UNIVERSITY OF GOTHENBURG

How does the transfer of human resource practices take place from Finnish Multinational Corporation to a Swedish subsidiary?

A case study of transfer and harmonization of HR practices within a medium-sized family-owned MNC.

Master Thesis in Strategic HRM and Labour Relations

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Abstract

This master thesis is both a contribution to the academic and practical field of human resource management; with an explanatory case study to explain how the transfer of human resource practices takes place from Finnish MNC to its subsidiary in Sweden. Earlier studies demonstrate that planned transfers of management practices from MNCs headquarters to foreign subsidiaries are not always successful. This is often due to the fact that foreign subsidiaries often operate in different institutional environment and the social dimension of the harmonization of the practices is neglected. This master thesis will focus on these three aspects by using different theoretical lenses. Neo-institutional theory is used to analyse the subsidiary's institutional environment and social capital theory is used to explain the cognitive dimension of practice transfer. By combining these two theoretical lenses this thesis has a conceptual framework. Methodological tool for this thesis include the use of qualitative case study and semi-structured interviews to be able to provide information that enters through the organizational surface in order grasp more holistic understanding of the problem. Results indicate that the transfer of HR practices is indeed a social process and as foreign subsidiaries operate in different institutional environments it is important to understand these differences both in country and industry levels.

Acknowledgements

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Abbreviations

- EG   -   Espresso Group
- HQ   -   Headquarters
- HR   -   Human Resources
- HRM -   Human Resource Management
- HRMT -   Human Resource Management Team
- M&A -   Mergers and Acquisitions
- MNC -   Multinational Corporation
- SHMR -   Strategic Human Resource Management
- WFF -   World Foods & Flavouring division

1. Introduction

1.1 Background

According to Boxall & Purcell (2011) many Multinational Corporations (MNC) pursue growth through mergers and acquisitions (M&A). M&As are one way for companies to expand their business, whether it is for growth in the same industry or not. Companies have many reasons to merge or acquire another company but the main reason is to accelerate growth or protect their market share (Daniel & Metcalf, 2001). M&As are also a good way of getting rid of competition and expanding in to new markets. However, M&As do not come without problems, as changes often occur. Typically the transfer of organizational practices takes place after M&As. For example any international company that wants to implement a global strategy should choose the HR policies and practices that will support the strategy. Unfortunately, these policies and practices do not always have the same effects in the host-country as in the home country. When MNCs are expanding their business, they are becoming more exposed to and gain experience in the diversity of cultures, customs and practices in each country in which their subsidiaries are located (Rugman & Hodgetts, 2000). MNCs need to consider what practices they want to centralize, or leave decentralized and whether it is better to focus on harmonization or on standardization. Thus, a major challenge that MNCs face is how to internationalise HR policies and practices.

One of the challenges after M&As is integration. Integration can be particularly difficult outside MNC home country, as half or more of M&As end up in some kind of failure, often as a result of difficulty to find a good organizational fit (Boxall & Purcell, 2011). To achieve a suitable organizational fit for the transferred practices requires a good harmonization process. The unavoidable rise of MNCs is having a huge impact on strategy and HR practice transfer in multi-site organisation, therefore it is valuable to understand the impact of ownership and how the organizational change process is controlled from corporate headquarters (Boxall & Purcell, 2011). It is valuable to understand how MNCs should work with the organizational practice transfer in a situation concerning change. Organisational practices can be considered as valuable resources that one seeks to replicate and exploit throughout the company

(Szulanski, 1996). MNCs can bring more efficient resources to the acquired companies, but it is significant to understand that not all practices or processes can be integrated without understanding external factors, such as organizational differences or local laws for example. This is why the impact of harmonization of transferred practices can have a critical significance.

The capability to transfer organizational practices across countries can be a possible source of competitive advantage for MNCs. Human Resource Management (HRM) scholars have carried out a number of studies on factors explaining the level of transfer of HRM practices in MNCs (Björkman & Lu, 2001; Björkman & Lervik, 2007; Kostova, 1999; Kostova & Roth, 2002; Kostova, Roth & Dacin, 2008; Myloni, Harzing & Mirza, 2004; Pudelko & Harzing, 2007). Thus, a central issue for HR in MNCs is how and which HR practices to transfer between MNC and its subsidiaries. MNCs engage in transfer of organizational practices to foreign subsidiaries for multiple purposes, e.g. practices can be seen as valuable resources and to help developing a common corporate culture (Björkman & Lervik, 2007). Generally, the transfer of HR practices from a MNC to a subsidiary is assumed to help the MNC perform better. The internal transfer of practices is important for all types of organizations, but critical for MNCs, for a primary advantage that a MNC brings to foreign markets its superior knowledge, which can be utilized in its subsidiaries worldwide (Kostova, 1999). Regularly MNCs have access to better resources and thus are able to grant access to better resources for its subsidiaries. Organisational practices reflect firm-specific competences and organizational knowledge, which are sources of competitive advantage that many MNCs may want to use in their global sub-units (Taylor, Beechler and Napier, 1996). It is critical to know how subsidiaries are receiving the transfer of practices and whether the subsidiaries incorporate the transferred practices fully into their system and to what extent. It is also essential to understand that HR is a business support function and therefore the HR practices are to support business. Thus, it is interesting to find out how the HR practice transfer takes place and what their implications are within the process.

1.2 Problem statement

There is extensive evidence that planned transfers of management practices from MNC to foreign subsidiaries are not always successful and there are barriers to the transfer (Ghoshal & Bartlett 1988; Szulanski 1996; Björkman & Lervik 2007). Humans are the ones doing the work in the post-acquisition situation and therefore operate as resourceful humans or human resources. Humans do not only function business-wise but also socially. Employees come from different cultures, thus the social and cultural relationship between MNC and subsidiary is not always an easy factor to overcome. The previous research demonstrates that previous M&As between Finland and Sweden have not been that successful (Vaara, 2000). The national differences and the national history can have an impact on the organizational culture in a situation such as organizational change. Cultural differences are often used as explanations of organizational problems following mergers. Focus in this section is on MNCs problems surrounding HR practice transfer and the harmonization of HR practices. By problematizing, it is possibly to dig deeper to find out what the main implications are for the transfer.

In the light of globalisation, HRM is evolving from being a mere support function to one of strategic importance. Therefore, HRM policies and practices are becoming crucial because they can act as mechanisms for co-ordination and control of international operations. One of the central questions about MNCs is the extent to which their subsidiaries act as local company versus the extent to which their practices resemble those of the parent company (Myloni, Harzing & Mirza, 2007). At the same time different countries have different cultural and institutional environments, which is a big concern when transferring global HR practices. To overcome the problem, MNCs need to acknowledge and understand different institutional environments in order to have a successful practice transfer. To be able to understand for instance the host country's institutional environment it can be valuable to have support from the subsidiary as it makes sense that local HR would have a better understanding about local rules and legislations for example. MNCs have often ignored this fact and concentrated more on financial outcomes instead of emphasizing collaboration in post-merger situation. For example, Björkman and Soderberg (2006) explain that their case study company *Nordea* made a choice to focus on financial outcomes instead of emphasizing collaboration in post-merger situation. The authors

verified their point by demonstrating how important the role of HR is in the post-merger situation; especially with HR practice transfer. This clearly demonstrates that there is a need for local adaptation of HR practices; therefore MNCs should not assume that practice transfer could solely be installed and operated without the uprising of problems. It is a much more complex operation and thus often takes a lot of time.

MNCs that have grown through acquisitions may acquire new practices as they do so (Edwards, 1998) but also transfer practices from home country to host country. It can lead to problems if different perspective dimensions are not understood properly. MNCs are big corporations that operate in many countries and sometimes in different industries as well. Having similar practices throughout the MNC can bring more competences and transparency for the MNC. However, if the subsidiary operates in a different industry than the MNC and that industry has specific targets differing from the industry within which the MNC operates, the practices being transferred may need to be re-evaluated in order to better fit the new environment/industry. Thus, it can be problematic to decide on whether of transfer and harmonization of the HR practices should be on Group, divisional or country-level. As explained above, it can be extremely important to understand what should be on MNC-level, what should be on industry-level (division) and what should be on country-level. Therefore, it is valuable to have multiple levels of analysis to understand how to gain competitive advantage from HR practice transfer.

More problems can occur when looking at how the transferred practices are received. There are many obstacles to overcome. For example, how are the practices aligned with the overall strategy, how can the practices fit in the system, and how do people perceive these practices. All of this has to do with harmonization. For example, it is important to address how the transferred practices are welcomed by the host-country terrain and how organization-internal factors commute to HR practice transfer, and what aspects could help to solve this problem. For example, on many occasions foreign subsidiary managers are frustrated with headquarters' requests for implementation of "yet another new program" (Kostova, 1999, p. 308). Thus, a problem occurs if the subsidiary managers implement the practices only partially or the parts they found suitable. This clearly demonstrates the fact that there are more to the transfer of practices than just plain transfer, as the practice transfer can become

problematic. Thus, the level of harmonization of HR practices is an important process as it adjusts the transferred practices to local conditions.

In order to add a more holistic understanding to the problem, it is essential to analyse the process of harmonizing transferred HR practices by using framework as a tool. It is not just the different country or different industry that matters. The transferred practices are human resource practices; therefore it is people who will be using these HR practices. Björkman & Lervik (2007) address that the way the transfer process is carried out, who is involved, and the efforts, skills and attitudes of employees having an impact on the transfer process are also likely to effect transfer. They focus on how HR practices are actually implemented, internalised, and integrated. Implementation is associated with how the practices resemble each other and how the practice transfer includes subsidiary involvement and how the transferred practices are put in use. Internalisation is associated with how these practices and ways of working become internalised in the subsidiary and whether the employees see the value of using these practices. Integration is associated with how the transferred practices are connected with existing practices in the subsidiary. Therefore, it is valuable to focus on different divisional relationships and subsidiary involvement to be able to have an appropriate level of harmonization.

HRM is a management process that builds both human capital and social capital. Connections among people both within and across organizations have received increasing attention in the recent past thanks to ground-breaking research in sociology and management (Burt, 1992; Coleman, 1989; Granovetter, 1995). This is due to the fact that work is done through relationships that are embedded in networks. Therefore, it is possible to argue that to have a successful transfer of HR practices it has to include a social process (Björkman & Lervik, 2007). For example, if employees are not engaged with the new MNC it is much more difficult to overcome the problems that might take place in the organizational change process (Daniel & Metcalf, 2001). Not having a common standpoint can produce problems for the practice transfer if there is no common ground or a common way of working within the MNC. Thus, it is valuable to find out how and why the transfer of HR practices is a social process. It is valuable to take a look at shared understandings, trust, relationships, and social interaction in the MNC to find out how these factors might produce problems and how these problems might have an impact on the success of the transfer process.

There are different dimensions to take into account here. Practices can of course be installed to the host-country terrain, but is it useful if employees at the host-country subsidiary oppose the new practices? It is essential that implementation phase has subsidiary involvement or otherwise the practices might not be implemented according to the level of expectations. If there is a lack of involvement, the implementation may not lead to internalization, since employees do not have a positive attitudinal climate towards the transferred HR practices. To internalize a HR practice, it is valuable to understand how to internalize the practices at the host-country and thus valuable to make sense of culture and cultural differences or to build a common corporate culture. If the concepts mentioned in the beginning of earlier paragraph (shared understanding, relationships and trust, social interaction) would be turned upside down (having a negative aspect) it should add more coherence to problem statement. Take the current situation as an example: MNC is transferring practices from HQ to the subsidiary, the MNC employees who are in charge of the HR practice transfer know that there is no relationship, no trust, no shared understanding, and no social interaction, would they still transfer the practices? Assumable not. In the situation of building a bridge that connects the separate items, which one would be better: having these above mentioned dimensions within the workforce or not having them at all? It can easily be understood that not having these dimensions present would easily lead to negative factors concerning the outcome of HR practice transfer. Therefore, it is important to study the relationship between MNC HQ and the subsidiary and how this might have an impact on the transfer of HR practices.

1.3 Research purpose, question and objectives

The purpose of this case study is to explain how the transfer of HR practices takes place from a MNC to a foreign subsidiary to find out what factors deserve more attention to make the transfer and harmonization of transferred HR practices more successful. This will help to answer the research question.

The main research question is:

How does the transfer of human resource practices take place from Finnish Multinational Corporation to a Swedish subsidiary?

This thesis addresses three main objectives in order to answer the research question. Firstly, how institutional differences have an impact in terms of how MNC practice transfer can be successful. Secondly, how the chosen HR practices are harmonized in reality, to what extent they are implemented, internalized, integrated and on what perspective dimension. Thirdly, how does social capital have an impact on the transfer of HR practices when considering factors such as trust, shared vision, social interaction and how these are interconnected. These objectives are explored and researched through a combination of neo-institutional theory with the help of social capital theory with hope to find out if these objectives can help to explain the underlying problems of MNC practice transfer from HR perspective.

The first objective is to examine institutional differences and how these can explain factors relating to HR practice transfer. Thus, it is important to understand institutional differences to find out if the case MNC can identify institutional differences and if so, how can the MNC overcome the differences in relation to HR practice transfer. The first objective is also a step one to take in HR practice transfer, as it decides the way in which to transfer the practices and to what degree. It also covers which factors should be acknowledged during the process (e.g. institutional differences).

The second objective is to find out how decisions are made within a MNC regarding what practices are implemented, internalized and integrated and on what perspective dimensions. The purpose of this objective is to understand how and why MNC decides to have the transferred practices for example on the Group and Country-level. Thus, it is important to address and examine the impact of organisational factors that makes a difference when MNC transfers HR practices. This objective focuses on explaining why and how HR practices are transferred and harmonized on different perspective dimensions such as Group, Industry, and Local-level. The second objective is the second step to take before the practices are being transferred.

The third objective is to find out how and why the transfer of HR practices is a social process and how factors relating to the social process can help to explain and clarify the transfer of HR practices and to what extent. The attitudinal dimension is examined through social capital, which in this case study focuses on the relationship between MNC HQ and the subsidiary with a more holistic understanding of the problem. The

relationship focus is on shared understandings, relationship and trust, and social interaction. These dimensions are inter-related. For example, cultural-cognition is usually shared through social capital, which can be seen to put in use in teamwork, cross-functional communication and problem solving, which could help the internalisation of HR practices. The third objective is to possibly try and find reasons for how the landing of HR practices could occur more smoothly for both sides of the coin (MNC and subsidiary). These three objectives should help to answer the research question.

