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Lost in Translation?

Swedish companies in Japan

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Abstract

Japan is one of the biggest economies in the world, and its huge market gives companies a strong incentive to establish themselves within the country. This study was conducted to identify how Swedish companies have managed their establishment within Japan. The purpose was to study six Swedish companies which have subsidiaries in Japan, and the methods they used for establishing their company, including how the management of the subsidiary was conducted and an analysis of the difficulties the companies faced. A qualitative method was employed through interviews and questionnaires. The collected data was then analyzed by utilizing the Uppsala Model, Hofstede's Cultural Dimensions and the EPRG-model, amongst many others. Results indicate that the companies have used a wide variety of different establishment methods, and that they have faced problems due to cultural differences. The study also reveals that the companies had needed to adapt their managerial approach to Japan, although not to the extent expected from reviewing theories and earlier literature.

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1. Introduction

1.1 Problem background

Today, Japan is the world's third largest economy (CNN, 2012) and should therefore be a market in which foreign and Swedish companies feel strong incentives to establish themselves in. The presence of Swedish companies is however far lower than might be expected. By looking at the Swedish investment into Japan and South Korea, both are almost on the same level even though South Korea is a considerably smaller economy (IMF, 2012; World Bank, 2010ab). One of the reasons for this can be directed towards the lack of proper information on how to conduct business in Japan for Swedish companies. This lack of information has been experienced first hand by one of the case companies in this study, as almost two years of research was dedicated with the purpose of understanding the Japanese market. Despite this, mistakes were still made by the company. This is a good example of the existing need for research that combines proper empirical findings with theories, in order to provide a better understanding of the problem area.

Even though Japan is such a huge economy the inward foreign direct investment (FDI) to Japan has been far lower than that to other large economies. Looking at the numbers presented by Paprzycki & Fukao (2008, p 75) for global inward FDI flows between the years 2001-2005 it clearly shows that Japan is lagging behind other countries. During these years Japan received a 0.9% share of the global inward FDI compared with 14% for the United States of America, and 7.9% for China. Historically Japan has not had a high focus on attracting inward FDI but during an economic crisis in the 1990s, Japan started to make serious efforts to attract FDI and managed to get an upswing in inward FDI (ibid.). This economic crisis was due to the fact that the previously strong national industries and companies had lost its momentum as the bubble in the Japanese economy burst in early the 1990s and therefore the country felt an increasing need of inward FDI to keep the economy rolling (Kingston, 2011).

As mentioned earlier the Swedish investments into Japan are relatively low and have been so historically. The numbers for Swedish FDI to Japan first appeared in the figures of 1995, and the numbers grew until a severe drop after the 2008 global economic crisis (JETRO, 2012). Japan's economy showed the strongest recovery after the crisis amongst the countries in G7. However, this economic recovery was halted due to the earthquake/tsunami disaster of 2011 (Economy Watch Content Team, 2010). Despite this huge setback, Japan's economy should recover once again in the coming years (Tabuchi, 2011). As such Swedish companies should feel strong incentives to become established in the market, and companies should now be looking into the prospect of establishing themselves in Japan.

1.2 Problem

It is necessary to see how Swedish companies have acted in the Japanese market successfully, both regarding establishment and management of the subsidiaries. This includes how the companies handled their establishment by considering the nuances of the Japanese market and how they tackled these obstacles in an efficient manner. Concerning the management of the Japanese subsidiaries there is a need to know how other companies have managed its subsidiaries to see how these adjusted to the way of conducting business in Japan. The need for sharing knowledge between companies is also pointed out by Johanson & Vahlne (2009), who state that other companies' knowledge and experiences are a foundation that creates easier access to a market.

One aspect that will always be present when talking about a MNC's actions abroad is the existence of cultural differences. By utilizing Hofstede's cultural dimensions (1984) framework, we would be able to see clear differences between Swedish and Japanese culture by comparing the countries respective scores. Even though this framework is old, it is still frequently employed and proves a good framework to this day, although the scores might not be as precise as at the time of publication. Will the cultural differences be the main cause of the problems that the companies have faced? If so, will it be possible to relate these problems to the differences between the countries scores in the different dimensions or is the framework outdated in Japan?

By using Johanson & Vahlne's (1977) well-established theoretical framework of the establishment process we will be able to categorize how the different companies have handled their establishment process in Japan. We will also examine Johanson & Vahlne's (2009) claim that today's business environment is viewed as a web of relationships and networks. If relations are of increasing importance as opposed to in the past when the market was more neoclassical with independent suppliers and customers. As such, the main question that we aim to answer regarding the establishment process is: What aspects in the entry process were of particular consideration for Swedish companies when entering the Japanese market?

Approaches to managing foreign subsidiaries are described by the four different strategies presented in Heenan & Perlmutter's (1977) EPRG model. As this model shows the general movement of subsidiary management and describes the different stages in a good way it is highly applicable for this thesis. Which strategies Swedish companies in Japan utilize for HR management, product strategies and CSR/Risk management needs to be thoroughly scrutinized to produce an overall understanding of the subsidiary management conducted by Swedish companies in Japan. This in order to see whether these are efficient and if there is a development towards other strategies. All companies have different structures, different products and are of different size, which means that they all have different needs. We aim to answer the question: How do the Swedish companies structure their subsidiary management in order to adjust to the Japanese market?

For future use of this study and to see whether Japan is a market that will be attractive in the future it is important to not only scrutinize what has been but also what is expected of the Japanese market in the future by those with knowledge of its intricacies. Through this information we will aim at drawing conclusions regarding how well the previously mentioned theories reflect the reality of conducting business in Japan. The main question that we aim at answering regarding the future is: How will the Japanese market develop and what will happen in regards to the establishment process and management strategies?

In summary, the thesis' core questions are:

What aspects in the entry process were of particular consideration for Swedish companies when entering the Japanese market?

How do the Swedish companies structure their subsidiary management in order to adjust to the Japanese market?

How will the Japanese market develop in the future and what will happen in regards to the establishment process and management strategies?

1.3 Purpose

The purpose of this thesis is to provide the reader with a thorough understanding of the unique challenges that the Japanese market poses in terms of subsidiary establishment and management for Swedish companies. This thesis aims at providing helpful information on how other companies faced these challenges in both, positive and negative ways.

Concerning the theoretical framework there is a need to fill the knowledge gap that exists for Swedish companies looking to enter the Japanese market and also for the development of subsidiary management. By collecting and analyzing empirical findings we aim to fill this gap in theory, as it has not previously been applied in this context. This information will be of practical value for companies who plan an entry into the Japanese market and those currently in the market.

1.4 Disposition of the thesis

The first chapter of the thesis consists of the problem background as well as the problem definition. In the second chapter we present the theories that will be utilized. Chapter three covers the methods used to construct this thesis. In chapter four the interviews will be presented. In chapter five we analyse the information received from the interviews. In chapter six we conclude our findings and answer our core questions.

2. Theoretical Framework

Regarding the theoretical framework, we have worked with different theories in regards to both the subsidiary establishment process and subsidiary management, our two core points in this thesis.

2.1 Cultural dimensions

In Hofstede's (1984) research he argues that culture is a state of mind, which children inherit from their parents, students from their teachers and from leaders to their followers. In the same book it is argued that a country's culture resides within its inhabitants and in turn impacts upon the company culture within a nation.

We present the cultural dimensions of Hofstede (1984) as the first of our theories since the cultural aspect has an affect on both establishment and management.

Hofstede (1984) identified four variables in order to define the culture within a country. The different variables are; power distance, individualism, masculinity and uncertainty avoidance. Later, Hofstede & Bond (1984, 1988) introduced a fifth dimension based on the Confucian values in Chinese society. This dimension was later named long-term orientation (Hofstede, 2001). A sixth dimension has also been added by Hofstede & Minkov (2010) called Indulgence versus Restraint but as this is not relevant for this thesis it will not be covered.

Hofstede (1984) defines the different dimensions as the following;

Power distance, the first dimension, refers to the different levels of power that exist between leaders and followers. In societies with high power distance, hierarchy is of great importance. It is accepted that power is unevenly distributed.

Individualism, the second dimension, refers to how people identify themselves within groups. People with high individualistic values mainly care about themselves, their

accomplishments and career progress as opposed to mainly caring about the group's benefits and interests.

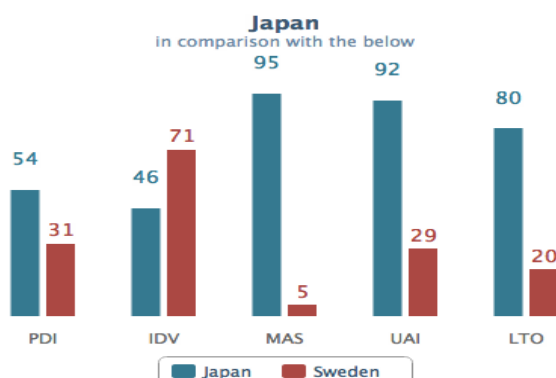
Masculinity, the third dimension, refers to the fact that in a masculine society success, heroism and material success is acceptable. It is socially acceptable to show to others that you are successful. In a feminine society however, the norm is rather to have a good quality of life, good personal relations and to take care of the weak.

Uncertainty avoidance, the fourth dimension, refers to the fact that societies with high uncertainty avoidance usually have a quite strict approach to what is acceptable and what is not. As a result, they are more intolerant to new ideas and they are more narrow minded in their opinions. They usually attempt to control the future rather than accepting the natural course of events.

The fifth dimension, named long-term orientation by Hofstede & Bond (1984, 1988), refers to the fact that in a society with a high long-term orientation mindset, people generally plan more long-term. It is acceptable for more time to pass before seeing results on an investment and it is also important to keep long-term relations with other people and companies. In the case of a low long-term orientation score, people are more inclined to be impatient, wanting faster results on investments and moving at a faster pace.

In Figure 1, we see the comparison between Sweden and Japan's respective scores.

Figure 1.



Source: Hofstede, 2012.

It is important to be aware that the data collected for Hofstede's cultural dimensions framework was done before 1984. Concerning possible change in these dimensions for a culture Woodring (1995) showed that Japanese students have higher individuality and lower power distance than the older generations. A difference in culture should be made aware of and evaluated, so that predictions for the future can be made. For this study it can mean new challenges and/or opportunities as the students from this study now are now grasping positions of influence in Japanese society and business. This will in turn affect the development of how management in Japan is conducted and the strategies for reaching the best results.

Another quite unique aspect of the Japanese culture is the homogeneity that exists in the country. Some would argue that Japan is not as homogenous as it was before. While this may be true, the myth of homogeneity is still believed in and as such it is still an important cultural concept. This is discussed by Jandt (2003), as he writes that the Japanese have a way of communicating with each other without a language. This is due to the fact that most people in Japan share the same fundamental ideas about certain things and as such they are able to understand each other with few words spoken.

