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1 Introduction

This chapter will present and discuss the background, which includes the problem and the perspective. This is followed by the purpose, delimitation, and disposition of the study.

1.1 Background

The major challenge for multinational companies (MNCs) establishing abroad is the configuration and integration of their country subsidiaries. "*Organizing a company to do business on a global scale remains one of the most complex managerial responsibilities*" (Galbraith, 2000, p. 1). Therefore, it is vital to understand how activities within an organization, such as structures, processes, reward systems, and people practices, should be designed in order for the company to be as efficient as possible (Weiss, 2007; Kesler & Kates, 2011). The process of organization design only includes activities that can be changed by the business leader. Culture cannot be designed directly, and therefore this element is typically not included in the organization design process (Kates & Galbraith, 2007). Culture is a very broad term and can be defined in many ways (Hofstede, 2001). It could be referred to as "*a set of behaviors, attitudes, and ideas that human beings learn while living together*" (Hooker, 2003, p. 60), or as Hofstede (2001, p. 9) describes it; "*…the collective programming of the mind that distinguishes the member of one group or category of people from another"*. According to Hofstede (2001), Sweden and China are very different in terms of culture, which is explained by his national cultural dimensions. These issues of organization design and cultural differences demonstrate that a cross-border expansion is very complex, and that the success or failure of a company depends on both internal and external factors.

In the past three decades China has grown to become the second largest economy in the world. The tremendous growth of China had its start in the late 1970s when a number of political reforms took place, which made the country more globally integrated (CIA World Fact Book, 2012). In addition, China joined the World Trade Organization in 2001, which has resulted in large increases in trade between Sweden and China (Kinnman, 2008). Swedish exports to China have increased from about SEK 22 billion in 2007, to nearly SEK 40 billion in 2011 (Swedish Trade Council, 2012b). Furthermore, Swedish direct investments in China have increased significantly in the late 2000s, especially in eastern regions, where a majority of about 650 Swedish companies in China are located (Swedish Trade Council, 2012a). Establishing across borders is a step towards future growth, but it is important to note that a cross-border expansion comes with many challenges (Galbraith, 2000). There is no specific recipe to become successful in China. The market is significantly different from the Swedish market, which means that a company that is successful in Sweden may not be as successful in China. Furthermore, entering the Chinese market requires time, effort, and a large network of social and professional contacts (Swedish Trade Council, 2012c).

Our opinion is that there is a gap in the literature within this topic. We have not been able to find a study that combines how Swedish MNCs handle matters of organization design and cultural differences in China. This study will investigate the experiences and practices of Swedish MNCs operating in China from a managerial perspective. In the Star Model, Jay Galbraith – professor of management and organization – suggests that companies should adapt to local conditions when establishing across borders. Furthermore, cultural expert Geert Hofstede has presented significant cultural differences between the Swedish and Chinese society. The aim is to see if strategy, structure, processes, reward systems, and people practices within an organization are standardized, or if they are adapted to local conditions. Additionally, this will allow us to investigate whether Galbraith's and Hofstede's theories are in line with the real life practices of our two case studies that will be presented in the method chapter. This will give a good insight on how two typical Swedish MNCs operate in China, and if they perceive a cross-border expansion as complicated as academics repeatedly argue. The findings will be of interest to Swedish companies planning to set up operations in China.

1.2 Research Purpose

The purpose of this study is to investigate how and to what degree Swedish MNCs adapt to local conditions when they establish subsidiaries in China, and if culture plays an important role in their operations. Our research will be centered on a number of elements that affects the operations of Swedish MNCs when establishing across borders. Analyzing these elements will give an insight on the extent of which companies adapt to the local business environment, which refers to standardization versus localization of company practices.

1.3 Research Questions

1. How and to what extent do Swedish MNCs adapt their organization design to local conditions when establishing subsidiaries across borders?

2. How and to what extent do cultural differences affect Swedish MNCs?

1.4 Delimitation

Firstly, the aim of this study is to investigate Swedish MNCs in the manufacturing industry, and therefore it is not our intention to investigate companies from outside of Sweden and companies in other industries. Secondly, our intention is to conduct an explanatory study, and we do not aim to develop a new theory or to give specific recommendations to companies. Finally, this study mainly investigates the views and perspectives of managers, and it does not take the views of other stakeholders into consideration.

1.5 Disposition

This research *introduction* will be followed by the *frame of reference*, in which we will introduce two main theories and additional studies within our chosen topic. After the frame of reference we will present the *method* that has been used to fulfil the purpose of this study. This is followed by a presentation of the *empirical findings*, which includes insights from our two case studies; Sapa Heat Transfer and Specma Group. In addition, this chapter consists of cultural and historical background of Sweden and China. The *analysis* chapter will be closely linked to our frame of reference and our empirical findings. In the *conclusion* chapter we will answer our research questions. Finally, a *discussion* on the outcomes of the study, and suggestions for future research will be carried out.

2 Frame of Reference

The Frame of Reference presents the two main theories used in this study; Jay Galbraith's Star Model for organization design, and Geert Hofstede's national cultural dimensions. The two models will be followed by additional studies within our chosen field of study.

2.1 Jay R. Galbraith – The Star Model

The Star Model was developed by Dr Jay R. Galbraith in the late 1960s, and has been continuously used and refined over the last four decades (Galbraith, 2012; Kates & Galbraith, 2007). Galbraith is considered to be one of the pioneers behind the topic of organization design, and the Star Model was developed to serve as a framework for this specific field (Kesler & Kates, 2011; Galbraith, 2012). The process of organization design refers to a number of elements that are controllable by the business leader, including management processes, reward systems, human resource practises, and organization structure. What is paramount for the Star Model is that these elements need to align and support the strategy of the company (Galbraith, 2000; Kates & Galbraith, 2007; Kesler & Kates, 2011). In addition, Kates and Galbraith (2007, p.3) explain that the configuration of the four elements depends on the strategy of the firm, and that *"[t]he more that the structure, processes, rewards, and people practices reinforce the desired actions and behaviors, the better able the organization should be to achieve its goals"*.The business strategy along with the four policies is what gives shape to the Star Model, which is illustrated in Figure 2-1.

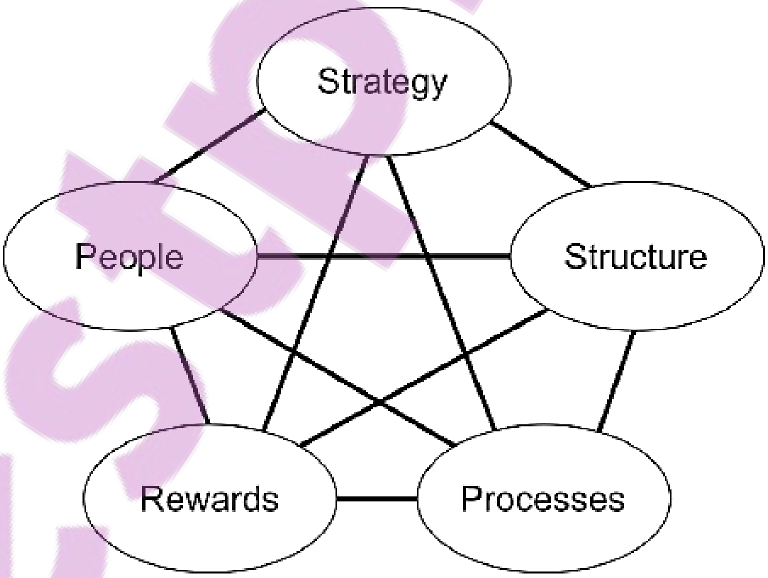

Figure 2-1: Star Model *Source: www.jaygalbraith.com*

2.1.1 Strategy and Organizational Capabilities

Strategy is the first component of the Star Model, and is described by Kates and Galbraith (2007, p. 5) as *"a company's formula for success"*. The strategy should be used as guidance in the organization design process, and it entails the vision and mission of a firm. Kates and Galbraith (2007) explain that well-defined goals and a clear strategy are vital in order for the company leader to make sound organization design decisions. Furthermore, they state that the strategy should be considered a way to achieve competitive advantage. Competitive advantage can be gained not only from macroeconomic factors, but also by creating *"superior internal organizational capabilities"* (Kates & Galbraith, 2007, p. 5). Organizational capabilities are defined by Kates and Galbraith (2007, p 6) as "*the unique combination of skills, processes, technologies, and human abilities that differentiate a company"*. Additionally, they state that *"[c]reating superior organizational capabilities in order to gain competitive advantage is the goal of organization design"*. This is why strategy is vital for the entire design process; the strategy allows the business leader to decide what organizational capabilities are needed to reach the company goals, which in turn will allow the leader to make organization design decisions based on the required capabilities (Kates & Galbraith, 2007).

2.1.2 Structure

Structure is the second component of the Star Model. Kates and Galbraith (2007, p. 9) explain that the structure of an organization is related to hierarchy of the company, and that *"[t]he structure sets out the reporting relationships, power distribution, and communication channels. It determines who comes in contact with whom"*. They state that companies often create company divisions or units based on functions, products, geographies, or customers, and that these four are to be considered the building blocks of an organization's structure. Generally, companies are organized using a blend of all four.

Functional Structure

"A functional structure is organized around major activity groups such as finance, human resources, research and development, manufacturing, and marketing" (Kates & Galbraith, 2007, p. 10). For instance, a company with a functional structure may be divided into five units based on the functions needed; marketing, sales, manufacturing, research and development, and human resources. This is beneficial for a company since it encourages sharing of information within the organization. Additionally, Kates and Galbraith (2007, p. 10) state that structures based on functions *"promote standardization, reduce duplication, and create economies of scale"*. Furthermore, they explain that this structure is often used by small businesses, but that it is also suitable for companies of larger size, as long as the company is in only one single line of business.

Product Structure

An organizational structure based on products generally develops after a company increases from one single product line to multiple product lines (Kates & Galbraith, 2007). This is true because the organizational capabilities needed for the new product line may be different to the capabilities needed for the already existing product line. Kates and Galbraith (2007) explains that new product lines often require a new product division to be set up. Furthermore, they argue that dividing a company into separate product divisions will lead to shorter product development cycles, product improvements, and innovations. In companies with this type of structure, finance and other basic functions may still be shared between the different product divisions, while most other functions are handled internally within each division (Kates & Galbraith, 2007). A negative aspect of this structure is that the divisions may become too individual, leading to limited information and knowledge sharing. Nevertheless, this structure is of great use to companies with a short product life cycle that require quick development and improvement of products. Additionally, it is useful for companies with different products in different markets, since this enables each division to focus solely on one product line and market (Kates & Galbraith, 2007).

Geographic Structure

The geographic structure is applied when a company expands into new countries or regions. Today's information technology society has made it possible for businesses to sell products to customers in countries other than the home country. However, a company may become more competitive by being present locally, since local markets may have significant differences in terms of culture, language, politics, and consumer behavior (Kates & Galbraith, 2007). Thus, a local focus would allow products to be adapted to the local market conditions, which will lead to increased competitiveness. As with the product structure, the geographic structure may lead to decreased information and knowledge sharing between the divisions. For instance, Kates & Galbraith (2007, p 14) explains that there is a risk that country divisions or regional divisions *"favor their own unit's needs over shared global or regional needs"*. Nevertheless, this type of structure is good if it is expensive to ship products or materials to the local market, and if the local market is significantly different to the home market. In Addition, it is useful in economies where the government has an active role in business, which often requires close government relationships (Kates & Galbraith, 2007).

Customer Structure

The fourth type of organization structure is called customer structure, and is based on the idea that the customer should be in focus. If a company sells its products and services to other businesses, it is common that the other business (customer) values a close contact with the company. Furthermore, the customers may want to tailor products based on their own requirements (Kates & Galbraith, 2007). Kates and Galbraith (2007) explains that this structure has many similarities with the product structure. However, in the customer structure the divisions are separated with regard to the different customer segments that are served by the company. For instance, a company may be divided into one division serving private individuals, and one division serving businesses.

2.1.3 Processes

Processes are the third element in the organization design process. This element is important if the strategy requires divisions to interact and collaborate (Kates & Galbraith, 2007). Processes is defined by Kates & Galbraith (2007, p. 17) as *"...a series of connected activities that move information up and down and across the organization. This includes work processes, such as developing a new product, closing a deal, or filling an order"*. Processes include both management and work processes, both of which will affect the collaboration between divisions or units (Kates & Galbraith, 2007). Kates and Galbraith (2007) explains that all organizational structures will lead to at least some barriers to cooperation. However, they argue that a well-designed work and management process, or lateral connections, may be used to come across these barriers. They present four different types of lateral connections; networks, teams, integrative roles, and a matrix.

Networks are explained to be personal relationships between people from different parts of the organization, and Kates and Galbraith (2007) argue that the remaining three types of lateral connections are dependent on healthy networks. Furthermore, they state that interpersonal relationships can be encouraged by the company leader thru continuous arrangements of meetings, conferences and other events where employees come together. Forming teams is another way to make people form relationships within the organization. Teams work together as one unit and all individuals in the team are responsible for the outcomes of the work. An integrative role is a management role that has the responsibility to coordinate work between divisions and units. For instance, a public relations manager may be responsible for the whole organization, and is responsible for all matters regarding public relations. The fourth kind of lateral connection is called matrix. A matrix is explained by Kates & Galbraith (2007, p. 19) as *"...a set of dual reporting relationships used to balance two or more dimensions in an organization. Networks, teams, and integrative roles all serve to integrate a secondary dimension. The matrix allows both dimensions to be equal"*. For instance, two organizational dimensions may be of equal importance in an organization, and therefore decisions need to be based on what is suitable for both dimensions (Kates & Galbraith, 2007).