1.4 Delimitations

There are delimitations for this case study. The case study will stay in one research field (institutionalism) and make use of one or two theories (neo-institutional theory and social capital theory). Considering the case MNC, only HR professionals and one communications professional are interviewed in HQ and at the subsidiary, otherwise other employees are not interviewed. HR professionals are focused on due to several reasons: 1) this case study is done for the Master programme in Strategic HRM and labour relations, 2) the post-merger process is still on-going and HR is the most centralized business function in the MNC at the moment.

The case study is also limited to focus only on the HQ in Finland and on a subsidiary in Sweden, even though the MNC operates in 15 countries. However, both of these locations also serve as a divisional headquarters.

2. Theoretical Framework

This section aims to explain the theoretical framework that is suitable and useful for the study of transfer of HR practices. This section will focus on two main chosen theories. These theories are explained and motivated in terms of why these theories are suitable to use as a theoretical lens with which to analyse HR practice transfer.

2.1 Institutional theory

According to Scott (1995) the emergence of organizations as a recognized field of study in the 1950s, scholars began to connect institutional arguments with the structure and behaviour of organisations. Institutionalism emphasizes the impact of institutions, which are defined as the rules, norms and assumptions that structure economic activity (Scott 1995). Boxall & Purcell (2011) argue that it is usually essential to have a significant amount of adaptation to local labour markets, employment laws and cultural norms. There are different labour markets, different employment laws and different cultural norms. It is essential to understand these dimensions to be able to do business efficiently. Gamble (2010) highlights that subsidiary managers, including expatriates, will come to appreciate the necessity to be able to adapt to local labour markets and adapt attitudes to employment practices, as these can differ both within and between countries.

Institutional theory has been widely applied to the study of MNCs, especially adoption and diffusion of organizational practise among organizations (DiMaggio & Powell, 1983; Kostova, 1999; Kostova & Roth, 2002; Kostova, Roth & Dacin, 2008). According to Brewster, Sparrow and Harris (2005) institutional theory is important and one of the founding theories for research in the field of MNCs. Thus, it is used in majority of studies in this research field and an increasing amount of scholars use the theory to the study of MNCs because of its rich theoretical foundation for examining critical issues and for theorizing multiple levels of analysis (Dacin, Goodstein & Scott, 2002).

American Sociologists Powell and DiMaggio are widely known for their work concerning institutional theory. The authors (1983) explain that rational actors produce more homogenization in organizations while trying to change the organizations. Commonly, in this field of research this homogenization is referred as isomorphism. Isomorphism means that units begin to look like other units that face

the same surroundings. However, here the focus is more on institutional settings. Powell and DiMaggio (1991) enlighten us with the fact that the institutional environment could strongly effect organization and the development of formal structures in organizations. They conclude that the net effect of institutional pressures is to increase the homogeneity of organizational structures in an institutional environment. This is due to the fact that institutional pressures push companies towards homogenization instead of heterogenization as companies adopt similar structures when organizations share the same environment and are likely to employ similar practices (Kostova & Roth, 2002), even though MNCs are operating in both global and local institutional contexts (Rosenzweig and Singh, 1991). One of the problems is that organizations have to cope with different institutional settings that vary according to country and often end up employing similar practices and therefore become similar. Thus, institutional theory reflects the facts that MNC do not face only market pressures but also institutional pressures.

For HR practice transfer to be successful it is important to understand the institutional environment and how it touches the transfer process. Brewster, Sparrow and Harris (2005) explain that the institutional environment of the host country is one of the key external factors that MNCs face in the process of transnational transfer of HR practices. However, without understanding the institutional environment, the attempt to transfer HR practices that reflect unique core competences of MNCs makes it difficult to gain competitive advantage (Kostova & Roth, 2002). Applying institutional theory to the case of MNCs highlights the unique institutional complexity that these organizations face and thus provides opportunities for further development of the theory itself (Kostova & Roth, 2002).

2.2 Neo-institutional theory

When neo-institutional theory is compared to its predecessor (institutional theory), it can be stated that neo-institutionalism theory starts from a standpoint that MNCs operate under multiple institutional environments. The main difference is that with institutional theory MNCs had institutional pressures pushing to adapt similar HR practices. With neo-institutional theory, MNCs should understand that they operate under multiple institutional environments and thus, Kostova's development to the neo-institutionalist approach to practice transfer in MNCs has provided more

fundamental insights (Ferner, Edwards & Tempel, 2012) by arguing that MNCs and their subsidiaries operate under conditions of 'institutional duality' or in other words, there are host and home-country institutional terrains.

Scott (1995) states that institutions are multifaceted systems incorporating symbolic systems –cognitive constructions and normative rules- and regulative processes carried out through and shaping social behaviour. These institutional terrains have several dimensions to concentrate on: 1) cultural-cognitive (shared understandings), 2) normative (norms and values of the society), and 3) regulatory (rules and laws). Scott (1995) explains and calls these dimensions the three pillars of institutions. These three pillars have mechanisms from institutional theory, for instance: Regulative dimension & coercive mechanism, normative dimensions & normative mechanism, cognitive dimensions & mimetic mechanism. Regulatory dimension is considered having rules and North (1990) gives an excellent example of comparing these rules to football by stating that institution are comparable to the rules in competitive team sport; the game consists formal written rules as well as unwritten codes of conduct. Normative dimension includes norms and values that cover how things should be done and the value dimension is a sort of social construction of values to which existing structures or behaviour can be compared or followed in order to pursue MNCs objectives (Scott 1995). Scott (1995) continues that normative rules are often regarded as imposing constraints on social behaviour, but at the same time, they empower and enable social action. Therefore, it is important in a MNCs setting that norms and values are internalized and enacted by others. Cognitive rules cover shared understandings and differ from regulative dimensions. These shared understandings create a cognitive framework that should bring people closer together in their way of perceiving and thinking. Overall, according to Scott (1995) the normative dimension stresses a deeper, moral base for assessing legitimacy as normative controls are much more likely to be internalized than regulative controls, whereas cognitive dimensions stresses the legitimacy that comes from adopting a common definition of the situation.

MNCs are often strongly influenced by the practices of their country of origin, which are not always the best practices for the host-country and thus there is a requirement for a successful harmonization. These above-mentioned dimensions should also be in consideration from different perspective dimensions. These perspectives are micro, meso, and macro-level in society. Levels of analysis in this thesis stand for the

following: Micro-level stands for organizational and individual (MNC), meso-level stands for industry, and macro-level stands for national settings. Normally micro-level focus is on individual, however here it is applied to MNC as considering the whole MNC as one. Therefore, it can be valuable to interpret the above-mentioned dimensions through these dimensional perspectives.

Kostova & Roth (2002) neglect that MNCs as powerful organizations commonly act as rule-makers in respect of host institutional contexts. It might not be the best way to implement the home-country practices in an ethnocentric and mimetic way to a subsidiary if MNCs and its subsidiaries operate under different institutional environments. Therefore, there is a need to acknowledge that these cultural and organizational cultures can be ethnocentric or polycentric. Ethnocentrism in practice transfer is when home-country (MNC HQ) sends their practices to subsidiary, polycentrism is when there is for example a local adaptation for the transferred practices. Polycentric strategy is about balancing both global integration and local adaptation by employing the transferred HR practices from MNCs HQ while permitting these practices to be effected by local conditions. Thus, ethnocentric strategy is more suitable with old institutional theory and polycentric more suitable with neo-institutional theory.

Kostova, Roth & Decin (2008) argue that as long as MNCs act within the legal requirements, they have institutional freedom to choose their level of responsiveness to the local institutional environment. According to the above-mentioned, the regulatory domain should be understood by the MNC and act according the host-country rules and laws. If it is possible, the regulatory dimension should be for to local-level decision-making and focus in the processes of cultural-cognitive and normative institutional dimensions. Nevertheless, MNC practice transfer can be even more problematic. For instance, institutional elements do not only derive from national culture. Some institutional elements (normative & cognitive) are open for change –especially in MNC - if personnel are being recruited from somewhere else than the national location it is likely that the person will bring some norms, values and understandings from previous surroundings. Scott (1995) agrees that institutional elements enter organizations through the people working in them. Employees' judgments about a new practice will be persuaded by their cognitions and beliefs,

which in turn have been shaped by the external institutional environment in which they operate.

2.3 Social Capital Theory

According to Kostova, Roth & Decin (2008) MNCs have complex internal environments with spatial, cultural, and organizational distance. The authors continue to list that there are inter-unit power struggles, language barriers, possible inconsistencies, and conflicts among values, practices, interests, and routines used in the various parts of the MNC. Institutions are regarded as socially constructed shared understandings while actor preferences are persuaded by socialization processes involving normative dimensions that arise mainly from localized or national settings and thus individuals must engage in a process to create some shared understanding (Kostova, Roth & Decin, 2008).

Björkman & Soderberg (2006) complement that if these dimensions are not studied and understood accurately it will make the practice transfer slower and more difficult. It is suggested that organisation-internal factors deserve more attention (Björkman & Lervik, 2007). The authors argue that governance systems and the integration process depend to a great extent on the subsidiary's autonomy. It is valuable to consider intra-organizational framework, which considers e.g. social capital, interaction ties, shared cognitions and trust. The combination of these can build a fruitful framework for practice transfer and it can be noticed in shared presentations, language, narratives, relationship ties, and overall norms and values. Moreover, it is vital to know what HR-system is in use at the subsidiary and whether MNC could bring more capabilities to HR, e.g. transfer more resourceful practices from MNC to subsidiary. Therefore, with a good pre-research and with a suitable harmonization it can be possible to find a golden mean within home and host-country terrains that can create synergy for the MNCs units when thinking of cultural-cognitive and normative dimensions. Kostova (1999) expanded the view of HR practice transfer by stating the importance of attitudinal dimension of transfer, which means the level of acceptance by employees. As already noted earlier, the transfer of HR practices is a social process. This clearly demonstrates how valuable resourceful humans are for the HR practice transfer. Therefore, it is valuable to examine even closer how this social process could succeed to the extent that HR practice transfer would be less problematic.

HRM is about building two things (human capital and social capital): understanding what individuals as employees can and will do that is valuable for the organisation and the networks and relationships among groups and individuals that create value for the organisation (Ghoshal & Nahapiet, 1998; Snell, 1999; Leana & van Buren, 1999). It is clear that these factors are connected and by creating synergy around these factors can create a greater organizational culture and more efficient way of organising post-merger practice transfer. According to Lengnick-Hall & Lengnick-Hall (2006) the concept of social capital has the potential to explain how human resources may be leveraged to create competitive advantage. Social capital supports to explain the HR practice transfer by taking account of shared understandings, trust, relationships and social interaction. Individuals can be efficient employees, however they are also small ingredients in a bigger recipe and that recipe is the larger institutional context. That is why it is important not to forget to understand the importance of attitudinal climate in MNCs.

It is argued that the transfer of HR practices is a social process (Björkman & Lervik, 2007). Thus, by also understanding problems with cultural-cognition such as shared understandings can help to successfully transfer and harmonize HR practices. Lengnick-Hall & Lengnick-Hall (2006) conclude that the underlying fact of SHRM is that people matter; that the way a firm manages and capitalizes on its human talent can make the difference between success and failure, thus social capital can provide a connecting bridge to various purposes such as HR practice transfer.

According to Brass (1995) social capital is not offered as a competing view to the traditional HR focus on individual attributes. Rather combining this perspective with the traditional can broaden understanding of the complexities of behaviour in organizations. Lengnick-Hall & Lengnick-Hall (2006) define social capital as the intangible resource of structural connections; interpersonal interaction and cognitive understanding that enables a firm to capitalize on diversity and reconcile differences. As already explained, social capital can have a positive effect on the workforce. It can help to improve individual and collective performance, which is valuable during change process in a post-merger situation when trying to unite two organizations towards one or at least the organizational culture in the beginning. It can be even more valuable when HR practices are transferred as it can help the employees in the organization to understand through different dimensions of social capital why certain

practices are harmonized and what factors contribute to the way practices are harmonized.

Human Resource Advantage is an important economic goal of HR (Boxall & Purcell, 2011). This includes both human capital advantage (talented workforce) and social capital advantage (combining talent to create synergy). According to the authors (ibid.) social capital advantage occurs in those organizations that have developed superior ways of combining the talents of individuals in collaborative activities. Several authors (Coleman, 1990; Putnam, 1995; Portes & Sensenbrenner, 1998) explain that social capital includes more than social relationships and it should associate norms and values with these relationships. Combining this with neo-institutional theory it is possible to draw an argument that social capital also touches, not just cognitive factor, but also normative factor as well.

Social capital is a source of motivation for employees to be more engaged, which can be seen in behaviours such as knowledge sharing (Lengnick-Hall & Lengnick-Hall, 2006). Knowledge sharing is important when the practices are transferred as it can create a common channel where feedback about transferred practices can be specified. The more employees are engaged to work with the practices and with other colleagues the more trust they should have. Thus, by including social capital, which is proposed as a fruitful framework explaining knowledge transfer and integration between subunits, can bring more solutions to the problem of HR practice transfer and more transparency between the MNC HQ and the subsidiary relationship (Nahapiet & Ghoshal, 1998). Thus, social capital can bring advantage and efficiency to HR practice transfer if it is managed well. When managed poorly it can lead to bad teamwork, misinterpretations with cross-functional communication and other problems such as problems with accepting the transferred practices. Tsai & Ghoshal (1998) explain that social interaction, trust & trustworthiness and shared vision (manifestations of structural, relational and cognitive dimensions of social capital) has an impact on resource exchange among MNC business units.

A big part of social capital is not just about the size of the network but the quality of the network. This quality dimension includes shared meanings, interpretations, language, codes, narratives, personal relationships and the most importantly, mutual respect. Social capital can resonate from succeeding in individual objectives at work

(human capital) but also, more likely from getting to know each other and the different ways of working. This can occur by understanding the collective goals of MNC and by building trust through social interaction on these different dimension levels mentioned in the latter paragraph. Without having clear business objectives for the employees of MNC and no common way of working can slow down the transfer process of HR practices.