For this thesis it is important to be able to see if the companies included in our thesis' main difficulties of the Japanese market can be attributed to the amount of cultural differences that exist between Sweden and Japan. Johanson & Vahlne (1977) argue that the amount of physical distance between markets has an incremental role, in that when a company enters a new market, the firms would enter markets with successively increasing physical distance. The concept of physical distance is defined as factors that disrupt the flow of information between the firm and the market such as, differences in culture, language and political systems. Since all of these factors differ greatly between Sweden and Japan there is a need to understand why these difficulties have occurred and to do this Hofstede's cultural dimensions will serve as a base for this understanding.

2.2 The internationalization process

The Uppsala model was developed in the seventies by two Swedish professors at Uppsala University. They observed the behavior of Swedish manufacturing companies during their internationalization process and from this experience they created their model. The model consists of four steps that a company usually takes as part of their establishment chain (Johanson & Vahlne, 1977), where every step represents a higher grade of internationalization and commitment to the foreign market.

1. Sporadic export activities
2. Export via independent representative.
3. Establishment of a foreign sales representative.
4. Foreign production/manufacturing

The model also shows that companies prefer to first enter markets with a smaller psychic distance. Establishment becomes harder when there is less information about a potential market (ibid.). According to Whitelock (2002) companies expand their internationalization over time based on the rate of their knowledge development, which in turn leads to a lessening of the physical distance. In the same research Whitelock also makes it clear that the most important knowledge to be gained is the knowledge that comes from personal experience.

Johanson & Vahlne (2009) argue that in today's business environment networks are of the utmost importance to companies, as opposed to a more neoclassical market with independent suppliers and customers. Today outsidership is the main cause of uncertainty as opposed to physical distance. All companies are involved in different business networks, which are connected to each other, often in complex ways. In the updated model a new concept of outsider/insidership has been developed to highlight how knowledge gained from relationships in business networks is extremely important for firms' successful internationalization. Johanson & Vahlne describe an insider as a firm that is well established within such networks and an outsider as a firm that has not established such networks (ibid.).

The disadvantages that come from being classed as an outsider are pointed out by Froese & Goeritz (2006). In their case German managers had troubles with implementing changes since they were seen as outsiders by their Japanese co-workers thus failing in Japan. However, when accepted as a leader and an insider it is much easier to implement changes. Based on this an assumption can be made that Japan is a market where insidership is a necessary factor to succeed and will play an important role for the foreign companies in Japan.

Johanson & Vahlne (2009) describe the actors as carriers of knowledge, commitment, network relations and trust. Learning happens when the companies share their own knowledge with each other. The ability to identify opportunities that are created through networks is a deciding factor for which markets the company chooses to enter.

Critique against the model shows that it is not always applicable in reality. The internationalization process does not always follow the steps proposed in the Uppsala model when companies need to adapt to current situations in the markets that they enter. Hedelund & Kverneland (1984) say that this can be explained by the ever-changing strategies that competition utilizes as well as other changes. It is no longer the amount of physical distance that is the deciding factor for a company's internationalization since the physical distance between markets is becoming gradually smaller. Markets are becoming increasingly homogenous due to the fact that information is becoming more and more accessible.

As such it will be interesting to see if this will stand true from the experiences that the companies in this thesis have had. If the exponentially increased amount of information that now exist around markets has lessened the physical distance between Sweden and Japan, it will no longer be seen as an obstacle in the sense that it once was.

Johanson & Vahlne (1990) also realized that there are exceptions to the gradual increase of commitment from a company that aims to become more and more international. First, when an already large company with good finances goes through the internationalization process they sometimes skip some steps because they can take

more risks than a smaller company. Second, when a market is stable there are other ways to gain market knowledge rather than getting hands-on experience from being in the market. Third, when the company has knowledge and experience from similar markets they can use this knowledge by generalizing when entering a new specific market.

With the critique against the model and the exceptions for the gradual increase of a company's commitment taken into consideration we assume that we will see significant differences in how companies in this thesis handled their establishment in Japan.

2.3 Managerial decisions in Japan

When covering the theoretical approach of management in this thesis we will to a high degree focus on the EPRG model developed by Heenan & Perlmutter (1979). With this model as a basis for the theoretical framework of management we will be able to categorize the companies in our thesis' approaches to different managerial decisions and through this see what parts of acting in Japan demands extra attention. The parts we will focus on are: HR management, Product strategies and CSR/Risk management.

In the EPRG-model there are four strategies, and these are: Ethnocentric, Polycentric, Region-centric and Geocentric. When this model was first created it did not include the region-centric approach, but as this was later used to a higher extent and the positive and negative aspects of it could be analyzed properly it was added. Before describing the four different strategies it is important to note that a company can, and often does, show characteristics of different strategies as different functions within the company are managed in different ways (ibid.). This is why a division of the companies' managerial decisions is needed when using this model.

The characteristics of the four strategies presented in this research of Heenan & Perlmutter (1979) are:

Ethnocentric

Heenan & Perlmutter (1979) describe this as a strategy where the company will stick firmly to its own practices and see to it that its subsidiaries are well integrated into the headquarters and company as a whole. This creates a unified company and makes it easier to transfer knowledge and competence within the company, which can speed up many different processes. The disadvantages argued for this strategy are poor adaptation to the foreign markets and loss of local knowledge, which may hurt the company in the long term.

Polycentric

When a high focus on the local knowledge and culture is prioritized due to the superiority of reaching the market in the right way the polycentric strategy, described by Heenan & Perlmutter (1979), is used. The decision-making is moved from the HQ to the local subsidiary. This is argued as a good approach in markets and countries where the culture and the market preferences vary greatly from that of the home market. However, it is also argued that using this strategy means losing the integration advantages of the ethnocentric strategy, as it can also be difficult to maintain a united company culture and to share core competence within the company.

Region-centric

The region-centric strategy of Heenan & Perlmutter (1979) depicts a strategy where companies choose to group the countries and markets into regions. This aims to provide a higher local responsiveness than that of the ethnocentric approach and a higher integration within the company than polycentric does. This provides the advantages from both ethnocentric and polycentric, whilst keeping the disadvantages minimal.

Geocentric

The last strategy observed and described by Heenan & Perlmutter (1979) is the geocentric in which management of the company is conducted as a pure global company with no ties to a specific home market or country. The focus of a geocentric strategy lies in having competent global managers that are able to solve the company's problem wherever in the world these may appear. This creates a good and well-connected company culture with good synergies for information flow. A geocentric strategy tries to balance the global integration and the local responsiveness

for all the different advantages it is able to reach and to minimize the disadvantages. These advantages and disadvantages will not be as clear as in the ethnocentric or the polycentric strategies but they will be present.

Most MNCs evolve from ethnocentrism to polycentrism and finally to geocentrism (ibid.). There can however be many routes that a company might take. It may be that the new internationally focused CEO will try to take a company straight from ethnocentrism to geocentrism (ibid.). The opposite may also occur when that CEO retires, and as a result the company will move back to its previous ways (ibid.).

The HR activities will probably have a higher influence from HQ if the companies feel that the HR management culture is alike between the countries, and in this case an ethnocentric strategy would suffice. However, if the differences are high in HR between Sweden and Japan as the cultural differences displayed in Hofstede's (1984) research showed that more of a polycentric approach would probably be more feasible. However, Hofstede (1983) showed that American companies entering Japan were able to utilize, though slightly modified, American management theories with great success even though the cultural differences here were vast. This means that either Japanese people have styles that are easier to adapt to other management styles or that these two cultures and management styles somehow fit together better than Hofstede's (1984) numbers suggest. This can also be attributed to the fact that foreign subsidiaries in Japan enjoy a greater freedom in HR management since they are not expected to follow all the unwritten rules that exist in Japan (Dolles & Takahashi, 2011)

For all companies acting outside its home market the companies will both create and fall under the reputation that the home market has. As explained by Bilkey & Nes (1982) in their assessment of the impact of a product's country of origin and the associations that might come with a certain place of origin. Different countries have different attraction in different market sectors and countries but overall low developed countries seem to have less attraction than developed countries. We therefore assume for this research that the kind of attraction that Sweden has in Japan will be a crucial part to whether the Swedish companies will need to adapt its products to the Japanese

market with a polycentric strategy, or whether the attraction of “Swedishness” is too high, in which case the ethnocentric approach might be more feasible.

The risk management and CSR activities conducted by the Swedish companies in Japan will be affected by the situation and general culture for this in Japan. From an assertion of this the companies that feel that these have much to gain from being active with these kinds of activities in Japan will be more active than the others (Robins, 2005). If the business practices in Japan have much to gain from these activities, or high losses if not conducted, there will most likely be a polycentric approach. As Tokoro (2007) describes partly in his article, the Non Profitable Organizations in Japan are weak and thereby a high-pressure for local activities does not exist. This would mean that an overall geocentric approach would suffice in Japan.

3. Methodology

This chapter will outline and justify our choice of method and the approach of our study. We clarify how we acquired our empirical data and we discuss the validity and reliability of our research.

3.1 Research Approach

In this thesis, we used qualitative research in order to understand the situation. We conducted a small amount of interviews as opposed to a completely survey based information gathering procedure (Patel & Davidsson, 2003). In-depth interviews with people who have had experience with the Japanese market were conducted, some via mail questionnaires and some via personal interviews. The questionnaires consist of open questions thus encouraging the respondent to elaborate, these were sent out when an oral interview wasn't possible. The purpose was to obtain a deeper understanding of why and how Swedish companies entered the Japanese market and what management of these subsidiaries looks like.

The main purpose of a study based on empirical research is to combine existing theories and earlier literature with the collected empirical knowledge. We used a deductive research approach to connect our theoretical and empirical knowledge. Deductive reasoning works from the more general to the more specific. The process starts with a development of a theoretical framework for the topic of interest, which is then narrowed down to a hypothesis that can be tested. This leads to being able to test the hypotheses against collected data and in the end there is a confirmation or contradiction of the original theories (Gill & Johnson, 2010; Trochim & Donnelly, 2006).

In our case this meant that our research process began with us deciding upon what subject to write about. Through observation of the Japanese market and its inconsistencies we found a clear lack of information regarding Swedish company's entry and management activities in the market, this is how we found our topic of interest. Then we searched for and chose theories that we believed would work well with explaining the subject. From this we developed our core questions based on the theories chosen. From our core questions and theories we designed the interview questions that was utilized for our data gathering. Following this we analyzed the information gathered from the interviews (our empiric data), which formed our conclusion. In other words, we followed the "top-down" approach associated with the deductive research approach.