2.1.4 Rewards

The fourth component of the Star Model is called rewards, and it explains how business leaders can design reward systems to motivate the employees (Kates & Galbraith, 2007). Kates and Galbraith (2007) describe that rewards serve as a way to motivate and guide the employees towards the company's goals. However, they state that it is a big challenge to identify the rewards that will lead to the best collaborative behavior from the employees. In general, large companies have compensation programs based on collective accomplishments rather than individual achievements (Kates & Galbraith, 2007). There are a number of issues that need to be taken into account when designing rewards within an organization. First, the business leader must decide whether to measure results by teams, departments or units, divisions, or the whole company. Second, it needs to be decided what behavioral aspects that will get recognized in the evaluation of employees.

This includes knowledge sharing, leading and participating in teams, relationship building, and other aspects contributing to organizational development. A third issue is the appointment of whom or who should asses the performance. For instance, it could be decided based on the customers' opinions or by lower-level staff (Kates & Galbraith, 2007).

2.1.5 People

The final component of the Star Model is the human resource practices of the company (Kates & Galbraith, 2007). Superior human resource management will help the company to achieve its strategic goals. The hiring, training, and development of staff are key factors that will be the foundation of the organizational capabilities discussed in section 2.1.1. Large organizations require a highly skilled management team that can make the best possible use of the organization's resources in order to create a competitive advantage (Kates & Galbraith, 2007). Common requirements when hiring new employees are people that are able to view issues from different perspectives, and that have great social and communication skills. Additionally, team players, conflict-solving individuals, and persons that have the ability to manage projects are desired (Kates & Galbraith, 2007).

2.2 The Star Model in a Cross-Border Context

The Star Model can be applied in a number of different contexts. Therefore it is important to evaluate how it may be used in the context of this research. In the book *Designing Your Organization; Using the Star Model to solve 5 Critical Design Challenges* (2007), Kates and Galbraith apply the Star Model to the context of designing organizations across borders.

> *"A successful multinational firm brings many strengths to bear as it expands outside its home country. These include admired and desired brands, research and development expertise, global scale and efficiency for purchasing and manufacturing, financial power, and advanced management and human resource practices"* (Kates & Galbraith, 2007, p. 69).

Furthermore, they list a number of important issues related to cross-border expansions, including the flow of information between country units in the home country, time differences, cultural differences, people practices, and the transfer of skills and knowledge to other country units. In addition, they underline the importance of knowing *"[h]ow to create new channels for learning and overcome the dangers of both arrogance (from being successful at home) and ignorance (not knowing what to keep the same and where to differentiate)"* (Kates & Galbraith, 2007, p. 70). Kates and Galbraith (2007) have identified five levels of international strategy, each of which will require a certain organizational structure and certain capabilities.

The first level of international strategy is called 'export', and this is the least complicated way of expanding across borders. At this level, a company expands by establishing a cross border unit in the form of a sales organization. The second level is called 'partner'. This level of international strategy is useful for firms with little international experience, and if the new market is significantly different from the home market. In this case, a joint venture with a local company could be the simplest way to become successful in the new market. The third level, which is of the greatest important to this study, is called ‘geographic’. At this level, a company adds geographic units with full operations in the new country (Kates & Galbraith, 2007). The fourth level is called ‘multidimensional network’, and is more complex than the geographic strategy. The structure of having separate geographic divisions reporting to the home country division may no longer work at this level. Consequently, *“based on the firm’s strategy, the home country may be organized along more than one dimension – by function, geography, product, or customer – and the firm may find that it is ready to extend this structure to the geographies”* (Kates & Galbraith, 2007, p. 73). The fifth and final level of international strategy is called ‘transnational’. At this level, each country unit has an important role in creating new capabilities (Kates & Galbraith, 2007).

2.2.1 The Geographic Level of International Strategy

Kates and Galbraith (2007) have applied the Star Model on the geographic level of international strategy. This is the most relevant level for this study, since the two cases that will be presented in the method section are considered to be at this level. This level is typically reached after a company has been thru the levels of export and partnering. Moreover, Kates and Galbraith (2007, p. 75) explains that *“[t]he work of the geographic division is to localize the company’s success formula and transfer its advantages, making whatever adoptions and modifications to local conditions necessary.”*

2.2.1.1 Structure

International units based on geography typically have a relatively simple structure, and the fewer country units a company has, the easier they can be managed by one single executive. A large number of country units may require the company to create regions managed by a region manager, who then reports to the CEO. Fewer country units only require a country manager who reports to the CEO (Kates and Galbraith, 2007). Kates and Galbraith (2007) describe several benefits that come with structuring an international business based on geography. First, it leads to less travelling and transportation for distribution, sales, and service. As a second argument, Kates and Galbraith (2007, p. 78) states that *“although market boundaries may not match perfectly with national boundaries, there are usually enough differences between countries in terms of regulation that having an organizational structure that matches the political boundaries between countries makes sense from a management standpoint”.* Kates and Gabraith (2007) continues by explaining that a geographical expansion allows much more focus on the local markets, which is one of the most important arguments for establishing country units. This is important because it will allow the company to design the business operations in accordance to local conditions.

Furthermore, Kates and Galbraith (2007) discuss whether a company should standardize its structure when it establishes across borders. They explain that the benefits of standardizing the organizational structure have two sides. The job for CEO responsible for all country units will become simpler. In addition, it will be easier for employees to move to other country units within the company, since positions within the units are similar. However, Kates & Galbraith (2007, p. 78) argues that it is important to analyze the local market; *"…what is best from a local perspective. The size of a country, the size and complexity of the business, the diversity of a country's internal markets, and local growth strategies should all be taken into account".* Therefore, they explain, country units should in first hand be designed based on the local conditions, and then it should be evaluated in order to find a good fit against the entire company structure, since this will allow better collaboration between the units and the home country.

Moreover, it is important to define the roles of the management team for companies with a geographic international strategy. Kates and Galbraith (2007) explain that country units have two levels of management. First, there are expatriates or local managers that are led by the country manager. Second, there are region or division managers who usually are people from the home country, since they have good insight in the company. The division management has several responsibilities, including the international strategy for the entire firm, investments, corporate policy and standards, functional expertise, to serve as a link between country units, and finally, to manage promotions and personal development of country managers and other key people (Kates and Galbraith, 2007).

The final design consideration related to the structure of a firm's country unit is how autonomous the unit should be. Kates and Galbraith (2007) explains that country units often want a high level of autonomy, since this will allow them to learn about the way of doing business in the new country. Furthermore, Kates and Galbraith (2007) discuss factors that should be considered when deciding the degree of autonomy. They argue that 'cultural distance' is an important factor. This means that the home country needs to consider how large the cultural differences are between them and the country unit. The larger the difference is, the more likely it is that the new country unit will need a more adapted and customized organization, and therefore it should be more autonomous.

2.2.1.2 Processes

An important issue that comes with the internationalization process is how to design the processes that will transfer knowledge to the new country unit. A common procedure in this case, is for the new country unit to have expatriates who know the entire business process. The expatriate will transfer his or her knowledge to local employees (Kates & Galbraith, 2007). After establishing in a new country, it is vital to continuously communicate with the home country, since the top management team of the company needs to be updated on the latest information. Kates and Galbraith (2007, p. 84) says that this is difficult; *"Cultural distance, along with inexperience in the home country managing remotely and across cultural boundaries, can make communication anxious and tense"*. Another process related to establishing international subsidiaries, is whether decisions should be centralized or decentralized. In other words, it needs to be decided what decisions should be made at a local level and what decisions should be made at a corporate level. Kates and Galbraith (2007) explains that this should depend on a number of factors, including the riskiness of the decision, and the costs involved in the decision.

2.2.1.3 Rewards and People

Kates and Galbraith (2007) states that reward systems are often different depending on the diversity between the different markets that the country units operate in. If there are large differences between the markets, and if the country units do not support each other very much, the rewards are mainly based on local achievements, and not assessed on the entire company.

In terms of people practices, Kates and Galbraith (2007, p. 87) says that *"[t]he key talent consideration in the geographic model is the strategic deployment and management of expatriates and local nationals".* The benefit of expatriates is that they know the business in its whole, and will therefore be able to contribute to knowledge and experience that local nationals do not have. However, it is also important to consider hiring local people into the business, since this will give the country unit knowledge about the local environment. Furthermore, Kates and Galbraith (2007) argues that a country unit is an important tool to develop new talent for the company. Country managers have a good opportunity to become executives, since they will gain experience that is valuable for positions in the top management team of the company.

Culture is not a major element of the Star Model, since it cannot be controlled by the business leader. Therefore, we have chosen to include cultural theory in our research, to be able fulfill the purpose of this study.

2.3 Geert Hofstede – Cultural Theory

"Our shared human nature is intensely social: we are group animals. We use language and empathy, and practice collaboration and intergroup competition. But the unwritten rules of how we do these things differ from one human group to another" (Hofstede, 2012a).

It all started with the fundamental issue that we think differently but we are expected to act together (Hofstede, 1980). The integration between today's societies is becoming more substantial around the world, and the demand for enhanced understanding of cultural differences is extremely significant for all types of organizations, as well as the regular citizen. These factors were the foundation of Geert Hofstede's research project at IBM's personnel research department during the late 1960s, which over a decade later resulted in one of the most well-known and cited sources within the field of comparative intercultural research. The original research project was an extensive process that took several years to execute and included over 116 000 questionnaires from 70 countries, in 20 languages (Hofstede, 2001). This large-scale research project became the groundwork of Hofstede's scholarly book *Culture's Consequences,* published in 1980, and his well-recognized Dimensions of National Culture Theory (G. Hofstede, G.J. Hofstede & Minkov, 2011). Hofstede (2001, p. 9) defines culture as *"the collective programming of the mind that distinguishes the member of one group or category of people* *from another"*. In addition, he states that *"every person carries within him- herself patterns of thinking, feeling, and potential acting that were learned throughout their lifetime"* (G. Hofstede & G.J. Hofstede, 2005, p. 2).

The first edition of Hofstede's National Cultural Dimensions Theory included four dimensions, which were the key instrument for evaluating each country's values and culture related actions. These four dimensions were *Power Distance, Uncertainty Avoidance, Individualism versus Collectivism,* and *Masculinity versus Femininity* (Hofstede, 2001). However, these original dimensions have been supplemented with two additional dimensions. Firstly, the *Long- Versus Short-Term Orientation Dimension* was added in 1991, developed through Michael Bond's international studies on Confucian dynamism in collaboration with Geert Hofstede. Secondly, the sixth dimension was added in 2010 after an investigation of natural human drives by Michael Minkov. His research was associated with restraints of *"...enjoying life and having fun"*, and this dimension was named *Indulgence versus Restraint* (Hofstede, 2012b).

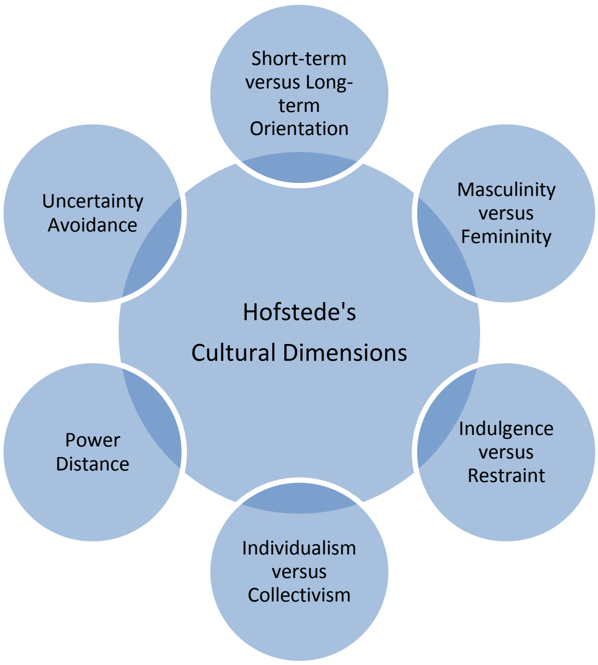

Figure 2-2, Cultural Dimensions, (Hofstede, 2001; Figure source: Compiled by the authors of this study)

Hofstede (2001) explains that people with a broad international experience often find it easier to absorb his points and findings regarding national culture, compared to persons with limited experience of an international environment. Hofstede (2012b) points out that it is important to interpret his findings correctly, and that the results from his research can only be applied on societies and not on individuals.

2.3.1 Dimensions

Power Distance

The first dimension is power distance, which implicates human inequality. Human inequality can arise in areas such as power, prestige, and wealth. Consequently, this dimension states the degree of acceptance and expectance of power distance within the society (Hofstede, 2001).

> *"The reaction of the Chinese authority's due to the fact that [a] Chinese author was given the Nobel Prize for peace. [He was] somebody who according to people in the western part of the world would only preach moderation. [However], clearly the Chinese authorities [felt] threatened by somebody who preaches a slight amount of power sharing. That is an example of power distance"* (Hofstede, 2012b).

All six dimensions are mainly measured from zero to 100 within his research. China scored relatively high within this dimension, 80 out of 100, compare to Sweden's 31. Sweden has thereby one of the lowest scores of all countries in the survey regarding power distance (Hofstede et al. 2011). However, Hofstede (2005) highlights that there is inequality in any society. Typical characteristics of the Swedish society in this dimension are *"being independent, hierarchy for convenience only, equal rights, superiors accessible, coaching leader, management facilitates and empowers"* (Hofstede, 2012c). Control is overall disliked and power is decentralized to a large extent in Swedish organizations, and Swedes appreciate a straight and participative communication method. China on the other hand accepts inequalities to a higher degree, and formal authorities have a significant influence over the Chinese people. In addition, individuals are not expected to take initiative beyond their own position (Hofstede, 2001).