Tsai and Ghoshal (1998) explain associations among the different dimensions of social capital in their study of social capital and the role of intrafirm networks. The authors (ibid.) explain that when linking structural (social interaction) and relational dimensions (trust and trustworthiness) the interunit social interaction can be positively associated with the level of perceived trustworthiness. Trust and trustworthiness can develop from social interactions (Gabarro, 1978; Granovetter, 1985; Gulati, 1995), therefore the more frequent and more social interaction employees have, the better they know each other, how they share information and how they reach to collective goals, the more likely it is to achieve better relationships. These trusting relationships can suggest that common collective goals and values bring people closer to trusting relationships (Barber, 1983). Thus, collective goals and values create more trust and trustworthiness in organisation and therefore linking relational and cognitive dimensions can be positively associated with the level of its perceived trustworthiness (Tsai & Ghoshal, 1998). Szulanski (1996) also notes that higher trust is positively connected to the success of transferring processes.

Linking structural (social interaction) and cognitive (collective goals) dimensions together plays an important role setting and sharing the common goals and values among the organization (Tsai & Ghoshal, 1998), which can lead to finding the right codes, values and practices. The authors (ibid.) argue that in a multiunit organization, different units may have different goals and plans for satisfying their local interests, which also plays an important role for practice transfer. An example of this could be that MNC operates on three levels: group, division and local. Thus, it can be that local and industry interest could come before group interest, however through social interaction it is possible to build more trust while focusing on collective common goals and so on. Social interaction will be positively associated with the shared vision with other divisions and on the group level (Tsai & Ghoshal, 1998).

It would seem that there is an extensive need for a positive and common organizational culture, which cannot be achieved with comparative thinking nonetheless it can be achieved by building on social interaction, trust and trustworthiness, and with a common understanding of collective goals.

2.4 Interconnection of Neo-institutional theory and Social capital theory

The impact of neo-institutional pressures (regulatory, normative and cognitive) on HR practices in MNCs have been comprehensively acknowledged in earlier research (Kostova, 1999; Kostova & Roth, 2002; Kostova, Roth & Decin ,2008). According to Björkman & Lervik (2007) most studies have conceived transfer of practices as implementation, typically examining the extent to which practices in foreign subsidiaries resemble those of MNC HQs' (isomorphism). However, the organisation-internal factors and attitudinal climate deserve more attention especially in describing HR practice transfer, as the transfer is arguably a social process. Attitudinal climate analyses the level of internalisation of the transferred practices (Kostova, 1999). Similarly, to examine the level of integration of the transferred HR practices it is important to examine to what extent the practices are integrated and linked to other practices in the subsidiary. Overall, the level of harmonization of the transferred HR practices is important.

Social capital theory becomes very useful as it focuses mainly on the cognitive processes in the intra-organisational framework. As already proposed by Nahapiet & Ghoshal (1998) social capital theory is a fruitful framework for explaining for example the integration between subunits. This demonstrates that trust, shared vision, and social interaction (manifestations of the relational, structural, and cognitive dimensions of social capital) have an impact on resource exchange among MNC business units. The authors provide a strong argument that social capital facilitates value creation and all the three dimensions has a significant effect, directly and indirectly, on resource exchange and combination. Additionally, Kostova & Roth (2002) found that subsidiaries' trust in HQ and identification with the MNC was positively connected to transfer of organisational practices to overseas units. Tsai & Ghoshal (1998) conclude that their analysis suggests that investing in the creation of social capital inside a firm eventually creates value but also note that different units

may embrace the same organizational goals and values even when the units do not have strong interactions.

It may be advantageous to build relationships around the parties that are in charge of the internalisation process. Kostova (1999) refers to these parties as a transfer coalition, which includes e.g. HR director of a subsidiary and experts in a certain functional area. This coalition bridges the gap between the MNC HQ and subsidiary while understanding and interpreting the practices and its values to the subsidiary. To build this transfer coalition it is important to have management development programs such as leadership programs as these can bind the employees within the MNC. Job rotation and management development helps to align subsidiaries managers' values and norms with those of the MNC HQ (Schuler, Dowling & De Cieri, 1993). This already demonstrates a way to bridge a gap inside the MNC, which will accelerate relationships while building trust and higher trust was shown to be positively linked to the success of transferring practices (Szulanski, 1996).

3. Methodology

For the aim of the case study an explanatory qualitative research strategy is chosen. This section describes the methodological choices to demonstrate how and why these choices are the most suitable ones for this case study.

3.1 Research strategy

Qualitative research is designed to allow the researcher to understand how and why things happen the way they do. Qualitative research offers richly descriptive reports of individuals' perceptions and behaviour (Hakim, 2000). The overall aim of qualitative research is to receive in-depth understandings of a situation. The strength of qualitative research is the validity of data obtained, as the main weakness is that small numbers of respondents cannot be considered as representative (Hakim, 2000).

It is also valuable to understand the difference between a qualitative and a quantitative research to answer why qualitative research is more suitable for this case study as Bryman (1988) explains that the methodology should be based on its suitability to answer the research questions. One of the reasons for qualitative suitability is that the transfer of HR practices is a social process and if the researcher want to obtain data about feelings, trust, relationships or overall perceptions about e.g. cultural-cognitive dimension it is important to ask how and why questions and leave room for the interviewee to answer. Qualitative research emphasises processes of discovering how the social meaning is constructed and stresses the relationship between the investigator and the topic studied (Denzin & Lincoln, 2000). Thus, qualitative research offers an explanatory framework to understand how and why there is certain phenomenon and to explain problems around it. The main advantage with qualitative research in this case study is the deeper level of understanding and that it allows the researcher to interpret the findings.

3.2 Research approach

3.2.1 Abduction

Martin (2009) states that business is currently missing abductive reasoning, which is a combination of deductive and inductive reasoning. Otherwise inductive approach would quite well suited for this case study, however, it cannot generalise the possible findings as the case study company is family-owned, which additionally makes this

MNC practice transfer case study special. Abductive studies objective is not to get specific yes or no answers but to find something that could be true (Peirce, 1997). Abductive design is also empirical while it treasures the theory as being even more important. To put abductive design into action the researcher must assume that something might happen that is based on both the empirical findings and the theory, as for inductive reasoning the findings are merely based on empirical findings. However, with abductive reasoning new findings are possible to achieve (Peirce, 1997). Abductive approach includes a concern in problematizing dominant theories when empirical impressions encourage such need for new way of thinking (Alvesson & Kärreman, 2007). This is why two different theories are combined (as shown in the theoretical section) to provide a new lens to the way of interpreting HR practice transfer.

3.3 Research design

This study is a case study following the use of methodology common within qualitative case studies. There are multiple reasons why this study is a case study. One of the reasons is that case study research is preferred when "how" and "why" questions are to be answered (Yin, 2009). Case studies can make it easier to find the right information, create better accessibility and possibly reveal new findings. Thus, case study method can reveal more contextuality of the studied phenomena, especially as it occurs in different national contexts. Thus, the chosen method for this study is a case study approach to develop a more holistic approach. It is valuable to explain a bit about the setting and then motivate more in-depth why the case study method is chosen.

One of the reasons for the chosen method is that case studies are a useful design for research on organisations and institutions and can provide a detailed description of a specific phenomenon (Hakim, 2000). In this case the design seems interesting and suitable as the case study MNC is a medium-sized family-owned and the acquired company also comes from a similar background (also family-owned). In addition, the case study MNC is not similar to shareholding companies. Thus, these differentiation dimensions give this case study an extra interest as the author of this case study has not found any research of MNC practice transfer under these circumstances. It is possible that these circumstances can deliver some interesting results in comparison to

other studies in the same field, however it is worthy to mention that as this company is not as big as many MNCs operating abroad, it does not have as vast resource-base in comparison to bigger MNCs. Also, as the HR practice transfer has been on going for around two years, the harmonization of practices is also an important aspect to cover.

A case study is an empirical inquiry that investigates a contemporary phenomenon in depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident (Yin, 2009). Case studies are often based on more than one method of data collection. Hakim (2000) explains that the fieldwork for case studies may incorporate the analysis of administrative records and other documents, depth interviews and so on. Therefore, on top of semi-structured interviews, company documentation about different HR processes were acquired to give additional help to understand and analyse the reasons why certain HR processes are transferred and how these processes are welcomed to a new unit / subsidiary.

3.4 Data collection

This section describes the different phases that took place during the data collection.

3.4.1 Secondary data

In this case study the secondary data includes an annual report, MNC brochures, and HR process charts. Annual report and company brochures are a clear way to find out about the MNC culture, identity, values, mission, divisions and so on. The HR process charts give more descriptive and in-depth insight about what the HR practices are like, what are the objectives, and how the practices are aligned with overall business strategy. All of these sources are less than two years old. Together the annual report, MNC brochures, and HR process charts combined work well to establish valuable secondary data to support the primary data.

3.4.2 Primary data

Interviews constructed for this case study are semi-structured, hence it provides enough freedom for respondents also to steer the conversation. The semi-structured interview questions were divided to two categories: organizational culture and HR strategy. The semi-structured questions began with the word "how" (see appendix 1). How-questions were chosen with the intention to let the interviewee give a more in-

depth subjective interpretation of the question asked. These questions were sent to the interviewees approximately one week before the interviews took place. Overall, questions were divided into different groups: systematic and inductive. The case study interview protocol and systematic interview questions were sent to the interviewees one week in advance before the interview took place (see appendix 1 and appendix 2), while inductive questions were provided only for the interviewer as to help in concentrating and focusing on certain issues that came up during the interviews. This enabled the interviewees to have a look at the interview questions and prepare themselves beforehand without revealing inductive questions. This was done in order to maximise the quality of the responses without revealing too much of the case study focus.

The interviewees were chosen according to their suitability for the case study. A purposive sample, according to Bryman (1998) is a sampling technique where the researcher strategically chooses participants in order to use respondents that are relevant for the research question. All together 10 interviews took place with 9 HR professionals and with 1 communications professional. The interviewees were chosen according to the department (HR) or that the interviewees were part of top management team on Group-level. It might have been possible to interview more people from the top management team, however the 50/50 relation of the sample (HQ & subsidiary) would have suffered in that case. The interviews took place in two different places: Five interviews at Group HQ in Helsinki, Finland and five interviews took place in Swedish subsidiary that is also a divisional HQ in Gothenborg, Sweden. All the interviews were face-to-face interviews except one over the phone, due to illness. All the interviews took maximum 1 hour and were conducted during February 2014. All the interviews were recorded with a technological device. After interviewing all the interviews were transcribed in detail. This assists the researcher to go through the interview material more in-depth, which helps them to understand the phenomena in a more comprehensive way.

The company names and the names of the interviewees are coded according the confidentiality agreement (appendix 2), which was undersigned by the interviewees on each occasion, just before the recording of the interview started. The official business language of the MNC is English but the interviews carried out in Finland were done in Finnish. The interviewee and interviewer, in each case, had established

relationships as of previous and thus it seemed more reasonable and natural to conduct the interviews in Finnish, the language that had been used to communicate in earlier. This also provided a small disadvantage for the Swedish colleagues as the interview was held in English, as they did not have the chance to communicate in their strongest language. Nonetheless, it seems that it did not have a big effect on the interviews, as it is the official language of the company and it seemed that everybody were close to a fluent in their English-skills.

3.5 Data analysis

Analysing case study evidence can be difficult and thus, every case study analysis should follow a general strategy. According to Yin (2009) a case study should use a general analysis strategy, which defines what to analyse and why. On top of this, the chosen strategy should be combined with a specific technique for analysis. This case study will use Yin's (ibid.) strategy of *Relying on the theoretical propositions* and for analysis technique *Pattern matching*. Pattern matching is the comparison between a predicted and an empirically based pattern. The strategy suites this case study as theoretical propositions shaped the data collection and guides the analysis, while the analysis technique compares the empirical data with the predicted, theoretical one (Yin, 2009). As the theoretical framework was the grounding basis of the data collection it seems valuable to rely on the theoretical propositions and analyse the data through theoretical lens and then offer the reader new propositions through the data analysed. By relying on the theoretical propositions gives the researcher a chance to compare the empirical findings with the assigned theory. The use of earlier-mentioned technique, *pattern matching*, will help to supply a variety of outcomes, firstly by providing propositions of the surrounding themes that were addressed in interview protocol, and secondly by being combined or contrasted with the theoretical framework. According to Yin (ibid.) if the patterns match, the results can help to strengthen internal validity. If the patterns do not match it can possibly add new findings to the theory. In this thesis the patterns are derived from the research objectives, which are combined both from the theory and from the empirical data. Pattern matching seems valuable for this case study as most of the patterns actually match, however it is not entirely crystal clear. For example as HR practice transfer is argued to be a social process and from the data analysed it is possible to argue that the more face-to-face relationships employees have within MNCs the better the trust and

relationship becomes. However, technology enables employees to have face-to-face time through videoconferences but employees do not consider it to replace face-to-face communication. A possible explanation for this can be, for instance, that people are not yet used to using videoconferences, however this kind of change is inevitable in MNCs. By using this kind of pattern matching that is based on explanation building, the case study will explain in the analysis section more information about pattern matching by demonstrating causal links in order to explain how or why certain factors occurred.

The use of this analysis technique can also be problematic. Thus, it is important to identify and provide explanations that demonstrate that the propositions are different. Also, addressing rival explanations that are derived from empirical data can improve the validity of the case study. According to Yin (ibid.) this method is essential; as by using the same data to rule out various arguments could potentially threaten the case study's validity. Also, as this case study uses abductive reasoning and the generalisation is limited to theoretical generalisation, this strategy and technique seem more than suitable for this case study.

3.5.1 Presentation of the empirical evidence

The presentation of empirical evidence address how HR practice transfer takes place in MNCs and which factors contribute to this process. In order make the analysis and interpretation of the empirical evidence clearer; the presentation of the empirical evidence is divided to three different themes. These themes are derived from the three study objectives, which make it easier to follow the study. These themes are also used in analysis chapter. The presented results are then analysed with a pattern matching technique and rival explanations are given.

