selection there are no strict regulations, only general guidelines, hence it is up to each unit's HR manager to adapt to the local environment. However, Ericsson would like to improve, as they want to have the same competences worldwide, hence identify competence requirements. Consequently, as seen in Figure 15 there is a competence management model that should be followed upon specifying the requirements for new employees.

Figure 15 Ericsson's Competence Management Model

Technical/Professional Competency

Human Competency

Individual Capacity

Business Competency
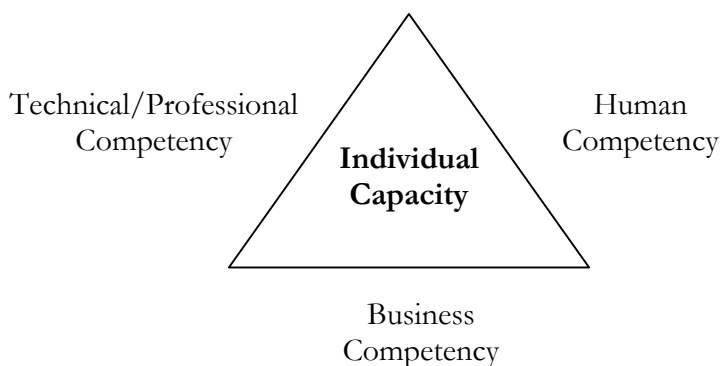
Source: Ericsson 1 2003

Human competence refers to the need to identify the group of competencies required to interact appropriately with people both outside and inside Ericsson. *Business*

competence refers to the need to identify the group of competencies related to the understanding of the Ericsson business and objectives in the context of its market, competitors, political and social environment. *Technical/Professional competence* refers to the need to identify the group of competencies required providing products and services meeting external and internal customer needs. Lastly, the *Individual Capacity* refers to the need to find people with personal characteristics of a more stable nature (Ericsson 1 2003).

In China, Ericsson sees itself as increasingly becoming a knowledge-based company, in which they see the expertise of its employees as their most important asset. Therefore, they argue that in order to remain a leading company with their industry they have to attract, develop and retain competence personnel, in order for them to reach present and future business objectives.

The first issue that Ericsson China deals with within the area of staffing and recruitment is resource planning. Resource planning is seen as a key element within the overall business strategy and its long-term competence planning process. "Ericsson Planning Process sets the strategic direction of the business and drives the delivery of improved business performance" (Ericsson 1 2003). The main objective is to make sure that the company has and will have the right person with the right competence at the right place. This objective is set up in order to ensure that the organisation meets the future challenges that are set out in the business plans. The word competence is furthermore constantly referred to, meaning to acquire, use, develop and share knowledge, skills and experience (Jiang 2003).

The general recruitment guideline/philosophy begins with the statement that Ericsson views people as their most valuable resource where each recruitment is seen as a vital investment of their future success. The objective of every recruitment is looked upon as selecting "…professional people with such personal qualities that support the commitment to work as a team member towards common company objectives and sharing company values" (Jiang 2003). Ericsson does not just want to fill vacancies instead they strive to assign roles for new talents in order to reach for top performance (Jiang 2003).

In the recruitment process, Ericsson tries to select people based on the requirements of the specific job and the environment. Additionally, Ericsson tries to evaluate a candidate's future potential development against the demands of the future. It is also up to the unit managers to secure that the candidate's competence is in line with Ericsson's business requirements (Jiang 2003).

At Ericsson it is the unit manager that makes the decision of personnel requirements, recruitment and employment. However, during the recruitment process heavy involvement is needed from both the Manager responsible for the recruitment and the corresponding HR Department. "Human Resources must always be connected and consulted with the process before the final recruitment

decision" (Jiang 2003). As seen in Appendix 2 Ericsson has a recruitment process plan, which should be followed upon every recruitment.

Ericsson entered China with 400 expatriates and has since then built up a local pool of staff ready to take over. It has increasingly sent many of the expatriates home and today there is about 50 per cent expatriates and 50 per cent local managers. Among the remaining expatriates the main portion are Swedes, but Ericsson also have global managers. This thus aims at localization where it wants as many local managers as possible. The main reasons are that they understand the market better, but also the cost issue of using expatriates. An expatriate costs as much as 2-3 local employees. However, as China is Ericsson's second largest market after the US, it is important to keep the higher level of managers, e.g., CEOs and Very Important Person (VIPs) as expatriates for critical competence since China cannot offer this, i.e., competence still has to be built up in China. Upon the recruitment of a local employee it is important that the local candidate have worked at an international firm prior coming to Ericsson (Ask 2003, Nilsson 2002, Lee 2003).

Ericsson also wants their managers to rotate in order to manage and transfer knowledge and their corporate culture to local staff. This is believed to lead to Ericsson creating a more efficient organisation. Consequently, middle managers can only be an expatriate for three years at the same location and then they have to move. For top positions this may be five years or more (Lee 2003, Ask 2003).

As Ericsson mainly want local employees, it is important to note that overseas Chinese/Returnees, i.e., foreign born Chinese, are not very welcome. This is mainly due to them having expectations that are much higher than local candidates. Usually they want to be hired with expatriate contracts, which are not appreciated by other local personnel. Today there is little chance that overseas Chinese will get higher pay than the local employees (Lee 2003, Ask 2003).

When a new employee has been chosen they are given an introduction package regarding Ericsson, its operations, its core values, what is expected from the new employee etc. The introduction is given due to the assessment that the initial period of employment can be the most critical part of the employment. "A motivated and eager employee can easily be turned into a demotivated and non-contributing one, if their introduction is badly handled" (Ericsson 3). As a result, Ericsson has drawn up a guideline for what the manager should do upon employing a new person. This includes a check list of what to do upon the new employee's arrival, arrange the work place, appoint a contact person, arrange meeting with the HR Department, a check list for the first day etc (Ericsson 2 2003, Lee 2003).

The new employees' manager should also draw up an introduction program in order to make it easier for the new employee to become familiar with his or her work task and responsibilities. All new employees will also be invited to take part

in an introduction program that is arranged every quarter. The program gives them an all-day presentation about the company, which includes an outline of Ericsson's goals and business strategies as well as its corporate culture. After one month there will be a follow-up discussion with the new employees' immediate supervisor. The supervisor will then ask the new employee what his or her thoughts were regarding the introduction package as well as evaluate how the first month has been. For some of the new employees there will be a second follow-up after 3-6 months, which is performed by the HR Department. The second follow-up is said to evaluate how the new employee looked at the way Ericsson handled them during the first period (Jiang 2003).

Even though the turnover rate at Ericsson China is not very high, Ericsson highly emphasises the importance of succession planning, hence included in the staffing planning. Succession planning follow centrally decided directions, which identifies the candidates that are able to take over important managerial positions. Ericsson has identified that it is impossible to have individual succession planning, instead they work on it in teams. If individually, a hostile work environment may be created (Ask 2003, Lee 2003, Ma 2003).

5.2.3.2 Training and Development

As Ericsson does not offer the highest salaries in the industry they have to attract and retain employees through other benefits. They have identified the importance of thorough training and development since it does not only lead to competent and skilled personnel, but also is a good incentive for keeping people within the organisation. Hence, a lot of resources are invested in a complete training system offered to all employees world-wide (Ask 2003, Lee 2003).

Up until a few years ago, the Ericsson University offered technical and management training. Today the University has however been closed down. Despite this, the spirit and the objectives of the Ericsson University remain. Consequently, as a knowledge-based company Ericsson has identified the need to help its employees develop their competencies in order to respond to the changing market demands. Ericsson argues that competence development not only is about attending seminars or training programs. It also entails learning new concepts and skills upon changing position, task or responsibility. Additionally, it is about everyday work, e.g., seek and collect information, meet and co-operate with colleagues, participate in workshops, make presentations, be a stand-in for someone, manage a project etc. Last but not least, important leaning opportunities are when an employee meets its customers, partners and suppliers (Ericsson 1 2003, Ask 2003, Nilsson 2003).

In the introduction handbook given to new employees, Ericsson states, that; "It is thanks to us – the Ericsson staff, our competence and our efforts – that the Company achieves its goals. So it is important that you, as an employee, feel satisfaction in your work, and have access to the tools that you need to do a good

job" (Ericsson 1 2003) This entitles that all Ericsson employees should have the possibilities and be given the opportunities of training and development in order to expand their skills and learn new things as well as be able to take on new interesting tasks. Ericsson have identified clear development/career path for each position within the organization and every employee has the right to an annual Planning and Development discussion, referred to as PD-talks. These PD-talks are done with the employees' immediate supervisor for about 0,5 h – 1 hr. The objectives of the PD talks are to broaden the scope of the employee's work, gain feedback on his or her performance as well as develop work plans for the coming year. The PD-talks are also set up in order to identify what opportunities exist for individual development, hence what kind of training the employee should have and when he or she has the time to receive it. The HR Department keeps records on all its employees' training and development plans and what they have done over the years (Lee 2003, Ma 2003).

The training offered is divided into two main areas. Firstly, the Professional training, which is the non-technical training includes training in general skills such as presentations, communications, sales etc. There is also Management training, but it is only offered to those individuals that are identified as future potential managers. Some key people are also offered MBA courses. Secondly, there is the area of Technical training, which includes presales technical training and post sales technical training (Lee 2003).

Even though the training and development area is to a certain extent centrally run, some local adjustments are needed. Due to the fact that the competence in general is lower in China, Ericsson has invested a lot of money in training and development, in order for the local personnel to understand how Ericsson works (Nilsson 2003, Lee 2003).

When it comes to local employees in China, training and development were also argued to perhaps be more important than a good salary (Ma 2003, Lee 2003, Ask 2004). "It is important to motivate the Chinese employees in order to retain them and training and development is a good way to do this" (Lee 2003).

It was also mentioned that coaching is important since a Chinese employee is not as initiative taking as a Swedish one. Hence, they expect more guidance and demand more supervision. One therefore has to go back and constantly check that things have been done and that they have understood their task (Nilsson 2003).

A big training centre in Beijing, has been set up with simulations, computer training etc. Ericsson China has also taken its own initiative and set up China Academy, which offer training for both customers and key personnel. It provides the staff with "high-quality and innovative training services and competence development programs that contribute to achieving Ericsson China's overall strategies and goals" (Ericsson 3 2003). Mr. Ask gives high credits to China

Academy and says that it is a good way to train its local personnel as well as to build customer relationships (Ericsson 3 2003, Mr. Ask 2003).

Local employees may also receive training overseas. It is important to note that if the duration of the training exceeds three months or a certain amount of money, e.g., due to overseas training, attending MBA programs etc, the employee has to sign a trading banding policy. This means that the employee has to sign a contract stating that he or she will work for Ericsson for at least two years. The reason is that Ericsson needs to protect its talent from being recruited by other companies. Prior to 1997 and the trading banding policy, Ericsson trained and developed a lot of engineers in China that were recruited by other companies and countries, particular of American background (Nilsson 2003, Lee 2003).

When Ericsson first entered China and started to build up a successful organization it worked a lot on cultural differences and invested plenty in cross-cultural training. Ericsson considered it very important that the expatriates understood the way Chinese people work, i.e., the Chinese culture. However, today there is less need for cross-cultural training as the organization now has established itself in China. They have also become such a global company that they do not see cultural differences as a problem. Mr. Lee argues that Ericsson feel that they have come over the bridge. Instead Ericsson works more on their corporate culture in order to make sure that all units of Ericsson feel that they are a part of the overall organisation. Hence, despite cultural differences the employees should strive towards the same objectives and work together. However, Ericsson argues that they have a great respect for the local environment in any country that it enters (Ask 2003, Lee 2003).

5.2.3.3 Performance Management

> "Ericsson is setting a clear direction for the future through a rolling planning and follow-up process to manage the organizations' objectives, targets and goals in such a way that a common understanding is built throughout the organisation. To align the performance of each employee to the objectives of its organisation, each Ericsson Unit shall have a Performance Management process" (Ericsson 1 2003).

The Performance Management is aligned with the Company's strategic and operational plans. Ericsson believes that it is of uttermost importance that all employees behave, work and abide by the corporate culture. In order to ensure this, Ericsson uses Performance Management, which is thought to be the main reinforcer of Ericsson's culture and its wanted behaviours. Consequently, every employee, at whatever position, is requested to attain agreed-upon levels of performance and, hence be evaluated and rewarded based on their accomplishments (Ericsson 1 2003).

Ericsson's Planning Process sets the strategic directions of the business and is said to push the business performance forward and towards improvements.

Performance management is an important part of the Planning Process and includes both unit Performance Management as well as individual Performance Management. It is the HR Department's role to support the line management in these processes and help linking the goal setting with follow-ups towards competence planning and as compensation. However, all employees have to be active in their goal setting as well as responsible for their own competence development, hence set up their own individual development plan together with its manager (Ericsson 1 2003).

In order to reach a higher level of commitment and as a motivational factor, Performance is evaluated through the PD talks mentioned above and included in the compensation process. This was argued to be a good way to retain the Chinese employees as they get clear plans of what is expected of them, what they have done good etc. Consequently, through performance management Ericsson clarifies what they expect and require from its employees in terms of contribution and competence. Through this they argue that commitment is protected as well as measurable operational performance standards can be evaluated and discussed (Ericsson 1 2003, Ask 2003).

The Performance Management should also include measurable tools for the individual employee's goals. These are believed to apply more to project managers, salespersons and others in one-time, entrepreneurial activities, such as task deadlines, volumes, milestones etc. Ericsson also argues that the objectives set up by the employee should be challenging but at the same time reachable (Ericsson 1 2003, Lee 2003).

5.2.3.4 Compensation and rewards

When it comes to compensation, Ericsson measure themselves regularly against its main competitors with whom they compete for talents. This is done on a geographical basis rather than on a business or functional level. It does not want to be the leader among these companies when it comes to compensation, instead they want to be somewhere in the middle and stay competitive (Lee 2003).

Ericsson's compensation and benefit practice is based on the principles of performance, competitiveness and fairness. As pay levels and pay practices vary, they want to employ people that know what is best suitable for each specific market. This is the foundation for its global compensation and benefit policy. Consequently, main areas are localized when it comes to rewards and benefits within Ericsson in order to suit each local market but not everything is localized and the Corporate Compensation and Benefit group has the purpose to set overall company compensation and benefit policies and manage those processes which the Headquarter decides upon. (Lee 2003, Ask 2003).

Moreover, it is the responsibility of the Head of each Ericsson Company and their HR managers to implement Ericsson's policies when it comes to compensation

and benefits. Local adjustments are made to the local market and within Ericsson China many centrally decided incentives do not work due to governmental issues, e.g., the compensation in the form of stock options does not work in China due to this (Ericsson 2 2003, Ask 2003).

As Ericsson does not compete with salaries they try to compete with other things. This is done trough benefits and other incentives. Ericsson China usually provides its employees with benefits of housing, medical, accident and life, travel, transportation service for local permanent employees as well as a sports allowance. This is done in order to attract and retain high performance and competent employees. Many people, for example, appreciate the sports allowance (Ask 2003, Lee 2003, Ericsson 2 2003).

5.3 IKEA

IKEA is a Swedish furniture company, founded in 1943, by Mr. Ingvar Kamprad. Today, IKEA consist of 154 stores located in 22 countries and its business idea is to offer a wide range of home furniture that has a good design and function. The furniture should be offered at a price affordable for as many people as possible (IKEA 1 2003). The turnover for the IKEA group in 2002 (1 September 2001- 31 august 2002) was €11 billion where Germany was the top sale country while China was the top purchase country (IKEA 2 2002).

Concerning the Purchase function, IKEA was initially organised around 40 trading offices, and four trading regions where each office was connected to an agent. Within this structure there were different functional areas supporting the offices and regions, e.g., the function of HR. A few years ago the purchasing structure was rebuilt and today each region can consist of several countries. There are 16 trading areas, and the purchasing manager has four deputies surrounding him, representing different regions. Today, all invoicing goes via Hong Kong and within the new structure each trading area is responsible for its own functional areas. Hence, the Purchasing area of Central Asia is responsible for its own HR function. Still there is a global support for each function, e.g., each regional HR manager answers to the global HR unit (Carlsson 2003).

IKEA is purely Swedish, which is visible throughout the company. One can also read on the web page: "It's no accident that the IKEA logo is blue and yellow. These are the colours of the Swedish flag" (IKEA 1 2003). The Swedish heritage is also what IKEA has built its corporate culture upon.