Uncertainty Avoidance

This dimension covers peoples open-mindedness regarding uncertainty in terms of technology, rules, rituals and similar. The uncertainty avoidance index indicates to what degree the members of a society feel either uncomfortable or comfortable in uncertain conditions. Countries with weak uncertainty avoidance index, close to zero, have a relaxed approach to uncertainty and accept personal ideas and behavior. However, countries with high uncertainty avoidance index are very small-minded when it comes to unorthodox behavior and ideas; therefore they prefer preserving inflexible beliefs and behavior (Hofstede, 2001). Once again Sweden receives a low score, 29 points, which indicates an attitude that emphasize on flexibility in terms of uncertainty. Additionally, people do not believe in unnecessary rules to decrease uncertainty in the society, and they have a relaxed setting when it comes to uncertain situations in their everyday life. At 30 points, China likewise receives a low score in this dimension, which means that both countries have similar values in this aspect of culture. Consequently, the majority of the Chinese people have a low degree of uncertainty avoidance and they are adaptable in nature, in addition the Chinese language includes a huge amount of vague and indefinite meanings that have to be interpreted by the receiver. That fact makes it even more problematic for foreigners to understand their language (Hofstede et al. 2011).

Individualism and Collectivism

If a country scores a high index (individualism) within this dimension, it means that the society prefers an imprecise social framework with small obligations to other people than themselves and their closest family. Collectivism on the other hand, stands for a strong social framework with high interactivity in the society. If we applied this on an organization it would mean that individualistic societies call for little emotional dependence of fellow organization members, compared to a society with a low individualism index (collectivism), that would call for high emotional dependence from persons within the organization (Hofstede, 2001). There is significant difference between Sweden and China in this dimension. Sweden scores 71 while China's score only reaches 20, and subsequently there is a 51-point variance between the two countries. The Swedish society stands for an ambiguous social outline in which only the nearest family counts. In addition, qualification should be the only foundation when it comes to employment and promotions in the professional life, and the result of wrongdoing is shame and decreased confidence in an individualistic society. On the contrary, China stands for a collectivist thinking that highlights the interests of the group, or in other words the society, instead of personal interests. However, the commitment of employees to their employer is generally quite low since the Chinese find personal relationships more important than company related relations. Consequently, the hiring process is not solely based on a person's accomplishment as a result of their emphasis on personal relationships (Hofstede, 2012d).

Masculinity and Femininity

This dimension includes the different characteristics of masculinity and femininity. Masculinity refers to societies in which people put a lot of importance on careers and money. Feminine societies emphasize more on relationships, helping others, and the physical environment is also in focus (Hofstede et al. 2011). Hofstede (2001) argues that Sweden is the most feminine country in the whole world, giving Sweden a score of 5 out of 100 in this dimension. Sweden's low score in this dimension means; both men and women are allowed to be affectionate and put a lot of emphasis on relationships, modest is a key word in the society, and quality of life is essential. Swedes *"live in order to live",* while masculine societies *"live in order to work"*, according to Hofstede (2001, p. 318). In contrast, China receives 66 points in this dimension, which symbolizes a relatively masculine culture that is driven and success oriented. Leisure time is not prioritized, and might even be seen as pointless. Long working days are common, and hard work is a part of the society spirit. Another characteristic for a masculine society is the assumption that men should provide all necessary aids for the family and all men are supposed to be focused on their career and rank, whereas women are not required to focus on these aspects in life.

Long- Versus Short-Term Orientation

This dimension refers to the philosophy of life. In long-term oriented societies people value future rewards, ability to adapt traditions to changed conditions, saving and investing, and they also highlight the importance of perseverance in achieving goals. In contrast, short-term oriented societies focus more on traditions, national pride, and therefore put a lot of emphasis on the past. It is also important to fulfill social obligations within short oriented societies. This dimension is also called *East versus West,* since the dimension is based on the foundation of Confucianism, which is an old Chinese ethnical and philosophical system that still pervades the Chinese life philosophy (Hofstede, 2001). A practical example;

> *"The Americans try to resolve the crisis by printing money and the Chinese and certainly the Europeans started to resolve the crises by saving. So the Americans tried to make people spend more, Europeans tried to make people save more. Spending is short term, saving is long term"* (Hofstede, 2012b).

Hofstede et al. (2011) declare persistence, thrift, ordering relationships by status, and having a sense of shame, as key values in the long term oriented society. However, a short-term oriented society focus more on tradition, greetings, personal control and stability, and respect for other people.

China has the top position in this dimension, with a score of almost four times as high as Sweden, which means that China is extremely long-term-oriented with strong emphasis on persistence and perseverance, together with a long-term attitude regarding the future. In contrast, Sweden experiences a rather low score and focuses more on the past and the present state of time (Hofstede, 2001).

Indulgence versus Restraint

The sixth and last dimension in Hofstede's cultural research concerns the degree of restrictions regarding social norms. In indulgent societies there is room for free gratification in terms of enjoying life, being joyful, and health is fundamental. However, within a restrained society there is no importance of leisure time, and holidays are not necessary, and they believe that life is a fate to bear and interpersonal distance is perfectly ordinary (Hofstede et al. 2011).

> *"For example, it is related to importance of leisure and the importance of controlling your own life, having a feeling of life control. And it is also related to the importance people attach to freedom of expression, which is not really the same in countries which are low in indulgence, strong on restraint will not think that free expression of thoughts is important"* (Hofstede, 2012b).

Hofstede et al. (2011) explains that the Swedish society has a high level of indulgence acceptance, and freedom is a key word for the population, Hofstede et al. (2011) continues by pointing out that there is once again a significant difference between the two countries, since China experience a low level of indulgence as a result from a high degree of restraints in their society.

2.3.2 Opposition

Geert Hofstede has been the pioneer of national culture research for over a quarter of a century. However, his culture theories have been criticized since day one, and are still questioned today (Baskerville, 2003; Kirkman, Lowe & Gibson, 2006; McSweeney, 2002). Baskerville (2003) argues that Hofstede has never studied culture and points out that Hofstede's research has several shortcomings. Firstly, she claims that one cannot equate nation states with culture. Secondly, Hofstede's cultural dimensions are based on research from the 1970s, and Baskerville (2003) explains that culture is dynamic and changes over time. Finally, she claims that Hofstede's dimensions are measuring socio-economic factors instead of culture. In addition, McSweeney (2002) questions Hofstede's methodology in his cultural research, and explains that data obtained from one MNC (IBM) is not enough to generalize a nation's culture. Another issue regarding Hofstede's research, according to McSweeney (2002) and Baskerville (2003), is that Hofstede does not take sub-cultures into account. As an example, Baskerville (2003) points out that there are 98 different cultures in Africa, but only 48 countries, and Western Europe has 81 diverse cultures in 32 countries. Hofstede's cultural research is based on IBM's needs and interests, and the consequence of this is a decentralized research study without a neutral perspective, which results in misleading findings (Javidan, House, Dorfman, Hanges, de Luque, 2006). Kirkman et al. (2006) stress that there is much more to learn regarding national culture, therefore they encourage researchers to look beyond existing theories to be able to fill these gaps within this specific research area.

2.4 Additional Research

What is important to remember, is that changing the design of an organization should not be considered to be a *"one-time decision",* which is explained by Kesler and Kates (2011, part VI) in their book *Leading Organization Design*. Instead, they state that it should be seen as an ongoing process of identifying alternatives of organizational change given a set of criteria. Additionally, they explain that *"[o]rganization design is best thought of as a project that requires the same tools, attention, and resources as any other significant business change or investment"*. Moreover, Burton, Obel, and DeSanctis (2006, p. 3) explain organization design as "*…an everyday, ongoing activity and challenge for every executive, whether managing a global enterprise or a small work team"*. Furthermore, they argue that *"[g]lobalization, worldwide competition, deregulation, and ever-new technologies drive the ongoing reassessment of the organization"*. What is common for most of the researchers within this field, is that the strategy of a company is the main determinant of the organization design of a firm (Kates and Galbraith, 2010; Burton, Obel and DeSanctis, 2006; Weiss, 2007; Kesler and Kates, 2011), which means that an organization may require different designs depending on the strategy of the company. For instance, Kesler and Kates (2011) state that the initial step of the organization design process is to identify the most important parts of the strategy, since any organization design process needs to be based on well-defined strategic goals. They explain their ideas with a model called 'The Five Milestone Design Process', in which the definition of the goals is set as the first milestone. Moreover, Kesler and Kates (2011, ch. 1, section 1.1.1.) highlight that *"[a]nyone involved in the design process must understand the strategy and its implications, and agree that achievement of the strategy will lead to superior results for that company".* Using an approach consisting of a number of steps can also be seen in the work by Burton, Obel, and DeSanctis (2006). They guide the reader thru the organizational design process using a method of five steps. Unlike the 'Five Milestone Design Process', these five steps are similar to the different parameters of Galbraith's Star Model, starting with the goals and strategy, and continuing with structure, process and people, and coordination and control. What is similar for all three models is that they highlight the importance of well-defined goals and a clear strategy. However, none of these theories include culture as an important element in the organization design process.

Therefore, culture is represented as one of two main theories of this study. In addition to Hofstede's work, it is important to include other views of culture and cross-cultural management. Adler, Doktor, and Redding (1986, p. 296) define cross-cultural management as:

> "*... the behaviour of people interacting within and between organizations around the world. It describes and compares organizational behavior across cultures, and, perhaps most important for mangers, seeks to understand and improve the effectiveness of people integrating with colleagues from different cultures".*

Cullen (2002) states that cross-cultural management is the understanding of behaviors, norms and values, which is related to the fundamentals of politics, religion and language. Furthermore, management must understand mutual behaviors or competencies shared by a group of people (cited in Ketong & Ying, 2010). Considering the globalization of the world, there is a need for cross-cultural management today, since corporations act in a unified economy and have to interact with different cultures. Additionally, globalization demands leaders to recognize and understand culturally connected leadership styles (Ardichvill & Kuchinke, 2002). Connerly and Pedersen (2005) also stress the importance for the management to be culturally sensitive, since the value of management permeates the whole organization. Furthermore, based on internal and external factors, members will perceive the world in a diverse lens, and different personalities perceive the world differently. Therefore, barriers to communication and confusions tend to be bigger when the cultural differences are very apparent. Obvious cultural differences tend to increase distortion in the organization and research identifies that some cultures may never completely understand each other. In such cases, cross-cultural managers should act as an intermediary (Adler, Doktor & Redding, 1986).

3 Method

This chapter describes our choice of method. It presents our research approach, how information has been collected, and why this specific approach has been used. In the end of the chapter, reliability and validity of the data collection will be discussed.

3.1 Research Method

Choosing method and design depends on the extent of the research problem and its circumstances. The researcher should analytically evaluate the different approaches in order to create legitimacy, to test an already existing theory, or create a new theory (Miller & Salkind, 2002). The researchers have the option to either perform a quantitative or qualitative method, or a mixture of both (Hunter & Leahey, 2008). The research for this study has been made through a qualitative method. Merriam (1998) states that the qualitative approach gives the researcher the possibility to understand how culture affect the participants in the study, and how they perceive the surrounding, which is essential for our study. We used the qualitative approach since it is more suitable for our research purpose. The quantitative approach on the other hand, is more appropriate when the research focuses on statistical, mathematical and computational techniques (Hunter & Leahey, 2008). Moreover, the qualitative method focuses on contemporary events and investigates the "*why and how of a question rather than what, where and when".* The *why* and *how* is explanatory and likely to lead to case studies, histories and experiments (Yin, 2009,p. 8). Our study is based on a contemporary event of which we had limited control, and in which we wanted to find the why and how of the event. Therefore, our study is based on an explanatory approach. In addition, we have decided to implement a multiple case study.

This study started with a deductive approach, which means that the researcher starts by choosing a theoretical frame of reference, and then collects empirical material related to the theory (Trochim, 2006). Thus, we first developed a purpose and chose a frame of reference. Based on the frame of reference we selected case studies that were of interest for our research.

3.2 Case Study

The case study approach has several advantages when it comes to *"dealing with a variety of evidence"*, such as observations, interviews, documents and articles. Similar to histories, case studies rely on historical events and documents, though with addition of present observations of the object being studied and interviews with the persons involved in the happening (Yin, 2009, p. 8). The case study approach is appropriate for this study, since we investigate organization design, and how cultural differences affect Swedish MNCs in China, which are events that are best answered via interviews. Additionally, Eriksson and Kovalainen (2008) stress that case studies are a great tool, since they provide solutions to issues that might be difficult understand and visualize. Since we do not know the outcome of our two case studies' establishments in China, we consider the case study approach to be the most appropriate tool to investigate the actual outcome.

One usually divides the case study into one or several case studies, which is referred to as single or multiple case studies. The single case study is suitable if the information is unique or interprets sensitive information, whereas the multiple is more trustworthy since it investigates more sources (Yin, 2009). We have implemented a multiple case study in our research, and several interviews have been conducted. This case study design yields a genuine and trustful analysis of the information. Nevertheless, as with any approach there are criticisms; Flyvbjerg, (2006) mentions that the case study approach can easily be biased, the process is time consuming, it is difficult to analyze and build a conclusion on a single case study, and it generates a hypothesis testing but lacks the ability to build a new theory. The difficulty is not to conduct the case study, but to understand and analyze it (Yin, 2009; Flyvbjerg, 2006). To deal with this criticism, we have throughout this dissertation considered the shortcomings of the case study approach in order to give an accurate analysis.