The analysis of results will follow the following steps: Firstly, presentation of secondary data (if applicable) results under the same proposition. Secondly, presentation of primary data results under the same proposition. Thirdly, the results are analysed by using addressed theoretical lenses and interpreted to identify pattern matching. Fourthly, address if the patterns match and rival explanations (if there is). This will help to explain if the patterns of results coincide.

3.6 Reliability and Validity

Concerning the quality of the research it is essential to address reliability and validity. Reliability refers to whether the results of the case study are repeatable and validity addresses if the conclusions in the case study can be considered as coherent (Bryman & Bell, 2007). According to Yin (2009) case study design need to focus on two critical conditions: validity (both construct, internal, external) and reliability (internal and external). Kidder & Judd (1986) describe these dimensions in a textbook manner: construct validity identifies correct operational measures, internal validity seeks to establish a causal relationship, external validity defines the domain to which the findings can be generalized. Yin (2009) address tactics to help test validity, e.g. to achieve construct validity it is good to use multiple sources of evidence in data collection, for internal validity it is useful to do explanation building and address rival explanations in data analysis, and for external validity to use theory in single-case studies research design. All of these dimensions were achieved.

According to Yin (2009) the use of specific strategic and analytic techniques in the data analysis are intended to deal with problems of developing internal validity and external validity in doing case studies. This case study builds explanations around the research question and addresses rival explanations. These factors help to construct internal validity. It is worth to suggest that the results should be only used in a similar context, as this study is a case study. The use of a case study protocol and an interview guide provides a possibility to replicate this part of the study and thereby contribute to high levels of reliability for these aspects of the study. As the case study was done during change process in the MNC and transfer and harmonization of HR practices was still on-going, it can be difficult to find a perfect reliability for this case study as it was done in a dynamic social context.

3.7 Ethical considerations

To be able to fulfil the ethical considerations, the researcher must take into consideration the following four conditions: information requirement, requirement of consent, confidentially responsible, and utilization (Vetenskapsrådet, 2002).
When the research topic was introduced to the case study MNC, the purpose, relevance, and ethical considerations were explained in the case study interview protocol (see Appendix 2). Information gathered from company documents and

interviews will only be used in ethical manner together with the approval of the interviewees. The terms of the usage of the data gathered are explained to every interviewee both orally and on paper. A written agreement, which stated the rules, guidelines, and confidentiality agreement concerning the interview situation and the data acquired was presented to the interviewee and signed by the interviewee. In order to keep the case study confidential all of the names (interviewees and companies) have been changed and given pseudonyms. The case study MNC will be referred to as *Espresso Group* and the Swedish subsidiary will be referred to as *Saffron*. Another important note is that the company / subsidiary *Saffron* is nowadays only a brand that operates under the World Foods and Flavouring-division. The results will only be used for this case study and nowhere else.

3.8 Limitations

Qualitative studies and the analysis of data often result in one weakness: the author involved in the analysing of the gathered data cannot escape subjectivism. Thus, it is always the author's interpretation of the analysis and of what the author finds important. The strength of qualitative research is the validity of data obtained, as the main weakness is that small numbers of respondents cannot be considered as representative (Hakim, 2000).

Case studies have several weaknesses. First, it can be difficult to do a scientific generalization (external validity). However, Yin (2009) notes that it is possible to generalize to theoretical propositions but not to populations or universes. Thus, this case study hopes to contribute on some level to theoretical propositions within its unique setting.

Controllability and repeatability are also limited as the studies phenomena occur in a unique setting. Also the transfer of HR practices in this case study is an on-going phenomena and thus subject to many effects that are not controllable.

4. Empirical Evidence

In the following section the empirical findings from the primary and secondary data are presented. Before the empirical evidence is presented, it is worthy to explain to empirical background. The empirical evidence will be supported with the help of three different propositions. These propositions are to be analysed through a theoretical lens after presenting the results. Additionally, an organizational structure is presented here to make it easier for the reader to interpret the results.

4.1 Empirical Background

The MNC chosen for this case study operates in 15 different countries within the food and coffee industries. Quite recently this corporation started its mission to expand to a MNC. As part of the expansion, the focus extended from the coffee industry to the food industry. The case study MNC has been a part owner of the Swedish company since 1991, but two years ago (2012) the Finnish MNC became the full owner of the Swedish company. On top of this, the MNC is still a family-owned company, which makes this case study even more interesting because both of the companies have a similar background. During the post-merger situation, new organizational culture was founded and new values were spread on a group level. At the time of writing this case study the change process has been going on for two years and is still in progress, which makes this case study even more fascinating as the perceptions of the workforce are most likely continuously changing. The transfer and harmonization of different practices is part of change management, usually from headquarters (HQ) to subsidiary, in this case from Finland to Sweden and with the focus on the HR department. The transferred practices are employees survey *TellUs, performance* review *3D,* and a leadership and personal development *360.*

The MNC operates on three-levels: Group-level, Divisional-level, and Country-level. Group-level is operated from the HQ in Finland and two interviewees out of five in Helsinki are part of the top management team operating on group-level. Coffee division operates from the same building as the Group HQ.

World Foods & Flavouring divisional headquarters are based in the same building as *Saffron,* in Gothenburg, Sweden. This division is also the biggest division when the focus is on the size of the workforce. The author of this paper finds these three levels (group, divisional, country) extremely intriguing and valuable for the case study as

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the complexity of the combination of these levels can able to achieve efficient results by taking in account of all these three levels.
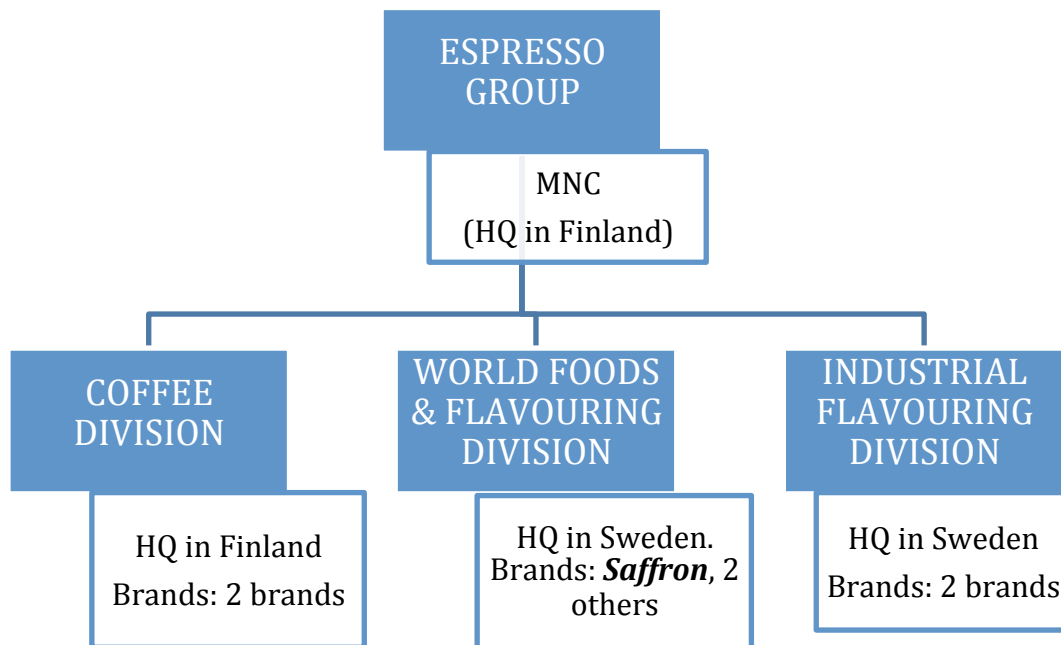

Figure 1: Espresso Group organizational chart.

4.2 Common Corporate Culture

Common organizational culture building should improve relationships, trust, and build shared understandings, vision, norms and values throughout the MNC. This in turn should build an *Espresso Group* way of working throughout the MNC. This should eventually result in making the chances of the HR practice transfer more successful and lead to better levels of harmonization of HR practices.

MNC identity

Corporate identity includes the norms and values as well as shared understandings. *Espresso Group's* corporate identity is *Exploring Great Taste.* According to the evidence derived from secondary data *Espresso Group's* CEO is convinced that *Espresso Group* can become more successful together because they have created a common identity for the entire workforce, regardless of nationality, title or duties. The common identity is built on a solid platform of values and guidelines that will help to achieve business goals. This clearly shows that the MNC believes that by building a new corporate identity for all of the divisions and subsidiaries would help them to operate so to say under the same roof. The identity slogan suites the industry well and

is used in marketing as well as an internal identity. The interviewees commonly perceived the MNCs' identity as an excellent identity that binds the MNC workforce together. One respondent comments as follows:

> *All in all it is a brilliant tagline for what we do and I cannot really say anything other than positive about our identity that the taste is the factor that brings us together.* (Anonymous respondent, 2014, interview)

This demonstrates that identity is clearly a unifying factor and can be found throughout the overall branch, which is the food & drinks industry, thus the taste is an important aspect to everyday work. When a corporate identity is suitable for building common culture it should be incorporated in the corporate strategy. One of the respondents from the HQ explains that the identity is the factor that brings the MNC workforce together but also expresses that it could be more developed so it would be more part of the overall strategy. Overall, all the MNC HQ respondents seem to be very satisfied with the corporate identity.

Overall, all of the respondents at the subsidiary were very satisfied with the identity. Especially the factor that the identity is not something completely new for *Saffron,* was mentioned. This demonstrates and explains along with the other data acquired, that it was an important factor that the identity was not something completely new, and that *Saffron* employees on all levels were happy with the identity. One respondent from *Saffron* explains that even though the tagline is more suitable for marketing, the identity can be interpreted, for example as "how can we learn from each other", "how can we learn from external parties". Empirical evidence reveals that basically everyone in the MNC is committed to the identity. It can be said that MNC can bring new resources and ways of working for the company and within a good corporate culture it is possible to embrace this change, as long as there are some norms and shared understandings present.

MNC values

> *The values are not only guiding principles for how we thing and act, they also affect the decisions made by individuals and the organisation as a whole. Good values provide a strong tool that can help us work together and enable our company to function in the best possible way.* (CEO of *Espresso Group,* 2013, Annual report)

According to secondary data from *Espresso Group,* good values are a powerful tool that helps to bind the workforce together. They have spent a great deal of time discussing the corporate values that shape the culture, as the values should not only guide how to think and behave but also has an impact on decision-making. In addition to this, an *Espresso Group* employee explains in a company brochure:

> *Imagine what we can achieve together as one company, sharing the same*
> *values.* (Anonymous employee, 2012, company brochure)

Values have the same function as identity as the values serve the workforce on a daily basis to help to master a successful business. The core values of the MNC are: *Stay Curious, Strive for Excellence,* and *Grow Together*. Overall, from the secondary data derived from *Espresso Group's* annual report 2012, it is already stated that 92 per cent of employees already were aware of the values. In the same annual report it states that the CEO of *Espresso Group* is convinced that a strong corporate culture, which is created through values, is an important factor in a company's success. That being said, it is now important to look at what kinds of results were found in the primary data. Every single person in the MNC really like the values and consider them excellent. A respondent from *Espresso Group* explains:

> *If everyone lives according to the values it should get us closer to working*
> *together, learning from each other and exchange of knowledge.*
> (Anonymous respondent, 2014, interview)

According to the empirical evidence, the process of finding the new values was also a big trust builder inside the MNC. The value process included all employees within the company taking part in a survey on the intranet that resulted in over 700 replies and the task was also assigned to so-called *cultural explorers* that founded the values in Autumn 2011 (cultural explorers is a team of employees gathered throughout *Espresso Group)*. The main cornerstone for the value process was to find the values in the companies. One respondent explains:

> *The whole MNC was together building this new corporate culture, thus all*
> *the companies were part of it.* (Anonymous respondent, 2014, interview)

The process of finding the values was a big unifying factor that did not only function as glue between the companies, but also as a big trust builder. Values are undeniably

good first steps to building a common way of working within the corporation but values do not come without challenges, for example how to get the workforce to implement these values on a daily basis.

Overall, everyone in the subsidiary is happy with the values. Employees consider the values to be of high quality, they are also similar to the old values and are recognizable in Sweden. It is possible to acknowledge that employees are fond of the values, however not everyone is living according to the values on a daily basis, especially when comparing white-collar workers with blue-collar workers. Employees at *Saffron* are keen on the values but not everyone has fully implemented them to every day working life. However, it is important to note that the change process has only been in progress for around two years when the data was collected.

MNC people strategy – *Engage people that perform*

Developing a people strategy can be hard work for the management teams and it should also function as a plan to link the HR processes to the MNC strategic business plan, aligned with the mission, vision and values. Results showed that there were pools of different attitudes towards people strategy: some liked it and some did not. However, there was no distinction when comparing the HQ and the subsidiary.

One of the respondents clarifies the concept by explaining that people strategy is the strategy that serves the business more than the HR strategy. Inputs from other respondents stated that it resembles the How-side and commitment to the business and that it symbolizes the value process and that *Espresso Group* considers HR to hold a high position in the business hierarchy. Some showed a more negative attitude towards the people strategy by stating that it is not visible nor dynamic, neither is it linked to the business strategy or the strategies they use in HR.

Different management styles

It has been argued that the stereotypical Finnish management style and decision-making is more hierarchical and has a faster start in comparison to the stereotypical Swedish discussion-style, which is slower, as it's aim is to have everybody on-board, so to say. The answers from respondents were widespread, possibly due to the subjective nature of the questions. However, it could be stated that Finnish respondents preferred a faster commencement as they also explained that both ways

are good and needed and thus, a golden mean would be the best way. One respondent explains:

> *In my opinion we should have a MNC way of working, which would be a*
> *fusion of all of the cultures, quite the same like in big MNCs.* (Anonymous
> respondent, 2014, interview)

The majority of Swedish respondents explained that they most often do not see these stereotypes occurring and agreed that the company culture is stronger than country culture. In comparison, Finnish respondents explain that there may exist some differences; however both styles require approximately the same amount of time and resources. It is possible to state from the empirical evidence that the workforce does not see that much of a national difference in management styles. Rather, they would like to have a MNC way of working (culture) and focus on the situation and decide whether it requires fast or slow methods. Also, it is worth noting that many employees from *Saffron* felt that Swedish people want to know more about why, instead of just taking orders. One respondent explains more in-depth about building of the culture:

> *We in Group's management have talked about that building of a culture*
> *and taking care of change process takes at least 5 years. Now we have*
> *been in change process for 2 years and there is a lot to do and we realize*
> *it... by doing common projects as we have now got different countries,*
> *organizations, and divisions to do a lot of cooperation than before and*
> *that is the right way to build the real culture.* (Anonymous respondent,
> 2014, interview)

How Subsidiary-*Saffron* perceive themselves within MNC *Espresso Group*

This question was only presented to the subsidiary in order to get an understanding of how they perceive themselves. Most of the respondents explain that *Saffron* is just a brand in the present day and employees consider to be working for the biggest division in the MNC, which is the way it is mean to be perceived. However, some employees at *Saffron* see it as an independent business that has access to more resources within the group. It is also expressed that *Espresso Group* is perceived as an owner that gives the subsidiary a free hand, while simultaneously working with the harmonization of the HR practices.