Mr. Kamprad argues that, "*Maintaining a strong IKEA culture is one of the most crucial factors behind the continued success of the IKEA concept* (IKEA 5 2001). IKEA has also identified a number of values and symbols representing its corporate culture.

Figure 16 IKEA Corporate culture


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┌──────────────┐   ┌──────────────┐   ┌──────────────┐   ┌──────────────────┐
│ 1. The IKEA  │   │ 2. The IKEA  │   │ 3. The IKEA  │   │  Daily life      │
│   concept    │   │   values     │   │   symbols    │   │      =           │
│              │   │              │   │              │   │ The IKEA culture │
└──────────────┘   └──────────────┘   └──────────────┘   │      ☺           │
                                                         └──────────────────┘
```
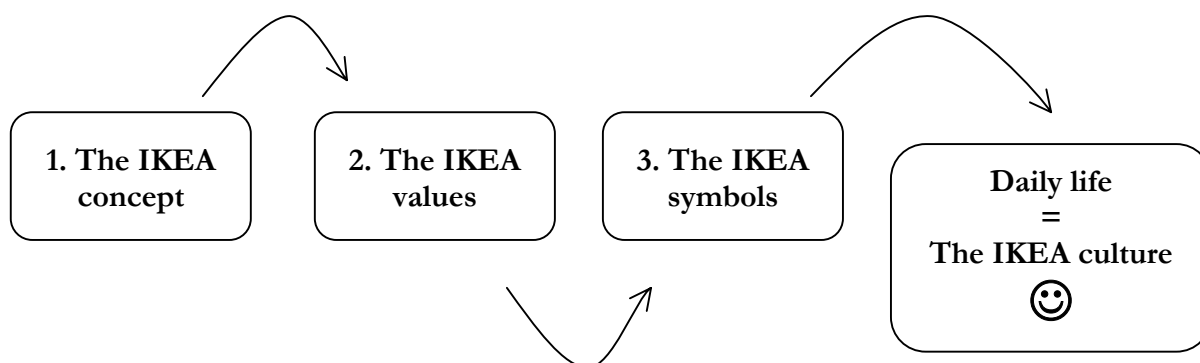
Source: IKEA 5 2001

Figure 16 shows the three concepts that are said to lead to the corporate culture of IKEA. Firstly, the IKEA concept is the vision, where *The Dream,* shown in Figure 17 is what creates their successful business idea. Hence, the Dream is the main strategic objective of IKEA (IKEA 4 1999).

Figure 17 The IKEA Dream

The Dream: to create a better everyday life for the many people
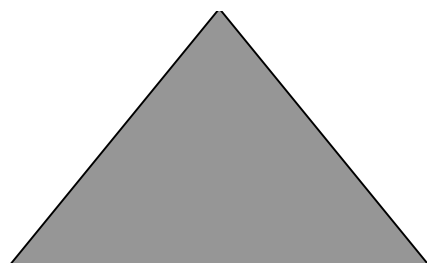
The Business Idea: by offering a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them

The Human Resource Idea: by giving down-to-earth, straightforward people the possibility to grow, both as individuals and in their professional roles, so that together we are strongly committed to creating a better everyday life for ourselves and our customers

Source: IKEA 4 1999

Secondly, the values at IKEA are many and are based on people's behaviour and are believed to represent what IKEA stands for. Some examples of these values are: *solidarity, diversity, const-consciousness, humbleness, openness, the many people, honest, simplicity* and *never say never* etc (IKEA 5 2001).

IKEA argues that these *values* work globally, since similar values throughout the world, and among all its employees can be found. However, in order for their concepts and values to be worth anything, all co-workers have to subscribe to them, understand them and use them in their everyday work-lives. It is argued that if an employee does not share any of these values, their job may become difficult. However, it is important to note that the employees should not share all the values because then neither the employee nor IKEA will be challenged or develop.

Thirdly, the symbols are "…an IKEA value brought to reality" (IKEA 5 2001). Hence, an IKEA symbol is believed to be anything that can reflect an employee's value or an IKEA value and they are said to help the employees both outside and inside IKEA. They are constantly developed and should be visualised throughout the offices and the stores. There are however some classical symbols that have been around for a while and are today said to be crucial for the IKEA culture. These are: *The flat pack, using first names, the hotdog, one goal many roads, mission impossible* etc. (IKEA 5 2001).

5.3.1   IKEA in China

IKEA opened its first store in Beijing, China in 1998. In Shanghai several IKEA functions are today represented and a central warehouse is going to be built outside Shanghai in order to serve the Asia Pacific area. IKEA also sees China as a great expansion area within the coming five to ten years (Carlsson 2003, IKEA 1 2003).

The purchasing function in China, is divided into three regions, or trading areas: north, south and central. Moreover, the central area is divided into Shanghai, Xiamen, Taipei and Taiwan (Chen 2003).

5.3.2   IKEA's HR strategy

As seen in Figure 17, one of the three cornerstones of IKEA is the human resource idea. In order for their vision, i.e., *their dream* to become a reality, IKEA argues that people are needed. The Dream was thus said to form the base of the HR work and is timeless (Gejroth 2003, IKEA 4 1999). Consequently, the HR idea within the Dream states that:

> "To give down-to-earth, straightforward people the possibility to grow, both as individuals and in their professional roles, so that, together, we are strongly committed to creating a better everyday life for ourselves and our customers" (IKEA 4 1999).

IKEA further states that HR is about people, the teams and the organisation, HR is about business and HR is about initiating and implementing change and development (IKEA 3 2003).

IKEA has recently changed its strategic objectives, referred to as 10 jobs in 10 years, where they aim at "making the impossible possible – satisfy the customers in the stores, and contribute to a better living for the many people" (IKEA 3 2003). Additionally, 10-jobs-in-10 years refers to where IKEA wants to be in ten years and points to the ten priorities that they have in order to reach this objective. It was implemented as a result of a change in the Board of Directors during 1999-2000. Within this business strategy, HR plays an important role, where priority number six and number ten refer to HR., i.e., "to attract, develop and inspire our staff" and "to keep the culture of IKEA a strong and long reality", respectively (Chen 2003, Gejroth 2003).

The new strategic outlook has thus meant that IKEA has identified a need to adapt its HR. Consequently, IKEA wants to move away from the old ways of doing things and hence move into the future, as seen in Table 6:

Table 6 IKEA's future HR goals

Leaving the history	*and*	*enter the future*
✓ Open positions		✓ attract the right people with IKEA visions and values
✓ Networks and contacts giving		✓ an open and transparent job market
✓ Company steered		✓ individual taking charge
✓ Specialist with narrow experience		✓ Cross-border and cross functional
✓ Promoting privileged groups		✓ giving equal opportunities
✓ Training a few locally		✓ training the many with same program
✓ Making everybody fit into the system		✓ being open and respectful of co-workers needs
✓ Maintaining the IKEA culture		✓ strengthening and future develop the culture
✓ Unaware approach towards leadership		✓ a conscious leadership based on vision and values

Source: IKEA internal information provided by Mrs. Chen

Two years ago IKEA identified eight priorities that should be the main focus of HR. These HR priorities have a five-year focus and go under the name of *Unleash the potential.* The priorities are:

1. Recruitment positioning
2. Open IKEA
3. Prepare for the future
4. Mobility
5. Diversity
6. Work/Life balance
7. Learning and development
8. Leadership and culture

Hence, IKEA has built up a new focus aimed towards mobility and global learning. Additionally, the HR polices and practices at IKEA are divided and linked by three steps: Joining IKEA, Developing in IKEA and Managing/leading

IKEA. Each step is further divided into several points that put experiences both on co-workers and on the organisation (IKRA 4 1999). Within these IKEA states the following:

Joining IKEA: "We seek co-workers from amongst the many. We choose those who understand our customers' expectations. Those who thereby feel for our ideas, not just in theory, but who are themselves also prepared to commit themselves to realising them" (IKEA 4 1999).

Developing IKEA: "IKEA needs skilled people who will make a meaningful contribution and therefore have a strong desire to learn more".

Managing/Leading at IKEA: "your managers have given your management position to you. They have made you a key person in the organisation. You have been given authority and you must take responsibility. A management position makes great demands of you…" (IKEA 4 1999).

IKEA is a great supporter of having local HR managers, however it can be difficult as the local managers may have a hard time communicating the culture and values of IKEA. Hence, the regional HR manager in central China is Swedish. IKEA has a central HR Department from which local adjustments are made (Carlsson 2003). IKEA argues that their HR is decentralised and instead the global HR Department only steers and work on strategies and concepts aimed at guiding the local HR Departments (Gejroth 2003).

The Purchasing Department in Shanghai has its own HR manager. However, up until a few years ago, the HR function within IKEA in China was mainly a personnel and administrative function. Thus, the set up of a HR manager in Shanghai was only implemented 1,5 years ago and was a result of the restructuring of the organisation mentioned earlier. As a consequence, each trading area became responsible for its own HR function. Thus the trading area of Central China has a regional HR manager that answers to the global HR unit. It was argued that many positive affects have been identified as a result of hiring a local HR manager. These are visible in e.g., personal developments, organisational development, more focuses on succession planning and that IKEA have become a more transparent company when it comes to global possibilities (Carlsson 2003).

Within the new business context there are several new goals for the purchasing function, which are said to be part of the overall building block that ultimately will lead to the overall business goals being reached. In order for purchasing to reach its goals a formula have been identified; "the unique dimension", which is made up of five factors: *Competence, One IKEA, Leadership, Process orientation and IKEA Culture* (IKEA 3 2003).

Within purchasing there are three beliefs, which are said to form the base for the practices developed by the HR function. Firstly, there is the belief in a humanistic

view on mankind, where IKEA believe that each individual and co-worker has potential, good intentions and whish to grow and develop. Secondly, there is the belief in Co-worker and manager responsible, where IKEA believe that everyone wants to take the responsibility over his or her own development. This individual development will further be challenged and supported by the immediate manager. Thirdly, IKEA believe that Everyday life is the source of learning and development, hence the things experienced in daily work is seen as the main source and thus conscious reflections on these experiences is the main way of creating learning (IKEA 3 2003).

As a result of 10-jobs-in-10 years, the Purchasing Department has identified a number of common priorities, which is said to cover most of the HR scope where a manger should choose to focus on all or some of these priorities. These are: Leadership, The IKEA Culture, Recruitment, Learning & Diversity, Competence Flow, Compensation and Benefits and Life Balance (Carlsson 2003, Chen 2003).

As mentioned, the culture is a unique combination of the IKEA business concept, the IKEA values and the way they behave, i.e., the way these values are expressed in the employee's everyday working life. Within Purchasing, the culture should be strong and a living reality in all units. As a result, Purchasing can develop their business and create a working atmosphere that will help them grow and develop. In order for this to be ensured, it is argued that the following efforts and actions need to be taken:

- IKEA Culture as a mandatory part of introduction programmes.
- Cultural workshops (interpreting, relating to local values, developing, translation into actions and symbols in everyday life).
- The IKEA values as a basis in recruitment and promotion (with extra demands on every Transferred Employee to serve as a role model).

IKEA has chosen one keyword that they believe is the source of failure or success, *Competence*. IKEA defines competence as the "knowledge, the motivation and the capability to handle crucial situations in the assignment" (IKEA 3 2003). They argue that it is the most important factor in order to realise its business goals. "Competence is the main thread in our common priorities" (IKEA 3 2003). IKEA also argues that competence is important on three levels. Firstly, the individual level, where the co-worker has the competence to fulfil the demands put on him or her through his or her assignments. Secondly, the team level, where the colleted competence of the team together will solve common assignments. Thirdly, the organizational level, i.e., the competence of the whole Purchasing function (2003).

IKEA argues that it is vital that the Headquarter cares in order for the local employees to feel that they are part of the overall organisation. However, everything is becoming more globally controlled and systematised, which is logical

but can be a disadvantage for the initiative taking of the single manager. Hence, Mr. Carlsson argues that IKEA has become much more bureaucratic. Today there are demands upon how offices should be run and look like and there is not much flexibility within the different offices. This runs through the overall organisation of IKEA, from escaping planes to the way offices should look like etc. There are even plans on how to proceed if China takes a decision to throw all expatriates out of the country (Carlsson 2003).

IKEA also has a function named voice where all employees are provided with some questions to be answered anonymously. It is a questionnaire provided once a year on the intranet and concerns everything from relations, company goals, strategies, personal development etc. An external consultancy firm summarises and evaluates the questionnaire and provides each unit and office with feedback and data to see what the employees think. The offices and units can compare themselves with the IKEA average. Thereafter the material is presented within each office and unit where all co-workers together with the manager sits down and go over it. This leads to an action plan in order to improve and the aim is to become a company that everyone enjoy working at (Chen 2003, Carlsson 2003).

The outcome of the questionnaire in Shanghai for 2002 clearly showed that the employees are dissatisfied with the salary. In order to solve the dilemma IKEA is benchmarking itself with other companies (Carlsson 2003).

5.3.3   HR Policies and Practices at IKEA

5.3.3.1   Recruitment and selection

Recruitment is considered an area of strategic importance, due to the growth of IKEA and the need for more competent people. In accordance with its new strategic outlook, two main challenges are to attract the right people and to assure that the ones chosen share their visions and values. Efforts and actions that IKEA aims at taking in order to reach these objectives are (IKEA 3 2003):

- to always recruit the ones with potential to grow within the company
- to recruit the ones willing to move, both geographically and functionally
- to define competence profiles for key positions
- to describe the process of recruitment
- to provide every manager with knowledge about the recruitment process.

Upon recruitment the values are used as a base and for all recruitment sessions it is important to provide a picture of what the company stands for in order to see whether each person stands behind the culture. IKEA argues that in order for their concepts and values to be worth anything, all co-workers have to subscribe to them, understand them and use them in their everyday working lives. Hence, in the first step, joining IKEA, it is argued that:

> "Through and open and honest meeting right at the recruitment stage – giving and taking on equal terms – we will engage co-workers who get involved in their work and perform over and above the norm. IKEA experience is an advantage in all employment situations" (IKEA 4 1999).

IKEA wants to stimulate and develop local managers, mainly due to them being much cheaper and also due to their knowledge regarding the local market. IKEA does a competence profile for each position and tries to find the needs in the market. Yet in China they have not started recruiting from University. However as they see a need to catch people early and shape them to become potential future managers, there are discussions about developing a trainee program. The aim in Shanghai is to have at least 50 per cent local managers within a period of three years. It is however important to note that IKEA highly emphasise having expatriates on key positions in order to transfer the corporate culture of IKEA and know-how. However, an expatriate is referred to as a transfer employee (TE), as they are not more than just a *transfer employee* (Carlsson 2003).

Upon recruiting a new candidate, it is important that the candidate can see himself or herself working in a flat organisation. Accordingly, during the first interview phase every potential candidate receives an IKEA brochure and Mrs. Chen, the HR manager at IKEA Trading in Shanghai, sees herself as a sales person, who tries to sell the Swedish/IKEA culture to each candidate. She explains what Sweden looks like, its traditions and values in order for the candidate to get a feeling and an understanding of Sweden. This is of uttermost importance since the Swedish culture runs through everything IKEA and its employees stand for. Thereafter Mrs. Chen asks the person if they are able to work in a flat organisation, where the corporate culture is everything, if not it is better that they turn to another company. It is important to note that the employees are referred to as co-workers in order to emphasise the flat company (Carlsson 2003, Chen 2003).

In the initial stage of an employment, the Chinese is rather confused, but after a while, he or she sees the advantage of being part of a flat decision process and having a great portion of freedom. Still it was argued, that many are inpatient and think that the organisation is too flat. Many Chinese employees also believe that they know the work after two days and want to advance immediately (Carlsson 2003).

When joining the company the co-worker gets one-weeks introduction in the IKEA culture and its values in order to get a clear picture of the company. Additionally, a culture course in Älmhult is given to all local staff after 6 to 18 months. This involves showing them where Mr. Kamprad was born and the museum that recently has been built in Älmhult, i.e., showing the history of IKEA. Furthermore, the new employees get to experience the culture of Småland. They also get to meet other people within the organisation and experience Swedish traditions (Chen 2003).

How the local employees are incorporated into the IKEA culture however, depends on the leadership ability of the manager and what he or she communicates. Expatriates are not only chosen to go abroad due to their special competence, they are also chosen because of their high level of leadership abilities. This is due to the fact that they have to be good IKEA ambassadors in order to transfer the corporate culture to its local employees. It is also mentioned that it is important not to behave as a selfish expatriate; one is only a TE and always watched and thus has a lot of demands to put on him or her. As the expatriates usually have better compensation packages, which everyone knows, they have to live up to what they are compensated for (Carlsson 2003).

IKEA, to some extent, rents its co-workers in China through FESCO[1]. Furthermore, the company language is English, and therefore a good level of English is essential when starting. A Chinese also needs to have work-experience in a foreign company prior coming to IKEA, and the company uses high-potential recruitment. The first process is that head-hunters pick out potential candidates. Thereafter, they meet the HR manager and in the final step the line manager for an interview. Additionally, assessment through questionnaires is used when selecting a new employee (Chen 2003).

Furthermore, IKEA highly emphasise succession planning, which is an ongoing process at all levels. It is the most important goal within HR, since internal recruitment is emphasised. Generally, all key positions should be able to work everywhere, i.e., IKEA wants to develop global managers. "Don't think locally". IKEA wants to have successors ready for every key position and follows a stepwise process (Chen 2003):

1. Potential individual assessment
2. Document development and career plan
3. Gap analysis
4. Training needs analysis
5. Retention risk assessment
6. Identify 1-2 successors
7. Consolidation succession planning reviewing by cycle

5.3.3.2 Training and development

> "By being up to world class in 'learning and development' we will reach the business ambitions, our people will stay with us, and we will attract new high potentials to join us" (IKEA 3 2003).

Since IKEA does not compete with other MNCs when it comes to salaries, they instead focus on training and development in order to attract and retain its local Chinese employees. In the future they want their co-workers to take charge of

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[1] Foreign Enterprise Service Co. (FESCO) A government bureau assisting with personnel needs.

their own personal development, but today it is described as rather steered. Traditionally, all training has been locally, but IKEA wants to change it towards a more global based training where everyone gets the same training worldwide. There is further a variety when it comes to learning and training, e.g., classroom training both internal and external as well as job training (Carlsson 2003, Gejroth 2003).

In order to retain its co-workers and attract new potentials focus is on training and development. Efforts and actions taken are (IKEA 3 2003):

- to have adequate introduction programmes
- to set competence management concept in action
- to concentrate on a few common priorities