3.2.1 Choice of Companies

We decided to evaluate two companies for the case study, since it gives different perspectives and decrease the risk of a biased analysis. When we looked for suitable companies, the following criteria's were considered: A Swedish company actively operating in China with at least 500 employees in total. After evaluation of the options and contacts with various corporations, Sapa Heat Transfer and Specma Group were chosen. Both companies are in the industrial sector, but are different when it comes to revenues and the number of employees. However, since both companies are in the manufacturing industry, their views may lack diversity, and the answers might only be justified by their business's specific perspective.

3.3 Data Collection

The first question a researcher should ask is if the data is gathered primary or secondary (Andersen, 1998). The empirical findings in this study are mainly based on primary data, whereas the theoretical framework, introduction and background have been collected via secondary data.

3.3.1 Primary Sources

The primary data has been collected via interviews and questionnaires from Specma Group, Sapa Heat Transfer, and an employee from the Swedish Chamber of Commerce (SCC) in Shanghai, China. The employee from the SCC was chosen to get an objective view on issues of culture and organization design in China. The respondents from the corporations were chosen based on their positions in their respective companies. Every respondent are connected to management and strategy in some way, either as chief executive officer (CEO), dealing with the overall strategy and organization design, or as a human resources manager, dealing with people practices. Parnell (1997) argues that some researchers consider it enough to only gather information from the CEO, since this person has the overall knowledge of the company's management and strategy. Still, he adds that in order to get an overview of the management and strategy, one should have interview respondents at different levels of the corporation. Since the purpose of this study is to analyze issues of organization design and culture, several interviews with managers of different ranks have been conducted. Since each interview has been shaped after each respondent's position in the company, qualitative interviews have been the most appropriate. Unlike quantitative interviews, the qualitative interview method allows flexible answers. Hence, each question is answered based on each respondent's knowledge and awareness in the topic (Bryman & Bell, 2005). The qualitative interview technique is connected to semi-structured interviews and unstructured interviews. The semi-structured way is based on pre-set questions but questions can be changed and added during the interview. The unstructured approach does on the other hand only follow a pre-set theme, in which the interviewer desires information on the investigated topic, and the interview is shaped on answers of the respondent (Bryman & Bell, 2005; Yin, 2009). Since it is essential to retrieve certain information from the respondents, we have decided to use a semi-structured interview approach. Unstructured interviews might result in redundant answers and links between the responses is harder to compare. This semi-structured interview allows us to better fulfilling the purpose of this study.

The questionnaires took form of open-ended questions, which are appropriate for our explanatory study, since they encourage informative answers and lead to a qualitative result (Geer, 1988).

3.3.2 Interview Design

In total, answers from eight respondents have been collected, either via face-to-face interviews, through telephone, or through open-ended questionnaires. The way of collecting data was dependent on each respondent's time restraints and localization. Table 3-1 to 3-3 provide interview and questionnaire profiles, including name, title, geographic base, type of data collection, duration, and date.

We visited the headquarters of Specma Group on the 29th of March 2012. The visit included two face-to-face interviews, one with the CEO and one with the HR director. All three authors of this study were present at the two interviews, which decreased the risk of misunderstandings. The headquarters of Sapa Heat Transfer were visited on the 5th of April 2012, and the visit included a face-to-face interview with the manager of strategic projects. In addition, telephone interviews with the business area president and a human resources specialist of Sapa Heat Transfer were conducted on the 12th and 13th of April 2012. Each interview was held in Swedish, since it is the mother tongue of the respondents and the researchers, which decrease the risk of flaws and misinterpretations during the interview. In the beginning of April, questionnaires were sent by e-mail to Specma Group's country manager in China, and to the HR director of Sapa Heat Transfer in China, and were returned in the middle of April. Lastly, on the 4th of April 2012, we held a telephone interview with an Anders Wall scholarship holder from the Swedish Chamber of Commerce in Shanghai, who is one out of two employees of the SCC in

Shanghai.

After authorization from the respondents, all interviews were recorded with a digital recorder, which enabled us to collect all of the necessary information from the interview. The recordings were then written as a transcript in order to easier compare them and the answers from the questionnaire in our empirical findings and analyses.

Table 3-1: Interview Profiles Specma Group

Name	Title	Base	Type	Duration	Date
O. Sjölin	CEO	Sweden	Face-to-Face	60 Min	2012/03/29
L. Ihrelius	Manager Asia	China	Questionnaire	-	2012/04/12
A-K Wennergren	HR Director	Sweden	Face-to-Face	30 Min	2012/03/29

Table 3-2: Interview Profiles Sapa Heat Transfer

Name	Title	Base	Type	Duration	Date
J. Menckel	President	Global	Telephone	15 Min	2012/04/13
M. Sunström	Strategic Projects	Sweden	Face-to-Face	75 Min	2012/04/05
P. Casimiro	HR Specialist	Sweden	Telephone	30 Min	2012/04/12
J. Yao	HR Director	China	Questionnaire	-	2012/04/11

Table 3-3: Interview Profile Swedish Chamber of Commerce, Shanghai

Name	Title	Base	Type	Duration	Date
E. Hellstam	SCC Employee	China	Telephone	45 Min	2012/04/04

3.3.3 Secondary Sources

Most secondary data has been collected via the services that Jönköping University Library offers. The scientific articles have been collected via journals and various databases, such as Emerald, LIBRIS, Google Scholar and Scopus. Depending on the desired research, different keywords have been used when searching for information on the databases, such as ‘organization design’, ‘cultural differences’, ‘standardization’, ‘cross-culture management’. The books we used are related to the frame of reference and the history and culture of Sweden and China. Additionally, the company descriptions and the information about the Swedish Chamber of Commerce have been gathered from the websites of the companies and the SCC. The websites of Sapa Heat Transfer and Specma Group were visited in order to understand the history of the companies, to gain general information, and to obtain their organizational scheme. Furthermore, we collected information from the website of the Swedish Chamber of Commerce in Shanghai in order to gain knowledge of the institution’s objectives and mission. Lastly, we used the websites of Geert Hofstede and Jay Galbraith to gain up-to-date information about the theories.

Yin (2009), states that an issue with secondary data is that all readers are not assured to have the same access to the material presented. Therefore, we have used published scientific articles with high peer review, and other academic literature of high quality. In addition, we have only used trustworthy websites that anyone can access.

3.4 Trustworthiness

Good research is composed by data that is critically evaluated and of high quality (Yin, 2009). We have conducted a test of validity and credibility, which is described in section 3.4.1 and 3.4.2.

3.4.1 Validity

It is essential to test the 'construct validity' for the subject being studied; to build several data sources in order to create a *"chain of evidence"* (Yin, 2009, p. 40-41). Our chain of evidence consists of multiple documentation, including interviews, websites, annual reports, scientific articles, and relevant and well-known books.

Furthermore, validity can be tested in terms of 'internal validity' and 'external validity', where internal validity refers to identifying relationships between the different sources of evidence used in the study (Yin, 2009). The relationships that we have identified in the primary sources have then been compared to our frame of reference, which is presented in the analysis chapter. External validity refers to if the findings can be used on a general level. In our case, we have only investigated two companies, which mean that our findings are not applicable on other companies or conditions.

3.4.2 Reliability

According to Yin (2009), the purpose of a study is that its findings should be able to be replicated by other researchers. In order to reach this goal, the researcher should notoriously document the entire research process. This should preferably be performed by following a case study protocol (Yin, 2009). The outcome of the findings depends on each respondent's beliefs, attitudes, and references, and this should be considered during the evaluation of the respondent. It is essential for the researcher to give a professional impression in order to not make the respondent unsecure, which could make the person leave out important information (Saunders, Lewis & Thornhill, 2007).

We have documented the method carefully to assure that the research can be done again with comparable results. Each of the participants was evaluated before the data was gathered, and every respondent participated voluntarily and were encourage to give honest answers. To further assure that our study received accurate answers, the interviewees were offered to leave or withdraw from the interview at any time. Furthermore, the respondents have been asked questions based on their position and specific area of expertise. Additionally, the face-to-face interviews might be affected by cultural aspects, such as body language and different ways communicating. We have considered these aspects during our interviews.

3.5 Data Analysis

"Data analysis consists of examining, categorizing, tabulating, testing, or otherwise recombining evidence, to draw empirically based conclusions" (Yin, 2009, p. 126). In this study, a complete data analysis has been conducted in order to build a reliable conclusion. Yin (2009) suggests that an analytic strategy is recommended since it yields an apparent structure and an easier implementation of findings. Our analytical strategy is achieved via an explanatory approach, in which we have identified patterns within the findings, and then built an explanation of the different phenomenon. In terms of patterns, the information from the case studies has been compared in order to identify coherent findings and thereby strengthen the internal validity. The explanation building approach helps us to specify the reason of why and how our case studies act in certain ways. Nevertheless, one has to bear in mind that there is no homogenize method for qualitative data. Analysis from different researchers will most likely come to various conclusions depending on the data interpretation (Saunders et al, 2007)

4 Empirical Findings

Chapter four presents the cultural and historical background of Sweden and China, followed by an introduction of the two companies and the Swedish Chamber of Commerce in Shanghai. At last, we present all relevant findings from our two case studies related to the five elements of the Star Model and culture.

4.1 Cultural and Historical Background

4.1.1 Sweden

Sweden is a wealthy and highly developed economy that is leading when it comes to gender equality. The power of the country lies in the hands of the parliament, and Sweden is considered to be the one of the most democratic economies in the world (NE, 2012). Furthermore, the standard of living is very high, which is related to the deeply rooted welfare system. Every individual in the society is guaranteed social benefits and the distribution of income is in a global perspective very equal. The country has during the last 50 years gradually moved from an industrial economy to a service economy, with a highly educated workforce (Elmér, 2012).

Sweden has been an open country for a long time, and consequently, the Swedish society has influences from other cultures. The Swedish culture is signified by certain norms in the society, such as the values of equality, trust between individuals, and a strong individualism (Trägårdh, 2007). Furthermore, Daun (1996) underlines that the fundamental pillar in the Swedish society is that everybody has the right to express their opinions in every situation. This has resulted in low dependence of authorities, and in terms of business behavior, people are communicating with everyone in the business hierarchy. In addition, Swedes have high ambitions of accomplishment, which is achieved through a natural interest in their learning process (Daun, 1996).

4.1.2 China

China has more than 5000 years of history. However, the foundation for a centralized empire was not established until 221 BC, when Emperor Qin Sin united the country. The following 2000 years were characterized by flourishing periods in culture and science, and the creation of new dynasties (Lovell, 2006). China experienced few influences from cultures during this period, since the country was relatively closed. This has made the Chinese culture very unique, and consequently it has given them another frame of reference compared to Western cultures. Whereas much of the Western culture is influenced by religious beliefs, the Chinese culture is more affected by cultural norms, particularly the philosophical system of Confucianism. Confucianism is ethical teaching of old morals such as respecting elders, live a good life, and being good to the society (Fan, 2012).

The dynasty era ended in 1911 when revolutionaries defeated the emperor and a period of political disturbance followed. The communist leader, Mao Zedong took power in

1949, resulting in a period of social and economic reforms that made the country more closed than ever before. After the death of Mao in 1976, his successor Deng Xiaoping turned the country towards a liberalization process, with open boarders and economic reforms as a result (Johansson, 2012). Since then, the economy has prospered, leading to a growing Chinese middle class and a heavy urbanization. The old Chinese agricultural economy has changed toward an industrialized oriented country. Today, there are still several influences from the ancient China, which is often used in the business behavior. One of the most used behaviors is guanxi, which can be translated to relationships, networks or social contacts (Fang, 1999). This expression is connected to the creation of personal and professional networks, and is essential to both Western and Chinese people when doing business in China. Furthermore, guanxi is linked to the aspect of face-value, which refers to keeping your own and your personal networks with good reputation (Fang, 1999).

4.2 Company Descriptions

4.2.1 Sapa Heat Transfer

Sapa Heat Transfer is a division and a business area of the Sapa Group. Sapa Group was founded in 1963, and the company was initially focusing on producing value-added aluminum products. The company grew fast, and in 1970 more than 300 people were employed. Its first country unit outside Sweden was established in Holland in the early 1970s. The success was followed by several acquisitions and start-ups between the 1970s and 2000s, and today Sapa Group is employing more than 14000 persons in 33 countries, and had revenues of SEK 35 billion in 2011 (Sapa Group, 2012a). The enterprise is today owned by ORKLA and is divided into the three business areas Profiles, Building Systems, and Heat Transfer (Sapa Group 2012a).

The Heat Transfer division is the second biggest division within Sapa Group, with revenues of SEK 5 billion, and 1450 employees. Furthermore, Sapa Heat Transfer is one of the largest producers of aluminum solutions for the automotive heat-exchanger industry, and more than 90% of the production goes to the car and truck industry as air coolers, oil coolers, and heaters (Sunström).

Sapa Heat Transfer is currently established in the markets of Sweden, Belgium, China, Germany, India, Mexico and The Netherlands (Sapa Group, 2012b). The Chinese operations started as a joint venture with a small local company in the Shanghai area in 1996. However, since 1999, Sapa Heat Transfer has been the sole owner of the Chinese country unit. As of today, about 510 out of the 1450 employee workforce of Sapa Heat Transfer were employed by the Chinese country unit, including three Swedish expatriates.