3.2 Investigation Method

The primary data collected in this thesis consists of information from interviews that we have conducted, face-to-face, via Skype and also via e-mails. We chose to use these methods in order to get as much qualitative data as possible and due to some companies not being able to participate in oral interviews. The interviews were recorded and transcribed, with the data analyzed and the most relevant data presented as a qualified selection of the answers (Olsson & Sörensen, 2011). We conducted interviews in different ways depending on how much time the companies were willing to spend on sharing their information with us. The interviews conducted have all been less than an hour for the simple reason of making it easier for the interviewees to fit it into their schedule. We wanted to do as many oral interviews as possible since we felt that these types of interviews provide more in depth knowledge

about the subjects since it is much easier to elaborate on answers when you have a verbal dialogue rather than communication via e-mails.

We based our interviews on our questionnaire. However, we did not follow the questionnaire fully during our face-to-face and Skype interviews. We chose to utilize a semi-structured approach during our interviews. According to Björklund & Paulsson (2003) this leaves room for more spontaneity, which in turn can lead to expansions of the topic. This can be in terms of discussion giving complementing information that can lead to important points of knowledge that would otherwise be omitted (ibid.). It also enables us to gain a deeper understanding of what the interviewees think and allows them the possibility of describing the topics at hand with their own words.

The two companies that only answered us via the questionnaires preferred to share their knowledge to us in that way. The information we received from the two companies was comprehensive and as such we chose to include them in the thesis.

We were both present for all of the interviews in order to avoid communication problems while also making the interviews easier to conduct. We also worked together on analyzing the information that could be extracted from the e-mails. The interviews were recorded for convenience and the need to clarify what participants had said. The interviews were conducted in Swedish.

The amount of information that we received from the companies differed, both due to the different ways that we interviewed them and also due to the companies having different amounts of knowledge to share. We have been selective in the sense that we present the information, which we believe to be the most important and relevant to our thesis, and due to this some imbalance between the companies is present.

3.3 Course of action

This thesis aims to show how Swedish companies have handled their entry into Japan and how they subsequently handled the management of their Japanese subsidiaries. We asked them questions about how their establishment process was handled, how they attracted Japanese employees, how they manage their Japanese subsidiaries and

about the intricacies of the Japanese market. Through these questions we could discover answers to the following: did the companies follow the establishment processes that the theory suggest they should and did they put a lot of effort into becoming an insider in the market? Do they adapt new management styles in Japan or use the same type of management as they do in Sweden and what makes the Japanese market unique? The companies in this study entered the Japanese market during different times. They range from 1905 to 2011; this gives us knowledge regarding how the processes of establishment and management of companies have changed over time.

We chose our theories based on their relevance to the questions we wanted answers to. The theories used in this thesis are found through searches in various databases and also through our pre-knowledge about the subject from previous studies and visits to Japan. We also conducted searches at different databases, such as the one found at the Economic Library in Gothenburg, using keywords such as “establishment” and “management” in order to find relevant articles regarding our topic. From this information we created the questionnaire that was sent out to the different companies. The questionnaire was also used as a base when we conducted our interviews.

We utilized a direct qualitative content analysis approach, which entails the use of relevant theoretical framework as a guideline so that relevant conclusions can be drawn (Hsieh & Shannon, 2005). The data was collected during interviews with both open ended and direct questions. Since the goal was to identify what parts of the theories that seemed to be true, we recorded all of them in order so that we could highlight what parts that correlated well with the reality that our interviewees have experienced in Japan. The data that was received from the interviews were evaluated with a basis in our theories. We took different parts of the different theories into consideration when we categorized the different companies. Due to this process we were able to get a better overview on how the different companies acted regarding their approaches to management and their establishment.

3.4 Selection of companies

The companies included in this thesis have been selected because they are Swedish companies with subsidiaries in Japan. We got in contact with most of the companies through the help of the Swedish Trade Council in Japan; from them we acquired a list of all the Swedish companies currently active in Japan. With this information we searched the companies' websites to find their contact information. We ended up sending out emails to around sixty-five companies, of which six companies replied. In addition to this we also managed to contact two other companies through personal connections, making a total of eight companies that answered our questions. Out of these eight we chose to include six companies in this thesis. The reasons for excluding two companies were the fact that one of them was not suitable because we did not receive enough relevant information from them to justify the inclusion of the company into our research. The other company sent their answers to our questionnaire to us too late, and as such we had to exclude that company due to time constraints.

We decided to not exclude any company due to size, type or location of the company in Japan when choosing which companies to contact. We wanted to obtain information from a broad spectrum of different companies in order to understand our topic as good as possible.

Sample characteristics

Table 1.

<i>Company</i>	<i>Sector</i>	<i>Year of Japanese market entry</i>	<i>Size (employees globally)</i>
Astra Tech	Dental implants / Medical devices	1996	2 200
IKEA	Furniture	2006(1976*)	127 000
Sandvik	Tools / Materials Technology / Mining and Construction	1961	50 000
Syncron	Supply Chain Management	2008	110
Vitrolife	Fertility/ Transplantation/ Stem Cell Cultivation	2000	220
Wallenius Wilhelmsen Logistics (WWL)	Logistics	1961/1970s**	3 500

*IKEA reached Japan in 1976 but exit to later re-enter in 2006

**At the time of entry WWL were two separate companies

3.5 Reliability & Validity

When conducting scientific research there is a need to see how strong the reliability and validity of the research is (Svenning, 2000). Validity in this case would be how good the connection was between our theory and our empirical evidence. We built our questionnaire questions so that these would make it possible for us to answer our core question and to fulfill our purpose. The people we have interviewed have all have high knowledge about their respective company's operations in Japan.

From the information we received from the companies we are able to generalize about how the situation in Japan is for Swedish companies. Our purpose is to understand the difficulties and opportunities that a Swedish company faces during their establishment

process and what aspects of the management of Swedish subsidiaries need extra consideration. From our interviews we are able to draw conclusions from the interviewees' own experiences. The fact that we interviewed different types of companies' gives us the advantage of producing a general feel for the situation in Japan. From this, we believe that our validity is high enough that it is feasible for us to draw some general conclusions. Our validity could have been even higher if we had included more companies in our research.

The meaning of reliability is how trustworthy the collected data is (ibid.). How reliable our work is basically comes down to how reliable our collected information is. If another study was to be done with the same sources as we have, and if it were to draw the same conclusions as our study, then this would be considered a highly reliable thesis (ibid.). The time that the companies in this study started working with Japan range from the early twentieth century up until only a few years ago. Our questions are adapted to our purpose and if they were to be used again in order to do a thesis with a similar approach the probability that they would show similar results is high. To avoid low reliability we used questions that were as short and precise as possible (ibid.). The information received about the companies' experiences during establishment should remain the same since it is something that has already happened. However, the questions regarding the companies' prospect for the future may change. In other words, if our study were to be done again at a later time the answers regarding their current positive and negative aspects of doing business in Japan could very well change. The fact that no companies have decided to stay anonymous also strengthens the reliability of our essay since a reader could easily check the facts about a company.

4. Empirical findings

In this section we will provide the data that we have collected during our interviews. We present the information from all of the six companies in alphabetical order.

4.1 Astra Tech

Astra Tech is a Swedish company that develops and manufactures dental implants and medical devices in the fields of urology and surgery. The company was founded in 1948 and has subsidiaries in 16 markets. The person we interviewed at the company is Peter Selley, the CEO who is about to retire from this position. He has been very involved in the company's activities in Japan and while he has not lived in the country he has been there on numerous occasions and knows the country well. We spoke to him at Astra Tech's headquarters in Mölndal, Sweden.

4.1.1 Establishment

Astra Tech started looking more and more into a possible establishment in Japan during the 90's. As Astra Tech were getting well known within their industry a Japanese company initiated contact. Astra Tech did not enter the market right away and kept the Japanese company on hold while they started to research the possibilities of entering Japan.

1996 they entered the market by striking a deal with the Japanese distributor and at the same time started up their own service center in the country. This center worked as an intermediary between the customers in Japan and the HQ in Sweden. The reason for the entry was that they felt that the product line would work very well at the Japanese market.

They didn't face any unexpected problems in this phase. Mostly since they had a Japanese partner but also due to the fact that proper research had been done prior to entering the market. The whole establishing process took a couple of years from when the Japanese company started talking to them until the products were approved for the market in 1996.

One of the main difficulties they faced when entering the market was the bureaucracy in the market. There is such a high demand on quality that their normal standards were not enough. As such there were a lot of extra work involved, as they needed to get their products approved by different agencies. This combined with the huge amount of paperwork made the process of getting their products approved much harder than usual. An example of how hard it is to get things approved is how they just recently got one of their updated versions of an old product approved.

“We had to sell an outdated product for 7 years just because the new version didn’t get approved.”

Peter Selley, CEO Astra Tech, interview

They didn't face any huge problems when they needed to hire people. Once again this was mainly due to their connection with their Japanese distributor. Without that connection Peter Selley believes that they would have had a hard time finding good people to hire.

4.1.2 Management

Their Japanese subsidiary is run in basically the same way as the companies other subsidiaries around the world. While they need some extra help in some areas they are also better at other areas than other subsidiaries so in the end Peter Selley does not believe there to be any major differences.

They only have one Swedish person working in Japan and he was recruited locally, he did not have any prior experience working at the company in Sweden. He is currently the CFO in Japan. The management of their Japanese employees is totally run by the Japanese subsidiary.

According to Peter Selley the cultural differences between Sweden and Japan have not been a big problem. As long as you understand how the Japanese work and work with them rather than against them there are no big problems. They do things differently in Japan, but if you let them go through their process things usually work out very well in the end. At meetings Peter Selley feels that there is a lot more discussions that goes on without anything actually being decided. This feels unnatural

as a Swede since we are used to decisions being made in meetings. But in the end things just gets done and everyone seems to know what they are supposed to do and everyone is moving in the same direction. Peter Selley also feels that his presence alone, as the CEO, is really important regardless how much input he can give on a specific topic. It usually brings things along more smoothly. In this regard Peter Selley feel that when managing in Japan authority can be of great importance.

They hold the meetings in English but the Japanese participants usually talk with each other in Japanese when they are discussing something. There is still a language barrier but it does not pose any big problems. Peter Selley also feels that his experience from being in Japan over fifty times helps him since he can feel in what direction their discussion is going even though he can't understand Japanese.

Under the previous ownership of Astra Zenica the Astra group organized so that every employee at the company would spend one day of every year helping the community. Doing everything from helping out with cutting down forest too going out to clinics to help out. This was done in order to establish good relationships between the subsidiaries and society and gave the group a lot of positive publicity. At the moment however Astra Tech do not conduct any similar activities.

One thing that Peter Selley thinks is unique about managing a subsidiary in Japan is the Japanese dedication to their jobs and how they handle catastrophic situations such as the tsunami and earthquake in 2011.

“We barely had any employees who were absent from work. People walked long distances when the trains weren't running and kept working. Quite amazing.”