- to support everyday learning through development activities
- to spread knowledge and use best practice wherever possible
- to engage managers in competence development activities
- to develop a common skill of interviewing and selecting in the recruitment process.

In order to be able to offer tailor-made training suitable for specific locations and skills, IKEA Purchasing has its own Development Centre, IPDC. The centre is located in Switzerland and have five fully employed co-workers. It develops training programs mainly based upon wishes from the organisation. Today all co-workers are given cross-cultural training and the IPDC offers tailored training programmes. Sometimes it is more cost efficient to have the course leaders to fly over and provide training for the China employees, whereas some cross-cultural training also involves flying to Europe. As South East Asia is growing, parts of the IPDC are being moved out to Shanghai (Chen 2003, Carlsson 2003).

IKEA puts a lot of focus on continuous learning and development, where they have the SML, Self Managed Learning aimed at learning how to learn. The core elements of are:

- Mapping the context of the programme
  1. Where have I been?
  2. Where am I now?
  3. Where do I want to go?
  4. How will I get there?
  5. How will I know that I have arrived?

- Learning contract
- Learning group
- Learning- SWOT

SML involves a coach who helps identify employees' own development. It includes five to six people in each group, telling their life stories and there from building up individual learning contracts with the support from a coach. Mr. Carlsson considers it a structured way to identify one's learning needs. However, a Chinese can look upon this with suspicion. Thus it is important that each coach builds up a feeling of trust in the group. Thereafter, the focus is to emphasise that it is up to each individual to develop and be responsible of his or her own development. It is not up to IKEA to develop its co-workers, which has been the case in the past, hence it is their own responsibility, which is very much non-Chinese since they are used to be told what to do (Chen 2003).

Concerning development, IKEA sees it as a continuous cycle with several steps to follow. The competence development cycle looks at: what competences do you need and what competence do you have? Thereafter the focus is put on closing the gap between them. The first step is joining IKEA, where a thorough introduction is given and all co-workers receives one-week introduction in the IKEA culture and after roughly one year there is another culture training. In correlation to this, after three months there is a performance evaluation. Additionally, development talks come regularly in order to identify if there are any wishes and potentials for change, i.e., opportunities to go abroad or move within IKEA. If the co-worker feels that he or she is ready they can move into something that IKEA refers to as Mobility. IKEA considers it important that each co-worker thinks about his or her career *inside* the company, instead of turning to other companies. This is due to the fact that IKEA aims at having 100 per cent internal recruitments (Carlsson 2003, Gejroth 2003). Mobility is thus the possibility to move within the company, in order to gain both cross-border and cross-functional experience (Chen 2003, Carlsson 2003).

IKEA has always promoted that "our staff is the most important asset", but trough the Mobility process, people really notice it as it no longer are only words. Furthermore, the HR function is said to be much more professional today. This is however necessary with 85 000 co-workers and where internal recruitment is one of the cornerstones (Carlsson 2003).

The opportunities of Mobility can be found on IKEA's Intranet. The HR function on the intranet was launched six months ago and is said to be well-developed. The co-workers can e.g., find information regarding any stage of their development. At one site, called Open IKEA, the co-workers can find new potential job opportunities if they have identified the need to change position. Upon wanting to transfer abroad, they can look at the Intranet-site of Mobility and do an evaluation to see if he or she is ready. When moving abroad the co-worker can look up the country and seek information regarding working in that culture as well as reading about the transition, what others have gone through etc. Furthermore, the policy for TEs can be found on the Intranet and every TE gets the same (Chen 2003).

The training before leaving for a new country is limited as there is hardly any culture training before moving out, it was however said that this would be idealistic. Nevertheless, before a TE moves to a new country they are given one week at the potential location with their family in order to get a first look before making a decision. In Shanghai they use a consultant company and the TEs get to see the schools, hospitals, houses, China history etc. Thereafter, if they feel that they would like to move, they sign a contract (Chen 2003).

Training is described to be good upon arriving and the whole family may receive it. A TE for example has the support of getting advices of all situations in the foreign country and one also have the support of a financial advisor. There is also an organised supply of cultural functions and cross-cultural training. Hence, IKEA has cross-cultural training, which is applied locally. The TEs and their wives have, for example, meetings with the Chinese employees where they get to know each other. Cross-Ways is a consultant company in Shanghai where Chinese and westerners share experiences and values, used by IKEA for cross-cultural training (Chen 2003).

5.3.3.3 Performance Management

IKEA argues that they are not very good at Performance Management and there are no global guidelines centrally set up, instead it is up to each local unit. At the office in Shanghai, the development cycle, mentioned above, includes Performance Management in order to identify development plans and evaluate an employee's work, where focus is on the following steps (Gejroth 2003, Chen 2003):

1. What competence do you need?
2. Assess what competence you have
3. Identify the gap
4. Develop a plan to close the gap

5.3.3.4 Compensation and rewards

IKEA emphasise that they shall offer compensation and rewards to attract, recruit and retain the people that they need to develop the business. "It is very much a question of competence and confidence in the Compensation & Benefits system" (IKEA 3 2003). Efforts and actions taken are:

- to have a clear policy that is known by everyone
- to co-ordinate the benefits packages
- to describe the process of annual salary review
- to identify tools for working with compensations and benefits
- to provide each manager with necessary information

When it comes to compensation and rewards IKEA has adapted to the local laws and regulations. Social insurance payment needs to be adapted to the local regulations of China and in this case Shanghai. (Different areas have different requirements). Today it looks as follows in Shanghai:

Table 7 Social Insurance in China

	Company	*Per employee*
Old-age pension	28,5%	7%
Housing Funds	7%	7%
Unemployment insurance	2%	1%
Medical assistance	12%	2%
	48,5%	17%

Source: Chen 2003

In addition, IKEA has global travel insurance and additional benefits, which is a mix of IKEA and the local laws. Special for China is the one child insurance.

The future task in Shanghai will be retention as there are a lot of opportunities for a Chinese today. IKEA knows that American companies will pay double, still IKEA focuses on having the best training and thereof motivate and inspire people to stay. However, Mrs. Chen adds that she wants to implement individual rewards as a way to retain and inspire Chinese employees. Nowadays there is team reward, but for the Chinese who is only concerned about money, IKEA may need to have individual rewards in order to retain its co-workers (Chen 2003).

5.4 Summary

Lindex, IKEA and Ericsson differ in their characteristics and have different backgrounds of internationalisation, HR etc. They have handled the area of HRM: recruitment and selection, training and development, performance management and compensation and rewards in different ways and have different focus. Some parts are more centralised whereas other parts are more decentralised. However, none of them neglect the area of the host country environment and its influences upon HRM. Furthermore, Ericsson has the longest history of being located in Shanghai and China. IKEA has changed their focus, understood the importance of HRM in China and has started to recruit local HR mangers. At the moment Lindex leave most of HR up to the local unit, while constructing a HR Department at the headquarters.

With this knowledge we move on to the analysis section, part three of the thesis.

Part III Analysis and Conclusions

6 Analysis - Human Resource Management in an international firm

We are now on our way back home, sitting on the ferry reflecting over what we have experienced. Was it as we thought it would be? Did we choose the right luggage or should we have packed differently? What have we learned from the journey, i.e., our analysis? Have we reached a higher level of knowledge within the area of research?

We believe that throughout the world today, China and HRM are two very hot topics. However, the theoretical framework discussing the area of IHRM and HRM are not structured in the way that it allows one to put the empirical evidence into a theoretical model and receive a formula on how to do at different steps. Instead the theories are rather vague and do not specify how things should and should not be, rather how things can be. Therefore, we have had to interpret them in our own way in order to make connections to the empirical data.

We would like to emphasise that Lindex should be separated from IKEA and Ericsson, and one should not be surprised over the differences that exist. Lindex cannot be compared to having the same amount of resources, e.g., financial or human, as IKEA and Ericsson. Nor do they share the same history of being an international company or when it comes to HRM. Yet, as mentioned, IKEA and Ericsson are used as reference companies aimed at contributing with knowledge that can help Lindex and the reader to gain deeper knowledge regarding HRM. Therefore, Lindex will be analysed lastly under each heading in order to for us to compare it with the reference companies and the theoretical framework. Hence, Lindex, IKEA and Ericsson will together contribute to the answer of research problem one and two later on.

By comparing, evaluating and analysing our findings the aim is to give Lindex and the reader a better understanding of the area of HRM and IHRM. The focal point is to try to demonstrate *if* and perhaps more importantly *why*, HRM is important for MNCs operating in an emerging market such as China, with focus on Shanghai. Moreover, *if* national culture needs to be taken into consideration when constructing HRM policies and practices when operating in different environments?

In accordance to our theoretical findings, the aim is to evaluate whether the companies have acted in accordance with the theories. *Firstly*, we thus want to identify if they have developed a solid HR foundation and if there is internal fit.

Additionally, if the companies have aligned their HR system with their strategies and thus realigned the HR polices and practices if there has been a need for that.

Secondly, in correlation to the second step of Evans et al. theoretical argument, we aim to gain a better understanding of how the companies, if that is the case, have developed their HR policies concerning recruitment and selection, training and development, performance management and compensation in correlation to the environment in Shanghai. As well as how they have managed the dualities in accordance with step three.

Thirdly, we would like to provide Swedish MNCs and Lindex, as the assigner, with recommendations concerning how to proceed in the best way possible in an emerging market such as China.

The conceptual model, presented in the end of the theoretical framework, will serve as the outline of this chapter in order for us to evaluate and analyse the different parts in a sequential order.

Figure 18 Our Conceptual Model
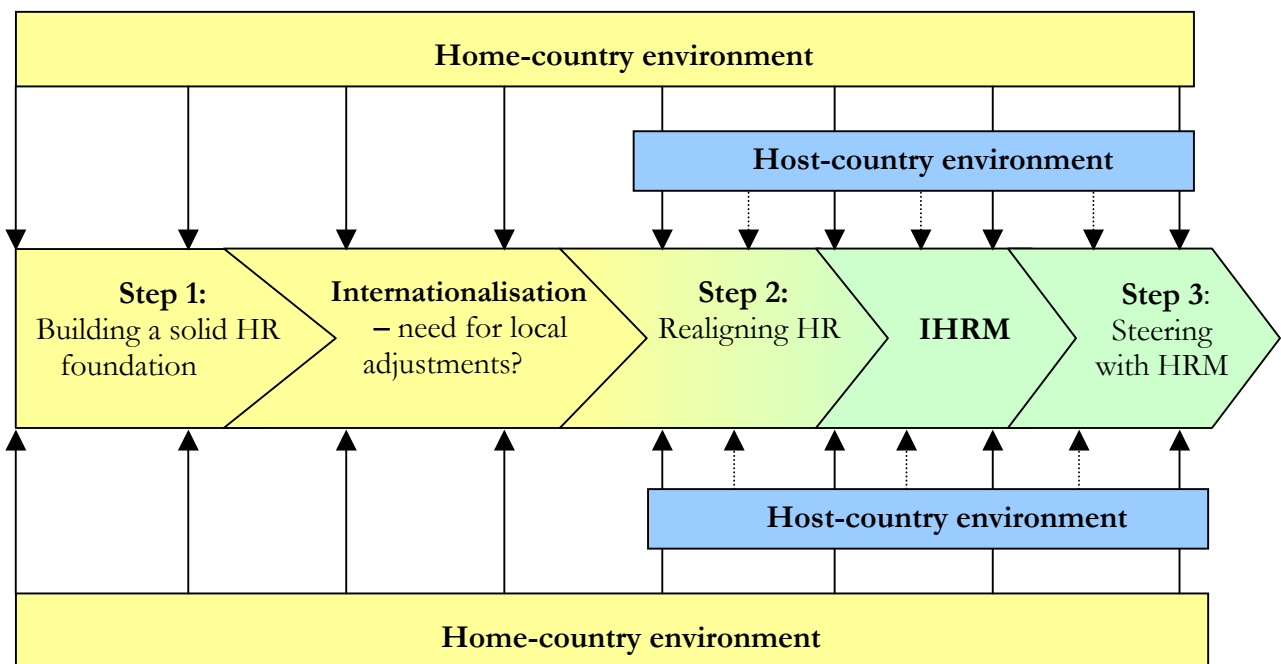
Source: Authors own

In accordance to the SIHRM framework, a firm's HR polices and practices in its international units is believed to be influenced by both endogenous as well as exogenous factors of the host country environment. These have thus been incorporated into step two and the issue of IHRM since this is where the international adjustments are said to be made. This further has an impact on the HR polices and practices being locally adapted or centralized run. However, a model is only a model and real life is a complex and delicate matter to deal with.

6.1 Step 1: The Builder

Evans et al. argue that if a company is to survive domestically and internationally a solid HR foundation needs to be built. This is said to lead to increased efficiency and enhance overall performance. Through our research, we argue that this hypothesis has further been strengthened. All respondents argued that having a solid HR foundation is vital for a firm's success. However, just building a solid foundation through establishing well-developed HR policies and practices are not enough, there also needs to be consistency between them. Consequently, Evans et al. argue that having internal fit is vital for a firm's performance.

Through our empirical findings, it was said that HRM first of all is about developing general HR policies and practices, and secondly about implementing a corporate culture in order to develop, motivate and transfer know-how. This corresponds to the theoretical argument that in order to achieve internal fit many successful companies have constructed HR coherence with an underlying theme or message visible to all employees. These themes or messages are often embodied in a management philosophy or value system, referred to as the corporate culture. We found this to be very interesting since we did not realize its importance within the area of HRM at the beginning of the thesis.

6.1.1 Internal fit and the importance of corporate culture

Through our empirical study it became evident that Ericsson and IKEA have set up well-developed HR systems where each HR policy and practices have clear guidelines and procedures. We have identified an internal fit among these polices and practices, in order to attract, retain, develop and motivate competences of its employees. In correlation to the theoretical arguments of step one, both corporate culture as well as reaching specific objectives, which can be considered main facilitators of this internal fit, where the HR policies and practices are tied together with common values and philosophies in order to fit a specific aim. This specific aim and the corporate culture within both IKEA and Ericsson can further be said to be based on long-term goals where the aim is to attract and retain people and thus make them grow together with the company.

Ericsson's corporate culture is about winning and all their philosophies and values are aimed at achieving this. Consequently, they argue that their values, policies and practices and guidelines are developed and exist solely in order to build a solid ground, thus become a winning company. In order to reach the objective with a long-term thinking, Ericsson aims to remain a knowledge-based company where the main priority is to find employees with the right competence. In order to succeed Ericsson has identified the word 'competence' as the main facilitator. Consequently, one can argue that finding the right 'competence' and develop those 'competencies' in order to be a 'knowledge-based company' is what guides and links these HR polices together, based on a long-term thinking.

Within the area of recruitment, Ericsson further states that they want to find the right people with the right competencies that fit the overall business strategy and hence be able to grow with the company. In order for this, they try to evaluate a candidate's future potential development against the need of the business, which shows good signs of long-term thinking.

Moreover, the new employees have to be able to work as team members towards the main objectives and be able to share the company values. They therefore need to fit and develop within the corporate culture of Ericsson, hence wanted behaviours in accordance with the values need to be motivated, evaluated and encouraged. This is mainly done through training and development and performance management.

Accordingly, as a knowledge-based company, Ericsson has identified the need to help its employees develop their competences in order to respond to the changing market demands. This is connected to the everyday work, where Ericsson wants its employees to learn new concepts and skills upon changing positions, seek and collect information, meet and co-operate with colleagues etc. Ericsson has thus invested a substantial amount of money in training and development, especially in China. In accordance with the theoretical argument of internal fit, if a company has invested a lot of money in development they also have to pay close attention to retention through feedback practices, compensation and attention to career management. During our empirical finding we clearly saw that Ericsson does this, as they have not only invested a lot of money in training and development, they also pay close attention to retention and career management. The career management mainly starts with the PD talks, in order to evaluate each employee's need of adequate training to develop his or her competencies in order to grow and become a long-term asset to the company. In correlation to this, Ericsson has identified the importance of Performance Management.

> "Ericsson is setting a clear direction for the future through a rolling planning and follow-up process to manage the organization's objectives, targets and goals in such a way that a common understanding is built throughout the organisation. To align the performance of each employee to the objectives of its organisation, each Ericsson Unit shall have a Performance Management process" (Ericsson 1 2003).

The statement shows that the Performance Management is in line with their specific aim of being a knowledge-based company, by wanting to build a common understanding throughout the organisation. One can thus argue that it reinforces the corporate culture since it aims to encourage and create wanted behaviours. Additionally, in order to reach a higher level of commitment and as a motivational factor, performance is evaluated and included in the compensation process. This corresponds to Evans et al.'s argument that objective-setting, appraisal and reward systems may contribute separately to performance, however when they are part of an overall performance management system they will contribute even more.

When looking at IKEA we see that they also have built a sold HR foundation. We would also like to argue that there is an internal fit among its HR polices based on IKEA's corporate culture and its objectives. It was argued that the corporate culture and what IKEA stands for runs through each HR activity, hence connects them in order to reach the main business objectives. This is based on the shared values and symbols that should be a part of an employees everyday work life. We would however like to argue that as an outsider the values and symbols are that many and represents everything IKEA stands for, which makes it hard to pinpoint to specific evidences that they are connected to the HR polices. However, the fact that they are 'everywhere' and that they are part of 'everything' that IKEA does make them constantly part of each HR policy and connects them in order to make the employees part of the IKEA culture.

A new employee is introduced to the corporate culture already in the first recruitment process, where IKEA's values are used as a selection criteria. This is due to the fact that IKEA argue that in order for their concepts and values to be worth anything, all co-workers have to subscribe to them, understand them and use them in their everyday working lives.

Furthermore, one can identify that internal fit is created through one specific word. IKEA uses the same word as Ericsson, i.e., 'competence', in order to reach its business goals. The right competence needs to be identified upon recruitment, developed and trained through *developing IKEA* and competence needs to be taken into consideration in the compensation and rewards system.

IKEA's main aim is to make its employees stay within IKEA, hence the employees should not look for jobs outside rather inside. As a result one can see that their HR policies and practices are internally linked in order to reach this specific aim. IKEA thus has developed its HR into three steps; *joining IKEA*, *developing in IKEA* and *mangling/leading IKEA,* hence created an internal fit among the HR policies. We argue that this is aimed at recruiting the right people and develop them in order to make them stay with IKEA, resulting in even more growth and hence long-term thinking.