4.2.2 Specma Group

Specma Group was established in the 1920s. Since then, the company has been developed towards a specialization in hydraulics, and in the early 1980s the company turned into a pure focus on hydraulics, tubes, and filters. Through acquisitions in 1996-1998 the business incorporated the similar businesses Kappa Hydro, Hymat, Eurobend, and Mitthydraulik. Additional acquisitions followed in 2004-2006, when the businesses of JMS Systemhydraulik, Wiro and Näsströms were merged. Those acquisitions made Specma a complete supplier of components and hydraulics. After some organizational changes in 2010 the name was changed to Specma Group (Specma Group, 2012a). During the last 80 years, the company has grown from a small sized business to a global actor with an 800 plus workforce and a turnover of SEK 1400 million in 2010. Specma Group is today owned by Latour, which is one of the largest companies registered on the Stockholm Stock exchange (Latour, 2010).

Today, the company has country units in Brazil, the Baltic region, Russia, Poland, USA and China (Specma Group, 2012b). Unlike other manufacturing companies, Specma Group has not established abroad in search for low-cost operations, but it is rather a question of satisfying their global key-clients. Most of the country units are located only a short distance from their clients (Sjölin). The Chinese expansion in 2007 was necessary because their key-client Cargotec set up production in Shanghai. Specma Group, which has a close connection to Cargotec and work with them globally, followed its usual principles and opened an office across the street of Cargotec (Sjölin). As of today, their only Swedish employee at the Shanghai office is the Manager Asia Lars Ihrelius. He manages 33 Chinese employees and he became the company's third expatriate in China when he arrived in 2009. The CEO, Ola Sjölin, with previous experience of working in China visits the Chinese country unit on a regular basis (Sjölin, 2012). Due to growth and market demands the company is today divided into three divisions;

OEM Division – This is the division with the highest turnover of all divisions, and it offers hydraulics and components for trucks and agricultural machines. Typical costumers are Volvo and Scania. It works on the markets of Brazil, USA, China, Poland and Finland.

Component Division – This division delivers spare parts and pneumatic components for the Nordic market.

System Division - The system division offers tailor made solutions for hydraulic power units, fluid conveyance systems in the areas of industry and marine application (Latour, 2010).

4.3 Swedish Chamber of Commerce in Shanghai

"The Swedish Chamber of Commerce is a non-profit member organization" (SCC, 2012). Their main activity is to help Swedish and Swedish related companies with their business and trade on foreign and domestic markets. The Chamber of Commerce in China was established in 1998 and has offices in Shanghai and Beijing. At the moment 270 companies are members, or 500 if you include subsidiaries, where most of them are

Swedish, or connected to Sweden in some way (Hellstam). In general, the members are large and medium sized manufacturing companies, but non-manufacturing businesses are present as well. The basic idea is to assist companies with trade in China, which is achieved via networking and workshops. Workshops are held regularly, which could include general information about the Chinese market, or more specific information, such as the branding in China or other topics related to China. Furthermore, the association serves as the link between the members of the Chamber (Hellstam). We chose to only focus on the chamber of commerce in Shanghai since both of the case study companies are established in that region.

4.4 Findings – Sapa Heat Transfer

4.4.1 Strategy

Sapa Group has set up three strategic pillars that are common for all three business areas, including Sapa Heat Transfer. Firstly, environment, health and safety are emphasized, which involves providing a safe and healthy workplace, no matter where in the world they operate;

> *"We constantly seek to limit the environmental impact of our operations and improve resource utilization"* (Sapa Group, 2012c).

The second pillar is genesis; Sapa Group is using the Toyota Production System to secure;

> *"...a company culture of continuous improvement involving all employees and achieving world class operations"* (Sapa Group, 2012c).

Thirdly, they focus on customer value management, which involves value-added solutions, and close relationships with customers by utilizing all skill and experience available within the Sapa Group (Sapa Group, 2012c).

In addition to the general strategy of the Sapa Group, each business area has its own strategy. According to Strategic Projects Manager Michael Sunström, Sapa Heat Transfer has a business area strategy that applies to all country units within the company. However, he underlines that this is just an overall strategic plan, and that each country unit need to develop a business plan based on their specific market and customers. Business Area President Johan Menckel, explains that the strategies of Sweden and China are relatively similar, since both country units have a comparable customer structure. He also argues that;

> *"One can never have a distinct strategy".*

However, he continues by explaining;

> *"But we have a relatively good opinion about our position, and what we want to achieve".*

The strategic decision of establishing in the Chinese market was, according to Menckel, based on the possibilities and potential of the market. He refers to their cross-border expansion as a brave decision, since they had no local customers in China in the mid-1990s, and sales were only based on export. Five years later, when the Chinese car industry grew rapidly, Sapa Heat Transfer had a great position. Sunström highlights the difficulties of entering the Chinese market, and explains that Sapa Heat Transfer formed a joint venture with a small Chinese company, which helped them to establish in the country. According to Hellstam, employee of the SCC in Shanghai, this is a common procedure for Swedish MNCs when they wish to become established in China.

4.4.2 Organization Structure and Processes

Sapa Group consists of three business areas, out of which Sapa Profiles is the largest one, followed by Sapa Heat Transfer and Sapa Building Systems. Each business area is relatively independent and is linked to the other two mainly thru the business area presidents and the top management of the Sapa Group (Sunström). Paula Casimiro, HR Specialist, describes the organization structure of Sapa Heat Transfer in Sweden as quite flat. She lists the following key positions;

> *"…factory operators, and then above them we have the First Line Managers, and they report to the Production Manager, and the Production Manager reports to the CEO".*

She continues to explain that this structure enables an effective flow of information within the company, both upwards and downwards. Furthermore, the production managers and the CEO of each country unit, together with Business Area President Johan Menckel, form the top management group of Sapa Heat Transfer (Casimiro). The plants in Sweden and China are the two largest country units of Sapa Heat Transfer, consisting of 430 and 510 employees respectively. Discussing the organization structure in the two countries, Menckel states that the structures of the two country units are similar.

> *"We have almost the same type of functions"* (Menckel).

However, Sunström describes a small difference in the organizational set up in the two country units; the production process is divided into three parts, and in Sweden each part has its own production manager. In China, there are two production managers that are responsible for the three parts of the production process. In addition, there is a general production manager responsible for the entire production process. Furthermore, the Chinese factory has a centralized technical support and maintenance that is responsible for all three parts of the production process. In Sweden, each part has its own technical support and maintenance section. Sunström argues that this may create barriers, and that it can lead to decreased collaboration within the country unit. He continues to say that it is easier to reorganize the organizational structure in China, due to fewer regulations and administrative issues, and employees that are more open to change.

Although Paula Casimiro highlights the importance of the ability to co-operate when looking for new employees, Sunström states that the collaboration between Sapa Heat

Transfer in Sweden and China has decreased in recent years. Today, the only collaboration between the factories in Sweden and China is the exchange of technical expertise.

> *"It is a little hard to unify the two big ones, Shanghai and Finspång […] we had more contact before, but the more they have grown, the more independent they have become, therefore we do not have much contact anymore"* (Sunström).

4.4.3 People Practices and Motivation

Jessie Yao, HR Director at Sapa Heat Transfer in Shanghai, says that her main responsibility is to find the best and most skilled people for the Chinese country unit. Furthermore, she explains that they value professional experience higher than personal characteristics. However, she states that different positions may require certain characteristics. On the question 'Have you identified different characteristics between Sweden and Chinese employees', she answered;

> *"…Chinese staffs may be less confident and more willing to learn when they are junior with limited experience. And, compared with Swedish, Chinese staffs may be a bit prudent, while Swedish are more open to take [responsibility]. And, compared with Swedish, Chinese staffs are much more keen on development and promotion."*

In contrast to Yao's description of the Chinese employees, Menckel states that Chinese employees are less team oriented than Swedish employees. Moreover, he continues by describing Chinese employees to be extremely flexible and ambitious, and to be more driven than Swedes. However, he underlines that although the way of solving problems may be different between the two nationalities, the end-result is typically the same. In addition, he informs that the general level of education is higher at Sapa Heat Transfer in Shanghai compared to Sweden, and that the average age among the employees is lower. Sunström also expresses his impression of Swedish and Chinese employees.

> *"They are much faster than Swedes. We want to be more thorough, and work 'by the book', in terms of safety and environment for instance. The Chinese are significantly quicker when they get going"*

He continues by explaining;

> *"They want the manager to tell them what to do and always give them directives. Here in Sweden, you often have to take the initiative, and here you do not get yelled at. In China, they are often scared to do something wrong if they do something outside their assigned tasks. This is a difference that I have noticed".*

In the 1990s, during Sapa Heat Transfer's early years in China, there was training on how to work and do business in China for Swedish employees. Nowadays, expatriates of Sapa Heat Transfer are mainly helped with practical issues, such as housing and other family matters (Sunström).

HR Specialist Paula Casimiro describes the HR practices of Sapa Heat Transfer in Finspång as very important for the success of the company. She explains that they have decided on three characteristics that they look for in the recruitment process; the employees should be result oriented, collaborative, and flexible. In addition, these characteristics are also evaluated in the employees' yearly performance reviews held by the HR department. Furthermore, the recruitment process also includes the evaluation of work experience related to the specific position (Casimiro).

> *"[W]e believe that the three characteristics are more important than the work experience, because we believe that professional competence is easier to change. In other words, if you do not have the right competence, you can always be trained, but if you do not have the three personal characteristics it is much harder to improve these"* (Casimiro).

To motivate employees, Casimiro explains that they have developed a framework for the development of employees, and this ensures that the employees can have their work reviewed, which also ensures a fair salary. She describes it as a very well structured performance review, and that it is important for motivation. In addition, she points out that Sapa Heat Transfer has a bonus program, in which all employees receive a bonus depending on the profit of the company. In terms of special events, she says that Sapa Heat Transfer in Finspång does not arrange any special events for their employees.

When discussing the Chinese country unit, Yao describes that motivational factors include ways of increasing the salary, position promotions, training opportunities, oral recognition, and some special reward programs. Furthermore, Sunström explains that it is not very common for Chinese employees to stay with the same employer for a long period of time, but that Sapa Heat Transfer in Shanghai has managed to keep many of its key persons. He argues that this has been accomplished thru a number of different motivational factors, including high salary and paid driver's license and other benefits for key positions. Additionally, the company has monthly birthday parties and family days, and the employees can enjoy one meal every day from the company cantina.

> *"They really take good care of the employees, on a whole other level than in Sweden, and this is highly appreciated"* (Sunström).

Sunström also describes how he motivates employees in his projects, and what factors that motivates him. He tries to give employees responsibility and to encourage them to be self-driven and to take initiatives. Personally, he is motivated by interesting and challenging assignments, and he enjoys when there is a lot to do.

4.4.4 National and Organizational Culture

Both national- and organizational culture have been frequently discussed among our interviewees. Johan Menckel, Business Area President of Sapa Heat Transfer, states that his;

> *"…fundamental attitude is that driving forces among people are quite similar, no matter if you are Chinese or any other nationality. All people have an ambition,*

> *want to be appreciated, want to be promoted, and want to be seen and so on, so there is no big difference between the countries".*

However, he underlines that Chinese employees require more defined tasks and goals compared to Swedish employees. For instance, he explains that;

> *"…the Chinese employees expect the manager to make all decisions and to be clear".*

This view is also confirmed by Hellstam of the SCC in Shanghai, and by Sunström, Strategic Projects Manager of Sapa Heat Transfer in Finspång, Sweden. However, Hellstam describes the issue as double-sided. Consequently, Chinese employees working in Swedish MNCs may have a hard time to go back and work under Chinese organizational culture.

> *"In the beginning, Chinese employees may view Swedish managers as weak…but after working at a Swedish company for a while, they seem to like this management style; the open and flat hierarchy"* (Hellstam).

> *"…Chinese employees working in Swedish companies will after a little while adapt, and then they might have a hard time to go back to the Chinese hierarchy"* (Hellstam).

Moreover, several of the interviewees of this study have expressed that they have encountered a high number of everyday issues in China in terms of cultural differences. For instance, Menckel claims that;

> *"Chinese people do not want to deliver bad news".*

This is supported by Hellstam who points out that Chinese people often say what the counterpart wants to hear, rather than telling the actual truth. Swedes on the other hand, he explains, trust people until they are proven wrong. Furthermore, Menckel states that Swedish employees are more team oriented. However, Jessie Yao, HR Director of Sapa Heat Transfer in Shanghai, argues that;

> *"Both cultures are team oriented".*

Furthermore, she argues that the Chinese country unit has middle to high level of hierarchy, and that it is a quite typical organization structure for a manufacturing company in China.

Menckel describes the Chinese society as more hierarchal than the Swedish, and that Chinese employees therefore may lack an understanding of the entire business process. Sunström confirms Menckel's description of the hierarchical differences between the countries by saying;

> *"…he is not worth more than me because of his higher position"*

This quotation refers to the Swedish way of thinking. In addition, Sunström claims that the Chinese culture has a strong focus on money, and that there are large differences in salary between factory workers and managers, which is a significant difference from Sweden. In terms of organizational culture, Menckel explains the following;

> *"We are trying to preserve the Swedish organizational culture, not just because it is Swedish, but because Sapa stands for certain core values. I think that is important, but I would call it our own organizational culture rather than calling it a Swedish culture"*.

Both Sunström and Casimiro agree that the company has an overall Swedish organizational culture. However, Hellstam says that Swedish companies may have to adapt their organization when entering the Chinese market, but that they might gradually become more and more Swedish.