Peter Selley, CEO Astra Tech, interview

Whereas in Sweden this might not have happened and that this was despite the fact that management had encouraged the employees to take time off if they felt that they needed it.

4.1.3 Consideration of the Japanese market and its development

According to Peter Selley the positive sides of the Japanese market is the fact that it is a very quality oriented market with reasonable demands that suits Astra Tech well. The largest negative aspect is the bureaucracy. The long and difficult process of getting new products approved for the market almost makes it feel like there is some sort of protectionism going on that makes it harder for foreign companies to compete in a leveled playfield. Things are simply more complicated than it need to be.

During Astra Tech's time in Japan it hasn't really considered the overall state of the Japanese economy and this still remains true today. They look more at their own market sector and the potential to grow there. When they entered they saw potential for their products since Japanese people generally have bad teeth. And since this is still true they see potential in their market sector rather than potential in the Japanese economy as a whole.

Astra Tech's future development on the market is today a bit fussy as Astra Tech at the moment is being acquired and merged into another company, which is also active in Japan. However, Astra Techs forecast of the Japanese market is that it will be a good market and its sector will continue to develop on the market.

4.2 IKEA

Ingvar Kamprad founded IKEA in 1943 in a small town in Småland, Sweden. IKEA offers 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. This is the idea at the heart of everything IKEA does, from product development and purchases to how they sell the products in IKEA stores globally.

The person we interviewed was Janne Lundh, currently working as a Business Area responsible for IKEA in Kobe and he has been involved with IKEA's operations in Japan since they re-entered the market in 2006.

4.2.1 Establishment

IKEA had a failed attempt at entering the Japanese market in 1976. At that time a Japanese distributor contacted them and the two companies started a joint venture called "Japanese-IKEA". The furniture was imported from IKEA and was sold in a

store that did not have the classical IKEA characteristics. This ended up failing as the products were quite expensive and they were being labeled as “exotic”, this combination did not work out in Japan.

The second time they entered the market, in 2006, they had learned from their previous mistakes and had put a lot of efforts and resources into understanding the market and also into insuring that they sent the right types of people to the country to get things running. A big part of this preparation was their Young Potentials Project (YPP). This project included 30 people in the first phase, among whom Janne Lundh is one, and another 30 people in the second phase. These people were the ones in charge of making the establishment in Japan successful and held the management during the introduction state on the Japanese market. These were people that had experience from living in Japan, the Japanese language and also from working at IKEA.

“This time IKEA really took the time it needed in order to understand the Japanese culture and market prior to it’s second establishment”

Janne Lundh, Business Area responsible IKEA, interview

Acquiring land was one of the big obstacles in the beginning when they entered the market. The construction of a 40,000 square meter building involves a lot of troubles finding the right location and landowners who are willing to sell their land to a foreign company. Since earthquakes often hit Japan there was also the need to make the building as earthquake proof as possible. Thanks to these two obstacles the building of the first store was significantly more expensive than other stores of equal size in other parts of the world. Despite the amount of effort put into researching the market and regulations in Japan there were still some difficulties that had not been anticipated and as such they had to deal with these over time.

During the establishment they did not have any significant problems in recruiting people. However if they could do it again they would have had a different approach to how they hired people. When IKEA explained to the employees how it would be to work at IKEA they described it as a working place consisting of an exotic and exciting working environment where a good work-life balance could be achieved.

However when people actually started to work it soon became clear that some were surprised with how high the workload could be at times. There were also problems with how the employees integrated with the customers. When shopping at IKEA you go around and chose the products that you want and then you pick these up from the storage area yourself. Some employees took this style of “mechanical shopping” as in that they were not supposed to interact with the customers. Due to this problem IKEA’s employees got a reputation of being cold and bad at customer service. According to Janne Lundh this as well originated in that IKEA had set wrong expectations for the employees and had to set new guidelines for the employees that for a Swede might be “obvious”.

Janne Lundh says that when they hire people today they make sure that they convey the core values that IKEA expect their employees to have over the whole world. Qualities such as a willingness to help others, being able to take responsibility and a dedication to always do your best are premiered. Now they also know the general differences between Swedish and Japanese employees. Japanese employees are very efficient, fast and that they prefer to work in groups. Swedes are more flexible and they are better at taking initiatives by themselves, they don’t need direct orders from a superior to take care of problems.

Janne Lundh feels that IKEA have had a big advantage thanks to the fact that IKEA is a Swedish company. In Japan there is a general curiosity about Sweden and people are interested in how it is possible that a country as small as Sweden can have so many big and successful companies operating globally.

4.2.2 Management

IKEA is a global company and all of its subsidiaries are to follow some managerial and structural guidelines regardless of where in the world they are located. The products in all stores are virtually the same; Janne Lundh believes that around 95% of the products sold in Japan are the same as those sold in Sweden. There are rules regarding the layout of the stores, how the stores are supposed to look and how every subsidiary should promote “Swedishness” and, as mentioned before, expectations of their employees. This way of managing its subsidiaries is also followed in Japan.

The subsidiaries do however have freedom regarding how they present their products to the customers, as what the customers demands differs quite a lot between countries. An example of this is the way that the “showrooms” within the stores look. In Japan they have much smaller “showrooms” since the Japanese people generally live in a much tighter space compared to Swedes.

A couple of years ago there were as many as 60 Swedes employed at IKEA Japan, these were the people that came from the YPP program. Today the number of Swedes at IKEA in Japan is around 10. Most of the people that have left have relocated to other areas within IKEA. Which means that the management of the subsidiary is slowly being taken over by the Japanese from the former management of the YPP program.

For those with a managerial position within IKEA there are possibilities to work in different countries. In Japan they are in a phase of expansion and as such they try to keep the employees they have, as they will be needed in the coming years. Thus not allowing especially high career mobility internationally within the company in Japan.

IKEA have had to put a lot of resources into basically educating the Japanese people in what home furniture actually is. That the homes can be made into a much easier place to live with good storage while at the same time making it look better. They have had TV Shows that restore homes with IKEA products and there is a constant struggle trying to get more Japanese people to invest in homes furniture. This is an ongoing process that they will keep working on. Thanks to these efforts the general opinion and awareness of the company and its products is going up.

IKEA is working with a global CSR program where they have initiatives that help children, promote sustainability and so forth. These are also included in the management of the Japanese subsidiary and always involve this as one of the top criteria's at management level in Japan and in its business plans. Some of the parts where IKEA works with for example sustainability are not yet applied in Japan since these are not common in the Japanese society such as proper recycling but IKEA Japan works towards including all of its actions in Japan.

An example of IKEA Japan's work with CSR is the actions right after the big earthquake in 2011. IKEA started a program to help out in several ways. It started by selling basic household items that were needed after the earthquake. In the second phase they sent out everything from pillows to kids-toys to the temporary housing locations where evacuees were living. In phase three of their support efforts they actually put up a sort of mini IKEA in Sendai, the area that got hit the hardest by the disaster. People could go there and buy what they needed for their new houses when they got them. They are currently in phase four of their relief efforts. In this phase they donate 100 yen (around 8 kronor) from every purchase made at their stores, to a fund that, amongst other things, helps children to get new toys. These efforts to help out when people needed it the most have further increased the company's already good reputation in the country thus helping it on numerous levels.

4.2.3 Consideration of the Japanese market and its development

As mentioned earlier the Japanese market poses some difficulties for IKEA as its concept of home furnishing is not commonly known in Japan. IKEA does, much due to this, see a good potential to grow on the market as it feels that its market has a good potential for future growth. IKEA Japan is still in a phase of expansion as it has been since entering the market. There is room to grow and they are definitely planning to do so. IKEA has plans to keep opening up a new store every second year up until at least 2025.

The fact that the Japanese economy as a whole is at a standstill actually opens up opportunities for IKEA since this has the potential to make their customer base even bigger, as IKEA has a position on the market with cheaper products. This can also be good from a competitiveness point of view since most of the competition is in a price bracket above IKEA. Janne Lundh does however believe that the competition in their market will become harder in the future since the competition have started to adapt to IKEA's success.

4.3 Sandvik

Sandvik is a high technology, engineering group with advanced products. Sandvik's expertise in materials technology is their main strength (Sandvik). Sandvik has a world leading position in the production of tools for metal cutting, equipment used in

mining, construction and products in advanced stainless materials (Sandvik). Worldwide the company employs around 50,000 people. The person that we talked to at Sandvik was Anders Wallin, vice president at Sandvik group communications and previously the president for Sandvik Japan. We conducted the interview over the phone.

4.3.1 Establishment

Sandvik established their first Japanese Headquarter in Kobe in 1961. The Japanese subsidiary is its own unit; it is not under any regional office. In the 1970s the company started production in Sendai and since then they have started production in different areas as well, such as Tokyo. Today they have offices in several locations within Japan.

The company does not see the bureaucracy in Japan as a problem as long as you accept that it exists. It makes thing move along slower but as long as you have competent people working for you it is not a problem. In Japan, Sandvik has an external person on their board who comes from the banking industry, this has helped the company in a plethora of different situations due to this persons connections and personal experience of dealing with the Japanese system. This is something that is not common in Sandvik's other subsidiaries.

“The real problem has been that Japanese people traditionally think of foreign companies as less competitive; foreign companies lack in quality, service, accountability and much more compared to Japanese companies and this has been the difficult part to prove that Sandvik is a company that is competitively strong and that Japanese companies aren't superior.”

Anders Wallin, vice president group communications Sandvik, interview

Anders Wallin is seeing a change in this trend and thinks that the change is gaining more and more momentum and that this will open a lot of doors for foreign companies.

When Sandvik worked on its first production facility it was not welcome and there were efforts made by competitors and also the government to make it harder for the

company to complete the facility. However Anders Wallin does not know if and how Sandvik worked to counter this opposition since this happened too long ago.

4.3.2 Management

There is no difference in how Sandvik's HQ manage its Japanese subsidiary as opposed to its subsidiaries in other countries. Sandvik's policies are followed everywhere in the world. One example being their Grandpa principle. This policy means that for a new manager to be employed this person needs to be accepted by not only the boss of a specific area, but that the boss of the boss also needs to approve of this.

Within the company managers generally don't move around too much between different countries. Specialists however, do move around between the company's different subsidiaries since the company as a whole benefits from sharing the knowledge that these specialists have.

The differences in management style between Sweden and Japan are not that big. Anders Wallin says that this is mainly due to the fact that the business culture in Sweden and Japan are quite alike. Both parties are quite "scared" of conflicts and we want to be in agreement through discussion rather than being more confrontational in discussions to not upset each other. There is a consensus culture in both countries, which makes management somewhat similar.

Regarding the difficulties that comes with the cultural differences Anders Wallin says that Sandvik didn't really trust Japanese management until the beginning of the 21st century. Because of this the head of the Japanese subsidiary was not Japanese until the time when the two previous presidents of the Japanese subsidiary recommended a Japanese person for the position. The reasoning behind this was that both of the previous presidents believed that this was necessary for the development of the subsidiary in Japan.