This is also visible in the development cycle that IKEA has set up, which further enhances the internal fit among its HR activities. It begins with employment and an introduction package. After being introduced to the company there are continuous development talks, identification of training needs, coaching and further development. This is not only considered to result in IKEA reaching its business objectives, but also facilitate that the employees stays with the company. The compensation package is further aimed to attract, recruit and retain people in order to develop the business.

6.1.2   Lindex

Through our empirical findings and compared to Ericsson and IKEA, it became evident that Lindex currently does not have a solid HR foundation. Of course they have HR polices and practices, but there is no outspoken guideline on how these should be run or how they should be implemented and carried out. In accordance to the theoretical arguments of step one it can also be said that there is no solid HR foundation since these policies and practices are not internally linked in order to reach a specific goal such as long-term retention or development as in the case of IKEA and Ericsson. Neither do they have a clear corporate culture that brings the employees, polices and practices together under one common vision.

Additionally, we would like to argue that Lindex current HR system more corresponds to what traditionally have been known as Personnel Administration. This is due to our empirical findings pointing to the fact that line managers have not played a key role in HRM, neither has the corporate culture.

However, as Lindex has survived and been successful during the last couple of years, one can question the importance of having a solid HR foundation. Maybe it works fine for some companies since nothing is black or white? Maybe Lindex is good at other parts and therefore everything works anyway? However, the theory argues that there is evidence pointing to the fact that there is a clear link between a well-functioning HR foundation and business performance. Several studies also point to this, whilst others question the reliability. However, the fact remains that there have been data collected on this relationship and evidence have been established arguing that there is a link between increased business performances and having a good HR system. Moreover, our theoretical perspective does not say either or, rather that when a firm goes abroad it becomes more important to have a solid HR foundation. Schuler et al. also propose that it may become easier to unite and link the spread out local subsidiaries and units with well-defined HR polices and practices. Hence, if there are such evidences, why take the risk? The theory of internal fit argues that if consistency does not exits between the HR policies and practices, there may be lack of *single-employee consistency, consistency among employees temporarily consistency* leading to frustration and feelings of unfair treatment and low efficiency.

6.2 Step 2: Realigning HRM

In accordance to the second step, it is important that the HRM system is linked to the overall business strategy in order to ensure success. As a result, the system needs to change with the business strategy in order to facilitate and implement the new strategic goals of the firm. As strategic HRM also refers to the need of fit between the external business strategy, the external environment and the policies and practices of the HR strategy hence, HR needs to be realigned in order to meet

the new demands of a local environment, the workforce, the organization's culture etc. In correlation, Evans et al. also argue that managing the changing process, i.e., realign HR becomes more complex when firms move abroad and become international. Consequently, in order to increase a firm's performance, realignment, i.e., adjusting the HR polices and practices in order to suit the local market are essential. Thus, this result in the fact that when firms operate in China, their HR polices and practices needs to be adapted in order to fit the local environment and the local labour force.

6.2.1   Linking HR with strategy and achieving external fit

Firstly, looking at the issue of linking the HRM system to the overall business strategy, we would like to argue that both IKEA and Ericsson have done this. Ericsson believes that their HR function plays an important role in their overall business. Moreover, the top management of HR is part of the management group and hence plays a vital role in business strategies and objectives of Ericsson. As seen in our empirical findings, recruitment, performance management, training and development and compensation are all externally linked in order to meet the main objectives of Ericsson, i.e., to be a winning company. This is further seen in the fact that Ericsson wants all their HR professionals to drive the development of the Ericsson culture towards a culture that supports the strategic direction of the company.

Other evidence of Ericsson having understood the importance of HR, and its external strategic fit, is that as the overall strategy today is undergoing a change, so is HR. Consequently, as the HR function plays an important role in the overall business it needs to be transformed in order to respond to the strategic changes.

Furthermore, IKEA has also linked its HRM system with its overall business strategy, where HR today plays a crucial role. This is firstly visible in the fact that HR is one out of the three cornerstones of IKEA's main vision, *the Dream,* which guides the everyday thinking and business of IKEA globally. HR is further part of IKEA's new strategy; 10-jobs-in-10 years, where priority six and ten refer to HR, i.e., to attract, develop and inspire the staff and to keep the culture of IKEA a strong and long reality. Additionally, the new strategic outlook of IKEA has meant that they have identified a need to adapt its HR. Consequently, IKEA wants to move away from their old HR goals and thus have identified new ones. This shows that IKEA has understood that the HR system not only needs to be linked to the business strategy but also that its HR system needs to be realigned in order to facilitate changes of a new strategic focus.

6.2.2   Realigning HR to fit local markets

We would further like to argue that both IKEA and Ericsson have understood that the same policies and practices that are used in Sweden are neither applicable to China nor to other countries. The statement "Ericsson's way with local

adjustments" is a good example. Ericsson's local units are responsible for their HR function and where possible each unit should have their own HR manager. There is furthermore, a high degree of standardisation that leads the local units in the right direction, but the final HR practices are up to each local HR manager. Ericsson also has understood that the most important HR areas are training and development in order to retain its employees, hence more focus has been put on these issues. China Academy, initiated by the local China HR Department, shows that Ericsson has acknowledged the importance of training and development in China. This is probably due to their cultural awareness of China and its specific cultural heritage together with their long presence in China.

IKEA has also understood the importance of having a good local HR function when operating internationally, since only general guidelines are decided upon centrally. Hence, their HR is decentralised and the global HR Department only steers and works on strategies and concepts aimed at guiding the local HR Departments. This has resulted in a new focus, where local HR Departments now are being set up. Hence, there has been a move away from a pure personnel and administrative function that up until a few years ago was the only thing that was considered needed in Shanghai, China. However, IKEA is also described as rather standardised in its daily operations. This is probably due to the importance of IKEA's corporate culture and hence the need to transfer the values and philosophies to all local units and reach a feeling of IKEA as a big family.

6.2.3 Lindex

In correlation to our argument that Lindex does not have a solid HR foundation that is internally linked, we also found no evidence that their HR policies and practices are linked to its overall strategy. As can be seen in Figure 14 in section 5.1, a HR perspective is not included in the cornerstones of Lindex's strategy, which differs from Ericsson and IKEA.

We do however argue that Lindex has understood the importance of realigning its HR in order to fit its new strategic objectives. Lindex changed its business strategy two years ago, a change that still is being implemented. As a result, Lindex is currently changing its HR system in order to be able to meet the demands of its new business strategies. Hence they are moving away from having a personnel and administrative function towards establishing a HR perspective. This can be seen through that a new HR manager has been employed at the Headquarter in Gothenburg and HR has become part of the overall management board. Thus, we argue that on a corporate level Lindex is in step two, i.e., realigning its HR system. However, as they currently are building a solid HR foundation they are also still in step one.

Since Lindex currently does not have a proper HR foundation, its HR policies and practices cannot be adjusted to suit local conditions. Instead, it is up to each local unit to do what they feel is most suitable for its operation. Consequently, we argue

that Lindex does adjust its policies and practices in order to suit the local conditions in which it operates. However, as a solid HR foundation does not yet exist, nor have we found that the current "HR" polices and practices are linked to the business strategy, one may question the effectiveness and suitability of these practices on the Chinese environment. One may question the effectiveness, as Lindex does not have a local HR manager that has identified the needs of the local staff, rather that 'HR issues' are handled as they occur. We further argue that it is important to have a clear business focus and customer focus, but not forget the people behind it. Maybe Lindex therefore should include their human resources in their model, presented in Figure 14, just like IKEA has done?

When comparing the three case companies, one can see that Ericsson and IKEA have come much further within the area of HRM. However, it is important to note that Lindex may not have the same resources and capabilities as IKEA and Ericsson, being a smaller company. Furthermore, as both IKEA and Ericsson have realigned their HR policies and practices in order to fit the local markets in which they operate, it can be argued that they are in accordance to Schuler et al's argument that MNCs with more experience will be more likely to be effective in operating in a more complex HR structure than MNCs with less experience. Therefore, MNCs with limited experience in managing international operations will be less likely to change their international HR polices and practices in order to suit the local or regional demands. The latter more corresponds to Lindex rather than to IKEA and Ericsson. Hence, it may not be such a surprise that Lindex lacks a well-developed and functioning HR system, since they do not have as long experience of international operations as IKEA and Ericsson. It may therefore not be such a surprise that Lindex not yet has developed a well-functioning HR system for its international units. However, it should be noted that they have had operations in Hong Kong for about ten years.

6.2.4   The international orientation of the firm

In correlation to the above discussion of step two, having a solid HR foundation may become increasingly important as a firm to a greater extent establishes itself abroad. Accordingly, Schuler et al.'s argument that endogenous factors influence a firm's IHRM activities corresponds to the structure of Ericsson and IKEA's worldwide operations. Both can be said to be more multinational in their structure than global. This is due to the fact that they are building flexibility to respond to national differences through strong resources. Furthermore, their configuration of assets and capabilities are decentralised and rather self-sufficient. Hence, they put more focus on developing practices suitable for different local environments and staff the local operations with local nationals. Evidence can also be seen in their set up of local HR functions, aimed at adapting HR polices and practices to the local host country environment.

In correlation to this, we would further like to argue that Schuler et. al.'s argument that *MNEs with a multinational structure will be concerned with IHRM issues that primarily focus on the selection of managers who can operate units with sensitivity to local conditions under autonomous direction,* is not completely true. This is due to the fact that, a local HR manager does not work under completely autonomous directions, since both Ericsson and IKEA do have global guidelines that the local units need to follow. Both companies keep expatriates on key positions to ensure knowledge transfer, security and a consistent corporate culture, which further points to them having a multinational structure. On the other hand, Ericsson can be said to aim for a global structure, where they increasingly want to identify global competencies, hence are drawing up centralized guidelines.

Conversely, Lindex can be said to be rather international as their core competencies are centralized while others are decentralized. Additionally, Lindex has mainly added their purchasing units in order to manage their international operations and, up until today, not many HR issues have occurred that not could have been handled by one of the expatriates. However, with regards to HR issues in the international structure there are usually only moderate considerations of the local environment and local commitments are normally minimal. We argue that this is not true for Lindex as they do adjust their HR policies and practices in order to meet the demands of the local market. Furthermore, as their units are relatively decentralized and self-sufficient, we argue that they are moving more towards having a multinational structure. However since their HR polices and practices do not have an internal or an external fit it may become increasingly important that as a multinational company, they put more focus on selecting a HR manager that can make sure that proper local adjustments are made. However, prior to that building a solid HR foundation at the Headquarter is essential. With regards to being either an international or a multinational company, it is important to note that Lindex does not have the same amount of international units as IKEA and Ericsson. Lindex is also a purely buying company in China whereas Ericsson and IKEA also are selling companies.

As Lindex grows and moves towards having a multinational structure, we argue that general guidelines would ease the path and lead to greater consistency, enforce the corporate culture, and thereof create an enhanced feeling of togetherness. This can be said to be especially important since there are already tendencies of a 'we' and 'them' feeling between the Headquarter and the local units. It was also mentioned that the team spirit need to be strengthened in order to make everyone feel part of the Lindex team, hence work towards a common goal.

However, as neither the introduction video to new employees throughout the world are given in English, nor the Intranet being in English, one may question if there even is an international structure at Lindex or at least a fully developed one? A first step would be to change the intranet and the introduction video to an English version. It is impossible to become a multinational or an international

company if one cannot reach an international feeling internally i.e., have English as a company language. Today, the local employees at the Shanghai office cannot read the information on the intranet, which prevent a clear flow of communication and transfer of information. It can also be said to make the transfer of corporate culture harder and less effective.

6.3 IHRM Policies and Practices in China

According to our analysis of step two, we argue that it is important that when a firm becomes international it is vital that it realigns its HR system in order to fit the local markets. This needs to be done in accordance with the theory of strategic HRM, where a firm's HRM system needs to be externally linked to the environment in which it operates. The question then arises as to what environmental issues differentiates the markets that are so important that the HR polices and practices needs to be adjusted? When looking at China, and Shanghai in particular, we argue that both Ericsson and IKEA have adjusted their HR polices and practices. The question then is what main cultural issues have led them to adapt their HR polices and practices and how they have done this?

6.3.1   The local environment of Shanghai

We would like to argue that China is an interesting country where Shanghai is one of the most advanced cities, which has to be taken into consideration, since China is a large country and major differences exist within its borders. As we only focus on Shanghai we need to underline that probably the most sophisticated and well-educated employees are the ones looking for jobs there, which is an advantage for Swedish MNCs. If another area in China had been looked at, the result would probably have turned out slightly different.

Furthermore, as more MNCs keep coming to China and especially to Shanghai, more western influences are becoming integrated in the society, where HRM is only one part. Since HR is a new function in China, there is a lack of capable staff within this area. However, China is moving increasingly fast and it will probably not take long before this function is well-established in the developed cities on the east coast. Hence, since HR may lead to a competitive advantage, MNCs need to carefully consider the area of HRM in order to stay ahead of the state-owned companies in the Shanghai area. Furthermore, in order to gain a competitive advantage it is essential that MNCs use their human capabilities in the best way possible.

Localization was argued to be the latest buzzword in China, hence many foreign companies are today moving away from only having expatriates, and instead, hire local staff. Due to an increase in labour skills in Shanghai it was also said to be easier to find potential candidates today than five years ago. Still, it is important to consider that what is true for Shanghai may not be true for all parts of China. This

emphasises the importance of having a good pre-understanding of the national culture and the differences between regions i.e., cross cultural training.

Upon the employment of local managers and employees, western firms need to adjust their HR policies and practices in order to fit the external environment, due to cultural, political and economic history. Accordingly, a company first has to understand the differences that exist between China and Sweden in order to adapt its HR policies and practices to the local Chinese environment. We have identified through the classification made by Hofstede that the most important issues for a Swedish manager with local Chinese subordinates to understand are power distance, long-term orientation and collectivism. It is also important to note the strong presence of the Communist Party, where Chairman Mao still influences the society. One example of this is the enormous statue of him upon entering the Fudan University area, which speaks its own language - he is still looking over his people.

China, different from Sweden, ranks high on power distance, meaning that within organisations there is a great distance between managers and subordinates. Firstly, this has resulted in that subordinates are used to do things on order, consequently initiative taking has never been emphasised or encouraged. Secondly, it has resulted in a large communication gap, where information mainly goes one way, hence subordinates are not used to going to their bosses and telling them when something is wrong or if they disagree. This is a big difference from Sweden where the power distance is low, hence everything is communicated, and generally speaking, people speak up when something is wrong or when they disagree. The consensus style can therefore be argued to not work very well in China, something that was further identified in our empirical findings. Clear guidelines and open communication is therefore needed, as well as an understanding of why these differences exist.

China further ranks very high on long-term orientation whereas Sweden ranks low. This has resulted in that the values of Confucianism still are present among the Chinese people. Despite much influence from the West, this is also applicable to the younger generation. Hence, hierarchy and traditional values such as saving face are still part of every day life and hence the business life. This may further lead to difficulties for Swedish managers to apply a consensus-working environment, where everyone should come to a solution together since the Chinese subordinates will not say what he or she thinks or when a task has not been understood. In order to overcome this, training and coaching might be a perfect solution, hence trust must be created.

When it comes to collectivism versus individualism, there is a big difference between China and Sweden as well. Sweden, according to Hofstede, is rather individualistic, whereas China ranks high on collectivism. This has thus resulted in Chinese people from birth, being close and committed to a member group, i.e., a