4.4.5 Additional Issues

In terms of other issues related to doing business in China, Menckel describes that communication problems are common in China, and that translations are often required. Therefore, it is important to express yourself in the right way. Moreover, he discusses the importance of relationships;

> *"Relationships are important, and you have to spend time to take care of your relations. You will reach pretty far with good relations, in contrast to Sweden and Western Europe, where healthy relationships are not as important. In China, you are much more in contact with the authorities, in order to maintain a healthy relationship with them, and you spend a lot of time with them, on dinners and such. This is a big difference."* (Menckel)

Sunström confirms the fact that the authorities play a vital role in the Chinese business environment. He re-call that a number of government officials from China visited the Sapa Heat Transfer facilities in Finspång, Sweden, before the company established in China. In addition, he claims that it is impossible to enter the Chinese market without a good network of contacts.

SCC employee Erik Hellstam does also discuss this matter;

> *"Swedish companies have learned that you establish a relationship with the local government, then it is much easier to have dialog, and this is not about corruption or to make them do as you want, it is because you want to gain clarity of the laws that apply. This will save you a lot of time. Instead of sending in an application that will be denied over and over again, you maintain a dialog with the government, which can save you several months […] and this way of working is very different from Sweden".*

4.5 Findings – Specma Group

4.5.1 Strategy

Specma Group consists of three divisions; OEM Division, System Division, and Components Division. The first two divisions have global strategies, while the Components Division is focusing on the Nordic countries (Sjölin).

> *"We have a quite clear strategy. We do not have many products of our own, but rather buy components from suppliers, which we then assemble to full systems. Our vision is that we shall be the competence leader within the hydraulics business […] we shall understand our customers' needs, and then we need to understand the products of our suppliers to be able to find good solutions, and then follow our customers across borders. That is a summary of our strategy."* (Sjölin).

This means that Specma Group did not establish in China because of low-cost production (Sjölin). This is also explained by Ihrelius;

> *"We have the same strategy globally. Generally, the mission for all our establishments outside Scandinavia is to follow and support existing customers, the same customers as we have at home. When they move, we move after".*

In addition, Ihrelius says that the strategy of Specma Group in China is not adapted to differences in terms of culture, politics, and regulations. This is also discussed by Sjölin, when he is asked whether Specma Group's strategy is adapted to the different markets;

> *"Us as a company need to identify how we are unique, in what way can we outperform our competitors. In this case, it is about knowing our customers' applications, and having a close relation to them at an early stage in the process of developing the new machines they need"* (Sjölin).

Sjölin highlights that it is important for all employees within Specma Group to be aware of the strategy. This enables a more efficient decision making process, which will help the company to grow much quicker. Therefore, Specma Group encourages collaboration and cooperation (Sjölin).

> *"We will go out and meet all employees during this year, in groups of 20, to talk about strategy and vision. To talk a little bit about the company history […] what kind of culture and values we want promote, and where we are going. This is a project that we are working on at the moment, which will help us to spread our strategy within the organization"* (Sjölin).

4.5.2 Organization Structure and Processes

As discussed by Sjölin earlier in this study, Specma Group consists of three business areas with a total of more than 800 employees, of which about 640 work in Sweden. The OEM- and System divisions each have a production manager and a sales manager. The Component division has one person acting as both business area manager and sales manager, and they have no production manager. There are also a number of support functions for the whole organization, including CFO, quality manager, and human resources. In total, the top management team of Specma Group consists of 10 people. The main responsibility of the people in the top management team is to distribute information to their units (Wennergren).

> *"Information and communication are the most difficult tasks within a company"* (Wennergren)

Moreover, Specma Group's HR director stresses that the information has to move both upwards and downwards within the organization, meaning that the top management group wants feedback from all levels in the organization. She argues for an open organization in which anyone can talk to anyone. In terms of hierarchy, Sjölin describes the organization as relatively flat. This is supported by Ihrelius, who describes the Chinese country unit;

> *"We have an organization that follows the same structure as other parts of Specma Group… a relatively flat organization, with collaboration rather than hierarchy".*

Ihrelius continues to describe the Chinese operations.

> *"Today we are 34 persons working in China […] Processes and flow of orders is controlled by our quality system. Most of the processes are the same as in other parts of Specma, regardless of country. We work with the same ERP-System as the parent company. Some processes are specific for the Chinese operations, since we comply under other laws and regulations, which mean that we have some different procedures for invoices and other documents"*

4.5.3 People Practices and Motivation

> *"The mission of the Human Resource Director is to ensure that the company has the right skills and knowledge to reach goals and visions. The role is to support operative managers in employee related tasks, and make decisions in development- and change processes, as well as developing support structures for people practices, including a framework for employee performance review"* (Wennergren).

HR Director Ann-Kristin Wennergren lists a number of characteristics they look for in prospective employees. She wants them to be driven, initiative taking, responsible, and collaborative. According to Sjölin, Specma Group wants their employees to grow by giving them responsibility. However, he describes that Chinese employees are not very good at taking initiative, and it might take a little while for them to understand the Swedish way of working. Ihrelius agrees with this, and argues that the Chinese way of working may be based on the philosophy of Confucianism. In addition to the characteristics explained by Wennergren, Ihrelius points out that the Chinese country unit requires a very good understanding of the English language. Although there is a difference in characteristics, Sjölin underlines that the Chinese employees enjoy responsibility and personal development if they are given the chance.

When hiring new employees in Sweden, Sjölin explains that one generally look at work experience, compared to China, where it is more common to look at attitude and personality. This is confirmed by Ihrelius when discussing Specma Groups's recruitment process in China;

> *"Most important is attitude. We can always train and transform our employees, but it is almost impossible to change someone's attitude"* (Ihrelius).

Furthermore, a significant difference between Sweden and China is that the Chinese employees are very money driven, and that companies often experience a high employee turnover (Sjölin, Ihrelius, Hellstam).

> *"If you set up operations in China, in Shanghai or Beijing for example, the people have so many opportunities when it comes to new jobs with higher salaries, which increases the risk of employees leaving your company [...] If you are in a city with a yearly growth rate of 10-20 percent, which creates many opportunities for people to change jobs, then we have to identify how we can be an attractive employer"* (Sjölin).

> *"The Chinese are sometime very focused on money. I have heard about Chinese people who switch job for a 100 SEK increase in salary. They change their whole life to get a job with only 100 SEK more in salary, whereas Swedes typically evaluates several other factors"* (Hellstam).

It is important to have an attractive working environment (Sjölin). Wennergren says that it is important to have talented managers who can inspire and motivate the employees, since this will create a positive feeling about going to work. She continues to describe other motivational activities, which includes inviting suppliers, and study visits. Ihrelius describes several ways of limiting the employee turnover in Chinese country unit;

> *"Our offices and factories are of the same standard as in Sweden. We have pension agreements and health insurance. We continuously try to train our employees, and since we are growing, there are great opportunities to develop as a person and to be promoted. In addition, we have quite a lot of activities for our employees, including dinners, theme days, sports events, and karaoke nights. We have introduced Swedish 'fika', fruit basket, espresso machine, and good computers with the latest software"*

To motivate all country units and employees to work toward the global goals of the Specma Group, it is important to evaluate the performance of the Specma Group as a whole, rather than reward individual achievements. One problem with rewarding individual persons or units is that it may lead to decreased collaboration since they may act on behalf of their own self-interest. Therefore, all bonuses are based on the performance of the entire company (Sjölin).

Finally, Sjölin discusses how they have prepared their expatriates in China. Specma Group has not offered any kind of cultural training, but they have helped with all practical matters related to moving abroad. This is also confirmed by Wennergren, who says that it is important that all practical issues are solved before the expatriate arrives to China.

4.5.4 National and Organizational Culture

Specma Group CEO, Ola Sjölin, has almost 10 years of experience from working in and towards China.

> *"I believe that when you enter a country with an unfamiliar culture, one need to adapt to some extent, and not be too naive, and then gradually implement your own organizational culture" (Sjölin).*

> *"I think you have to look at it as a process. One has to form an opinion of the people, and then communicate your own organizational culture" (Sjölin)*

Moreover, he claims that

> *"In essence, people are very similar. One wants to find someone to like, wants to have kids, wants to own a home, one wants the children to have a secure future".*

However, Lars Ihrelius, Regional Manager Asia and CEO of Specma Shanghai ltd., describes that Chinese people have a larger credence to authorities. Furthermore, Sjölin mentions that the Chinese generally has a strong focus on money compared to Swedish people. He continues to describe that China has no religious oppositions, which is beneficial for Swedish companies when entering the country.

Although Sjölin states that people are very similar, Ihrelius mentions a number of cultural differences that affects Specma Group's daily operations in China.

> *"We are trying to work in line with Swedish culture, referring to a quite flat organization, emphasizing on teamwork rather than hierarchy. At the same time one must realize that China normally has hierarchical companies with great respect for managers. This means that the employee's creativity and ability to take responsibility sometimes become a problem in China. The employees want super-clear assignments and they often delegate decisions upwards. I am trying to reduce this kind of behavior, but at the same time I need to show respect to what they are used to, and not make changes too fast".*

Furthermore, he states that;

> *"Chinese employees obey their manager without questioning, at least not officially. Many want to have a well-defined task and then work with that assignment. Thinking outside the box and creativity is hard to find in China. If they do not know what to do, they stop working, rather than take the risk to do something wrong"* (Ihrelius).

This is also the opinion of Wennergren, who describes how Chinese employees sometimes can be afraid to express their point of view. In addition, Sjölin stresses that Chinese employees are not always comfortable to take initiatives in their daily work. Although Specma has become a global company, Sjölin says that they want to have a Swedish management style within the entire organization. Wennergren underlines that Specma Group has a very Swedish way of thinking. Curiosity and humbleness can take you far when establishing in new cultures. If you are curios and learn about the historical aspect of the culture, you will not have any big problems (Sjölin).

> *"The Swedish industry has been in China for a very long time […] there is a long history"* (Sjölin).

This is supported by Hellstam, who states that Swedish companies are relatively good at facing the cultural, political, and historical differences between Sweden and China.

4.5.5 Additional Issues

Apart from the topics that have been discussed in the previous sections, our interviewees have discussed a number of other issues related to China. Sometimes it can be hard to interpret laws and regulations. For instance, companies have the opportunity to take advantage of custom-free zones within China. However, the rules for this system are complicated and hard to interpret. Copycatting is another big issue in China. Luckily, this has not been a major problem for Specma Group, since we do not produce our own products, but rather build systems out of our suppliers' products. Finally, a safe work environment does not seem very important in China, which is not in line with Swedish safety regulations (Sjölin). Ihrelius has also experienced problems during his time as manager in China. When asked about major difficulties with working in China, he says the following;

> *"In general, no major issues. Language and culture may cause trouble. Most people speak and write good English, but they understand less than you expect, which often leads to misunderstandings. Explanations and control questions are important […] Time difference between China and Sweden is a problem. It is 6-7 hours. This means that replies from the headquarters are often late, and that workdays often end when the Swedish office closes, which is six hours after regular office hours in China".*

In addition to the previously mentioned issues, it is of great significance to have proper contacts when doing business in China (Sjölin, Ihrelius & Hellstam).

> *"By having a good network of contacts you can get started pretty quickly, and it is not as hard as you might think"* (Sjölin).

> *"I use my international contacts to establish new contacts in China"* (Ihrelius)

Furthermore, Hellstam says that since China is such a large and complex market, things do not always turn out as planned, but the end-result can still be very good, although the process of getting there might differentiate from the initial plans. Moreover, he believes that companies must be willing to learn along the way, and that it is not possible to enter the Chinese market with a strict and pre-determined plan. Instead, he argues that companies should be prepared to be flexible. Additionally, he recommends companies to be open-minded, which aligns with the philosophy of Sjölin; most pitfalls can be avoided thru curiosity and humbleness.

5 Analysis

This chapter includes an analysis of the empirical findings in comparison to the frame of reference and the thoughts of the authors. The analysis is divided into three sections that will cover the most important parts from the frame of reference and the empirical findings.

5.1 Strategy, Structure and Processes

Before analysing the strategy, structure and processes, it is important to note that Specma Group has three business areas, while Sapa Heat Transfer is one out of three business areas within Sapa Group. Moreover, Sapa Heat Transfer produces its own products, while Specma Group builds applications from the products of their suppliers. Furthermore, Specma Group has only been in China for five years, compared to 16 years for Sapa Heat Transfer. Finally, the number of employees in the two companies is significantly different, particularly in the Chinese country units.

Specma Group has a clear global strategy that applies for all country units. Sjölin has explained that their strategy of following and supporting existing customers when they move abroad is a way to create competitive advantage, and that is what makes Specma Group unique. Sapa Group has three fundamental strategic pillars that apply to all three business areas. However, each business area also has its own strategy, based on the specific business in which it operates. In turn, each country unit within Sapa Heat Transfer has its own strategy based on the local conditions. However, the Swedish and the Chinese country units have a similar strategy because both units have the same customer structure. Sapa Heat Transfer has not expressed a clear strategy that applies for all country units, but they state that they know their position in the markets and what they want to achieve. Kates and Galbraith (2007) explains that companies can gain competitive advantages by having a clear strategy, since the strategy is a vital part of the entire organization design process. This is also confirmed by Burton, Obel, and DeSanctis (2006), as well as Weiss (2007). It is easy to find similarities between Specma Group's strategy and the theory of Kates and Galbraith (2007), while Sapa Heat Transfer's strategy is more vague and therefore harder to compared to theory.

We argue that Sapa Heat Transfer's strategy is more diffuse for a number of reasons. Our main argument is that the Chinese and Swedish country units are both large, with about 510 and 430 employees respectively. Consequently, both units have become very independent and do not have much collaboration, which makes it harder to have one single strategy that applies to both units. In contrary, Specma Group has put great focus on informing all employees about the company culture, strategy, and vision, which Sjölin argues will help the company to grow. Additionally, about 35 percent of Sapa Heat Transfer's work force is located in China, compared to only 4 percent for Specma Group. Therefore, our opinion is that it is more difficult for Sapa Heat Transfer to have a single strategy for the whole company, since such a large part of the company is located in China, which is a fast changing market that requires flexibility and adaptability.