When the question turns to subsidiary's organizational culture the majority explains that they have let go of the old *Saffron* culture and that they are becoming more like the *Espresso Group* culture. However, as *Espresso Group* is not a particularly known brand in Sweden and *Saffron* is, it is easier for people e.g. to say that they work for *Saffron* instead of *Espresso Group*. One respondent wonders whether the MNC is aware of this fact while another respondent implies that blue-collars and middle management are still more about *Saffron* culture. A respondent suggests:

> *If we want to make Espresso Group more active in people's minds and not*
> *just a passive owner it should be clearer in the strategies than it is today. I*
> *would say that because the strategies today are very much divisional.*
> (Anonymous respondent, 2014, interview)

The building of a common MNC culture has been successful, taking into consideration that the change process has only been on-going for about two years. The basis for the corporate culture is well laid out and it is a good establishment for transferring organisational practices. However, it is important to keep in mind that the *Saffron* brand is still stronger in Sweden.

Language aspect

Most of the people who are part of *Espresso Group's* top management team are Finland-Swedish. One can only speculate the why's and how's of the situation; it was interesting to note how respondents understood the question posed concerning language matters. The question asked about language was: "Does native and fluent Swedish help during the change process and how do employees perceive the MNCs common language?" The employees in *Espresso Group,* who speak Swedish fluently, explain that it was a helping hand in the beginning, when a sort of (take over) begun, but explain that not so much anymore. The helping hand came into question when dealing with personal relationships. The employees at *Espresso Group* who are not fluent in Swedish do not feel it matters anymore and state that the MNCs official language is English.

Overall, it is explained that in the beginning of the change process it was valuable to speak Swedish fluently, however as the MNC is growing, it needs more diversity and therefore *Espresso Group* should work on making the official language (English) even stronger. As most of the procedures, policies and power points are written in

English (as it is easier to exchange through the MNC), employees would like to use more English. The problem is that the divisions are bit too monocultural. However, there are many employees from UK in *Saffron*.

4.3 Perspective dimensions

At the end of the empirical background an organisational chart was presented. This chart is provided in order to help the reader understand the perspective dimensions of the MNC and to simplify why it is important to acknowledge these dimensions before the "take-off" of the HR practice transfer takes place.

Divisions

The setup of the MNC structure is tricky to handle in connection with HR practice transfer. This is mainly because of the differences between industries. According to the secondary data, the corporate divisions should make it easier for employees and customers to understand how *Espresso Group* organises work, people, and brands:

> *By focusing on how we belong to common divisions, rather than different cultures, we strengthen our corporate identity, which is a positive change for the whole group.* (Anonymous employee, 2012, brochure)

According to this data, divisions should work together to strengthen corporate identity and towards same goals. Also, this is a good platform for HR practice transfer if the divisions actually support each other and work together towards the same goals. The most difficult part is to understand as one united workforce how practices should be transferred or harmonized. When analysing the empirical evidence, the results were not coherent with this argument. It could be said that some of the employees think that *Saffron* / WFF division is still enjoying quite a lot of autonomy and that they sometimes do a sort of pick' n' choose when it comes to practices and processes. According to the empirical evidence this derives from the factors that they are the biggest division and that the *Saffron* brand is well known in Sweden compared to *Espresso Group*, which is basically still quite unknown in Sweden. This might lead to some problems for HR practice transfer, mainly from an integrative point of view.

The majority of the respondents, whether located in Sweden or in Finland, stated that *Saffron* as a brand is still quite significant, which can be a difficulty. Another is the size of the division. This can be an obstacle for the MNC as the MNC is prepared to have polycentric HR practice transfer (Group-level practices with local adaption). However it could be said that as *Saffron* is apparently still enjoying some autonomy and that slows down the harmonization of HR practices. It can be difficult to transfer polycentric HR practices if employees at *Saffron* feel that *Espresso Group* should be more directive and that the transferred practices would be modified to suite divisional needs and then local legislation. One respondent expresses the need for a polycentric practice transfer:

> *Saffron does it consciously that they are building this WFF divisional culture even though they should be building Espresso Group culture…I think there is no need for divisional and I would only focus on Group and Country-level. I think Group should have more resources and not on Divisions and Countries, that more employees would be transferred to Group-level.* (Anonymous respondent, 2014, interview)

However, as HR is led in a centralized manner, it is fully part of *Espresso Group.* Overall, there is a big difference in opinions derived from *Saffron.*

Subsidiary involvement

Overall, it can be said that subsidiary is very well involved and the employee voice appears to be working 100 per cent. One reason is the fact that *Saffron* / WFF division is the biggest division of MNC. When taking a closer look at HR, it can be said that the involvement level is even better, as *Espresso Group* has a Human Resources Management Team (HRMT). This HRMT includes 4 HR directors from different divisions: Group HR director and HR Vice President, Regional HR Director Coffee/Group, HR director *Saffron/*WFF/Group, and a HR-manager at service business under the Group. HRMT was founded in May 2013.

All in all, it can be understood from empirical evidence that employees at *Saffron* have a good employee voice towards *Espresso Group,* which in big part is due to the fact of them being the biggest division. However, it is important to remember that this is not the sole factor. Employees are pleased with the HRMT, as they have someone

in the division that can take care of employee matters and concerns at the monthly HRMT meetings. Also the respondents have no problem contacting the Group HR director for questions. A respondent explains about HR-practices:

> *Saffron has a good saying when it comes to decision-making, because they are a big part of the MNC, there are lots of personnel and then we have founded this HR management team. Now we have HRMT, Group management team, Divisional management team… HRMT meets once a month and all the HR managers meet twice a year. Twice a year meetings are much bigger where we go through timely matters and then these HRMT-meetings are very efficient, often videoconferences. This is the structure and in my opinion it works quite well.* (Anonymous respondent, 2014, interview)

Overall, employees feel that because the size of *Saffron* they have a lot to bring to the table. It is quite clear that the subsidiary is involved in decision-making and common management teams inside MNC, e.g. HRMT, have a good transfer coalition.

Harmonization of HR-processes

Answers relating to harmonization of HR-processes were quite divided. The whole workforce of *Espresso Group* is working towards harmonization. A difference here lies in the fact that most employees would like harmonization to occur on Group and Local level, whereas some of the *Saffron* employees feel that Group level should have a more directive role and that the harmonization should take place on divisional and local levels. One respondent explains:

> *Overall, harmonization of processes on local level, however TellUs and 3D are on a group level and the new HR-system will be implemented on a Group-level…Actually 3D process is not harmonized as it belongs to different divisions. This has started a small chaos and it implies to the need to free local operational models.* (Anonymous respondent, 2014, interview)

Espresso Group is currently working towards having Group-wide HR-practices and local policies. It is stated that the country-level harmonization is the hardest task. During the upcoming summer (2014) *Espresso Group* will integrate a new HR-system. This HR-system will be on Group-level and have autonomy over some HR-practices

(e.g. 3D). Recruitment and most of basic HR-functions are also centralized on a Group-level. It can be understood from the empirical evidence that integrating the HR-system completely is a long journey, as the divisions are different and have used different policies and ways of reporting, which in turn might double the work. Thus, it can be understood that it takes time to integrate different ways of working.

The empirical evidence reveals that *Espresso Group* employees are pro-harmonization and they agree that the HR practices should have Group-policies and country-localisation independent from divisions. The local-level legislation is ranked as very important. However the change process is still on-going, which means that HR practice transfer is also on-going, at least in the development mode as one respondent explains:

> *What we have not nailed yet is what is decided on Espresso Group-level, what is decided on Divisional-level and how much freedom you have because we might have the same kind of major processes but that does not mean you have the same underline process, because you might have different targets for the process. Coffee might have one and WFF division might have another purpose for doing it and we are not there yet.*
> (Anonymous respondent, 2014, interview)

It is quite clear that most of this foggy atmosphere depends on the fact that the change process is still on-going and it is unclear how and what processes are harmonized and on what level. Some of the respondents feel that divisions have too much freedom. Group-level processes would also accelerate the building of a common way of working. It is suggested that there should also be more Group-resources outside the HQ. However, it is important to stress the fact that some employees at *Saffron* feel that *Espresso Group* should understand that *Saffron* is working in a WFF division and not in coffee division, and thus more emphasis should be put on industry differences, such as different underline targets, different products and com-pan-ben packages. Thus, even though HR department is centralized on *Espresso Group* level, some factors are still different.

In summary it could be said that the harmonization process is working well and employees from *Saffron* are mostly pro-harmonization. However there should be additional Group wide assignments over the divisions, more people should be

working for Group on different locations, and in addition *Saffron* is taking some parts of the HR practices that they like if the whole HR practice does not suit the underline targets. A couple of respondents state that matters would be easier if there would be an *Espresso Group* way of doing things. Mostly, harmonization is received with for the most part with open arms, as employees wish to have more common ways of working and similar HR-processes. This would also open a greater access to transfer people inside *Espresso Group* and throughout different divisions.

4.4 HR practice transfer – A social process

It is argued that HR practice transfer is a social process. Here, the empirical evidence concerning the socialization dimensions towards HR practice transfer is presented. The empirical evidence collected demonstrates that there is a good relationship and trust between *Espresso Group* and subsidiary *Saffron* and that it is improving over time. Also, earlier it was pointed out that there should be even more employees working on Group-level. Employees should be working collectively towards the same goals and share common projects. Common projects and goals need effective and successful communication. In turn, this should build a common way of working and improve attitudinal climate. From the empirical evidence it is possible to state that by having more face-to-face meetings, more common projects, and more people working on a Group-level would definitely improve *Espresso Group* to be more coherent and build a more cohesive workforce. This would most likely advance the internalisation process of transferred HR practices and thus, make the overall harmonization more successful.

There are expressions in the empirical evidence that *Saffron* and *Espresso Group* are growing together and that the relationship and trust have improved a lot during the last years. Many respondents state that relationship and trust is getting better and stronger over time, as one describes:

> *With HR there is a lot of cooperation. Common targets develop the relationship. So if you have common targets or objectives and processes, which is when you start to get into the business, which means that you have to cooperate and then you will.* (Anonymous respondent, 2014, interview)

Nevertheless, it appears that the relationship and trust is good enough for the employees to internalise the transferred practices in *Saffron.* However, again, some respondents express their concerns that *Saffron* is still too much of an independent unit. Nonetheless, when concentrating on HR relationship, people are very satisfied with the relationship, especially as HR is perceived as very pro *Espresso Group.* However, relationship and trust could be developed with the help of additional face-to-face meetings. When addressing answers concerning the relationship, some respondents mention again the need to decide the level of harmonization (whether it is Group, division, or local). When this is decided and acted upon it should strengthen the relationship when employees know who does what, who decides what, and how to do it. This factor also contributes to building of trust, as the more there are transparency throughout *Espresso Group* it would be easier to transfer practices for example. One respondent explains how trust can be developed:

> *Common processes and from that common activities and otherwise we are*
> *doing things more of "wearing the group hat" so to speak and of course it*
> *builds trust as normally it goes the way that the better you know people*
> *and the more you do concrete work with each other you feel that you are*
> *on the same boat.* (Anonymous respondent, 2014, interview)

"Wearing the group hat" is a good saying and on point here. Especially when taking into account that employees embrace the fact that common activities and personal relationships make a difference when building trust. Unfortunately, at the moment there is neither time nor sufficient resources to do this. Every respondent agrees that joint activities and common projects would be very good for trust and relationships while "wearing the group hat" and would also provide more transparency for *Espresso Group.* One of the respondents expresses an important factor when talking about relationships and trust:

> *Joint activities definitely help. We had a big face-to-face meeting in*
> *Moscow last autumn (2013) and we very much discussed the "grey zones"*
> *as we call them. Things like: what is division, what is EG, what is local,*
> *and it really helps to talk about these things and built trust this way… The*
> *more clear it comes to us how we should handle our organization, the*
> *easier it will be communicated out to people as well. Definitely these*
> *meetings are a good way.* (Anonymous respondent, 2014, interview)

This clearly demonstrates that face-to-face meetings are important for addressing important factors, such as on what level should transferred HR practices be harmonized.

When concentrating on the HRMT, the HR managers are very happy with the HR Management Team. It is a good way to tie all the divisional HR-directors together so that all the divisions in the *Espresso Group* will be heard. Both countries' HR-departments give suggestions to what HRMT should talk about and then HRMT decides upon the factors while trying to find a golden mean. Mostly respondents think that it is a great way of leading centralized HR, however some have expressed that everybody trusts the HR Director of the Group and what is done in the Group but that there might be a little divisional competition when it comes to Divisional HR directors working within HRMT. Even though respondents explain that trust and relationship is good, it can be noticed that for example the HR directors in HRMT are supposed to work half for the division and half for the Group, which appears to produce some problems. Some respondents suggest that this may depend on the fact that it is unclear whether Group or Divisional targets are the primary targets. This would mean that they focus more on achieving divisional targets before Group targets. As there have been expressed, concerns that *Saffron* is still quite independent, this way it can be said that putting the division before the group might produce some harm for HR practice transfer. This is mainly for building a group way of working and makes it difficult to decide on what level to harmonize HR practices. This problem occurs within the HRMT team and not within the HR managers, according to empirical evidence. The stated reason for this is that the HR directors working in HRMT have their own underline targets according to the division they work on, on top of the *Espresso Group* targets. This might produce some differences in opinions, relationship and trust. Therefore it would be beneficial to have a clear understanding concerning what the primary targets are; divisional underline targets or Group targets. If the primary targets are unclear, it may lead to suffering of trust and relationships.