family, extended family, or extended relationships. As a result, loyalty is believed to be dominant within these groups. According to our empirical findings, in China this group usually is the family, hence it was argued in correlation to Hofstede's definition that a Chinese only feels loyalty to their immediate family. Therefore, there can never be loyalty to a company that is not run by the family. As a result of this a western company has to be creative and focus a lot on retention since the lack of loyalty has led to difficulties in retaining local employees. The issue of retention was also the one word that each respondent kept coming back to when discussing local employees. Due to the current situation in the labour market in Shanghai, people with an international background, adequate language skills and a good education do not have any problems in finding jobs. It is thus of uttermost importance that a company encourage and motivate its employees to stay with the company. Consequently, there are not only problems in finding the right person for the right job, there is also the issue of keeping competence. However, we argue that the loyalty and retention issues have, to some extent, changed since several respondents said that more Chinese people today want to show on their CV that they have been loyal to a company for a longer period of time. Still, the students that we spoke to, emphasised that after being at a MNC they wanted to return to a Chinese company and contribute to China's development. Either this is exactly what they are educated to say as they do not have any experience of MNCs yet, or it is further evidence of the disloyalty discussed above. This controversy highlights the complexity involved in making stereotypes when discussing a specific culture. We are all different, and the people in Shanghai that we met were more individualistic than we thought, which underlines that assumptions are hard to make. We therefore argue that the new generation might be easier to work with, and easier can adapt to the Swedish consensus style, and be a good target for MNCs in Shanghai, China.

In an individualistic society such as Sweden, people tend to look after themselves. However, different from a collectivistic society people can easier gain loyalty towards non-family members, and may feel loyalty both to the in-group and the out-group. Sweden was also said to be somewhat collectivistic as they seek collective support for their opinions, hence consensus approach.

The mentioned differences are bound to lead to difficulties if one is not aware of them. Even though we are all humans, we have different roots that strongly influence our behaviour. We argue that even though China and its modern cities are exposed to foreign influences and global powers, it will take years and perhaps centuries to change the deeply rooted traditions and norms. One may also question the appropriateness of Western norms and values. Therefore, foreign companies have to adapt to the custom in order to be active and successful on the Chinese playground where Taoism, Confucianism, guanxi and saving face are visible within all generations in the society.

However, it is important to note that the differences do not imply that local Chinese employees will perform poorly, rather that more focus on training and coaching are needed in order to guide them in the right direction i.e., adjust the company to the local environment. As a result, companies need to have expatriates that are good at coaching and introduce a mentorship as well as having an excellent understanding of the cultural differences. They should also have a willingness to learn new cultures and be sensitive to these differences. Consequently, HR policies and practices need to be set up in order to facilitate this, i.e., cross-cultural training and performance management together with a focus on long-term planning and well-defined career paths where training and development play important roles.

Despite this, it was mentioned that western companies, including Swedish ones, are rather poor at HR. Many smaller Swedish firms entering China believe that they can operate its HR and overall business in the same way as they do in Sweden. However, since national differences do exist between Sweden and China this is impossible. One cannot do as has previously been done in Sweden, instead each market and its significant features have to be understood. Consequently, it is vital for a firm to realign the HR system when going to China if it wants to succeed.

6.3.2   Recruitment and Selection

In the theoretical framework, it was argued that hiring and placing the right people in the right place is vital for a firm's success and will lead to a competitive advantage. In correlation, our empirical findings showed that it is necessary for western companies to focus on recruitment and selection in China since they need to have a pool of talented local personnel in order to survive. "Recruitment is everything, where finding the right person is essential" (Rojens 2003). It was also argued that in order to recruit the right person there needs to be a clear understanding of the business needs, and thereafter find the people that will fit these needs.

6.3.2.1   Expatriates versus host-country nationals

Previously, western firms mainly have used expatriates in order to ensure the transfer of know-how and the corporate culture, but also due to the lack of adequate skills in China. However, in correlation to the identified disadvantages of PCNs, i.e., cost issues and the need to know the local market have led to that companies today focus more on localization. In order to send the main portion of the expatriates home, experienced and skilful local managers need to be identified. These arguments correspond to the way Ericsson and IKEA operate, where both are on a path to localisation.

The students we met emphasized localisation as the most important thing for a MNC in order to be successful in China. Their answer is probably what they have been educated to say. Yet, one thing is arguably sure, and that is that more

companies focus on employing local staff and only have expatriates on key positions since the competitive forces in the world puts higher pressure on cost issues and demands efficiency. It may also be a result of companies aiming to be part of the continuous global learning.

This opens up for a whole new dimension and area of importance concerning HRM. It is always important to have a well-developed HRM in order to bring the best out of the employees, but maybe a more structured thinking concerning the area is needed when the workforce consists of diversity. One needs to have in mind that deep down, HRM is nothing more than pure leadership. Without a good leader, it is deemed to fail. Therefore, for many MNCs, a heavy workload and responsibility falls on the expatriate that needs to have good leadership abilities and be open minded for new cultures. Hence, it requires that it already exists at a corporate level. China is probably not the easiest country to be sent to, but wherever we go, we are all humans and deserve to be treated with respect. Therefore, we need to look deeper and sweep away all pre-made assumptions.

As there still is a lack of skilled local employees in China, especially within the area of HR, both IKEA and Ericsson pursue general staffing policies that are more ethnocentric as well as geocentric when it comes to key management positions. Ericsson can be argued to be more geocentric, hence wants to have the most suitable candidate for the job, irrespective of nationality. This is due to the fact that they have a lot of global managers and the goal to have the same competences worldwide. Consequently, they attempt to minimize adaptations to local environments, and thus identify global competence requirements when it comes to key managers.

Ericsson also shows signs of ethnocentricity since they argue for the need to have expatriates on key positions. This is in correlation to Schuler et al that argue that an expatriate is needed as means of control and co-ordination. It is important that he or she has the ability to transfer corporate know-how, corporate culture and facilitate learning as they are said to be the link between the Headquarter and the local units. During our research it was argued that many expatriates do not possess the ability to teach, which prevent localization. Consequently, many scholars argue for the importance to choose the right expatriates in order to transfer corporate culture, organizational know-how and home-country orientation. Still, we believe that more efforts need to be put on this area, especially when selecting expatriates and prepare them with cross-cultural training, since we argue that companies in general lack within this area and instead choose to put money on other things.

It can be argued that IKEA also is ethnocentric due to the fact that many of their strategic decisions are made at the headquarter and key jobs are held by PCNs, so called TEs, which we believe is a result of the HR goal to recruit 100 per cent internally, if possible. However, we would like to argue that this is more because of the importance of transferring IKEA's corporate culture to its local units.

Consequently, IKEA emphasises its expatriates to be good role models and able to transfer the corporate culture to the local employees. They have in their leadership description a goal to develop local managers and being good IKEA ambassadors. Consequently, they support having local employees but feel that it is somewhat hard since they have to represent and transfer what IKEA stands for. On the other hand, IKEA also wants to employ the most suitable candidate irrespectively of nationality and highlight diversity.

6.3.2.2 The recruitment of host-country nationals

Recruiting local employees can be a difficult process. Companies need to pay careful attention to the recruitment process and maybe take help from professionals. It was argued that recruitment can take a very long time and it is important to not hassle through the process. Many problems exist where the English syndrome was just said to be one out of many. It can also be argued that poor language skills should not be seen as an obstacle since it is easier to teach a person English, than it is to teach him or her the technical skills that are needed.

A western company cannot just focus on the needed skills. People that previously have worked in state-owned companies in Shanghai may possess these skills. Nevertheless, they need to be trained in order fit into the thinking and corporate culture of western firms. Therefore, working experience in international companies should be prioritised, which the companies investigated also emphasise.

Furthermore, through our empirical investigation, we found that as the generation gaps in China are big, they need to be taken in to consideration. Preferable a company should choose a person from the youngest generation, since they do not have a "luggage". Neither do they have a history of hardship as their parents and are therefore more open. This generation furthermore is extremely hungry for change and have a surge to learn that perhaps does not exist in any other country. Consequently, it was argued that companies could turn this generation into whatever they want. However, companies need to clearly specify wanted behaviours, goals and thinking. "If you are not clear, they will turn out to be whatever they want - to make money without any rules" (Tham 2003). This generation was further said to be much more open to the western society due to Internet and other external influences.

However, on one part we disagree with the theory, since our empirical findings point to the fact that in China and Shanghai returnees are not well-looked upon. Even though being an ethnic Chinese, he or she lacks the Chinese tradition after having lived abroad and demands too much money in salary. Therefore, many companies prefer an expatriate or a local Chinese instead, whereas the theory states that recently, there has been an increase in hiring returnees as well as being a good option.

One can further see that within IKEA and Ericsson, recruitment and selection is considered vital. Both companies have well-structured recruitment and selection processes, where the line managers as well as the HR managers are involved. Resource planning is furthermore seen as a key element within the overall business strategy of Ericsson and its long-term competence planning process. The main objective is to make sure that the company has and will have the right person with the right competence at the right place. This objective is set up in order to ensure that the organisation meets the future challenges that are set out in the business plan. Furthermore, their general recruitment guideline/philosophy states that Ericsson views people as their most valuable resource where each recruitment is a vital investment for their future success. Moreover, Ericsson tries to evaluate the candidate's future potential development against the demands of the future, which indicates long term and strategic thinking within the area of HR.

IKEA also argue for the importance to always recruit the ones with potential to grow with the company. This was said to be especially important since they want all its employees, if possible, to remain with IKEA for their whole working life. In order to further enhance the corporate culture and the Swedish culture, each employee is sent to Småland, Sweden, which we consider a perfect way to transfer the corporate feeling globally across various units, even though expensive. This can also lead to a form of indoctrination where IKEA is successful in making all feel part of the IKEA family and reach a feeling of "once there, you never want to leave".

By this, we argue that IKEA and Ericsson do not just want to fill vacant positions, they also look at the future needs of the business. Consequently, through the empirical findings we see the importance in asking the questions of: *Have the identified candidates the right competence for the job and do these candidates have the potential to be trained and developed in order to grow with the company and thus become critical assets to the long-term success?*

When it comes to recruitment techniques, all companies apply the same: advertising in newspapers, the Internet or headhunting firms. Ericsson also recruited university graduates, something that IKEA have started to think about. All furthermore required university studies, adequate language skills as well as past work experience in a western firm.

Upon the employment of a new employee, Ericsson and IKEA have well-defined introduction procedures. Both companies also have set guidelines that need to be followed in order to make a new employee feel welcomed and motivated. "A motivated and eager employee can easily be turned into a demotivated and non-contributing one, if their introduction is badly handled" (Ericsson 3 2003). Furthermore, Ericsson has introduction days, where the new employees are introduced more thoroughly to the company; its business strategies, culture, goals and visions. There are also follow-up talks in order to make sure that the new em-

ployee enjoys its new job. IKEA's introduction is furthermore considered to be part of an of an overall performance management cycle.

6.3.2.3 Lindex

One may argue that Lindex has a general staffing policy that is both ethnocentric and geocentric. This is due to the fact that they to some extent prefer to have a Swedish or a global office manger since it will result in more control, corporate influences and security within the local units. However, as they do not have an outspoken policy with regards to preferred nationality one can, in accordance with the theoretical framework, argue that different from IKEA and Ericsson, Lindex has a general staffing policy that is polycentric. This since there is no centralized decided recruitment and selection policies or guidelines to follow. Furthermore, each local unit is more or less run independently where it is up to the office manager to decide whom to recruit and why he or she needs to be recruited. It is also up to the local managers to identify their own candidate qualifications where the only requirement Lindex has upon recruitment is that they find the right person for the job, which in some markets probably are easier said than done, and therefore might require help from professionals who know the market.

Pursuing a polycentric staffing policy has both its advantages as well as its disadvantages, where one of the main disadvantages is that the headquarters may be isolated from the local units. Hence, it may lead to that the local units will slip further away from control and strategic objectives of the headquarters. This can be argued to already to some extent have happened at Lindex where one of the local units today has identified its own office values and culture. A consequence may be that the communication between the purchasers and the merchandisers will be increasingly difficult, and the link between the headquarters and the local units disrupted. This will thus affect the overall efficiency of the company and hence in the end it will be the internal organisation that suffers. This can also be seen since some of the staff at the Shanghai office today think that the communication between them and the Headquarter can be improved. This may also be seen as vital since it is important that the local merchandisers at the Shanghai office, and the other purchasing offices share the same values and understand what Lindex stands for in order for them to understand what kind of clothes the Scandinavian woman wants, even though fashion is a global phenomenon. This is also important since they are the ones choosing the quality of the fabric etc.

Furthermore, if people have not been hired based on common traits or competences, or in order to meet the long-term objectives of the firm, co-ordination, control and efficiency problems may increase. Both IKEA and Ericsson argue for the importance of their new employees being able to identify with their corporate culture, hence the values that it stands for as well as wanted behaviour. Since Lindex today have not yet identified their values or wanted behaviours, they will

not be able to find people that correspond to the strategic needs of the company. Neither will they be able to communicate wanted behaviour, hence their employees may feel free to do what they think is best for the company or not be able to identify with the company. As a result, loyalty may become even harder to achieve. Therefore, different from IKEA and Ericsson, Lindex may in the long-run encounter problems of co-ordination and control as well as the transfer of their corporate culture and know-how.

It was further argued for the importance to not demotivate new employees, something that Lindex needs to consider as they seem to lack a proper introduction guideline, or even someone that has the time to sit down with the new employees and introduce them to the company thoroughly, which may demotivate a new employee upon the beginning of his or her career. Furthermore, compared to IKEA and Ericsson, there seems to be no outspoken plan on how to look at the long-term perspectives of each candidate.

Lindex, as IKEA and Ericsson has a university requirement upon employment in order to ensure a sufficient level of knowledge. The only exception was Mrs. Cao, who worked at the Lindex reception and handled the personnel administration. The question is why this position was an exception from the University requirements?

6.3.3 Training and Development

In our theoretical framework it was mentioned that the issue of training and development is vital for the continued success of a company. Although, training employees will learn new skills, gain more know-how etc., especially in China since both educational differences and traditional differences have lowered the level of skills. Effective utilisation of training and development of skills are thus essential to enhance a firm's efficiency, mainly since it makes the organisation attractive to potential recruits, and is likely to encourage employee commitment and reduce staff turnover as well as encourage motivation and job performance since employees can see some movement and progress in their work.

In correlation to the analysis of the Chinese national culture, we believe that besides gaining technical know-how, training and development are vital in China for two reasons. *Firstly*, in order to motivate and hence retain its local personal, *secondly*, to increase knowledge and skills together with cross-cultural awareness. Without proper internal training where HR is handled in a good way, we argue that a company is deemed to fail, since the complexity of an international workforce demands guidelines in some way or another.

6.3.3.1 Training and development as a motivational factor

Many western companies loose people today because they are not given good growth opportunities. It is therefore, important to focus on training and