Generally Anders Wallin feels that the Japanese view themselves as a lonely country without friends and they do not feel that they are a part of the economic super power

that they are. This is reflected in their way of thinking and doing things from time to time.

Sandvik has had a hard time recruiting graduates from the best Japanese schools since the students want to work at Japanese companies. Anders Wallin also believes that this was an even bigger problem back in the sixties when the company first established in Japan. At that time they almost exclusively employed English-speaking people. The problem is getting smaller since Sandvik is getting more well known and because of the fact that they now have been in Japan for over fifty years helps.

The language barrier has been a problem since the Japanese people are generally bad at English. This is a problem when recruiting new people. For the day-to-day management this has meant that Swedes have had to use an interpreter as soon as they need to speak to someone below top management and here much is lost in translation. This also means that it takes longer time to build good relationships with people.

One thing in particular that Sandvik appreciates with the Japanese is the fact that they are well prepared for disasters. During the 2011 earthquake both the management and the employees were well prepared and handled the situation very well. Even though there were some damages to the factory located in the areas that were heavily affected, production levels were back to normal within a few weeks.

4.3.3 Consideration of the Japanese market and its development

The demand on the Japanese market is based around the same products as in the rest of the world but they have faced strong competition from local companies. Japan is a really big market, one of the largest markets in the world for industrial companies. There is a negative attitude towards foreign companies. The market shows weak growth and this is seen as a threat. It also makes it harder to grow within the market. It has also been difficult to find good distribution networks in Japan.

The Japanese economy is huge but shows low growth. However, Sandvik is successful at the moment. Another positive thing for the future is the fact that their competitors have had weak development compared to Sandvik, which of course makes Sandvik a stronger player in the market.

4.4 Syncron

Syncron is a global supplier of software and services in the Supply Chain Management area. Syncron primarily work with large international manufacturers in five target industries; Mining and Construction, Industrial Equipment, Aerospace and Defense, Automotive Parts and Industrial Products. A majority of Syncron's target customers are found in Europe, North America and East Asia. Syncron is headquartered in Stockholm, Sweden. Other locations are Malmö, Birmingham, Warsaw, Atlanta and Tokyo. The office in Tokyo is responsible for sales, implementation and support of the Syncron solutions for the customer base in Japan and East Asia.

The individuals who answered our questionnaire are Kristina Olsson, Head of Global Professional Services, and Dag Sjöqvist, the CFO of Syncron Group and also a Board Member of Syncron Japan.

4.4.1 Establishment

As part of Syncron's long-term strategy to become a global leading supplier within its fields the company decided in 2008 to establish local presence in Japan. Simultaneously with the establishment of the office in Tokyo, Syncron secured a major contract with a Japanese company active in the construction and mining equipment industry.

When Syncron entered the Japanese market they did this with a greenfield approach and they got assistance from the Swedish Trade Council.

During the establishment process Syncron had to adapt to the Japanese way of doing business. For example, the commercial relationship between suppliers and customers is different in Japan compared to a European environment in terms of viewing the customer as more of a collaboration partner than a counterpart.

In combination with understanding and adapting to a different way of conducting business Syncron faced challenges in attracting and recruiting the right individuals to drive the Syncron operations in Japan. At initiation of the operations in Tokyo Syncron did not have local Japanese employees and this was a major obstacle when

delivering a major project to a large and demanding customer both from a language point of view but also as a way of bridging the cultural differences between the head office and the local office. Being a European based company with no brand awareness in Japan meant it took time to bring the right individuals on board.

Despite several difficulties during the establishment phase there have also been many possibilities for Synchron as there is a great interest and respect in Japan for new technology and innovation. Being a Swedish originated Software Company Synchron has experienced a great interest and respect for their offerings.

Regarding if Synchron had anticipated these difficulties they say that the language and cultural differences were expected but probably not to the extent that it actually faced. Despite being part of the long term strategy the actual establishment of the Japanese office was carried out on short notice and with minimal research.

The company also received great administrative support from the Swedish Trade Council. However, in retrospect they say that they should have staffed the operations differently from the beginning with a very senior expat from the core European operations on the ground in combination with bringing onboard experienced local Japanese employees.

Synchron has not had any problems with the bureaucracy in Japan. They think that it has been very straightforward and that they have gotten timely deliveries from the authorities. In general they feel that being a Swedish company has been a disadvantage due to the difficulties regarding sales and attracting talent. Their target industries have more trust in Japanese companies.

4.4.2 Management

Synchron's HQ has high influence on their Japanese subsidiary's activities. They act as one global company with common processes rather than in a model with independent subsidiaries. Above that the Japan office is small and collaborates closely with the rest of the company. The Japanese subsidiary also has the responsibility for the East Asia region.

Currently they have no Swedes employed in Japan. They do however have a member from the Swedish management team that works in Japan on a regular basis. During periods they have had up to four Swedes working in the country. These had no management position but they were still able to influence management since they had longer experience at Synchron than the Japanese management.

Within the company they encourage career mobility, they believe that it's instrumental to ensure that they foster and sustain their "one global company" culture.

Synchron feels that the difference between Swedish and Japanese working culture is that in Sweden there are very high ceilings. People raise their opinions. Management is approachable and easy to talk to and in Japan it is more formal.

Synchron has had a hard time recruiting talented people in Japan. The reason for this being that it's hard for a relatively small Swedish company with an unknown brand and a newly established office in Japan that requires fluency in both Japanese and English to attract and find good employees.

Generally, there is also a long time horizon behind each business decision in Japan and willingness to invest heavily in building a relationship with a customer. From time to time they have had difficulties with combining this way of conducting business with Synchron's financial goals, which are based on quarterly time periods rather than ten-year targets.

During the 2011 earthquake the employees had difficulties to get to work but still continued their work from home. The Swedish CEO was also in Japan at the time, which helped in understanding and dealing with the situation.

4.4.3 Consideration of the Japanese market and its development

The demands of the market are the same in Japan as everywhere else. Their target industries have very similar processes and challenges that their product portfolio addresses. The demand does not differ, the competition does.

The strong yen continues to be a major problem for the export industry that affects their target customers negatively whilst the construction market in Japan is experiencing growth, which is positive for Synchron's target customers. Regarding their competition in the market they believe that it is becoming both easier and harder. Easier since Japanese companies seem more and more willing to invest in foreign software solutions. Harder since that also means that other foreign software companies establish in the market.

4.5 Vitrolife

Vitrolife is an international life science company that was founded in 1993. The company has three main product areas: Fertility, Transplantation and Stem Cell Cultivation with approximately 220 employees. Vitrolife's products are sold in over 90 markets around the world and Vitrolife has established subsidiaries in USA, Australia, France, Italy, United Kingdom and Japan. Vitrolife's Production facilities are located in Sweden and the USA. The one who answered our questionnaire, via mail, is Marcus Hedenskog who is the Representative Director Japan.

4.5.1 Establishment

Vitrolife's products first reached Japan in 2000 through a distributor. Vitrolife reached out to Japan because Japan is the largest market in the world for its products. In 2009 Vitrolife felt that it was time to enter on its own and did so via greenfield investment.

When Vitrolife entered Japan they faced severe competition, high set up costs and problem with securing good personnel. To recruit talented personnel is always difficult and expensive but Marcus Hedenskog already had a good network of people in Japan that he wanted to hire when he established Vitrolife Japan, which made the process easier.

The establishment process for Vitrolife took 2-3 month of basic research and 2-3 months of establishing the company it self. When establishing in Japan the Japanese bureaucracy did not pose any large problems, only some delays of custom clearance for Vitrolife's products. The Japanese laws and regulations did not pose any problem for Vitrolife either.

To be a Swedish company in Japan has been an advantage for Vitrolife. Swedish companies have a reputation for high quality and also some inventions in Vitrolife's business area and both these factors have helped Vitrolife.

4.5.2 Management

The Japanese subsidiary has responsibility for its day-to-day business and has little interference from HQ but as the business is growing HQ gets more and more interested in the Japanese operations. In Japan there is one Swede employed and that is Marcus Hedenskog, in total there are five people employed in Japan.

Since Vitrolife is a fairly young and small company, at least on a global scale, Vitrolife does not have high mobility within the company between its different subsidiaries.

In Japan Vitrolife conducts a mixture of Swedish and Japanese management. One example of "Swedish" management is that Vitrolife give the employees much freedom to reach set goals (e.g. management own working time, visiting schedules etc.). Vitrolife also try to work very closely as a team or kind of a family so to ensure that everyone is working towards same goal.

Vitrolife's main problem with cultural differences is the definition of quality in Japan, which differ from the Swedish one. The problem for Vitrolife Japan is getting HQ to understand the differences and adapt to these.

For Vitrolife Japan it can be difficult to recruit new young talent since it is a small and fairly unknown company in Japan. However, Vitrolife offers a high flexibility and freedom in how they perform their work and this can be attractive to some but not all.

The language barrier has not been a problem for Marcus Hedenskog since he is fluent in Japanese. When putting customers in direct contact with HQ the language barrier can be a problem.

To adapt to the Japanese market Vitrolife have implemented some additional quality control measures for some products i.e. additional inspections in Japan. Some defects,

which are acceptable outside Japan, are not accepted in Japan. Vitrolife also from time to time need to adapt the marketing material from HQ so that it will appeal to the Japanese market and sometimes even do it from scratch in Japan.

The 2011 disaster had no impact on Vitrolife's business. However, Marcus Hedenskog saw that some companies left Japan after the earthquake, which can be a bad sign for the future.

4.5.3 Consideration of the Japanese market and its development

The Japanese market demands high quality and has its own definition of quality that doesn't always fit with the Swedish perception of quality. Hence, the Swedish more "rational" quality can't always be applied with the same success in Japan. Marcus Hedenskog also feels that the Japanese aren't as price sensitive as other markets and that a strong relationship is something that the Japanese often value over product and price.

The positive aspect of the Japanese market for Vitrolife is that it is a large market. However, the market is growing slowly and it takes a lot of time and effort to succeed.

For the future in Japan Vitrolife expect that the market will continue its slow growth and is not currently doing anything in particular to adapt to the future. Vitrolife feels that Asia is becoming more and more important for its business and will have a focus on China and Japan for its near future growth in Asia.

Vitrolife does see that new competition is entering the market and that this is making the situation harder as all companies need to fight for market shares.

4.6 Wallenius Wilhelmsen Logistics (WWL)

WWL is a Nordic company that was formed from the merger of the Swedish logistics company Wallenius and the Norwegian logistics company Wilhelmsen in 1999. Due to its Swedish roots we have chosen to include them in our research of Swedish companies in Japan. WWL has a focus on heavier cargo such as cars, trucks, special cargo and heavy equipment. The person we interviewed at WWL is Mats Steinnes

who is chief of staff at the Asian region office in Tokyo, Japan and has been active in Japan during the past four years and roughly a year of these at WWL.