It can be said that employees want more social interaction as it builds better relationships. Two times a year is good but not enough. Social interaction occurs through communication. There are two main ways to communicate in an MNC: face-to-face or through technology. Most of the communication occurs through technology (emails) and currently more and more through videoconferences. Now that *Espresso*

Group has a new videoconference method, it decreases the costs of using resources but also makes it more difficult to build real relationships. Opinions towards videoconferences are somewhat divided, possibly due to the fact that it is a new way of communicating within *Espresso Group*. Respondents express that videoconferences are good for saving resources, information sharing and replacing emails but it should not be used for decision-making or replacing face-to-face meetings. Face-to-face meetings are the ones where relationships and trust is built. Apparently the more often you see each other and work together the better it is for building relationships and trust. Respondents think that videoconferences and overall technology is an advantage but it should not mean that there is no need for more personal communication. Many respondents also address that it would be beneficial if videoconferences would not replace face-to-face meetings but instead, it could replace emails as a daily basis communication tool. One respondent stated that communication has condensed a lot during the last years and there is a need for better dialogue. Overall, employees find videoconferences to be good way of communicating and building better relationships as they decrease the misunderstandings in communication, for example if compared to faceless communication through email. One respondent sums it all up:

> *HR was the first and so far only function that has been centralized on Group-level. All the things we do are common processes…the more we work together, whether virtually or face-to-face, it brings sort of doing together-mentality and construct a strong platform that we understand each other.* (Anonymous respondent, 2014, interview)

All in all, the interviews show that employees in subsidiary *Saffron* and overall the workforce of *Espresso Group* does have a positive social mind-set about harmonization. Next section will focus on analysing the empirical evidence.

5. Analysis

This section will focus on analysing the empirical evidence. As the chosen technique for analysis is pattern matching this section of the thesis will compare empirically based evidence with theory. It is a good way to find out if the patterns match: whether the patterns are coherent and coincide or whether they clash and are mismatched.

5.1 Common Corporate Culture

Since the transfer of HR practices is argued to be a social process, it is important to have a positive reaction towards MNCs values, identity, strategy, ways of working and language within the subsidiary. By creating a common culture, which is derived from all main parts of the MNC, should generate a platform that employees would willingly receive with open arms. According to Björkman & Lervik (2007) consistency sought through the transfer of organisational practices can contribute to developing a common corporate culture. Common corporate culture should be a prerequisite for building common norms, values, shared understandings and furthermore, induced collective goals and values of the common corporate culture should lead to better HR practice transfer and harmonization.

Shared narratives may contribute to the adoption of headquarters HR practices (Björkman & Lervik, 2007). Corporate identity is supposed to manifest corporate culture and it is connected with MNCs vision and mission to explain, "who we are", "where are we going", and "how will we get there". Corporate identity is something for employees to help understand the company that they work for and is one of the first steps in the aligned strategy. This factor is important, as it is not technology that needs the corporate identity to perform better; it is the human resources that function, not only business-wise but socially as well. In the case of *Espresso Group* it is important to understand that the social and cultural relationships vary between people and nationality, as cultures and nations have their own deep-embedded cultures. Some corporations have their own culture; therefore, the corporate identity represents organizational culture and does not reinforce e.g. national culture and customs. Thus it is aligned with normative and cultural-cognitive dimensions from neo-institutional theory. Furthermore, common identity works as a good starting platform that can help to build better relationships and trust and it touches social capital theory's cognitive

and relational aspects and should also increase the possibility of a successful transfer of HR practices.

Core values can clarify the identity of the company and should therefore be sustainable over time (Normann, 2001). Core values demonstrate the MNCs values and help to shape the culture while supporting the corporate vision. Establishing strong core values helps to achieve external and internal advantages of the corporation. As the employees explain that values are a good way to build to common way of working and that the values bind the workforce together, it can be analysed that the process of choosing values is an important stepping stone for the MNC and that its employees live the values on a daily basis. Values and guidelines are the normative function in the MNC but also act as a cultural-cognitive aspect, as identity and values are shared understandings. Thus, it is important that a common corporate culture is available to address and also work as a starting platform to find a golden mean for operating and for building a common way of working, which in turn will reduce comparisons to cultural or national settings, thus reduce norms and values held by the industry or by *Saffron* in Sweden. Kostova, Roth & Dacin (2008) explain that MNCs operate under complex internal environments where conflicts can easily arise between values and routines. Institutions are regarded as socially constructed shared understandings that stem from normative dimensions, e.g. national settings. Thus, building a common corporate culture is a way of uniting the workforce and letting go of national stereotypes. Thus, instead of focusing on country cultures or national norms and values it is worthy to build a common culture and not to destroy the heritage. As *Espresso Group* has this group of *cultural explorers*; it demonstrates that the MNC is not trying to produce a melting pot, where all the cultures are melted together, but rather to try and create a salad bowl where all the ingredients shine equally.

The empirical evidence from other factors concerning the building of common corporate culture (people strategy, management styles, how is *Saffron* perceived in *Espresso Group* and language aspect,) is also analysed to find out whether these factors lead towards a common corporate culture, along with common identity and values. It seems that employees in MNC interpret the people strategy "engage people that perform" very differently and therefore does not seem to help to build a common culture. It can be interpreted from the results that the integration of this slogan can not

be integrated completely whilst employees interpret it in different ways. Different management styles in the MNC were not given that much attention by employees, however some respondents stated that they were aware about the national stereotypes concerning decision-making and management styles. These stereotypes were not present within the MNC, even though some people at the HQ wanted a faster start. However, no differences were seen in the outcome, thus it seems to be more about the subjective norms and values derived from the method they have been using most in the past. These methods are often derived from national settings. Overall, it can be interpreted that respondents want more situation-based management styles and more common ways of making decisions.

Overall, subsidiary *Saffron* was perceived as a very independent company as recently as a couple of years ago (just before the change process started). The majority of respondents stated that employees have let go of *Saffron* identity on white-collar level, however, it seems that blue-collars have not quite reached the same state of mind. It can be interpreted that employees at *Saffron* are working towards harmonization but factors, such as their big size and that *Saffron* brand is still strong in Sweden, is marginally slowing down the process, in comparison to the fact that *Espresso Group* is almost unknown in Sweden. When new people are recruited, it is easier for them to address that they work for *Saffron* and not for *Espresso Group.* It is possible to interpret that the reason for white-collars being more pro-*Espresso Group* is that the building of a common culture started with the white-collars. Another reason why blue-collars from the factories have not been act on to the same extent is that they would have to close down the operations. However, as this thesis focus is on the transfer of HR practices, and HR as a business function is centralized in *Espresso Group* it should not have an impact on the HR practice transfer.

Questions about language were also asked. The official language of the MNC is English, which means that procedures, policies etc. are written in English. However as the workforce inside subunits are quite monocultural, you can mostly hear the language of the country of location being spoken. It can be noted that the majority of respondents saw that fluent Swedish was interpreted as a positive matter, especially in the beginning of the "take over".

It can be noteworthy for the analysis to link different dimensions together in order to provide a more in-depth understanding. For example, by linking social capital dimensions such as relational and cognitive dimensions, the results according to theory should be that with collective goals and values, organisation members are more motivated to trust one another, because expectation is that they all work for collective goals and will not receive disadvantage of pursuing self-interest (Tsai & Ghoshal, 1998).

When these so called prerequisites are linked with the level of implementation, integration, and internalisation, it can be analysed in combination with earlier-mentioned aspects and so, a good common corporate culture should strengthen all of the levels of harmonization. Through common corporate culture and especially with how the choosing of the values-process occurred in this case, it is possible to state that it most probably leads towards better acceptance of the transferred practices from MNC to subsidiary. It is not to be set in stone but it is a rather logical and rational first step before "take-off" with the practice transfer.

Analysis shows that *Espresso Group* employees understand institutional duality and it can also be interpreted from empirical evidence that the local/country legislation is actually one of the most difficult parts for the HR practice transfer. This factor will be given a more in-depth look while analysing harmonization and perspective dimensions in the next analysis section.

It can be sometimes difficult to address rival explanations. However, one brilliant way is to reverse the analysis and interpretation and state it as a contrast claim. For example: Common corporate culture that is attached in MNCs values, identity, people strategy, ways of working and language is not valuable to require a positive reception at the subsidiary, because transfer of HR practices is argued not to be a social process, by creating a common culture that is derived from all main parts of the MNC. Using this claim would imply a huge clash with theory and empirical evidence. Hypothetically this could mean so many different solutions, e.g. if there is no common understanding it would seem that the MNC would either give subsidiary more autonomy or advance with hostile take-over. Thus, it is possible to interpret the exemplary meaning of common corporate culture and how important it is actually for

the HR practice transfer to be successful. It would seem that all the passengers have boarded the HR practice transfer airplane and are ready for take-off.

Pattern matching is also acknowledged in the analysis section. It is argued in this thesis that practices can be seen as valuable resource to help developing a common culture. On top of this, it is stated that subsidiary managers might get frustrated with request from headquarters to implement another HR practice (Kostova, 1999). It can be interpreted that it is actually quite the opposite; developing a common corporate culture can actually help to transfer HR practices and to decline possible frustration of implementing new HR practices. Strengthening common corporate identity can help the subsidiary in implementing HR practice more wholly, in comparison with implementing HR practice while lacking corporate identity.

Therefore, it is possible to move to the next section of the analysis, where the importance of the transfer route is reviewed and the suitability of the airport for landing is measured, whether the airplane lands in a country, division, group or a combination of these.

5.2 Perspective dimensions

The better the different perspective dimensions (Micro=MNC, Meso=Division, Macro=Country) are understood, the easier it is to understand why and how HR practices are transferred and on what perspective dimensions. The analysis will focus on different division relationships, subsidiary involvement, harmonization of HR practices, and in the end reveal whether or not the patterns match.

Divisions and Relationship

Overall, according to the secondary data, the divisions were set to bring companies closer to MNC so that there would be more collective business objectives. However it is also stated, as one of the biggest problems to overcome harmonization of transferred HR practices, is to decide how to harmonize; on what dimension should the transferred HR practices be harmonized. This is the fact that divides opinions coming from HQ and opinions coming from subsidiary. For example, as *Saffron* works under WFF division and not Coffee division, they have somewhat different underline targets. This can be tricky to understand when compared to other support business functions, such as sales department. HR stands for human resources and is

already a centralized business function on Group-level; therefore it is somewhat difficult to understand why there would be a need for divisional harmonization, in place of different underline targets. One of the reasons to modify the practices to divisional needs is that employees working for different divisions might have different underline targets as they operate in different industry. However, as the department of consideration is HR, it is difficult to comprehend how the targets might actually have an impact on the transferred HR practices. It might seem like a good short-term solution, as the divisions operate in different industries. However if thinking with a long-term perspective, the MNC would have similar practices with local differences throughout the divisions and it should thus be constructive for the whole MNC and may even bring more transparency to *Espresso Group*. One major problem that analysis of the empirical evidence suggests is that there does not seem to be a collective agreement and that opinions coming from the subsidiary vary a lot. The proposition, of the majority of interviewees, for a solution is to move more employees from Division-level to work for Group-level. Even though the relationship between MNC and subsidiary seems to be good and in order, there is a clash when delivering targets. It is somewhat unclear whether all employees have the same collective goals or not, and whether these collective goals come before divisional goals or vice versa.

From the empirical evidence it is possible to interpret that people working in HR seem to be pro-harmonization. However, some respondents explained that *Saffron* is building a WFF divisional culture instead of *Espresso Group* culture. If the collective goals are not on the same level (Group-level), it can be more difficult to achieve polycentric practice transfer. If the HR practices were polycentric, it would bring more transparency to the business and thus in the long run give competitive advantage against the rivals and develop the MNC way of working. Overall, it seems that divisional autonomy brings challenges to transfer MNC-wide centralized practices. It is also worth noting that the change process is on-going and has been for two years. Another important factor derived from the empirical evidence is that there are not enough people on the group-level. Many respondents state that *Espresso Group* should move more people from Division to Group-level and move people from HQ to *Saffron.*

Overall, polycentric HR practice harmonization would strengthen the normative function of the transfer as the norms and values would be growing stronger on Group-level, not divisional. Polycentric practice transfer is also important for regulatory dimension, as the implementation level would be on country-level rules and laws. It just seems that there are some differences in shared understandings as to decide on what level to harmonize. Thus, the cultural-cognitive factor needs strengthening in order for employees to understand and operate under the same vision and shared understandings. This should be easier if everyone shares the same Group way of working. However, first the MNC should make sure that employees interpret the collective goals the same way. One factor that can have an effect to this outcome is the fact whether *Saffron* employees are satisfied with the practices or the level of subsidiary involvement. If subsidiary is well involved with the transfer of practices and overall involvement in the decision-making, then there should be no problems with implementation of the practices.

Subsidiary involvement

Overall, subsidiary involvement is good and employees are very optimistic towards it. It can be interpreted that employee voice works well in this MNC and that Human Resource Management Team (HRMT) – although barely a year old – have received a good welcome and most respondents think it works like a charm. Also, according to Björkman & Lervik (2007) foreign subsidiary managers are more likely to implement HR practices if they have been involved in the decision-making process.

However, it can be interpreted between the lines that employees who are part of the HRMT could focus to a greater extent on the division they work for and their own targets. HRMT could operate as a practice transfer coalition bridging the gap between *Espresso Group* and its subsidiaries. For transfer coalition it is important to have management development programs as these can bind the employees together. *Espresso Group* has e.g. a leadership development program, yet it does not seem to focus on which targets to deliver but instead, more on how to manage a workforce and how to add some additional tools to managers' toolbox. However, it can be analysed that the Head of Group's HR is very welcomed and neutral when dividing attention to different divisions. Some respondents even stated that sometimes this person might even focus more on WFF division than Coffee division, as the latter one

is located in the same building as Group HQ. All of this implies that subsidiary involvement is excellent and that this is a way to continue in the future. Knowledge sharing is important when the practices are transferred, as it is valuable to have a common channel where feedback about transferred practices can be specified. However, this did not fully solve the problem of how to transfer / harmonize HR practices in a polycentric manner. The question to analyse is whether there are employees that also want to have HR practices on a divisional level. According to empirical evidence, HR-system will slowly take the practices to a polycentric level, however it takes time because different divisions have different ways of working, such as policies and ways of reporting, thus the polycentric harmonization takes time as the starting platform for integration of the practices has been different. However, as most of the respondents are pro polycentric harmonization, this should not produce too many problems for the practice transfer, it just needs more time. The million dollar question is that if in the future there is also need for these different divisional underline targets, *Espresso Group* should make a suitable adjustment for the new HR-system that allows to have these underline targets so that there would not be such a demanding need to double the work when harmonizing HR practices.