development. Many Chinese that we spoke to believed that training and development was a bigger motivational factor than salary. "They want to learn and earn later" (Fan 2003). This however, differs from individual to individual, but the fact remains that training and development is seen as a great motivational factor. Since the younger generation in China are so eager to learn and develop, this can be argued as even more important. Hence, if a company does not offer well-planned training and development it may have a hard time to retain its local employees.

Both Ericsson and IKEA have acknowledged this and invested a lot of money in training and development in China. We thus argue that training should not be anything one should need to ask for. In addition, individualistic thinking is increasing among the population of Shanghai, which may lead to higher pressure on training and development in order to stay competitive.

Ericsson has identified the importance of training and development since it does not only lead to competent and skilled personnel, but also is a good incentive for keeping people within the organisation. Hence, a lot of resources are invested in a complete training system offered to all employees worldwide. "It is important to motivate the Chinese employees in order to retain them and training and development is a good way to do this" (Lee 2003, Ask 2003, Ma 2003). China Academy can be seen as a result of this, which offer training for both customers and key personnel. It provides the staff with "high-quality and innovative training services and competence development programs", which we consider is a perfect strategy (Ericsson 3 2003).

Ericsson also has continuous PD-talks with its employees in order to identify training needs and development possibilities, where the objects are to broaden the scope of the employee's work, gain feedback on his or her performance as well as develop work plans for the coming year. By this, Ericsson shows their aim to think, develop and motivate its employees on a long-term basis, which is argued to emphasise retention and is in line with what the theory brings up regarding training and development.

In correlation to the issue of localisation we would further like to emphasise that investments in training and development is important. Upon Ericsson's establishment in China, they invested plenty in cross-cultural training, trying to ease the cultural clashes between the western way of thinking and the eastern way of thinking. Today, they believe that they have come over the bridge and cross-cultural issues are not seen as obstacles anymore. Hence, more and more expatriates today are being replaced with local managers and cross-cultural training is no longer the same hot topic. Still, we argue that it can be a mistake cut down on cross-cultural training, since China and Shanghai are changing rapidly. Hence, cross-cultural training can never be looked upon as unnecessary, all training is good training and one can never receive too much, especially not in the rapidly changing world we live in today.

IKEA focus on training and development as a form of growth, and to gain knowledge. In order to retain its co-workers and attract new potentials focus is put on training and development since they are not able to compete on salary levels. IKEA has thus put more effort on having adequate introduction programmes, to support everyday learning through development activities, to spread knowledge and use best practice wherever possible and to engage managers in competence development activities. Furthermore, they focus on continuous learning and development and to learn how to learn. The set up of SML is a good evidence of this, where the focus is put on the employees' own ability, with the help of their mangers, to identify their own training and development needs and capabilities. A further evidence of the importance of training within IKEA is the set up of the Purchase Development Centre. Hence, the corporate purchasing unit has its own development centre which aim is to only focus on the issues of development and training.

Additionally, IKEA has, just like Ericsson a well-structured development process, where the development cycle is said to facilitate continuous training and development needs in order to make sure that the employees stays within IKEA, and hence does not look for jobs outside the company.

We think that for such a big company to function smoothly there needs to be parts that are planned centrally since they otherwise can be forgotten locally. Clear communication is however necessary between the Headquarter and the local units in order for this to work out well. Both IKEA and Ericsson have thus identified the needs to have some central guidelines in order to reach the overall objectives of the companies. However, local adjustments to the Chinese markets are needed in order to motivate and retain the Chinese employees.

6.3.3.2 Training and development in order to ease cultural clashes

Training and development is not only important in order to motivate and retain people. It is also vital to help a Chinese understand the western way of thinking and behaving. In our analysis of the differences between Sweden and China it became clear that many differences exist. Due to western influences in China and especially in Shanghai, these differences may decrease in the future, but until then considerations and actions have to be taken to make the best out of the differences internally and strengthen the company externally.

Hence, the way Swedish managers choose to lead the company with a consensus style of leadership may not be optimal. It is a nice way of behaving, where everyone is involved and no one is pushed around or told what do. The question is if this is applicable in China? It is a democratic way of acting, claimed to lead to happiness among all involved, but many of the respondents argued that it does not work in China.

Consequently, if a company wants its local Chinese people to think and behave in accordance with the western way of doing things, they need to learn, develop and be encouraged towards that goal. The best way to show a local employee what is right and wrong is through training. Using a mentor or coach is also said to be a good way of increasing this knowledge. Furthermore, we argue that it is important that Swedish companies show the younger Chinese generation how to do and behave correctly. Once again, the role of the leader can be emphasised where proper guidelines are needed. This corresponds with the student's view where they expressed a deep willingness to adapt and learn the western management style. Additionally, it opens up for many opportunities for western firms in China.

In order to further enhance the cross-cultural awareness, we argue that both Ericsson and IKEA have identified the need for cross-cultural training for its employees. Ericsson has invested a lot of money in training and development, in order for the local personnel to understand how Ericsson works. This has resulted in that Ericsson no longer sees cross-cultural issues as an obstacle. However, as differences do exist we question if efficiency and cultural understanding is reached among new employees.

IKEA also has cross-cultural training, where for example the expatriates and their wives sit down with the Chinese employees and learn about each other. Still respondents from both companies argue that cross-cultural training for expatriates can be improved. Hence, it was argued that expatriates might not receive as much training in the Chinese culture as they may need prior or during their stay in China. One however has to consider the question if a sufficient level of training can ever be reached? This clearly shows that both companies have considered the importance of cross-cultural training in order to ease the cultural differences that exits. However, as IKEA has chosen to emphasise their corporate culture in all areas it can make their journey shorter since the employees, although different cultural heritage, are part of the same IKEA family.

It was further argued that the faster a company can train its local middle managers, the faster expatriates can be sent home, which is cheaper and brings with it advantages in language and market skills. This is supported by the fact that Ericsson today is able to send many of its expatriates home due to competent local employees. This is probably a result of the heavy emphasises they have put on training and development as well as their cost-cutting approach. Consequently, despite the fact that training and development may cost a lot of money, there will be a positive pay off in the future. It is however, not only important to teach the local Chinese people how the western people think, it is just as vital that the western expatriates learn why the Chinese people behave and think in the way they do. This will lead to less confusion, misunderstandings and create a more harmonized working environment, which in turn will facilitate the company reaching its overall business goals.

Firms need to think long-term, and not just on what resources are needed today, but also what might be needed in the future. It is important to have a backup plan if an employee decides to leave, hence make sure that the company is not disrupted and disabled when key personnel leaves. This was said to be especially important in China due to the problem of loyalty among local Chinese employees. Both IKEA and Ericsson have acknowledged this and argue for the importance of succession planning. Hence, within Ericsson, succession planning is considered an important part in the long-term staffing planning process as well as within IKEA.

6.3.3.3 Lindex

Comparing Lindex with Ericsson and IKEA, one may argue that they have a long way to go when it comes to training and development. Today, policies and practices with regards to training are mainly aimed at store managers, regional managers and managers at the Headquarter and employees at Twilfit. One may, therefore, argue that Lindex to some extent seems to have forgotten to incorporate the purchasing offices worldwide since a general guideline on training and development for the different purchasing offices does not seem to exit. However, Lindex was said to be supportive when it came to training and development, but it was up to each employee to ask for it. Furthermore, it was said that employees at a high position have to take care of their own development and training.

This can be a dangerous way of thinking, especially in China where due to cultural traits, the employees may not ask for things. Lindex, however, argued that they know that training and development are big motivational factors, perhaps more than salary. Still it was argued that the level of training could be improved especially within the area of merchandising. Other employees also mentioned that more training would be nice and emphasised a willingness to come to Sweden, which further shows signs of their eager to learn and experience new things, which should be taken care of, especially if they are considered good for the company and have future potentials.

Since it was argued that if Chinese people are not guided properly they will do whatever they think is best for their own individual benefit, this becomes even more important. We therefore, argue that a strong corporate culture and a structured training program can ease the cultural differences that may appear.

Consequently, it was found that training and development in China are important factors when it comes to motivating the employees and retain them. In addition, it was identified by our theoretical research that training and development was important in order to make the company attractive to potential recruits. Lindex may in the future have a hard time to recruit skilled personnel if the labour market becomes more intense, since companies with well-developed training and development plans may attract the main portion of highly skilled employees. Yet, with the implementation of Lindex Academy, we argue that Lindex is on the right track

and will improve within this area in the future. The only question is if the lower level of managers will also be included in these kind of training and development programs.

The second identified important aspect of training and development in China was the issue of cross-cultural differences. Today, Lindex does not have any general guidelines or instructions from the Headquarter on how to manage cross-cultural issues. Instead, it is up to each individual office to handle the cultural issues that may arise. Despite the fact that the Shanghai office today can be argued to be quite successful in diminishing the gap between local Chinese employees, and standards of Sweden, this may become increasingly difficult if the office grows. In an office consisting of only 25 people it was argued to be rather easy to keep track of people, have open discussions and notice problems, hence handle HR areas. However, as the office grows this may become harder, hence more outspoken plans on how to deal with cultural issues may be needed in the future.

It is also important to note that as there is an identified importance of knowing and understanding the Chinese culture among expatriates, thus cross-cultural training for expatriates is therefore needed. Today, none of the expatriates at Lindex that we spoke to had received any cross-cultural training upon their transfer to China. Most of the cultural knowledge regarding Asia and China can therefore be argued to lay with the regional office manager who has lived and worked there during the last ten years. However, he cannot be at each of the Asian purchasing offices at the same time. Consequently, one may argue that the expatriates that only have lived in Asia or China for a short period time may need to receive training in order to understand the way the local Chinese employees think and behave.

In correlation, we argue that succession planning is an important factor to consider within Lindex, since we have seen no signs of this. Even though no one is irreplaceable, the process can proceed smoother if succession planning is applied and disruption can be avoided. It also makes the company less vulnerable since one may ask what happens today if key personnel in Shanghai disappears? It was also brought to our attention that succession planning could create a hostile work environment if focus is put on a few candidates. However, Ericsson does not have individual succession planning, more team thinking, which can be argued as a proper way to look upon it since it is more fair.

Furthermore, after our visit to China we argue that there might be bigger differences between Gothenburg and Shanghai than vice versa. This indicates that training might be needed globally to erase differences, increase communication skills and enhance a feeling of togetherness. We would like to argue that this does not have to cost that much. Simply, using the phone instead of sending an e-mail may diminish some cultural clashes and shorten the distance.

6.3.4   Performance Management

Theories on Performance Management argues that it concerns "…the process of identifying, observing, measuring and developing human performance in organizations". Additionally, it was believed that it is a vital part of HRM systems.

Due to the cultural differences that have been identified between Sweden and China, one can argue that Performance management, in accordance with the above definition, is vital in China. This is due to the fact that it can lead to motivation and retention. Today, we argue, that a Chinese person is much more individualistic in his or her career thinking than ten years ago. All respondents also argued that Chinese people in Shanghai want to climb the career ladder fast. Consequently, if a proper performance management system is not set up that identifies and evaluates an employee's performance and rewards good behaviour in the form of training and development as well as compensation, a company may have a hard time attracting and retaining the best employees. Furthermore, having a proper Performance Management System that evaluates individual performance as well as team performance, is believed to make Chinese employees work much harder, due to fact that Chinese people have been identified to have a great surge to learn and develop and sees money as a great motivational factor.

Performance management may also be important since it is said to encourage good behaviour and prevent bad ones. Due to historical and cultural issues the Chinese employees have been identified to lack initiative taking, flexibility and creativity that may be needed in a flat organisation. Hence, the Chinese needs to be encouraged to work in accordance to western standards and principles. Through evaluating an individual's performance these kinds of behaviours can be encouraged or clearly specified. It was also mentioned that Chinese employees needs clear guidance on how to perform in accordance to the western way of working. Hence, by performance management this can be clarified and rewarded.

Succession planning was also considered to be part of the overall performance management system. It was earlier identified, that succession planning was vital in China since people have a tendency to shift jobs often. Hence, through performance management potential candidates can be identified and thus enable the company to think long-term and prevent disruption.

In our empirical investigation we found that both IKEA and Ericsson consider performance management as something essential. Even though IKEA did not consider itself that good at it, we argue that the fact that they are aware of this weakness shows positive signs. It can be discussed if their choice to leave it up to the local units instead of providing guidelines centrally is the best way to do it or not. This is due to the fact that if not set up centrally, the local units may forget about it. Furthermore, performance management was believed to be part of the overall planning process at Ericsson, where long-term planning is vital. Hence, it

can be argued that it lays a good ground for long-term development plans and hence ensure that Ericsson stays a knowledge-based company.

Performance management was further said to ensure that people behave and work in accordance with the strategic aims and the corporate culture. Consequently, Ericsson clarifies what they expect and require from its employees in terms of wanted behaviours. They stated that all employees have to be active in their goal setting and responsible for their own competence development, hence set up their own individual development plan together with the manager. In order to reach a higher level of commitment and as a motivational factor, performance is evaluated and included in the compensation process. This is thus in line with the theoretical argument that employees' performance should be evaluated according to the expectations of wanted outcomes as well as behaviours that are said to lead firms to reaching their goals.

Ericsson further argued that performance management is a good way to retain the local Chinese employees as they get clear plans of what is expect of them and what they have done good. In correlation to this, it was said to be a good motivational factor. Through this, Ericsson argues that commitment is protected as well as measurable operational performance standards can be evaluated and discussed.

We furthermore, would like to argue that the theoretical argument that performance management could be seen as an insult in Asian countries is not true, due to that most of the respondents argued for the importance of it in China. Still IKEA in Shanghai did not provide us with thorough facts concerning this area. We therefore have problems evaluating them, but draw the conclusions that they can improve.

6.3.4.1 Lindex

When it comes to Lindex, it was argued that today there does not exist a clear performance management system, neither at the Headquarter nor for the local employees at the purchasing offices worldwide. However, there is a bonus system that is linked to people's performance. Still, Lindex may have to develop a working performance management system, which links development opportunities, training and monetary factors. In accordance with the above arguments of Chinese employees this may be vital if Lindex is to retain and motivate its employees. It may facilitate that the local Chinese employees work, behave and adapt according to Lindex's standards and values.

6.3.5 Compensation and Rewards

The theory mentions that there are several influences on pay determination that needs to be taken into consideration and pay is central in most theoretical models.

Our empirical study found that training and development could to some extent be more highly rewarded than money, since the Chinese are so eager to learn and make a career. Still, a company that wants to compete for the best employees do not afford to be off the map concerning salary. Since both IKEA and Ericsson know this, they benchmark against their main competitors in order to make sure that they are in line with the industry. It is a good way, but one also has to make sure that all individuals are satisfied, since satisfaction is an individual term. Moreover, this is said to be important in order to assure that each individual has reached a good level of satisfaction, which is believed to lead to retention.