The most distinguished type of structure for both companies is the *geographic structure*, which means that the companies are divided into country units. Kates and Galbraith (2007) state that this structure is useful in economies where the government has an active role in the business environment. Additionally, Hofstede (2001) underlines that the Chinese authorities have a large impact on the society, which is also confirmed in our two case studies. Therefore, we think it is important that they are present locally, since this enables a good relationship with the government and with business partners. Furthermore, Kates and Galbraith (2007) say that companies may become more competitive by being present locally. Nevertheless, the negative aspect of the *geographic structure* is that it may decrease the information and knowledge sharing between the country units, which seem to be the case for Sapa Heat Transfer.

In addition to the four different types of organization structure, Kates and Galbraith (2007) have listed five levels of international strategy. According to our findings, Sapa Heat Transfer established in China by forming a joint venture with a small local company, which is in accordance of level two of international strategy. Three years later, the Chinese country unit was fully owned by Sapa Heat Transfer, and they had thereby entered level 3; the *geographic level*. A joint venture is the simplest way of establishing in a new country (Kates & Galbraith, 2007). Moreover, we consider Specma Group to have entered the Chinese market at level 3, since they did not have a local sales office, and they did not start a joint venture, prior to setting up full operations in China.

Furthermore, we found that both companies use a more or less standardized organizational structure. Key positions in their country units are relatively similar, and the organization is overall flat and simple, with few management levels. In contrast, Yao describes the hierarchy of Sapa Heat Transfer in Shanghai as middle or high. We argue that the structure is in fact flat, and that she refers to the mind-set of the Chinese employees rather than the actual structure. At Sapa Heat Transfer in Shanghai, only three out 510 employees are Swedish, therefore the unit may still be characterized by the traditional Chinese thinking regarding hierarchy. Kates and Galbraith (2007) says that companies at the *geographic level* of international strategy typically have a simple structure, and that companies with few country units can be managed by one single executive. Sapa Heat Transfer and Specma Group have six country units each, which all report to one single executive; Johan Menckel and Ola Sjölin respectively. When having multiple country units, a standardized structure throughout the whole company makes the job easier for the executives (Kates & Galbraith, 2007). Our opinion is that a standardized structure will make it easier for the executive to compare country unit performance and to learn from another country unit's failure or success, and more importantly, the communication within the organization will be more efficient due to standardized information channels. This is also discussed by both companies, whom point out that a flat organization results in a good flow of information, both upwards and downwards.

As discussed in the frame of reference, a good combination of expatriates and local nationals is not only a good way of transferring corporate culture and values, but it is also described by Kates and Galbraith (2007) as an excellent way to transfer knowledge and skills to the new country. In addition, they argue that it is a great way of developing new talent, both among expatriates and local nationals. This description is very similar to what Sapa Heat Transfer has gone thru during their time in China. They had a Swedish CEO from 1999 and 11 years forward. In 2010, the Shanghai unit got its first Chinese CEO, replacing current Business Area President Johan Menckel. Our view is that it is important to have a Swedish country manager if you want to standardize the organization, since this will enable the home country to keep good control of their country units. After a number of years, however, when local nationals have understood how the home country wants to run the local business, they can be promoted to top management positions.

Even though many aspects of the organizations are relatively standardized, Ihrelius explains that Specma Group's Chinese country unit is required to have some different processes due to laws and regulations. This is evidence that it is impossible for Swedish MNCs to have completely standardized organization when operating in China.

5.2 Culture, People and Motivation

Specma Group CEO Ola Sjölin and Sapa Heat Transfer President Johan Menckel – the two company leaders – both agree that, in essence, all people have quite similar driving factors in life. However, the two executives do mention some characteristics that are related to Hofstede's national cultural dimensions. Firstly, Chinese employees expect more from their managers. They expect the manager to make all decisions, and to be given clear assignments. Consequently, they are less keen to take initiatives and to express their own ideas. This is an issue discussed by all eight respondents in our study. Secondly, the two companies describe the Chinese society as much more hierarchical, which goes against the typical Swedish management style, with a relatively flat hierarchy. This relates to Hofstede's first cultural dimension, *power distance*, which refers to inequalities in the society in terms of power, prestige, and wealth. According to Hofstede (2001), China has a very high level of *power distance*, which means that authorities have a central role in the society and that individuals are not expected to take initiative beyond their own position. In contrast, the Swedish society has very low power distance, meaning that the Swedes strive for a flat organization structure. The experiences of Specma Group and Sapa Heat Transfer are all very similar to how Hofstede (2001) explains the Chinese society in terms of *power distance.*

This common phenomenon could also be connected to *uncertainty avoidance*, since it deals with situations of uncertain conditions. Interviewees from both companies have described that Chinese employees may be scared to do something wrong if they do something outside their assigned tasks. In contrast, according to Hofstede (2001), both Sweden and China are considered to be at a relatively low level of *uncertainty avoidance*. However, this is not in line with the views of our two cases. We consider *uncertainty avoidance* and *power distance* to be related to each other. Sweden has a low level of *power distance*, which minimizes *uncertainty avoidance*, since individuals are free to express ideas and take initiatives. Furthermore, this seem to be in accordance with Swedish culture, in which people has the rights to express their feelings and ideas in any type of situation. The dimension of *indulgence versus restraint* strengthens this argument, since Hofstede (2001) describes that the Swedish society has a high level of indulgence acceptance, with freedom as the keyword for the population. Dissimilarly, the Chinese society is described to have great respect for authorities, and a high degree of restraints in the society. These contradicting findings may be a result from shortcomings in the theory, which Baskerville (2003) and McSweeney (2002) have claimed. With all previously mentioned factors taken into consideration, we argue that the level of *uncertainty avoidance* in China is higher than Hofstede (2001) claims.

In terms of the cultural characteristics of the entire organization, both companies want to sustain a Sweden influenced corporate culture when establishing in China. However, Sjölin and Hellstam argue for a gradual implementation process of the corporate culture. This is in line with Connerly and Pedersen (2005) opinion regarding a cultural sensitive management style. In addition, this subject is also discussed by Kates and Galbraith (2007), who explains that cultural distance is an important factor in the organization design process. Large cultural differences between the home country and the new country unit will most likely require the organization to adapt to local conditions, rather than standardizing all elements of the business (Kates & Galbraith, 2007). According to Hofstede (2001), in five out of the six cultural dimensions Sweden and China have received very different results, meaning that there are large cultural differences between the two countries. Taking both theories into consideration, our two cases are recommended to localize their organizational culture and design. However, our opinion is that the Swedish culture and management style are very international, since it is based on fundamental values that are appreciated in most parts of the world, independent of national culture. Therefore, we argue that the Sweden influenced organizational culture may be standardized to a larger extent than the two theories suggest. Hellstam states that after a period of adaption, Chinese employees seem to like the Swedish management style – the open and flat hierarchy – and may find it challenging to go back to a Chinese corporate culture.

Another interesting phenomenon we identified is that several interviewees have the impression of Chinese people being much more money oriented compared to Swedes. As a result, many companies in China experience a high employee turnover rate, since employees tend to change jobs to gain a marginal increase in salary. This finding aligns with Hofstede's (2001) dimension of *masculinity and femininity*, which confirms that China is a masculine country with a strong focus on career and money. In contrast, Hofstede (2001) says that Swedes focus on the quality of life. A low commitment to employers is also related to *individualism and collectivism.* China is considered to be a collectivistic society, which means that they generally have a relatively low commitment to their employers. Furthermore, as a way of keeping employee turnover at low levels, both companies take well care of their employees. For instance, the Chinese country units of both Specma Group and Sapa Heat Transfer try to keep Swedish standards on their offices and factories. In addition, they arrange more social events for their employees compared to the Swedish units. We argue that these types of incentives are less important in Sweden than in China, since Swedes do not typically value a higher salary in favour for a good work environment, stimulating assignments, and nice colleagues, and therefore Chinese employees need better incentives to stay at their current job.

We have also identified a relationship between the two companies in terms of bonus programs. Both companies have bonus systems that are based on the performance of the company as a whole, rather than rewarding achievements of individuals or groups. According to Kates and Galbraith (2007), designing reward systems within an organization comes with a number of issues. However, they state that large companies generally have compensation programs based on collective accomplishments rather than individual achievements, which corresponds to the practices of our companies. Our opinion is that this is a sound method of motivating employees, since it decreases the risk of having employees who works only for their own self-interest. In addition, it is difficult to reward individuals or groups since their achievements may depend on the collaboration between several departments. For instance, the success of the Chinese country unit does not only rely on the work of the local employees, but also on the support and knowledge from the home country.

When comparing the recruitment process of the case studies with the two theories, we identified a number of dissimilarities. The Swedish country unit of Specma Group values work experience rather than personality, while Ihrelius states that the Chinese country unit values personality rather than work experience. For Sapa Group, it is the other way around; the Chinese unit focus on work experience, while the Swedish unit values personal characteristics. Based on Hofstede's (2001) *individualism and collectivism* dimension, qualification should be the only foundation when it comes to employment and promotions in Sweden. In contrary, Chinese companies do not solely base their hiring decisions on education and work experience. This description fits with Specma Group's hiring process, while it is the complete opposite to that of Sapa Heat Transfer. There may be several reasons for these differences. The choice of Specma Group in Shanghai to focus on personality may be based on the fact that this will enable them to look for individuals that they believe will fit into their Swedish corporate culture. Although the two companies have different requirements in the hiring processes, they still have a similar distribution of expatriates and local nationals in their country units. This is in line with the theory of Kates and Galbraith (2007), who describe the advantages of having a good mix of expatriates and local nationals. Both companies have expressed their desire to sustain their Swedish influenced corporate culture within all country units, therefore we think that having Swedish expatriates is a good way to transfer corporate culture and values to the new country. In addition, the local nationals will contribute to knowledge about the local environment, which is important since Sweden and China are significantly different in many aspects.

It is important to evaluate whether the opinions of our Swedish interviewees are similar to those of Jessie Yao, who is the only Chinese national included in this study. Yao describes Chinese employees as less confident, and a bit more prudent than Swedish employees. In addition, she says that Chinese employees are more focused on promotion and development. All these aspects are similar to the opinions of the Swedish managers included in our case studies. The only two differences we observed is that Yao states that Sapa Heat Transfer in Shanghai has a middle to level of hierarchy, and that both Swedish and Chinese nationals are team oriented, while Menckel claims that Chinese employees as less team oriented. We support Menckel's claim, based on the fact that the Swedish society is less hierarchical, which require more teamwork. Therefore, we think that Swedish people are more used to discuss issues as a group, compared to societies with more centralized power.

5.3 Additional Issues

Both companies have expressed that they sometimes experience communication problems in their Chinese country units. Menckel has explained that it is important to express yourself in the right way in order to minimize misunderstandings. We argue that this common phenomenon is partly because China was a closed country until the late 1970s, and as a consequence, the English language has not been widely used in the Chinese society. Therefore, they are not very used to communicate in English. In addition, the Chinese and English languages are very different from each other. Our opinion is that this is an issue of maturity, and that the average English proficiency will increase in the future as the country is becoming more and more international. Another issue related to communication is that the Chinese do not want to lose face, meaning that they often say what they think you want to hear rather than the actual truth. This is because they do not want to lose the respect from others. Our opinion is that it might be hard for Westerners to understand how important the function of face is in the Chinese society. Furthermore, we think this sometimes have a big impact on communication, since managers may receive false information.

Additionally, the two companies stress the importance of relationships, which could be referred to as guanxi. They state that one has to continuously maintain and develop personal relationships with the government as well as business partners. Hellstam agrees with the two companies, and he specifically says that this will save companies a lot of time, and makes it simpler to interpret Chinese laws. This is supported by Sjölin, who explains that it can be hard to interpret Chinese laws and regulations. China's focus on relationships is also in line with Hofstede's (2001) dimension of *individualism and collectivism.* Furthermore, the dimension of *power distance* explains the Chinese government's large influence on the society, which both our case studies have experienced. We argue that the importance of relationships is not limited to our two cases, since this is a cultural matter that is important for all companies operating in China. Furthermore, we think that is necessary for Swedish companies to be aware of this, since it will play a vital role for their results. According to Kates and Galbraith (2007), the country unit is responsible for identifying this kind of necessary adaption.

6 Conclusion

This chapter concludes the study by answering how and to what extent Swedish MNCs adapt to local conditions when they establish subsidiaries in China, and if culture plays an important role in their operations.

Our research has resulted in a number of interesting findings related to organization design and cross-culture management that both support and contradict our main theories.

Most researchers in the field of *organization design* suggest that strategy will determine how an organization should be designed. However, the Chinese market is in continuous and rapid change. Therefore, we argue that it may be complicated for Sapa Heat Transfer – with a large subsidiary in China – to have a clear and distinct strategy that is standardized for all country units. In contrast, Specma Group has small subsidiaries, which we believe allows a global strategy, with only minor strategic differences between the country units. Although the strategy of Specma Group is more defined and consistent compared to the strategy of Sapa Heat Transfer, we have identified several similarities in their *organization design* process. For both companies, most *organization design* elements are standardized to a large extent, which means that their Chinese country units are similar to their Swedish units. In addition, both companies want to sustain a Sweden influenced corporate culture in their Chinese subsidiaries, rather than adapt it to the local culture.