4.6.1 Establishment

Before the merger in 1999 both companies were active in Japan and had entered on their own. The Swedish company entered in 1961 and the Norwegian company in the 1970s. Up until the merger these two have been acting as competitors on the market and on this specific market the Swedish company was the most successful and had the largest market share.

When the Swedish company entered the Japanese market they had carriers that were superior to the carriers for cars that the competitors had at the time. These carriers were made so that it could take more cars and also had a much lower damage ratio to the cars. They were pioneers in the new way of loading and un-loading cars on carriers, their “roll on roll off” way of loading cars were unique at that time and today all major car carriers utilizes this system. This made the company competitive on the market and proved their strong stance for their costumers. Even though Japanese competitors soon acquired such vessels themselves Wallenius had gotten a foot in on the market and a reputation for quality and safety, which is what has made Wallenius and now WWL, a strong player in the Japanese market.

The bureaucracy in Japan is not something that is posing any sever problems for WWL. The bureaucracy in Japan takes much time and manpower but as the company has adapted to this it does not pose a problem. Mats Steinnes has heard of other companies that have been hurt when introducing new products and such but this is not something that affects WWLs products and services and he does not feel that WWL is being treated any worse than its Japanese competitors.

In Japan Mats Steinnes feels that there is an advantage being from Scandinavia, both on a corporate and personal level. Scandinavia is known for its high quality products and services and is also famous for its well-fare system. It can be easier doing business in Japan when coming from Scandinavia but it is not enough to close a deal.

4.6.2 Management

The region office for Asia in Japan is not controlled by the HQ to a high extent and control most of its actions alone and also holds most of the contracts that concerns its area. The HQ controls revenues and so forth but all the day-to-day and overall business decisions concerning its area are done in Tokyo, Japan. There is no special treatment of the Asian region office or its Japanese subsidiary compared to others region offices but just the fact that the region office for Asia is placed in Japan proves its importance.

At the Japanese regional office there are around hundred employees and among these there are ten non-Japanese. The company wishes to move people around to its different subsidiaries to increase co-operation between its subsidiaries. For example most of the non-Japanese at the Japanese subsidiary are from other offices around the world and are stationed there for a period of 3 to 5 years. This is done to create an international environment within the company. In this business there is a need for internationalization due to the fact that most shipments goes of to other countries there is a need to understand and being efficient when dealing with other countries and cultures.

Mats Steinnes thinks the management in Japan and Scandinavia has much in common in dealing with its employees and neither has the hire and fire culture that can be found in the US or Britain. But in Japan the social security is not as good as in Scandinavia and therefore WWL is very careful with who they hire and gentle when laying people off. Mats Steinnes is also seeing that the lifetime employment that has been so popular in Japan is now slowly but surely disappearing. It still exist but not to the same extent as before.

“If we fire an employee in Japan there is no social network in place that protects him and his family, because of this we are generally very careful about firing people in Japan”

Mats Steinnes, chief of staff of the Asian region office WWL, interview

Mats Steinnes thinks that it can be difficult to reach the absolute top talent when hiring people. WWL typically has two kind of people who apply for their jobs, first

there those who see WWL as their second hand choice after the Japanese companies and then there are those who see WWL as attractive due to the fact that it is a Scandinavian company, a company that doesn't expect you to only work but understands that there is a life outside work. The salary offered by WWL is slightly above the Japanese average. Those who are the best-qualified applicants usually have some connection to Scandinavia.

The language barrier poses a problem for Mats Steinnes and WWL in Japan and may be the largest challenge faced in Japan. A Japanese who speak good English is far below a Scandinavian who speak good English. To speak English is something that is a must when working at WWL in Japan.

During the aftermath of the earthquake in 2011 WWL did help out. WWL helped out by providing its logistic services, volunteers from the company and monetary donations. This was done because WWL Japan felt that this was the right thing to do and had nothing to do with its businesses. However, WWL afterwards feels that it might have hurt the company if it hadn't helped out in some way.

4.6.3 Consideration of the Japanese market and its development

The positive side of the Japanese market is that it demand high quality and is prepared to pay extra for it, which serves WWL well. Always stay true to a deal. Even in the worst times the companies pay the same amount for each car, which would not have been the case in China for example.

The negative side of the Japanese market is that if you don't got good enough relations things can be really hard and for new companies this pose a problem even on the personal level since new people in Japan have a hard time doing business efficiently. Today this is not as big a problem for WWL since they have been in Japan for some time now.

Overall Mats Steinnes thinks that what makes the Japanese market unique is the focus on high quality that can be seen on every level of doing business and also on every product sold within Japan.

WWL is seeing that the companies they serve are considering moving to other countries and in this WWL wants to follow in order to continue providing their services. In order to be the obvious choice for the companies in question WWL is now working on establishing good relations with these and through that create an advantage when establishing new contracts.

There has been some discussion whether WWL's Asian region office should remain in Japan or if it should be moved to new more attractive markets. China and Shanghai has been on the board but this will probably not happen due to raising labor cost and lower quality workers than in Japan. The markets that are starting to emerge are the markets in South East Asia where WWL eventually might be moving their regional office.

WWL feels that the competition in Japan is strong and that the market has grown to its full potential. It is no longer possible or rather, very hard to grow by expanding the market further.

“They are not building any more car factories in Japan, as such we are now focusing on protecting our market share within the country rather than trying to expand it.”

Mats Steinnes, chief of staff of the Asian region office WWL, interview

On a longer perspective for WWL in Japan there are movements as the Japanese car manufacturers have started to consider moving the plant to other countries due to the fact that natural disasters are common in Japan.

5. Analysis

In this chapter the empirical findings are compared with the theoretical framework and the findings are discussed and analyzed

5.1 Culture

What all of the companies in our study have in common is the fact that all of them have faced problems due to the cultural differences between Sweden and Japan. This is not a big surprise when we look at the differences displayed by Hofstede's cultural dimensions (Hofstede) that the two countries display when looking at Figure 1.

Johanson & Vahlne (1977) write about the fact that companies prefer to first enter markets with less physical distance. Physical distance consists of factors such as differences in language, culture and political systems, all of which are present when comparing Sweden and Japan. This is a reason why most of the companies in our sample have established themselves in other countries prior to entering the big Japanese market.

Despite the different amounts of research the companies conducted before entering Japan, ranging from IKEA's years of research to Synchron's minimal amounts, the companies have faced mostly the same problems.

Sandvik, Synchron and WWL all report that they have had problems with hiring qualified personnel. Today Sandvik's problems relating to the difficulties of hiring qualified personnel are less severe than in the past, thanks to the good reputation of Sandvik. WWL reports that they still have problems finding the right people despite having been in the country for a long time. As Mats Steinnes, Chief of Staff says:

“WWL typically has two kind of people who apply for jobs, first there are those who see WWL as their second hand choice after the Japanese companies and then there are those who see WWL as attractive... The best-qualified persons who apply usually

have some connection to Scandinavia.”

Mats Steinnes, chief of staff of the Asian region office WWL, interview

For IKEA and Astra Tech the problems are described as less severe. IKEA had no problems hiring people. Rather, IKEA's problems were related to the fact that they gave the wrong picture of the company to the new employees, and as such they had problems internally with handling personnel correctly. Astra Tech says that they probably would have had more problems if it weren't for the help that they received from their Japanese distributor.

What has been reported from all the companies is that one of the main factors that make it difficult to hire Japanese employees is that their English level is very low compared to other countries.

The only company that hasn't had any problems with hiring people is Vitrolife. This can be attributed to the fact that Marcus Hedenskog, Representative Director, is fluent in Japanese and that he already knew the four people that he hired for the company.

The problems that the companies have had with hiring people can be largely attributed to Japan's high scores of uncertainty avoidance and long-term orientation. The fact is that most Japanese people wish to work in a Japanese company rather than a foreign company. This is connected with the Japanese people's preference to avoid uncertain situations. It simply gives them more security to work at a Japanese firm that has a long history in the country as opposed to working at a Swedish firm that has just opened up its doors in Japan. However these problems lessen the longer a Swedish company has been active in Japan, as more people become familiar with it and the fact that the general view of foreign companies has become increasingly positive in Japan.

This is also shown in our data since Sandvik reports that this is exactly what has happened for them. They have now been active in Japan for more than 50 years. During this time they have built up a reputation of delivering high quality products and that it is a good company to work at. Due to this, any problems with finding qualified personnel were diminished.

Astra Tech and Synchron both stress the fact that it is true that the Japanese business culture is different from Swedish business culture. As a result, there is a need to realize and accept this as a fact and work with the system rather than against it. As said by Peter Selley, CEO at Astra Tech:

“As long as you understand that the Japanese does things differently, and that they need to go through their process, things work out very well in the end.”

Peter Selley, CEO Astra Tech, interview

One of the main differences compared to the business culture in Sweden is the fact that all decisions take much longer to initiate. The feeling that meetings aren't going anywhere, that people are simply there to discuss things rather than taking action combined with the fact that Japanese people are very un-confrontational during discussions, means that meetings may take a long time to finish. Once again this can be attributed to Japan's high long-term orientation score, with the long time horizon on decisions causes a sense for Swedish people that nothing is happening. The advantage of this is as said by Peter Selley, CEO at Astra Tech:

“The fact that when a decision is made everyone knows what they are supposed to do and that they are very effective when things are set in motion.”

Peter Selley, CEO Astra Tech, interview

This feeling experienced by Swedes during meetings with Japanese people, that they are not progressing with their discussions, correlates well with what Jandt (2003) discusses, in that Japanese people can understand each other with few words. As such Swedes will have trouble with understanding the nuances embedded in the discussions, and as a consequence they feel that things are not moving at a pace that they are familiar with.

Some of the problems IKEA have faced are quite unique among the companies included in this thesis. This is due to the fact that they are a retailer and as such their employees need to handle consumers directly. These problems that IKEA faced can

mostly be attributed to the difference in power distance between the countries. Japanese people are used to obeying orders of what needs to be done. What happened for IKEA was that the combination of their employees being used to receiving orders and its miscommunication regarding what working at IKEA really consisted of ended up giving the company's employees a bad reputation. When an employee hadn't received any specific orders at what to do they often chose to just stand behind their desks instead of walking around helping customers.

Another unique problem for IKEA was the fact that they have had to educate their customers about what home furnishing really is. Initially there was a lot of skepticism from the customers about IKEA's products, but over time and due to IKEA's workshops and commercials, the Japanese people became more and more prepared to buy IKEA furniture. This problem can be attributed to Japan's high scores of uncertainty avoidance and long-term orientation, in that it takes time for customers to trust a new company regardless of how new and exciting it seems to be.

To conclude, we feel that the differences displayed when comparing Sweden and Japan's different scores gives a good overall picture of what kind of cultural differences can be expected in Japan. Several of the problems that the companies have experienced correlate well with the difference in power distance, uncertainty avoidance and long-term orientation. However, we did not see any problems that could be correlated to the differences in masculinity. It is clear that the male and female roles in business differ greatly between the two countries; as such the male values are much stronger in Japan than in Sweden. However, none of the companies had experienced any problems associated with this. Some of the answers can be associated with the differences between the countries scores of individualism, mostly due to facts such as the companies saying that Japanese people work best in groups and that in the business climate in Japan, partners are seen as partners and not as counterparts. This thus supporting the fact that the Japanese have a lower individualism score than Sweden. As such, we do not see support for the study that Woodring (1995) conducted. Our findings do not show that the younger generations would be more individualistic than the older generations.

5.2 Establishment

After analyzing our empirical data we can see that most of the companies in our thesis have not followed the four steps that is explained by Johanson & Vahlne's (1977) Uppsala model. The only company that does this is Sandvik. A big industrial company that started exporting to Japan early in the twentieth century. It is unclear if they had a Japanese distributor at the time, although it is highly likely, before setting up their own HQ in the country in 1961. In the seventies they built their own factory in the country.

Sandvik is the only company that has had any kind of successful export activities to Japan prior to their entry in the market, in other words it is the only company that did not skip step one of the Uppsala model. The reason to why the different companies didn't take step one in the model differs. For example, for Synchron it was simply not worth the effort since they are a software company and for Astra Tech it was too hard to get their products approved in Japan without being present in the country.

The only company that has been successful at entering the market from step two of the Uppsala model is Vitrolife. Due to the company's small size and the fact that the one in charge of the establishment had good connections in Japan and good knowledge about the market and the country, and as such they managed to have a successful establishment that is currently at step three of the Uppsala model due to their sales office in the country.

During IKEA's first effort to enter the Japanese market they did this via a Japanese distributor that contacted them, in other words they started out at step two of the Uppsala model. However, the concept of IKEA-Japan did not work out as planned and they failed. Johanson & Vahlne (2009) write about the importance of relations and market knowledge when internationalizing and it seems that IKEA did not realize this and the biggest reason for their failure could be contributed to their lack of market knowledge.

The second time IKEA made an effort to establish in the country they did this with a firm backing of the knowledge that came from researching the conditions of the Japanese market as well as a firm belief in the IKEA concept. As Johanson & Vahlne

(2009: 1427) say in their article: “A rapidly growing number of modern firms are built around a brand, a design, or patented technology for which production and services are performed by a network of other firms (e.g., Nike, IKEA).”

The strength of IKEA’s brand and concept is clear since they are now successful in Japan despite the fact that they skipped the first three steps of the Uppsala model. They went straight to step four by starting out with the construction of an IKEA store without any Japanese partners. This strategy does correlate well with one of the reasons why a company might skip a more gradual increase of commitment that Johanson & Vahlne (1990) discusses. That an already big company can take more risks than a smaller company and as such it might skip some steps in the Uppsala model. Another important aspect that seems to have been important for the company’s success in Japan is that they put a lot of effort into sending employees to Japan that already had experiences from both Japan and IKEA. In other words they tried to make sure that they would become an insider in the market when they entered this second time. This effort by IKEA also supports Whitelock’s (2002) argument that the most important knowledge to gain is the knowledge of personal experience, since IKEA obviously felt that this type of knowledge was very important for them.

Regarding the importance of networks that Johanson & Vahlne (2009) writes about we can see that Astra Tech, Vitrolife and IKEA have had great advantages due to the connections that they have established in the country before their entry on the market. The sole reason why Astra Tech became interested in the Japanese market was that a Japanese distributor contacted them due to their interest in Astra Tech’s products. After the initial contact there were only a few years until they entered the market, and through their communications over the years their relation grew stronger. Since their establishment in the market Astra Tech have had advantages thanks to their relations with insiders within the market, with matters ranging from hiring employees to their connection with customers. This shows the importance of the ability to capitalize on opportunities that Johanson & Vahlne write about. That being an insider in a network helps with both seeing and capitalizing on opportunities.

IKEA learned a lot during their first attempt at establishing the company in Japan. The lessons learned during the failed attempt helped with being successful during

their second attempt. For Vitrolife the importance of networks is clear since Marcus Hedenskog's, representative director in Japan, prior experience and knowledge from Japan helped during the establishment process. All of the Japanese employees were a part of his social network and as such he knew that these people would be good employees to have at the company.

To summarize, the results show that Johanson & Vahlne's (1977) Uppsala model is quite outdated and this due to the fact that only one of the companies included in this thesis really followed the four steps. Our findings correlate well with the critique Hedelund & Kvarnland (1984) put forward. The companies do not appear to have felt that physical distance was their main cause of uncertainty. This due to the increased amounts of information that can be gathered about Japan as well as the fact that most of the companies included in this thesis have put a lot of value into achieving strong relations and good amounts of personal experiences from the market. In other words, they acquire this information before entry as opposed to learning it by themselves as they would have done if they utilized a more gradually increased commitment to the market that the Uppsala model's four steps would have accomplished. This behavior correlates well with what Johanson & Vahlne (2009) write about. That in today's business environment networks is of the utmost importance. Outsidership is now the main cause of uncertainty as opposed to physical distance. We feel that this theory is applicable to the way that the Japanese business environment works today. As such, companies that are looking at entering the Japanese market would be well served to take this in consideration when they are planning their entrance strategy.

5.3 Managerial decisions

As discussed earlier the aim of this thesis in terms of management is to scrutinize three of the larger areas of subsidiary management in Japan for Swedish companies. Here we will investigate if the empirical data is supporting the theories or contradicting them to form a proper backing for which theories to use and how.

HR management

The employment process and the challenges faced there have been discussed under culture where it shows to be quite large differences between Sweden and Japan. For

all companies that utilized a green field approach, HQ has had a high involvement in hiring and controlling HR decisions. This involvement has for most companies lessened as time have passed. Mainly due to that the subsidiaries got more developed and independent. This is however not surprising as HQ initiates the establishment and controls it.

The really interesting part is how the management of HR is conducted and connections between HQ and the subsidiary is integrated once the subsidiary is properly established. In our empirical findings there are a variety of different strategies used but within these are some common traits. Many of these traits coincide with theory but there are some cases where the theory needs to be twisted a bit to make it applicable for this situation.

The cultural dimensions described by Hofstede (1984) suggests that there should be large differences, which in turn would mean difficulties associated with managing Japanese employees. This has been highly contradicted in our interviews where most of the interviewees claim that management in Japan and Sweden are much alike. For example:

“Management in Japan and Scandinavia have much in common in dealing with its employees for example neither has the hire and fire culture that can be found in the US or Britain.”

Mats Steinnes, chief of staff of the Asian region office WWL, interview

“Much is alike in management culture between Sweden and Japan we are both “scared” of conflicts and wants to agree on as much as possible and not upset the other part. There is a consensus culture in both countries.”

Anders Wallin, Vice president of Group communications Sandvik, interview

Generally the subsidiaries also have a pretty high integration with Sweden and the rest of the company even after the establishment process is done. The Swedish management ideas are also used to a high extent at the subsidiaries in Japan. This follows the traits found by Dolles & Takahashi (2011) of easier adaption for foreign

companies since these does not have to follow the unwritten rules thus being able to adapt Swedish management ideas.

When we first reviewed Hofstede's cultural dimension one by one the differences between Japan and Sweden could clearly be viewed. However when these are put into an HR management perspective and not viewed one by one but together the differences are not at all as vast as Hofstede's numbers suggest. This divergence of the theory has been observed by Hofstede (1983) but for US companies in Japan. This was basically explained as an exception of the rule. But here it can be observed once again and this in Japan as well, by a country that has even higher differences to Japan than the US (Hofstede, 1984).

There are some differences between the different companies strategies but all except Astra Tech and WWL are more or less operating by an ethnocentric strategy. Astra Tech utilizes the polycentric strategy and WWL more of the region centric strategy.

As Heenan & Perlmutter's (1979) EPRG model describes it the possible management strategies in a foreign country will to a high extent be decided by the differences in management culture. By then regarding Hofstede's (1984) cultural dimensions it is easy to conclude that it will be a polycentric strategy that will be the best and most efficient as the differences between the two countries are vast. However in this case we have found that most companies actually thinks that the two management cultures share many traits and therefore are able to utilize Swedish management styles in Japan, meaning that these companies utilizes an ethnocentric strategy. From an industry perspective it is important to recognize this and understand that Japan might be geographically far off but in HR management the differences are not at all as grave as suggested by theory.

Product strategies

Our empirical findings have clearly showed that Swedishness is something of value in Japan. One thing that was mentioned in every interview was that Sweden has a reputation of high quality products. The interviewees explain Japan as a country where quality is of the utmost importance for a customer. In the Japanese market,

where quality means as much as it does the Swedish reputation of high quality clearly is an advantage.

The product adaption to Japan by the Swedish companies have been limited, as the reputation and attraction for Swedish products are high. For Business-to-Consumer (B2C) companies the adaption is higher as these are aimed directly to the public where as the Business-to-Business (B2B) companies are catering pretty much the same products and services wherever in the world these are. Hence smaller noticeable differences concerning the B2B companies in this study.

By a quick estimate from Janne Lundh, business area responsible, 95% of the products IKEA sell in Japan are the same as those sold in Sweden. To see that a company as big and exposed as IKEA only has adapted to this extent and that the other companies barely at all have changed its products for Japan provides a solid ground for stating that an ethnocentric or geocentric product strategy is highly efficient in Japan. Another, maybe more concrete, conclusion is that a polycentric product strategy isn't needed for Swedish companies in Japan. As Sweden is a highly developed country this concurs with Bilkey & Nes (1982) that claimed that developed countries have higher attraction than low developed countries. Nonetheless, many companies have established extra quality controls for products at the Japanese market and this can be important to keep in mind, as Japan is a highly demanding market in terms of quality.

For usage of this in practice it is good to know that Sweden has a good reputation in Japan, especially for quality. However, the value of this should not be exaggerated. Sweden's reputation for high quality will help and make it easier in some aspects but as mentioned by Mats Steinnes, Chief of Staff, WWL, this is rarely enough to close a deal. It is valuable to know that an adaption of the products to Japan specifically isn't used to a high extent, which might make it easier for other companies considering the Japanese market.

CSR/Risk management

Japan is one of the richest and most developed countries in the world, which means that many of the risks usually connected to risk management are non-existing such as

severe poverty, access to clean water, poor working conditions and so forth. Nonetheless Japan poses other risks such as earthquakes and tsunamis, as it is the world's most seismically active country. The fact that many of the risk are non-existing in Japan has been supported by our empirical findings where most see Japan as a low risk country. This has, for all of the companies except IKEA, meant that no extra focus has been put on Japan for CSR or risk management. These companies all feel that there is a reputational gain in Japan from the activities carried out in other parts of the world. No company has felt that there is any pressure from the community to actively work with CSR in Japan, which correlates well with Tokoro (2007) who state the low level of NPOs and the lack of influence of these in Japan. All in all for these companies a geocentric strategy for CSR and risk management suffice in Japan.

For IKEA it is different since it is a B2C company. IKEA is more exposed to the community, which means that the common man has a higher awareness of IKEAs actions than the other companies in this study. As IKEA is scrutinized to a higher level it has more to gain and lose from proper or poor CSR and risk management. The Japanese subsidiary has a high focus on CSR and aim at including it in all its business plans. The work done in Japan after the disaster in 2011 shows that this isn't empty words. However, Janne Lundh, Business area Responsible claims that this isn't something that is unique for Japan rather a clear strategy for IKEA in general. In other words IKEA also uses a well-structured geocentric strategy where it is able to quickly react at the local markets.

In conclusion it is possible to see that for both B2C and B2B companies in Japan a geocentric strategy is preferred and there isn't any mentionable pressure on Swedish companies in this area in Japan.

6. Conclusion

In this final chapter we aim to summarize the results of our study in a way that is directly connected to our core questions. We also give suggestions regarding how our theoretical framework might be used in future research and we outline our own criticism and limitations to our study.

6.1 Summary

Our data shows that the companies included in our thesis have been able to manage successful establishment processes in Japan via a multitude of different ways. This shows that there is no particular part of the entrance process that's been taken into consideration by all of the companies. Every company is unique and because of this they have used different approaches when establishing themselves in Japan. Most companies have actively worked with establishing strong connections with the Japanese market and through this work managed to attain an insidership on different levels. This, if anything, seems to have been the main thing that the companies included in this thesis have taken into particular consideration when entering the Japanese market.

All but one of the companies has experienced difficulties related to the unique Japanese culture. This regardless of the amount of time and effort they actually put into researching the Japanese market prior to entering the country. This shows the importance of understanding the market. Without the efforts that had been made by the companies to understand the market they would certainly have faced more problems. It is clear that that the companies have taken the potential problem of cultural differences into particular consideration. This since they put a lot of effort into researching the Japanese culture prior to entry.

Even though the companies in our study are different in many ways there has still been a pattern in the parts of management that we have analyzed. In HR management we surprisingly saw that Swedish HR management styles are highly applicable even though Hofstede's cultural dimensions show a vast difference in culture. Swedish

products are attractive in Japan since they have a reputation of high quality products. This means that in general, Swedish companies does not need to alter their products to any higher extent for the Japanese market. Managing a subsidiary in Japan in terms of CSR has proved to be a relatively easy task as there is not a high pressure to conduct CSR activities. The risk management in Japan has been sparse for the companies in this study as they consider it to be a low risk country. Overall, the Swedish companies have not adapted their subsidiary management in Japan to a high extent. Most of the companies have structured their subsidiary management according to its general subsidiary strategy and been able to utilize Swedish management styles in many aspects and this seems to work well for the companies.

The future prospect of the Japanese market seems to be mostly positive from the companies we have interviewed; there are of course some differences due to the varying natures of the companies. What appreciated in the Japanese market is its demand for high quality which most companies feel is good since their products are in the high quality range. The fact that Japan has a slow growth doesn't seem to worry the companies as these rather focuses on the opportunities that lay ahead. Concerning the establishment process for Swedish companies that aim to enter the Japanese market in the future. It seems clear that attaining insidership through networks will be of increasing importance in the future as the world we live in becomes more and more integrated. Regarding management of Japanese subsidiaries in the future it seems as it will be even less complicated than it is now. This due to the fact that the Japanese are becoming increasingly better at English and the prejudice against foreign companies in Japan is slowly disappearing. All this will account for an easier business environment where it is easier for foreign companies to grow.

6.2 Limitations to the study

To develop this research it would have been good for us to include other companies than IKEA that have failed in the market. The lack of companies that had experienced this can be explained by the fact that most simply didn't want to be interviewed; nonetheless this would have been a good edition to our thesis. The inclusion of companies that left the market would paint a clearer picture regarding the difficulties faced in Japan. Another addition would have been to include more B2C companies; in

this thesis the only B2C company is IKEA, which showed different results than the B2B companies. In this thesis IKEA stands alone for the result of B2C companies in Japan, which is a bit narrow.

To conclude, the addition of companies that have failed in the market as well as more companies that work more closely with private consumers would probably have enhanced the thesis further.

6.3 Suggestions for future research

The Uppsala model (Johanson & Vahlne, 1977) is outdated. The international environment has changed drastically over the past 35 years and as such the Uppsala model is not as applicable to business today as it has been in the past. As the authors themselves say in their 2009 article, regarding what has changed since the model was introduced: “Events move more quickly and assume somewhat different forms. Nonetheless, one constant in coping with uncertainty remains: firms need to learn, and to create or strengthen relationships in order to exploit opportunities.” (Johanson & Vahlne, 2009, p 1423.)

Which leads us to the fact that we believe that what Johanson & Vahlne (2009) discuss can be applied to the reality of today’s business environment. Our study correlates well with their analysis that networks are of increasing importance for companies successful internationalization. That the process of acquiring insidership is instrumental for a company’s success is evident since the companies in this thesis have worked hard to attain it. As such, we believe that Johanson & Vahlne’s (2009) article should be taken into consideration when doing a similar study in the future.

Regarding Hofstede's (1984) cultural dimensions we can conclude that we can see a clear connection between the theory and the empirical data. Most of the problems that the companies have faced due to culture can be interpreted from looking at the differences between Japan and Sweden’s respective scores. The one big deviation is the fact that the companies had not experienced any problems due to the vastly different scores of Masculinity between the countries. It is also important to note that Hofstede’s cultural dimensions can be deceptive since these does not affect every

aspect of management of a subsidiary as proved in this thesis regarding HR management. As long as there is an awareness of this Hofstede's cultural dimensions (1984) can serve as a great tool. Even if the cultural dimensions were originally developed in the 1980s the cultural dimensions framework as it is explained in Hofstede (2010) still is of value for international cross-cultural management.

Regarding the EPRG model (Heenan & Perlmutter, 1979) we feel that this model provides a good view of different strategies to utilize when managing a subsidiary. Through this model it is in an efficient way possible to describe and categorize what strategy the companies are using. The pros and cons of the different strategies quickly become clear. This model is recommended for use in future research as it efficiently provides the reader with a good understanding of the subject.

6.4 The contribution of our thesis

In this thesis we shed light upon the different ways that six Swedish companies have handled their establishment and management of their Japanese subsidiaries. The findings show that the Japanese market has a high potential for attracting more Swedish companies in the future. Overall, it has been noted in our interviews that Sweden has a good reputation in Japan and the companies that have already entered have made the way for new Swedish companies to enter the market. It is also clear that the market is becoming increasingly accepting of foreign companies. As more and more successful Swedish companies are becoming well known in the country the Japanese people realize that Swedish companies can be trusted. The size of the Japanese market and the need that exists in Japan for an economic upturn gives strong incentives for more Swedish companies to enter the market.

It is clear that a company that aims to enter the Japanese market need to put time and effort into understanding the market prior to entry. The importance of relationships when conducting business in Japan is instrumental. For industry it is important to note that achieving insidership helps with everything from buying real estate to hiring qualified personnel.

Regarding the differences in management between Sweden and Japan it is clear from our findings that the discrepancies between the two are not as vast as the theories and previous literature suggests. The companies in our thesis utilize management methods that are quite similar to the ones that are used in Sweden. As long as a company takes into consideration that there are some modifications needed, no major differences can be seen.

We believe that our conducted research and found conclusions can contribute to a stronger understanding of the market and the opportunities and difficulties that it is associated with it. We believe that this research concerning Japan is indeed of practical importance for the industry since it provides the reader with a stronger knowledge base when conducting research prior to a potential entry on the market. This knowledge will be of great importance since we believe that the amount of Swedish companies that are present in Japan will continue to increase in the future. We hope these companies find this thesis helpful to the degree that they won't get Lost in Translation!

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Questionnaire

Here we present the Questionnaire that we sent out to those answering by mail. We also based our interviews on this Questionnaire.

Do you or your company wish to be anonymous?

Company background

Please provide a brief summary of your company's activities in Japan and overall.

What is your role in the company and in relation to the activities in Japan?

Establishment

Why did the company enter the Japanese market?

How did the company enter the market? Greenfield, Joint Venture, Exports, acquisition?

Did you have any collaboration with Japanese firms / the Japanese market before entering on your own?

Were you involved during the establishment process in Japan?

What main difficulties and possibilities did your company face when entering Japan?

Were these difficulties and possibilities expected? And if so did you do research about the potential difficulties and possibilities?

How long did the establishment process take?

Did the bureaucracy pose any problems for you?

Was it difficult to recruit talented people?

How did Japan's laws and regulations affect the establishment process? Have these been helpful or problematic?

Have you seen any change in the establishing climate of Japan since you entered?

Has being a Swedish company been an advantage or disadvantage? Please provide details.

Management

How much influence does the HQ have over the activities conducted in Japan?

How many Swedish people are employed at your Japanese subsidiary and how much influence do they have regarding management?

Is there high career mobility within your company which allows people to move to different subsidiaries, or do you work more with stationed positions?

What's the difference in management between Sweden and Japan within your company?

What difficulties have you faced due to cultural differences?

Is it difficult for the company to attract young talent? Is your company considered to be an attractive employer in Japan? Why? Why not?

What problems does the language barrier pose for your company in Japan?

How has the management of your Japanese subsidiary changed during your time in Japan?

CSR

Does the company actively work with CSR in Japan? If so, what kind of activities are you involved in?

How do the CSR activities differ from Sweden and other countries where you are active? Why?

How did you handle the Tohoku earthquake and tsunami catastrophe/the ongoing disaster at Fukushima Nuclear Power Plant?

Please compare your actions with other foreign companies in Japan, with Japanese companies?

How did the earthquake affect the company overall in business, operations and management in Japan? Where there any long-lasting effect?

Japanese market

Does the demand in the Japanese market differ from other markets? If so, how?

What are the positive and negative aspects of the Japanese market?

Have you had to adapt your products in some way to the Japanese market? If so, why and how?

Due to the cultural differences have you had to change your way of communicating with the market?

Future prospects

Are you presently doing anything specific to adapt to the future?

What changes are you seeing in the economic climate of Japan?

Does the emergence of China as an economic superpower pose a threat or an opportunity for your Japanese operations?

How did the earthquake change your prospects for the future?

Is the competition in your sector becoming harder or easier? Why?

Would it be all right if we contacted you again for potential follow up questions?