The common attribute among IKEA, Ericsson and Lindex, is that none of them are famous for offering high salaries. Instead they have chosen to compete with other things, but have different resources to do so. Ericsson for example provides its employees with benefits of housing, medical, life insurance and sports allowances etc., whereas IKEA, among other things, has global travel insurance. IKEA also has the same benefits worldwide and the only adaptation to the local market in China is the one child insurance. This indicates that the idea of compensation and reward polices are the same worldwide, not taking legal issues into consideration, which further point to that, in general, people are motivated by the same things. It does not matter if it is a Chinese or a Swede - we are all human beings and a Shanghainese does not differ that much from a person in Gothenburg, as we all want to be appreciated in one way or the other.

Moreover, a bonus system is said to be a perfect way to motivate people in China. Ericsson has had to adjust to fit into to the local market since compensation in the form of stock option does not work in China. One reason for this is probably China's history of non-transparency and the collectivistic mindset. IKEA on the other hand did not provide us with sufficient information regarding bonuses, which makes it hard to evaluate.

We further argue that Lindex's bonus system is good in that sense that it is divided between individual performance and company performance. One reason is that more Chinese people wants to be rewarded individually in Shanghai, even though their collectivistic history. Maybe that is one effect of the Western influence together with the intense surge for a career. It was further found that the younger generation today have become more individualistic, which is interesting to note since it may require more focus on individual benefits in order to motivate and retain.

The theory states that the design and management of reward system may be one of the most difficult tasks within HRM. Maybe this is why we did not receive that much data or met upon an unwillingness among the companies to share it with us.

However, we believe that compensation and reward systems should be an ongoing process and not be fixed. When companies or people develop, reward systems need to be developed with them in order to stay efficient.

6.4 Step 3: Steering with HRM

The theoretical discussion regarding step three brings up the importance of navigating between dualities and paradoxes: for example centralisations versus decentralisation and local responsiveness versus global integration. Within this step the fundamental dilemmas of leadership are further expressed.

IKEA and Ericsson seem to handle the navigation between dualities rather well. Evidence of this is their way to have centrally decided guidelines but with local adaptations, probably due to long-term experience, especially within Ericsson and its long-term presence in the Chinese market. Ericsson expresses this with Ericsson's local way of doing things where China Academy is one example. It is harder to point at an example within IKEA more than the statement that IKEA does not have a centralised HR function. Instead, they only offer guidelines to the local units. However, it is important to mention that despite the fact that the HR headquarter at IKEA argues that the HR polices and practices are very little centralized and local adaptation is highly emphasised, the people at the office in Shanghai disagreed. Instead they argued that IKEA is becoming more centralised, and today guidelines and procedures can be found on almost every thing they do. We would like to argue that this can be the result of the importance of IKEA's corporate culture where the values and symbols run through every activity and policy in order to create one *big IKEA family!* Hence, one may question how well IKEA handles the duality of centralisation versus decentralisation.

However, both Ericsson and IKEA's organisation, when looking at it from the outside, can be said to look rather good and both present the picture that they today are steering the company with HRM, i.e., navigates well. We would like to argue that without a true balance between decentralisation and centralisation there can be problems. One threat is that a powerful decentralisation where all the local units take care of their own HR in their own way may lead to a reinvention of the wheel. This argues for the recommendation to centralise the most essential parts in order to reach consistency and efficiency.

Lindex has not come that far, but can be said to be on its way. We argue that it will take some time before Lindex are capable to steer with HRM since a solid HR foundation is needed prior to that.

We further argue that to succeed in this step companies need to have an integrated teamwork, which probably is facilitated by a strong corporate culture. Therefore, Ericsson and IKEA once more can be argued to be one step ahead of Lindex.

However, we need to accept that the world is constantly changing, which lead to dynamic tensions that Ericsson, IKEA and Lindex need to face in a proper manner. Since HRM is playing a significant role, the stepwise process presented and analysed needs to be looked at carefully. Still one needs to be aware that people are not only resources, they are also humans, which requires flexibility.

Therefore, we argue that within the third step a balance between centralisation and decentralisation is required.

6.5 The importance of Corporate Culture – Remade Conceptual Model

Before moving on to conclusions we would like to add a part to our conceptual model. After having performed the analysis we hope to have underlined the interesting link between corporate culture and HRM. We therefore see the conceptual model as surrounded by the corporate culture and influencing all parts in the stepwise process, hence the striped areas. However, the strength of the forces clearly depends on the level of corporate culture within each company, i.e., IKEA can be argued to have strong arrows representing the corporate culture from the mother country.

Figure 19 Remade conceptual model
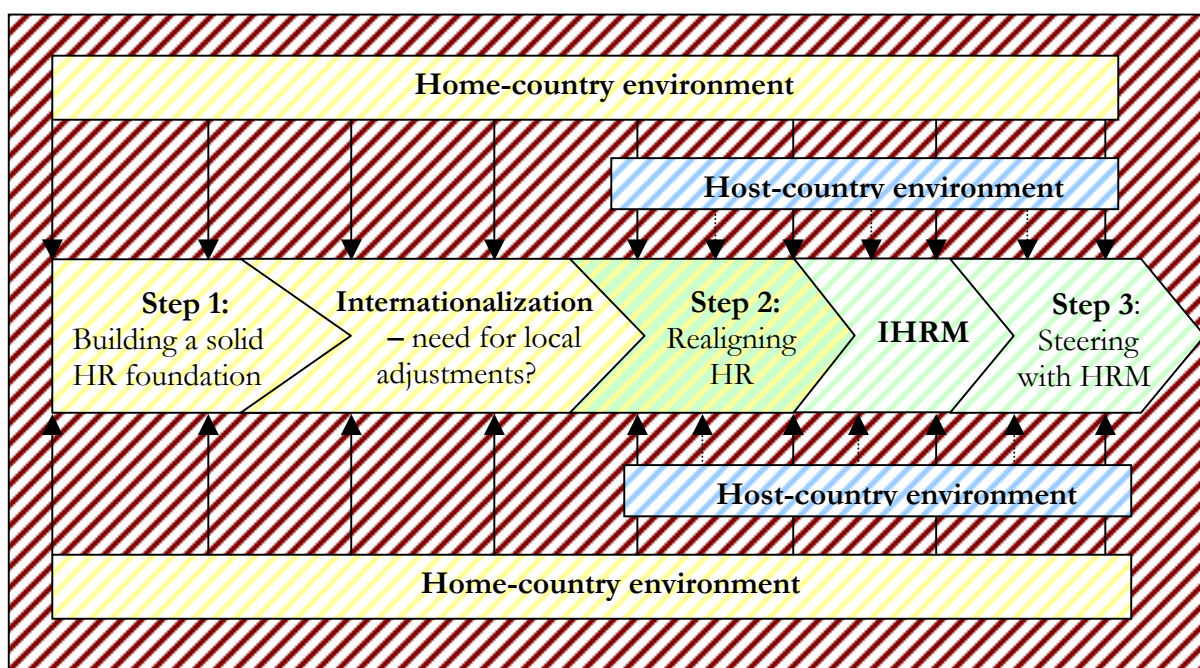
Source: Authors own

The home country environment also influence the companies with different strengths. Since Sweden is not a strong influencer of the values of Ericsson, their arrows from the home country can be argued to be much thinner than those in-fluencing IKEA. The reason for this is that IKEA strongly emphasise their country of origin, which is visible throughout all business areas and the office. Since Lindex not yet has developed a central HR function with general decided guidelines, the arrows from the home country are argued to be rather vague at the moment, whereas the host country environment can be said to be stronger since much is up to each local unit at the moment.

It is important to note that some companies might manage without a HR Department. It looks good with strategies, but sometimes it can work anyway, depending on the size of the company. Motivation, retention and high performance might instead of a HR system be facilitated through a strong corporate culture that treats its employees and human resources in a good way. However, if a company lacks both a well-developed HR structure and a corporate culture, a diverse workforce may be hard to handle and requires a deeper knowledge and understanding of the area of HRM. Therefore, we hope that our conclusions and recommendations, presented in the next chapter, will be useful to Lindex and other Swedish MNCs operating in China or other emerging markets.

7 Conclusion & Recommendations

We have now unpacked our suitcases and have a determined impression of our journey. We therefore go back to the beginning of the journey and discuss what we have learned. What will be our final words before moving on to the next journey of our lives? What are our Conclusions and Recommendations?

This chapter will follow the outline of the research model presented in section 1.3. However, in order to have sufficient knowledge to answer our research problems we have chosen to follow the model backwards. This means that we will start with research question number one, two and three, and thereafter move on to research problem number two, and finally end up with research problem number one. This will further enable us to answer our purpose.

As we have gained a deeper knowledge within the area of HRM, we would like to conclude that there is no such thing as a pure IHRM concept. By labelling it IHRM it may open up to much confusion, as it did for us upon the start of this study. This is first of all due to the fact that there is no pure IHRM theory or even a need for such. When it comes to general domestic HR policies and practices, such as recruitment and selection, training and development, performance management and compensation, there are well-developed concepts, books and models based on theories on motivation, learning, development etc. Domestic HRM *can* and *should* therefore be applied when operating internationally as well. The only difference is that national culture, i.e., the behaviours, values and norms of a specific population need to be taken into consideration and hence guide the adjustment of the HR policies and practices. Important to note is also that the legal recruitments of a nation needs to guide these adjustments. One can thus label it IHRM, but be careful in emphasising that a pure IHRM concept or theory exists, since it does not differ that much from HRM. We would therefore like to conclude that we agree with the definition given by Schuler et al. (2002), that IHRM refers to the worldwide management of HR and its purpose is to enable the firm to be globally successful, by being: competitive worldwide, efficient, local responsive, flexible and adaptable and capable of transferring knowledge and learning across globally dispersed units. It can therefore, be concluded that it is basically about HRM with the touch of a national culture.

7.1 The importance of national culture

We would like to argue that the answer to the first research question, presented in section 1.3, **Does national culture need to be taken into consideration within the area of HRM?,** is that national culture very much affects HRM, and therefore needs to be deeply taken into consideration. Hence, the HRM policies and practices need to be adjusted to the local market, when operating internationally.

This is also seen in our conceptual model, where the host-country environment is a strong influencer upon international firms.

Through our theoretical and empirical findings we have seen that national culture is vital when setting up a HRM system. Due to historical, legal, cultural and traditional differences, people are different and hence HRM polices and practices needs to be adjusted in order to suit a specific market and its people

Even tough centralised guidelines are needed in order to ensure that everyone works towards the same goal and behaves in accordance with the values and norms of the company in order to meet strategic aims, companies also need to decentralise some polices and practices in order to suit the local market. Therefore, a solid HR foundation is first of all needed where the values and wanted behaviours are the main facilitators in the creation of a HR system. Based on this, the local HR functions need to have the freedom to adjust the HR policies and practices in order to fit the local market and its local employees. This is despite the fact that people are motivated by basically the same things, i.e., money, personal development and appreciation. People do however, differ greatly in their frames of references, values, norms and last but not least, their knowledge base and willingness to learn. Therefore, the national culture as an influencer on HRM is vital to understand.

7.2 The importance of HRM in China

We base the above conclusion of the importance of national culture on HRM due to our empirical finings on China. Hence, leading us in-to our second research question; ***Is HRM an important function in China today?***

HRM in China is very important, perhaps more important than in many other countries. This is mainly due to the fact that the cultural differences between China and the West are still evident. Chinese employees need more guidance, coaching and motivation than perhaps employees in the West. It is thus vital that firms take cultural differences, based on historical and traditional values into consideration when adjusting HR policies and practices.

The greatest resource for any company is its human resources. Chinese culture is unique. Therefore, in order to succeed in the market one needs to understand it. However, it is important to note that the business culture in Shanghai and its characteristics, due to heavy influences from the West, today may be more similar to Sweden and Gothenburg than other parts of China. Still differences exist. Despite big changes within China, traditionally speaking, much has stayed the same during the last 5000 years, and there is still a central power with more or less a one-way communication. Therefore, problems may be created if one believes he or she can change the way a Chinese think and behave. Cultures do not change easily, hence traditional Chinese values exist, even though global trends are influencing the society. Training for both expatriates and local employees is thus

needed in order to create new frames of references and learn about each other and prevent conflicts. HRM is therefore important in China and Shanghai since people need to be coached, introduced, guided, trained and motivated in different ways in order to perform a good job and fit into the company culture. A local HR manager with experience from MNCs can be a good recommendation for companies to look for since within the area of HR there can be a lack of competence as it is a rather new function in China.

Additionally, companies should aim at localisation in order to get to know the market and the forces surrounding it as well as reduce costs. However, upon localisation, HRM becomes vital. A local HR manager or assistant may be a good way to ensure that the HR polices and practices are adapted to the local environment in a proper way as well as employees being treated in the best way possible. However, expatriates might be needed due to their organisational know-how.

In correlation to this, the recruitment process is believed to be harder in China than in Sweden, since not the same references are used, the level of English vary and people might only say what is expected of them. Therefore, companies entering the market may need some help from head-hunters in order to find the right person for the right job. Efficient recruitment also demands a high level of knowledge about the national culture and its characteristics. It is important to note that it may take a long time to find a suitable candidate as the level of skills are generally lower in China. However, it is important not to rush into things and hire the best suitable candidate in order to fill a vacant position. Rather if the company has long-term plans in China, it should aim at hiring people based on their long-term potential.

However, the main problem does not necessary lie within the area of recruitment but instead within the area of retaining, which emphasises the issues of HRM even further. What is important in order to make a local Chinese employee stay and be motivated?

Additionally, HRM is important for MNCs in China since more focus needs to be put on training and development in order to reach a satisfied level of efficiency as well as introduce the newly recruited in a suitable way since cultural differences leads to different behaviours and requires more communication in order to function. Moreover, training and personal development is for many companies the only way to keep competent staff. Therefore, it can lead to a competitive advantage if handled in the right manner. Consequently, training and development is important in order to motivate and retain local employees as well as to increase knowledge, skills and cross-cultural awareness. The eagerness to learn that many local Chinese employees posses has to be taken care of. Hence, educate them, coach them, motivate them and try to make them grow internally in the company. There is nothing to stop you, only your efforts.

Furthermore, MNCs need to think long term within the area of recruitment, training and development as well within the area of performance management. In order to motivate, satisfy the employees and take care of their competences in the right manner and thus, retain them, a clear development plan is needed since doing a career is in focus, especially among the inhabitants of Shanghai. Therefore bonus systems, developments talks etc., are an essential part of performance management and HRM. Furthermore, Performance management is a good way to encourage and discourage good and bad behaviours.

A Chinese is eager to have a career, but also to earn money. Therefore, companies have to balance salary and training and find the right level for each individual. Compensation and rewards are often decided upon centrally and only small changes are made locally. However, one should be aware of the fact that today a Chinese may show signs of a more individualistic approach, which can have an impact on the issue of compensation. Important to note is that if companies decide not to compete on salary, other incentives of motivation are required, such as more focus on training and development.

Additionally, succession planning can be useful to apply in China since loyalty may not be that easy to create. Companies should look at it as an emergency plan and focus on succession planning within teams instead of individuals.

We conclude that in order to attract, motivate and retain local Chinese employees, companies needs to pay careful attention to recruitment and selection, training and development, performance management and compensation and reward system preferred, i.e., HRM. However, motivational factors are individualistic and therefore no general guidelines can be presented. Additionally, besides local personnel, expatriates are needed in order to be the link between the Headquarter and the local unit. Expatriates are vital in order to transfer and ensure wanted behaviours and values of the corporate culture. It may also be a great advantage for companies to have home country nationals that speak Chinese, mandarin or Shanghainese, since they then can communicate with the local employees and show an interest in the country's culture. This can help them gain respect within an organisation, since problems often lay within the area of communication. Hence, a proper managed HR function in China can be the key to success.

7.3 HRM applied by Lindex, IKEA and Ericsson

As we have established that HRM is a vital function in China, we move on to our third research question; ***How have Swedish companies within the area of research done?***

We would like emphasise that the answer to this research question includes everything within part two of the empirical chapter. Therefore, only a summary of the findings will be presented here.

Focus has been on IKEA and Ericsson as reference companies to the assigner Lindex. They have all managed the area of HRM in China differently. IKEA and Ericsson have adapted their HR systems in accordance with the local environment in which they operate in order to meet new demands and face changes. Consequently, they can be said to be in accordance with the theoretical arguments of both the first and the second phase of HR development, i.e., creating internal fit and realigning HR in order to meet and facilitate new environmental demands, workforce etc. A further sign is that IKEA recently changed its overall HR system in order to fit its new business strategy, and Ericsson is in the middle of changing its strategy and realign its HR system. In order to facilitate information sharing, they have also developed their web pages regarding HR thoroughly. Despite that Lindex not yet has built a solid HR foundation, we think that they have acknowledged the fact that such is needed and that realignment is desirable, which is good step forward.

The following table shows a brief summary of the areas within HRM that we have looked into and what Lindex and the reference companies do within each area.

Recruitment & Selection	- *Advertisement* - *Head-hunters*	- *Internally* - *Head-hunters* - *FESCO*	-*Internet* - *Advertisement* - *Head-hunters* - *Internally* - *University*
Training & Development	- *No general guidelines*	- *General guidelines to facilitate internal recruitment* *Local adjustments, hence the set up of IPDC*	- *China Academy* - *General guidelines locally adapted*
Performance Management	- *No general guidelines*	- *To some extent locally*	- *Yes!*
Compensation & reward	- *Bonus system*	- *Benefits*	- *Bonus System* - *Benefits*
	Lindex in Shanghai	**IKEA in Shanghai**	**Ericsson in Shanghai**

Source: Authors own

Ericsson and IKEA have clearly specified recruitment processes and use the same sources of recruitment. However, IKEA aims at internal recruitment, but in Shanghai they also take help from a headhunting firm. Ericsson in Shanghai has not recruited much lately. However, they have acknowledged the importance of using the Internet for recruitment in well-developed cities and advertisements in newspapers for recruitment in the suburbs. They also look to Universities to some extent whereas IKEA rents some of their staff through FESCO. It is also important to note that both IKEA and Ericsson emphasise long-term thinking when recruiting new employees as they not just want to fill vacant positions.