According to Hofstede's *national cultural dimensions*, there are large cultural differences between Sweden and China. Furthermore, Galbraith has explained that large cultural differences most likely require a company to adapt to local conditions. Both companies have highlighted the importance of healthy relationships and networks of professional contacts, with which we agree. In fact, we argue that this phenomenon applies to most western companies operating in China, and that this is one of the most important cultural differences. Therefore, we believe that this is one of a few things western companies have to adopt when they establish in China. Furthermore, China is a *masculine* society, and therefore our two companies need to put in considerable effort to keep employee turnover rates at low levels, since Chinese employees tend to change jobs to gain a marginal increase in salary. In addition, it is easy to see in our empirical findings that Swedish and Chinese employees have different ways of working and solving problems. Regardless of this, the end result is often the same, which indicates that the cultural differences do not affect our two Swedish MNCs' to a large extent.

Throughout the analysis section we have compared the theories of Galbraith and Hofstede with the real experiences and practices of Sapa Heat Transfer and Specma Group. We have identified a number of similarities between theory and practice. The way Galbraith applies the Star Model on cross-border expansions corresponds to a high degree with the real experiences and practices of the two companies. However, our two case studies have not adapted their operations to local conditions to the extent that Galbraith suggests. Furthermore, many of Hofstede's dimensions are also in line with our empirical findings. The largest disagreement that can be seen is the degree of *uncertainty avoidance* in China, which he claims to be low, while our two companies have contradicting experiences. Overall, we argue that Hofstede's cultural findings are slightly exaggerated in a business context, since both companies have not expressed any major issues related to cultural differences. It is important to note that Hofstede's findings are over 30 years old, and that cultures change over time as the world is becoming more globalized. Still, we believe that his findings can be used as a framework rather than true facts.

What is surprising in our findings is that none of our two case studies have expressed any major problems related to doing business in China, even though both companies use a high level of standardization in their Chinese subsidiaries. However, we believe that it is important to view standardization as a process rather than a one-time decision. Furthermore, we argue that the executives and managers working in and towards China have a huge responsibility in the process of implementing the standardized practices, both in term of organization design and corporate culture.

A more globalized world does not only bring cultural issues, but it also brings new opportunities. Even though companies can standardize their subsidiaries to a large extent they need to be flexible and prepared to handle change if they wish to become established in a rapidly growing economy such as China. In other words; it is important to be flexible and open-minded when it comes to external factors that cannot be controlled by the company. *To conclude this study, Swedish MNCs standardize their organization to a large extent when they establish subsidiaries in China, and culture has an influence on the practices of Swedish MNCs but does not play a major role for the business as a whole.*

7 Discussion

The final chapter discusses outcomes, weaknesses, and strengths of this study. This is followed by suggestions for future research.

Our findings have allowed us to answer our research questions in satisfying way. In addition, the process of writing this study has brought a number of valuable advices for the future. First, it is important to note that theory does not always reflect the real life practices of companies. Therefore, it has been valuable to get outside the academic literature and see how it can be combined with the real cases. Second, we have learned that cross-border expansions to unfamiliar cultures may be less complicated than one often assume. Companies have great opportunities to get support from specialized Swedish organizations, including the Swedish Chamber of Commerce and the Swedish Trade Council. Third, our findings have shown that culture does not affect the two companies of this study to a large extent. This has allowed them to standardize most elements of their organization design and corporate culture. Finally, we have learned that knowledge about the new country and a good attitude will give you a solid foundation for success.

We believe that this research is useful and beneficial for Swedish companies looking to establish in China, in particular for executives and managers. In addition, it is of interest to other scholars researching this topic.

We understand that all research has its weaknesses, and our study is no exception. This study has investigated issues from a Swedish management perspective. Today, we believe that it would have been interesting to interview more Chinese managers, in order to get more objective findings. Moreover, we have only investigated two companies; both operating in the manufacturing sector and both located in the Shanghai area. Therefore, our findings cannot be generalized, and do not necessarily apply to companies in other business areas and other parts of China. Even though we have identified weaknesses the study also includes several strengths. First, we have managed to get in touch with many people in many different positions of relevance. The high executives have given us a good insight in the business operations for the entire businesses, while other interviewees have given us important input from a managerial perspective. In addition, a third party with comprehensive experience of the Chinese business environment has supplemented our already extensive number of sources. Second, interview frameworks have been sent to all interviewees well in time before the actual interviews, which is an important prerequisite in order to receive good and clear answers. Although we described the similarities of the two companies as a weakness, we also consider it as a strength, since it enables a comparison and a more in-depth analysis.

We have explained that our research is limited in the sense that only investigates two companies in the same area and in the same industry. Therefore, an opportunity for future studies could include a more comprehensive study within the same topic. Future researchers may include a much larger number of companies, in many different Chinese locations, or in different countries. It could also include companies from diverse industries, and not only the manufacturing industry. These approaches would generate findings that give a more generalized view of Swedish MNCs in China or in other parts of the world.

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9 Appendices

9.1 Appendix 1 – Interview Frameworks Specma Group

9.1.1 Ola Sjölin, CEO

1. Tell us about Specma Group.
2. For how long has Specma Group been in China?
3. How many employees does Specma Group have in China?
4. What is your role in the company?

Organization Design

5. How is Specma Group structured?
6. What are the key positions within each division, and are there differences between country units?
7. How do you allocate responsibilities within the organization?
8. Do you have a low or high level of hierarchy in the company?
9. How does the information flow within the company?
10. In what way doesSpecma Group motivate employees in Sweden and China?
11. What characteristics doesSpecma Group look for when hiring new employees?
12. DoesSpecma Group in Shanghai look for different characteristics in China?
13. Does Specma Group have a well-defined strategy for the whole company?
14. Does Specma Group have specific strategies for different markets?
15. Isthe strategy in Sweden different to that of China?
16. What factors affect Specma Group's strategy in different markets?

Differences between Sweden and China

17. What are the largest differences between working in Sweden and China?
18. What are the largest difficulties when working in China?
19. How does Specma Group work with cross-cultural management?
20. How does Specma Group prepare Swedish expatriates for work abroad?
21. To what extent does Specma Group inform Chinese employees of the organizational culture and the Swedish way of working?

9.1.2 Lars Ihrelius, Manager Asia

1. Tell us about your role in Specma Group.
2. Tell us about Specma's country unit in China.
3. For how long have Specma Group been established in China?
4. How many employees are Specma Group in China?

Organization Design

5. How is the organization structured in China?
6. What are the key roles in your Chinese country unit?
7. Does Specma Group have a low or high level of hierarchy?
8. How does the information flow within the company?
9. What do you think are the most important motivational factors among your Chinese employees?

10. How do you motivate the employees in Specma's Chinese country unit?
11. Are you responsible for HR practices in the Chinese country unit?
12. What characteristics are important when you hire new employees?
13. Is the strategy of the Chinese country unit different to that of the Swedish country unit?
14. What factors affect Specma Group's strategy in China?

Differences between Sweden and China

15. What do you think are the largest differences between being a manager in China compared to Sweden?
16. What are the largest difficulties related to working in China?
17. Does Specma Group work with cross-cultural management?
18. Did you make any special preparations before moving to China?
19. Do you inform your Chinese employees about Specma's organizational culture and your Swedish way of working?
20. Are you familiar with guanxi and mianzi?
21. Is it something you use in your professional life?
22. In what way are Specma Group affected by the rapid growth of China?
23. How does Specma Group keep up with the growth?

9.1.3 Ann-Kristin Wennergren, HR Director

1. What is your position in Specma Group?
2. How many employees does Specma Group have in Sweden?
3. What are the key positions within the Specma Group in China?
4. Do you believe that the Specma Group has a low or high level of hierarchy?
5. How does the information flow within the company?
6. How does Specma Group motivate the employees in Sweden?
7. Please explain your recruitment process.
8. What are the most important characteristics Specma Group looks for in employees?
9. Do you think that Specma Group in China looks for the same characteristics?
10. When hiring people, does Specma Group value experience from living and working abroad?
11. Does Specma Group try to obtain cultural diversity within the Specma Group?
12. Do Specma Group's employees in Sweden get the chance to work for Specma Group in other countries?
13. Does Specma Group have employees from other country units working in Sweden?
14. Does Specma Group prepare employees before they go to work abroad?
15. Who is responsible for the recruitment process in China?

9.2 Appendix 2 – Interview Frameworks Sapa Heat Transfer

9.2.1 Johan Menckel, Business Area President

1. Tell us about your role as Business Area President.

Organization Design

2. Do you have a well-defined strategy for the whole company?

3. Is your strategy for Sweden different to that of China?
4. Why did Sapa Heat Transfer establish in China?
5. How do you convey the strategy to all employees within the company?
6. How is the company structured in Sweden and China?
7. Does Sapa Heat Transfer have a low or high level of hierarchy within the company?

Leadership and Cultural Differences

8. Tell us about your way of leading.
9. Do you use different types of leadership depending on if you are working in Sweden or China?
10. What is the largest difference between leading Swedish or Chinese employees?
11. Have you encountered any problems because of the cultural differences between Sweden and China?
12. What do you think is the largest difference between Swedish and Chinese employees' way of working?
13. Do you think there are differences of what motivates Swedish and Chinese employees respectively?
14. Have you encountered any other issues when leading a company in China?
15. Does Sapa Heat Transfer have a Swedish organizational culture?

9.2.2 Michael Sunström, Manager Strategic Projects

1. Tell us about Sapa Heat Transfer.
2. For how long has Sapa Heat Transfer been in China?
3. How many employees does Sapa Heat Transfer have in China?
4. What is your role in Sapa Heat Transfer?

Organization Design

5. How is the organization structured in Sweden?
6. What are the key positions within Sapa Heat Transfer in Sweden?
7. How do you allocate responsibility within the company?
8. Does Sapa Heat Transfer have a low or high level of hierarchy within the company?
9. How does the information flow within the company?
10. How do you motivate the employees in your project groups?
11. What factors make you motivated?
12. What characteristics do you value when you look for people for your project groups?
13. Do think that Chinese managers look for the same characteristics?
14. Does Sapa Heat Transfer have a well-defined strategy for the whole company?
15. Does Sapa Heat Transfer have specific strategies for different markets?
16. Is Sapa Heat Transfer's strategy for Sweden different to that of China?

Leadership and Cultural Differences

17. What do you think are the largest differences between being a manager in China compared to Sweden?
18. What are the largest difficulties when working in China?

19. How does Sapa Heat Transfer prepare Swedish expatriates for work abroad?
20. To what extent does Sapa Heat Transfer inform the Chinese employees of organizational culture and the Swedish way of working?
21. Tell us about your way of leading.
22. Why did you choose this management style?
23. Do you think that your management style works well internationally?

9.2.3 Paula Casimiro, HR Specialist

1. What is your role in the Sapa Heat Transfer?
2. How many employees does Sapa Heat Transfer have in Sweden?
3. What are the key positions within Sapa Heat Transfer in Sweden?
4. Do you believe that the Sapa Heat Transfer has a low or high level of hierarchy?
5. How does the information flow within Sapa Heat Transfer in Sweden?
6. How does Sapa Heat Transfer motivate the employees in Sweden?
7. Please explain your recruitment process.
8. What are the most important characteristics you look for in employees?
9. When hiring people, do you value experience from living and working abroad?
10. Does Sapa Heat Transfer try to obtain cultural diversity?
11. Do Sapa Heat Transfer's employees in Sweden get the chance to work for Sapa Heat Transfer in other countries?
12. Do you have employees from other country units working in Sweden?
13. How does Sapa Heat Transfer prepare employees to work abroad?
14. Who is responsible for the recruitment process in China?
15. When hiring people, do you think that Sapa Heat Transfer in China look for the same characteristics as in Sweden?

9.2.4 Jessie Yao, HR Director, Shanghai

1. What is your role in the Sapa Heat Transfer?
2. How many employees does Sapa Heat Transfer have in China?
3. What are the key positions within Sapa Heat Transfer in China?
4. Do you believe that Sapa Heat Transfer has a low or high level of hierarchy?
5. How does the flow of information work within Sapa Heat Transfer in China?
6. How does Sapa Heat Transfer motivate the employees in China?
7. Please explain your recruitment process.
8. What are the most important characteristics you look for in employees?
9. Do you think that Sapa Heat Transfer in Sweden look for the same characteristics?
10. Have you identified different characteristics between Swedish and Chinese employees? Any examples?
11. When hiring people, does Sapa Heat Transfer value experience from living and working abroad?
12. Does Sapa Heat Transfer try to obtain cultural diversity?
13. Do Sapa Heat Transfer's employees in China get the chance to work for Sapa Heat Transfer in other countries?
14. If so, for how long? Any examples?
15. What are the different nationalities working for Sapa Group in China?

9.3 Appendix 3 – Interview Framework Swedish Chamber of Commerce

9.3.1 Erik Hellstam, Swedish Chamber of Commerce

1. Please tell us about the Swedish Chamber of Commerce in Shanghai
2. What is your role in the Swedish Chamber of Commerce?
3. How long have you worked/studied in China?
4. What are the most common problems for Swedish MNCs in China?
5. Why do these problems occur?
6. How to solve these problems?
7. Generally, do you think that Swedish MNCs have the knowledge and competence to be successful in China?
8. Does Swedish leadership work in China?
9. What are the largest differences between working in Sweden and China?
10. From a Swedish perspective, what are the largest difficulties of working in China?
11. What are the largest differences between Swedish and Chinese employees?
12. Are Swedish and Chinese employees motivated in the same way?
13. How should Swedish companies prepare their employees to work in China?
14. Should Swedish MNCs standardize or adopt their organizational culture and structure when establishing in China?
15. How large influence does Chinas culture, politics, and history have Swedish companies operation in China?