Harmonization of HR processes

As already noted, the problem is how to harmonize the transferred HR practices on Group and country-level. So far, there is one process that is harmonized fully on *Espresso Group*-level and that is employee survey *TellUs*. Another process that is almost fully harmonized is *3D-process*, which is a platform for a dialogue between the manager and the subordinate. *3D-process* is currently on Group/Division-level. According to empirical evidence, *3D-process* will be implemented in the future as a part of a new HR system, which will operate on a Group-level. According to the empirical evidence, the new HR-system will help to have Group-wide policies instead of divisional, and the work is currently on-going. As this new HR-system will integrate HR practices as polycentric, it will most likely strengthen shared understandings towards the practices, especially as most of the employees are pro-harmonization of HR practices. However, there are some challenges concerning harmonization of HR practices and some possible steps to take. For example, when the HR practices are transferred, it can be interpreted that it does not fully suit *Saffron's* employees, as some would like to have more how instead of what, while

others believe that it should be more directive and leave more adjustment on country-level. However, as subsidiary involvement is high, there is no reason that would imply problems with polycentric harmonization of HR practices.

From the empirical evidence it is possible to draw some solutions: to move more people on the Group-level and send them to Sweden and vice versa (from subsidiary to HQ), which in turn would help to address the Group way of working and bring more integration and social cohesion. It is possible to interpret that if employees are pro polycentric harmonization, than these measures would lead to better subsidiary commitment level and therefore to better internalisation.

Some practices are not that suitable for the WFF division / *Saffron* because of different underline targets, however only a couple of respondents from *Espresso Group* expressed their concerns about *Saffron's* harmonization process and whether the strategic intent of *Espresso Group* is to harmonize the practice on Group and Local-level. Most of the respondents at MNC HQ think that HR-practices should be only Group and country-level. Most respondents from the Swedish subsidiary explain that they support the harmonization. However a few respondents expressed to having some problems concerning the harmonization process. Whether the problem lies in the individual dissatisfaction with a certain practice, or whether it is the fact that practices are harmonized on a group level, remains unclear. Thus, there are various small problems with integrating some of the HR-practices. It is possible to interpret that people, who are working for the HQ in Finland, would rather have HR-practices harmonized on a group and local-level. On the contrary, employees in Sweden would have HR-practices on Divisional or Local-level, while Group would be more for a directive approach. However, it might not actually be the fact that subsidiary employees want to have the practices on divisional-level; maybe they would prefer the practices to better suit their needs. The million-dollar question here is whether the needs are group, divisional or local. This interpretation comes from the factor that the empirical evidence concerning this question was very much spread apart. Otherwise employees are pro-harmonization and working together towards same goals. Even though there are some divisional differences and complications when considering data derived from Finland and Sweden, most of the HR-practices are successfully integrated, implemented, internalised especially when considering that the change process has been on-going for just two years. Nonetheless, it could be beneficial to

understand how and on what level to harmonize so that the whole workforce in the MNC would have similar interpretation of harmonization, which would lead to more suitable polycentric integration of practices. It is possible to interpret that this matter should be studied properly inside and throughout the MNC, so that the subsidiary commitment level to the practices would be high, thus increasing the level of internalisation.

Overall, it would be worth having a local / country-level adaptation for HR practices. This is because different countries operate under different rules and laws, thus it traces the regulatory dimension of neo-institutional theory. Also, there are no mimetic or coercive dimensions to HR practice transfer, thus the old institutional theory is not suitable. Even though *Saffron* is still enjoying some autonomy, most of the transferred practices are already on Group and Local-level and the new HR-system will continue with the harmonization of HR practices. As the MNC transfers HR practices, policies and directs, it accompanies the normative dimension of neo-institutional theory. As the practices require local adaptation it also means that regulatory dimension is in order. Even if there are some problems with the harmonization of HR-practices, it seems that the employees at subsidiary are well included in the decision-making that the HRMT team does. There may be some factors to still consider in order for the transferred practices to be perfectly integrated, implemented and internalised.

Implementation level is good, as the subsidiary has a good employee voice, quite a good satisfaction towards the practices and a good satisfaction towards HRMT. According to Björkman & Lervik (2007) the level of integration is also likely to be higher in subsidiaries that have levels of autonomy. There are some problems with coordination of harmonization and thus collective goals are possibly a bit unclear. However, it is important to mention that the change process has occurred only for around two years, and that *Espresso Group* is not in favour of a "hostile takeover". The new HR-system will slowly integrate other HR-practices, which will slowly progress the polycentric harmonization of HR practices. Nevertheless, even if *Saffron* is still enjoying autonomy because of its big size and brand, it seems that the HR strategy is aligned, which strengthens external fit of integration. A subsidiary with little autonomy may be forced into implementing HQs HR practices (Björkman & Lervik, 2007). However, as *Saffron* enjoys quite a lot of autonomy, the

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implementation of HR practices is not perceived as forced, and if it were perceived as forced, the internalisation of HR practices would not be successful.

Some dissatisfaction with some of the HR practices might decrease the internal fit of integration, as it has to do with how the different HR practices are aligned. Along this progression it seems that it would be beneficial to take into account what employees at *Saffron* had to say about the practices, as the empirical evidence demonstrated that the practices did not always fit *Saffron*. If the practices do not fit the subsidiary use, it would most likely decrease the subsidiary commitment level, thus lower the internalisation level. Therefore, internalisation dimensions need a bit more evidence, as it addresses *Saffron's* commitment level to the transferred HR practices, which is the most important aspect of HR practice transfer (Björkman & Lervik, 2007). This dimension will be the main concentration of next analysis section, with the social aspect of the HR practice transfer.

Before moving to next analysis section it is worthy to explain whether patterns match or not. It can be interpreted that some patterns match and some do not. Different divisions and different underline targets produce problems for HR practice transfer, as it is not the institutional environment, but the industrial environment that is different as well. Thus the MNC headquarters need to acknowledge the fact and figure out a solution for the problem. Patterns do match in a sense that MNC wants to have transferred practices on Group and Local levels. This pattern matches with the theory applied. Even though the subsidiary is enjoying some autonomy, the factor that subsidiary employees are pro harmonization, they have an employee voice and HRMT, it can be concluded that these patterns match, while industry differences deserve more focus.

5.3 HR practice transfer – A social process

It is said that HR practice transfer is a social process and that cognitive and attitudinal dimensions deserve more attention. It is valuable to examine the relationship between *Espresso Group* and *Saffron* to find out how it may impact the HR practice transfer. Therefore, this analysis section will look at different dimensions of social theory and also by linking these dimensions together, provide a stronger in-depth analysis in order to be able to provide explanations of how this social process has an impact on internalisation of the transferred practices. Each of the dimensions has a direct impact

on knowledge sharing, which leads to better subsidiary commitment and should also lead to better internalisation of HR practices (Tsai & Ghoshal, 1998). Pattern matching will be explained towards the end of this section.

As HR practice transfer is described as a social process, it is important to look at social capital dimensions (structural, relational, and cognitive) in order to address how internalised the transferred HR practices actually are and whether the practice transfer truly is a social process. According to the social capital theory, the better the dimensions of social interaction, relationships and trust, and shared understanding and vision are received throughout the *Espresso Group* and subsidiary *Saffron*, the better the chance is that the transferred HR practices are actually internalised properly. With internalisation, analysis refers to the attitudinal dimension of transfer to show to what extent the employees at *Saffron* accept and see the value in using the HR practices.

From the earlier analysis sections it is possible to draw the conclusion that there is already an on-going common culture and that most of the employees in *Espresso Group* and *Saffron* are happy with the transferred practices. However, perspective dimensions deserve more focus and clear, transparent decisions. Earlier analysis demonstrates that normative and regulatory dimensions of neo-institutional theory operate without problems, as well as integration and implementation dimensions, which is a prerequisite for internalisation. Internalisation of the transferred practices refers to the efficiency level of the use of practices, which derives from the attitudes towards practices. As internalisation dimensions refer to shared understandings and attitudinal climate, it also regards cultural-cognitive dimension from neo-institutional theory and all the dimensions of social capital theory. On top of this, by linking social capital dimensions for analysis purposes can help to strengthen reliability of the thesis.

Employees are happy with how the relationship and trust is between *Espresso Group* and *Saffron* and explain that more face-to-face meetings and more transparency would help to improve it. By linking relational and cognitive dimensions, it can be analysed that with common collective goals and values, the employees are inclined to trust each other, as it is prerequisite for achieving collective goals. This has developed a trusting relationship. As the values of *Espresso Group* were found inside the MNC by assigned *cultural explorers* and with an internal survey, it clearly indicates that by linking cognitive and structural dimensions shows that social interaction has a critical

role both in shaping a common set of goals and values and in the sharing of said goals and values among *Espresso Group's* members (Tsai & Ghoshal, 1998).

There are also signs showing that the relationship and trust is better today than what it was couple of years ago and is getting stronger and better, thus it is possible to interpret that relational dimension functions well. Nevertheless, more common projects and more face-to-face meetings would strengthen the relational dimension even more. When linking structural and relational dimensions of social capital, it appears that social interaction may stimulate trust and trusting relationships evolve from social interaction. Social interaction expresses that employees should get to know each other, share information and develop a Group way-of working. As one of the respondents pointed out, the HR days in Moscow Autumn 2013 were excellent. In Moscow, *Espresso Group's* HR professionals talked about the problems with perspective dimensions, for example. It is possible to interpret that if there would be more of these platforms to talk about HR issues in the MNC, it would allow more transparency throughout the *Espresso Group.* It could also work as a kick-starter for building e.g. better personal ties. It can also be interpreted that if *Espresso Group* would be more coherent about what they will do in the future, it could bring more transparency throughout the MNC and build a more group way of working. It can be analysed that trust and relationship is good, however more social interaction would be beneficial. Now that there is a possibility in *Espresso Group* to use video to communicate on a daily basis, it should help to build stronger interaction ties socially. Communication through video does not build relationships the same way as real life face-to-face meetings. However, video calls could replace email in the future as a daily basis communication tool and thus make it easier to do cross-national work. If videoconferences would replace email in the future but not face-to-face meetings, videoconferences could also help to build an *Espresso Group* way of working, as it is easier to learn from other and teach others through video than it would be through mail.

As long as HRMT is clear about the transfer and harmonization of HR practices and all the members of HRMT work towards the same targets, it will eventually result in synergy for the MNC. Additionally, it would also work as an example for the HR department as to how to work together and learn from each other. Maybe this way the people strategy "engage people that perform" would also develop stronger. As stated

in the theory, social capital advantage occurs in those organizations that have developed superior ways of combining talents of individuals in collaborative activities. This would mean that when talented HR professionals from different sub-units work with common projects with good communication, it should develop superior advantage, as long as it is under a good management. Also, it is possible to interpret whether it is a Swedish factor or just a factor that appears in *Saffron* that employees want to know more about "How" than "What". How is much easier to understand when having face-to-face interaction than when discussing it through a videoconference. Some respondents explained that with videoconferences it could sometimes be difficult to understand people on the other end whether they are proposing or deciding something. However, videoconferences help save many resources (traveling costs etc.) and are especially good for sharing information. Overall, technology should not be neglected, as it is part of the on-going change that never seems to stop. Change occurs on many levels and thus, is important to understand, as if personnel are not up for a change, they will most likely be left behind. This would probably lead to dissatisfaction towards transferred HR practices. Thus transparent communication about change would be beneficial for HR practice and harmonization of the practices.

When analysing socially shared understandings and visions, it appears again that the confusion is on perspective dimensions, as there is a conflict about whether to deliver Divisional or Group targets first. As employees are pro-harmonization, which again, is one step closer towards shared understandings, they should be doing more work while "wearing the group hat" which in turn, should lead to better shared understandings all over the MNC. From the empirical evidence it is quite clear to state that more harmonization leads to a more common processes, which leads to more common activities that would be done while wearing a group hat, which in turn would lead to building a more transparent Group way of working. All of this would strengthen social interaction, relationships and trust, and shared understandings. As HR is already centralized, it is possible to interpret that HR practice harmonization is getting more polycentric. As there are some common targets throughout the *Espresso Group,* it would seem logical to start moving people to Group-level, or to have HR Group-teams working together cross-nationally. It is understandable that common targets develop relationships collectively, however it might not be enough to promote

the Group way-of-working or to build better transparency. This way it could help to find the group way of working, which in turn can help to have successful practice transfer. When looking back to what was stated earlier from the secondary data, these divisions are supposed to help with positive change for the whole *Espresso Group* by supporting and working together towards the same goals. Of course the same goals help towards making a profit for the business, however it should be done with long-term orientation, such as the transfer of HR practices should occur as well.

The foundation for cognitive dimension has already been established with common corporate culture, which is communicated through shared understandings (values, identity, etc.). Tsai & Ghoshal (1998) demonstrated that trust and shared understandings effect resource exchange among MNCs units. Additionally, Kostova & Roth (2002) found that subsidiaries' trust in HQ was positively linked to transfer of organisational practices to overseas. According to these authors, this case study seems to have a quite positive approach towards practice transfer.