Lindex uses more or less the same sources and takes help from head-hunters when recruiting local managers. They use advertisement but not yet University recruitment. The main difference between the recruitment and selection area is that Lindex does not emphasise its corporate culture to the same extent as IKEA and Ericsson do.

Within training and development, IKEA and Ericsson are centrally coordinated and planned whereas Lindex has left it to the local units, where for example MBA courses and English education have been applied to stimulate the employees. Ericsson's banding policy can be a good way to prevent people from leaving, but has both its advantages and disadvantages. IKEA's training courses for all employees in Älmhult is an expensive way to reach the same goal, but may be better in the long run? Cross-cultural training was also used in order to reduce the differences that may exist between Swedish and Chinese employees.

Performance management was something that was appreciated by the local employees, but not that well-developed within IKEA or Lindex. Only Ericsson had focus on this issue. However, it is important to mention that through our analysis it can be concluded that performance management was argued as vital in China, yet it seems as though many neglect the issue.

Bonus systems are furthermore considered a perfect way to motivate a Chinese in Shanghai, especially if individualistically focused. IKEA mainly focused on team rewards, which were said not to fit very well into the business environment in Shanghai. None of the companies compete with salary; instead they make sure that they are not totally off the map and thereafter put more emphasis on training and development. In China the one child insurance has been added by IKEA, whereas Lindex and Ericsson have had to adjust their bonus systems.

Through the analysis we can further conclude that Ericsson and IKEA have adjusted their HRM in accordance to the Chinese culture. When it comes to Lindex, one can argue that a few issues need to be considered. Both expatriates and local employees may need to receive more cross-cultural training. Firstly, the expatriates should receive some training in the Chinese culture upon their transfer to China, since it increases the understanding of how local employees work, why they do things differently etc. It is also important to note that today things seem to

work fine, still we would like to argue that as Lindex grows and more functions are being moved out, other requirements might appear. Hence, they may have to prepare themselves for the future. As it has also been argued by many scholars, having a solid HR foundation and adjusting to local conditions will lead to an increase in a firm's performance. Why then take the risk not to develop one? It may thus be a matter of maturity. This leads us into research problem number two.

7.4 HRM within Lindex in Shanghai

How should Lindex manage the area of HRM when operating in Shanghai?

Lindex is rather new within the Shanghai environment. Since the HR Department is under development at the Headquarter, together with the new values that will be part of their corporate culture, we aim to give them a few recommendations on their way.

- Theoretically speaking, we argue that Lindex should try link its coming HR system with its overall strategic objectives in accordance with step two of the theory, and thereafter pass on to the requirements of step three. However, before that a solid base is required in accordance with step one where internal fit is important, i.e., consistency.

- The national culture of China needs to be reflected in the area of HRM in Shanghai. Therefore, when building a HR system centrally, the aim should be to provide the local units with general guidelines and visions, and thereafter adjust to the local demands. If the office in Shanghai is growing in number of employees, there probably will be some kind of HR coordination needed, which demands an experienced person with an international background and a higher level of education than is offered today. This will also require a greater coordination and communication from the headquarters.

- Lindex should try to develop a clearly specified corporate culture, which is easy to communicate to the different units and their people and in that way try to unite the company and create a feeling of togetherness world-wide. However, the values chosen have to be transferable into English and be adaptable into different cultures. These values should furthermore influence all parts of HR and be significant already at the recruitment process. This in order to find the right person that fits the company and have greater possibilities to create a corporate culture that makes the employees enjoy their employer.

- Recruitment and selection is of vital importance in order not to choose the wrong candidate. Therefore, Lindex needs to have clear competence profiles. Who do you want, why and where do you find them? Furthermore, the standard of the university level is lower in China than in Sweden, therefore

people that have prior experience from MNCs should be in focus. These people generally have a better level of English and have prior knowledge of initiative taking and what is required when working in a western company.

- China is going through an increasingly rapid change and Lindex should be aware that there are also cultural differences within China. Therefore, the people Lindex should aim to recruit in Shanghai can be said to be more Western in their manner than Chinese. It can therefore, be more of generation differences that cause problems than cultural differences. We, for example, argue that the young generation in the Shanghai area is more individualistic, and therefore can be suitable for a Swedish company with a flat organisational structure, i.e., Lindex.

- Time is money. In order not to loose money, Lindex should make sure that new employees are introduced properly to the company and make sure that they will fit into the corporate culture. Well-developed pamphlets and brochures bringing up the corporate culture may be good methods to introduce a new employee to Lindex.

- Due to cultural, historical and traditional differences, more focus should be on the area of training and development. Training and development are important to motivate and retain and it does not need to be extremely costly. In addition, the costs involved should be looked upon as long-term investments. Training should be adjusted to the local market in order to be efficient. Both basic training and cross-cultural training are required. Basic training should include parts of the corporate culture in order to transfer a feeling of togetherness as well as reach a sufficient level of competence within the company. Furthermore, coaching and clear and specific communication is needed to succeed.

- Cross-cultural training prevents conflicts as people learn about each other's ways of thinking and behaving. In order to cross the cultural border that exists between Sweden and China and increase efficiency as well as global learning, a pre understanding of the Chinese culture is necessary. Without knowing what influence a Chinese's behaviour, misunderstandings and pre assumptions may appear. Thus, more focus is needed on cross-cultural training. Both in order to enhance the coming corporate culture and in order to avoid camps between Sweden and China.

- As Lindex aims at staying in Shanghai, long-term planning may be necessary within all HR areas that we have looked upon in this thesis. Hence, they should not only fill vacant positions, but also identify a candidate's potential future within the company through performance management. It is therefore not only about motivation and retention but also about having long-term goals for each employee, which can contribute to Lindex's success.

- Retention is an important issue to think about in Shanghai since plenty of opportunities exist for the highly educated employees. As this can never fully be prevented, succession planning related to teams needs to be considered in order to be prepared for future incidents.

- It is also important to highlight that as Lindex has international operations, they may need to increase the international feeling within the company, i.e., apply English as a corporate language throughout the Intranet, have introduction videos for its world-wide employees in English etc. Furthermore, the international feeling among the Swedish employees may also need to be increased in order not reduce the gap between 'them' and the Shanghai office.

- Finally, flexibility is a key word in order to succeed since the HR polices and practices need to be adjusted to country/area characteristics as well as individual needs.

7.5 HRM within Swedish MNCs operating in emerging markets

The time has come to look at our research problem number one: ***How should Swedish MNCs manage HRM when operating in new emerging markets?***

HRM is an area of great importance in today's global world. With a good understanding and treatment of the human resources that exist within a company, we argue that many mistakes can be avoided. Due to national, historical, political, economic and cultural differences between countries, Swedish MNCs needs to take a closer look at their HR function and develop general guidelines aimed at facilitating the transfer of their corporate culture and know-how. However, local adjustment to its HR policies and practices are needed in order to adapt to the local market. This means establishing proper practices and procedures applicable to the local employees of that specific country. Hence, a company has to steer between centralisation and decentralisation of HR polices and practices.

Problems of steering these dualities of centralisation versus decentralisation have also been identified in accordance with the analysis of step three. It may be hard to know how far a company should go in its localisation process or how much should be centrally run. However, we argue, that the importance may not necessary lay in how much a company steers towards one direction or the other, rather that the company is aware of it and that the HR function thus constantly have an open dialogue with the management board on what objectives they aim at reaching. Is corporate culture so important that centralised and standardized practices and procedures are needed, or is it better to give the local units autonomy? There are no right or wrong answers, rather the company has to find its path and what works best for them, and also realise that a well-defined corporate culture may ease the path. However, it is essential to never forget the important role that national culture plays.

In the case of China as an emerging market, motivation and retention was argued to be one of the most important factors to consider. In order to ensure this, training and development, compensation and performance management was considered as vital HR policies to adjust to the local environment. Additionally, recruitment and selection demands professional help when entering new emerging markets in order to find the right persons for the right positions.

We consider the following recommendations to be highly important for Swedish companies operating in emerging markets:

- Get to know the local customs and traditions since it has a clear impact on the work environment and upon HRM. "When in Rome…".

- Be aware of internal differences and characteristics within the country. For example generational differences. This affects what age group is most appropriate to hire.

- Prepare the headquarters and the local unit with cross-cultural training in order to increase efficiency and avoid misunderstandings and frustrations. One way is to hire a private company that has expertise within the area.

- Consider the impact of a strong corporate culture and in which way it is best transferred. A strong corporate culture can erase some cultural differences and play an important role concerning internal efficiency of the company. Therefore, a recommendation is to create and build a solid base of corporate culture that a company effectively can introduce to the staff and make them feel part of. Still the corporate culture also needs to fit into the national culture, if to work efficiently.

- The larger the company, the more important a solid HR function is. Especially since recruitment and selection and training and development requires a lot of time and knowledge about the market.

- Consider the need of coaching local employees since more guidance is needed within many emerging markets. Expatriates may still be needed on key positions in order to transfer know-how and corporate culture. However, it is vital that they act as role-models, have leadership abilities as well as a capability to be clear in their communication. Culture sensitivity is also of great importance.

- Start with a hierarchical style and later introduce a Swedish style slowly and try to teach the local employees how things are done in Sweden in order to avoid conflicts.

- Think long term concerning recruitment, which resources do we need today and tomorrow? Get help from someone who knows the market in order to avoid mistakes, especially in the beginning.

- Explain for each new employee the long-term goal with his or her employment and have a clear career plan. To show appreciation should never be forgotten.

- Apply succession planning, especially where loyalty is considered low.

- See the opportunities and not the problems. We are all human beings and everything is possible with clear communication and pre knowledge of the market.

We would thus like to conclude by saying that if a Swedish MNC has long-term objectives for its operations in an emerging market, long-term plans need to be incorporated into the way it treats and look upon its employees. Hence, a well-functioning HR system may lead to enhanced performance since it identifies how to treat and develop the employees in order to facilitate the objectives. Furthermore, the companies we have chosen to focus on in this thesis all manage HRM differently. We think that it depends on varying lengths of "internationality", the industry they operate within and their respective level of maturity.

Furthermore, we do believe that through this thesis we have answered our purpose, which is: **to increase the knowledge regarding HRM and IHRM, applicable for a Swedish MNC operating in Shanghai, China as well as highlight if the issue of national culture is an important influencer of HRM?**

This is due to the fact that we have gained a higher level of understanding throughout our empirical data and come to the conclusion that Swedish MNCs today apply HRM according to the domestic theories but with a touch of national culture. Hence, there is no such thing as a pure IHRM theory. IHRM is rather HRM polices and practices that are adjusted due to the great influences of cultural, historical, economic and political issues of a nation. Swedish MNCs should therefore use the theories and concepts behind domestic HRM but consider and adjust them in accordance with the host-country environment. We would thus like to mention that an optimal theory is hard to find. Reality changes and so does companies, therefore a solid base of HR theories together with touch of flexibility and adaptiveness to different circumstances is the best solution. Furthermore, we feel that we have contributed to the academic field by looking at IKEA and Ericsson where reality have been connected and tested with theories.

Moreover, for us, the issues of HRM throughout the thesis has been much about acting with a common sense – You treat your employees they way you want to be

treated, you think about developing your employees the way you want to develop etc. If you are receding in a foreign country, you learn about that country, not only because it is exiting and interesting, but also in order to try to understand and communicate with your fellow co-workers. Yet, as costs and time are valuable and sometimes missing resources, this is harder than it sounds. However, a lot is about acting with a common sense and there is no fixed formula on how to succeed. Just remember that it is people who make things happen, and therefore an understanding of their traditions, norms, values and culture are essential.

Finally, we argue for the importance of building stable bridges in order to increase efficiency and flexibility as well as adjust to reality, hence decrease the gap between Swedish MNCs and the workforce within emerging markets. The challenge is to grow with HRM. The globalised environment that MNCs are exposed to put high demands on handling human resources in a good manner. However, patience is essential and changes need to take time. Therefore, courage versus patience might be a duality to add to step three in accordance to the theoretical argument of Evans et al. It is not about having nice polices more of having the courage to steer the company with HRM. We argue that HRM is here to stay and is the key to the future success of MNCs operating in emerging markets!

8 Suggestions for further Research

After having concluded our thesis, we would like to point out a few areas for further research.

- During our investigation, we found an interesting link between corporate culture and HRM. Where corporate culture influenced HRM greatly and could both be of advantage for a MNC entering emerging markets, or of disadvantage depending on the national culture it enters. We did however choose to not go deep into the subject in order to keep the thesis within reasonable bounds. When recommending future studies within the area of HRM we therefore find corporate culture as an influencer on HRM to be an interesting topic to investigate further.

- As past research within the area of IHRM mainly has dealt with expatriates, we also feel the need for more research on host-country nationals. Therefore, a recommendation for further studies would be to go deeper into that.

- The broad theoretical framework aimed at providing Lindex with a good base for the future. However, the SIHRM model was not looked at deeply within all areas and was instead used as a framework in order to gain a deeper understanding upon the start of the thesis. Further research within the area of HRM could therefore also be to look more deeply at the SIHRM model and apply it to real case scenarios.

- Companies may say one thing and do another. If strategies are not followed they make no use. However, this thesis only focus upon what the companies' state regarding HRM polices and does therefore not investigate if they do as they say. Further studies where comparing strategies against reality could be another topic to develop where one could add to look at independent sources such as magazines that bring up critical reviews.

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Appendix 1 Interview guidelines

Interview guideline: Lindex, IKEA and Ericsson

1. What HR policies and practices does your company adapt to the local culture in China?

2. What does your company prefer, expatriate managers, local managers or third country managers.

3. Which methods do you use when it comes to recruiting new staff in China?

4. How does your company evaluate its employees in the form of Performance Management?

5. How much focus does your company put on training and development of local employees?

6. How have your company adjusted polices and practices to the local market concerning compensation and remuneration?

7. Which methods do you use to motivate your staff at different levels of the organisation?

8. What impact do you believe national culture has upon HRM?

Interview guideline: management consultants, head-hunters etc.

- What kind of companies come to you and why?

- How important do you consider Human Resource Management to be in China today?

- Which methods does Your company use regarding recruitment and selection?

- What does you recommend foreign companies to have on key positions, expatriates, global managers or local managers?

- What adjustments are important for foreign companies operating in the Chinese market regarding training and development practices?

- Which reward system do you consider most suitable to match the needs of the local employees in China?

- Which recommendations would you give to a company concerning how to overcome the cultural differences between the East and the West in the best way possible?

- What do you consider to be the main difference between China today and China ten years ago?
- Which values and norms do you consider to be characteristics of the China today?

Appendix 2 Ericsson's Recruitment Process

Recruitment requisition	- Manager completes form
Job description and the profile	- Manager fills in form with help from HR unit
Job approval	- Managers gets approval from HR Manager and President
Recruitment procedure	- Manger and HR agree on recruitment procedure and channel
Recruitment channels	
Handling the applications	- HR receives and screens applications
Interview by manager and HR or colleagues	- Manager and HR agree on the interviewing order depend on position
Reference check	- Manager and HR discuss candidate information
Feedback discussion	Information to applicants not chosen
Recruitment decision	- Manger makes recruitment decision and HR head will be consulted when recruiting key positions
Terms and conditions	- Manager and HR agree on terms and conditions
Letter of offer	- Sent by HR
Medical check	- Arranged by HR
Contract of employment	- Contract signed at HR after personnel file transfer
Introduction	