Videoconferences and common projects throughout the MNC builds stronger relationships and better trust, however it seems that employees are eager to have more of them. More employees should be moved to Group-level and moved around the organisation so that Group-employees would not only sit in the MNC HQ in Helsinki, Finland. For example, by working together it would strengthen the interpersonal linkages among MNCs employees, especially in HR department, and it could create a good intra-organisational networks for HR professionals working for *Espresso Group.*

Even though mostly these social capital theory dimensions (structural, relational, cognitive) seem to work well, there is still some space for improvement. However, it can be interpreted that the MNC is taking the steps towards improvement, slowly and thoroughly. When it comes to practice transfer, *Espresso Group* could try to improve transparency and be clearer about what belongs to Group, what belongs to Division, and what on a Country-level. Having more transparency and more people working 100% for the Group, would probably facilitate better shared understandings, vision and more social interaction, and an *Espresso Group* way-of-working, which in turn would be beneficial for HR practice transfer. Overall, it seems that the subsidiary commitment level to the practices are good. It can be interpreted that HR practice transfer is of course a social process, where social dimensions are important in terms

of the development of practices, how the practices are internalised and overall satisfaction towards practices.

For this analysis section, patterns do actually match. Personal ties, face-to-face communication, and overall all social processes and a good attitudinal climate accelerate internalisation of transferred practices and overall harmonization. Social capital dimension does, therefore, have an impact on knowledge sharing. When the social capital dimensions are present and understood, it can lead towards better subsidiary commitment and better internalisation.

6. Conclusion

It is mentioned several times that the transfer of HR practices is a social process. By explaining how practice transfer is also knowledge transfer, it can be argued that to have a successful transfer and harmonization of HR practices, it has to include a social dimension. Thus, harmonization and development of transferred practices is also a social process. It is human resources who do the work, thus it is most likely to be the resourceful humans who actually transfer the practices, work with harmonization of the transferred practices, and in the end, the ones who actually use the practices.

In this case study, it was difficult to find any kind of assumptions of hostile take-over from the MNC HQ towards the subsidiary. This is due to the currently on-going change process and the size of the subsidiary, which still gives room for autonomy for the subsidiary. Before the MNC HQ started to transfer HR practices it was important to build a common culture. Now that the common culture has been built, it is important to spread the common culture by building a common way of working, and this work is still on-going. As the common organizational culture has already been built, employees have started to feel more as *Espresso Group* employees and are slowly giving up the *Saffron* identity, at least among white-collars in the HR department. This was an important prerequisite for the HR practice transfer for a number of reasons. By building a common corporate culture, *Espresso Group* allows people in different subsidiaries to be part of the organizational culture, rather than being part of national or earlier company culture. A common corporate culture can be seen as a good foundation for building mutual norms, values and shared understandings. These factors are an important prerequisite for practice transfer to ensure that it will be successful throughout, from beginning to the end. Thus, it is valuable to find a golden mean. The essence of the golden mean is not to focus on how Swedish or Finnish employees work differently or to address different ways of working, but to build a common corporate culture that can work as a platform where employees of the MNC can build this new common way of working that is based on corporate culture. Overall, building a common organizational ground for the employees makes the practice transfer more likely to succeed.

When it comes to HR decision-making on Group-level, it is a very important for successful HR practice transfer and the harmonization of the practices to have a shared understanding of the common ways of working. It is interesting to note that by building this common culture platform should accelerate adoption of similar HR practices between the MNC and subsidiary.

However, the fact that *Saffron* is still enjoying quite a lot of autonomy makes it harder for the MNC to transfer and harmonize the practices only on Group and Country-levels. This is because, at the moment, some subsidiary employees would like to have *Espresso Group* directives on the practices on a Group-level and implement the practices on divisional and country-level. Getting rid of divisional culture would be beneficial for *Espresso Group's* HR and HR practice transfer. It would give room for a more centralized and harmonized HR to serve the whole group-level purposes with country policies, thus applying the polycentric harmonization of HR practices. However, it is essential to solve the underline targets in different industries to overcome this problem. *Espresso Group* should make a suitable adjustment for the new HR-system that allows having these industry-based underline targets so that there would not be such a demanding need to double the work when harmonizing HR practices. *Espresso Group* will _ continue to strive for Group and Country-level practice transfer and harmonization, especially after the new HR-system is integrated. After integration of this new HR-System, it is supposed to be easier to move other HR practices to the HR-system. Thus, it is valuable that the new HR system will integrate other practices and move the practices fully to Group level. However, another case study would be needed in order to measure the internalisation of the transferred practices after this change has occurred. All in all, this is a good example of how the HR practice transfer does not always work the way it is planned.

It can be concluded that trust and relationship between MNC and subsidiary is good, however, providing even more social interaction could be beneficial, at least it would do no harm. The workforce should continue to build even stronger relationships by having more people work on Group-level, having more shared projects, and more face-to-face communication. This in turn would enhance the *Espresso Group* way-of-working and proactively reduce any dissatisfaction towards the practices and harmonization of practices. It would help to move more employees to work at the Group-level and to have more Group-level employees outside the headquarters.

One of the main advantages with a centralized HR system is the possibility of having efficient and transparent communication, which can help to start working together to form a cohesive whole. This would also build a common way of working. Thus, by strengthening cooperation should lead to better results, achieving collective goals and make harmonization of HR practices more likely to succeed. Also, by joining employees who work for different divisions and moving them to Group-level would help to continue the work with centralizing HR. Also, if HR is centralized and the transferred practices operate in similar way in different sub-units, it would be easier to transfer employees between HR departments inside *Espresso Group*. This would probably lead to strengthening of knowledge sharing and thus minimize possible conflicts when it comes to transfer and harmonization of HR practices. Also, learning from each other could create a better Group way-of-working and strengthen relationships even more. Thus, by working with common projects on a Group-level, by using the same practices and at least partly work with the projects face-to-face, would enormously improve the harmonization of the transferred HR practices. For example, videoconferences could help with on-going harmonization and common projects throughout the MNC, as long as the information shared through videoconferences is more informative than decisive. In general, technology should not be neglected, as it is part of the occurring change in business life. Nonetheless, it is identified that videoconferences should not replace real life face-to-face interaction.

Overall, it can be stated that institutional duality is understood and under consideration in *Espresso Group*. Furthermore, cultural or national differences did not produce any problems worth of mentioning towards HR practice transfer. The case study MNC seem to understand that different countries have different institutional environments and indicates this to be one of the most difficult things for HR practice transfer. Thus, by building a common corporate culture can work as a bridging factor that deletes dissimilarities and focus on building a common platform that is *Exploring Great Taste.*

It is difficult to find evidence for isomorphism as the transferred practices have a local, country-level adaptation. It is truly noteworthy to express again that it is extremely important to look at industrial environment and not just institutional environment. This is a factor that should be included in theory and future research. It was stated in the introduction that many MNCs pursue growth through M&As, whether the growth

is in the same industry or not. As different industries might have different measures for example for underline targets, it is beneficial to consider and acknowledge these factors. It is rather a difficult task to figure out how to get the best of different divisions that operate in different industries. It could be that for different departments the centralized harmonization might not be as well suited as it is for HR. It is also worth noting that there is also a good possibility for reverse diffusion as the subsidiary is well involved in decision-making and has a good employee voice. However, in this case the practices were transferred from MNC to subsidiary.

6.1 Contribution

The main contribution of this case study has been to explain the transfer and harmonization of HR practices from a Finnish family-owned MNC to its subsidiary in Sweden. As the chosen research approach is abductive, it is valuable to note that the objective of this case study was to explain and to find legitimate outcomes. Existing research on HR practice transfer in MNCs has focused mostly on cultural and institutional differences. These are important dimensions to consider, however they are not the only ones. Through researching the institutional and attitudinal environment around HR practice transfer, several interesting findings were discovered. For instance, industry differences should not be neglected when transferring organisational practices. Also, it was valuable to find out that there were no significant cultural factors causing problems for HR practice transfer between Finland and Sweden. It can be said that the attitudinal climate in the MNCs is an important factor to focus on when studying HR practice transfer in MNCs, especially when harmonizing and internalising the transferred practices. Also, institutional environment and institutional differences should not be neglected because these factors have an impact on HR practice transfer. Overall, the combination of two different theoretical fields as a conceptual framework provided a suitable theoretical contribution for scholarly literatures of HR practice transfer.

It can be said that empirical contribution of this case study would not be as significant if the study had used a quantitative research strategy. The importance of how and why questions in the interviews should not be undermined, especially as it helps the case study by gaining access to more holistic and in-depth information. When the empirical evidence was gathered, the case study MNC was still going through change

process, which makes this study unique and also makes it a unique contributor to it's field. The abductive approach has helped this case study to achieve new findings by problematizing dominant theories or aspects towards HR practice transfer. Relying on theoretical propositions and the use of pattern matching proved to be a fruitful framework for data analysis, especially to be able to provide explanations for the research questions and objectives. It is worth noting again that the researcher cannot escape subjectivism when analysing the qualitative data. Also, the sample size could have been larger and as it is a case study it may be challenging to produce scientific generalisation, however, it is possible to generalize the findings to theoretical propositions. Optimistically this empirical contribution has significant influence both theoretically and practically.

Results of this case study can help to better understand the importance of attitudinal climate and the industrial environment in HR practice transfer, as already mentioned above. It is noteworthy that the employees are the ones working with the transferred practices in the long run and that is why the suitability of the practices is of cognitive and practical importance. Thus this case study proposes to test these results as an additional solution to an existing practical problem. The practical contribution of this case study is significant, especially if considering human resources as resourceful humans who appreciate the transferred practices both in a cognitive sense and as efficient practices. Thus the case study also contributes to the importance of HRM.

All in all, this case study is a significant contributor in helping planned transfers of management practices, namely from MNC HQ to foreign subsidiaries, to become more successful.

6.2 Further Research

In the conclusion it was remarked that future research should also acknowledge industrial environment. On top of this, it seems valuable to keep on concentrating on social dimensions when it comes to transfer of organizational practices. As the change process is on-going, it would be beneficial to continue with a follow-up case study after a couple of years. It would be efficient to also follow through with an observational case study in order to to observe how the social capital actually has an impact on the transfer and harmonization of HR practices. Also, it would be even more beneficial to include an additional number of different subsidiaries.

As the topic and research question was tied to HR practice transfer, this thesis only addressed the surface of change process. However, addressing and understanding change process, both in theory and in empirical data, would provide more understanding of why change occurs, how change occurs, and how employees might change when the company structure and environment changes. Overall, transparent communication about change would probably do more good than harm. However, it is somewhat unclear how employees perceive change in MNCs. It could be the fact that often employees may feel unsafe after M&As, as this phenomenon often goes hand in hand with the downsizing of workforce. Thus, when changes occur, it would be wise to communicate what changes will occur, within what time spam and who are to be involved. Even though change is inevitable, it seems that employees often predict the worst-case scenario, especially in the acquired companies. Thus, organizational change and industrial environment deserve more focus in the field of organizational practice transfer in MNCs.

It would also be beneficial to continue to research the social process of the transfer by doing a longitudinal study that begins straight after M&A and would end when the change process is finished. Also, additional observations would be suitable for the case study. On top of this, it would be interesting to do a comparative study where all the MNCs subsidiaries would be included, in order to gain more extensive understanding of HR practice transfer in family-owned medium-sized businesses. Furthermore, it could be beneficial to continue to focus on organisation-internal factors and overall communication concerning change. It would seem truly valuable to combine studies of change management, knowledge transfer, and social capital as this would work as an effective framework for further research in the area.

7. References

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Appendix 1 – Interview questions

Introductory Questions	Probing Questions
CULTURE: Subsidiary – parent company relation:	**CULTURE: Subsidiary – parent company relation:**
• How would you describe the relationship between MNC and Swedish subsidiary?	• Examples: TRUST, personal & impersonal linkages, joint activities
• How do you perceive the common corporate identity on a Group level?	• Could you share some examples? In what ways?
• How do you feel about MNCs values considering the relationship between MNC and Swedish subsidiary?	• Could you share some examples? • Are people actually living the values on a daily basis
• How do you perceive Swedish subsidiary within MNC?	• As an independent company or as part or same of MNC and /or division? In the future?
• How do you feel about different management styles?	• Give examples. What do you prefer and describe strengths and weaknesses
• How do you perceive Swedish subsidiary's organizational culture?	• 1) Swedish culture 2) Swedish division culture or 3) Group culture?
HR STRATEGY: Practice development / transfer / people strategy	**HR STRATEGY: Practice development / transfer / people strategy**
• How do you perceive MNCs people strategy?	• Clarify differences between HR function and HR people strategy.
• There are several (HR) processes that are in use at MNC HQ. How are these processes in use at Swedish Subsidiary and how are the processes perceived?	• Operating and upcoming processes were listed here.
• How do you perceive Swedish subsidiary's influence on HR decision-making? (In the described situation)?	• E.g. Where will HRMT-team be in the future?
• How would you describe the communication channels between MNC and Swedish subsidiary?	• Technology: advantage or disadvantage? o Face-to-face meeting vs. video conferences • Misinterpretations when communicating
• How do you perceive languages that are in use in this MNC? (this question was modified depending to the country of where the interview took place)	• Strengths and Weaknesses?

Appendix 2 – Case Study interview protocol

Research project: "How does the transfer of HR practices transfer take place from a Finnish MNC to Swedish Subsidiary: A case study of transfer and harmonization of HR practices within a medium-sized family-owned MNC".

Country	
Date and time	
Company	
Interviewee's name	
Position	
Nationality	
Language of the interview	

Introduction: Thank you for your time to contribute to this research. Let me briefly outline my role and how this interview is designed to fit in this research.

Purpose of this research: To explain how the transfer of HR practices takes place from a MNC to a foreign subsidiary to find out what factors deserve more attention to make the transfer and harmonization of transferred HR practices more successful.

Relevance of this research: This research seeks to explain how the Finnish MNC transfers and harmonizes HR practices to a Swedish subsidiary. Earlier studies indicate that earlier process transfers have not been so successful between Finland and Sweden but that there is a possibility for change. The main reason for the malfunction has been socio-cultural reasons that have led to problems with internalisation.

Personal relevance: This research / interview is an essential part of my master thesis for University of Gothenburg.

Ethical considerations: The information obtained from this interview is strictly confidential. Your company's name, your name, and any other information to identify you or your organization will be coded or changed to keep it confidential. The data obtained in this study will exclusively be used for this study and not passed on to third parties. This interview will be recorded by using an audio recorder.

I, the undersigned, have read and understood the above and agree that the data obtained from this interview is integrated in a master thesis and published following the ethical considerations listed above.

Name & Signature: Date: