



**Is Theory Applied in Practice?  
A Study of Linkage between Swedish MNCs'  
Strategies and Human Resource Staffing Policies**

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## **Abstract**

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There are four established business strategies for multinational companies: the multinational, the international, the global, and the transnational. There is also a well-known typology which concerns human resource staffing policies. These human resource staffing policies are called the ethnocentric, the polycentric, and the geocentric. Theory suggests that there is a linkage between the strategies and the human resource staffing policies. Our aim with the dissertation was to test if such a linkage could be proven in Swedish MNCs. In order to test the linkage we had to categorise the companies' strategies and human resource staffing policies.

Also, indications spoke for ethnocentric tendencies in MNCs. We wanted to test if this was the reality for Swedish companies.

By a survey we concluded that there was not full consistency in the companies' answers regarding which strategy and staffing policy they belonged to. An apparent linkage between strategy and human resource staffing policy could not be proven. Also, we found no evidence of ethnocentrism in Swedish MNCs.

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# Chapter One

## Introduction

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*In the first chapter the background of the research is stated, followed by a review of the problems and the purpose. Further, the limitations, the research questions and an outline of the dissertation are presented.*

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### **1.1. Background**

A company that expands internationally needs to develop a strategy which will enable it to prosper in foreign markets. In business theory there is a range of international business strategies presented. There are four strategies well-known in the field of business: the multinational, the international, the global, and the transnational strategy. This categorisation originates from the works of Bartlett and Ghoshal (1998, 2000), and we will present their classifications of strategy further in chapter three.

The interesting thing is that in business theory there is the notion that depending on which of these four categories an MNC (multinational company) belongs to, there is a certain human resource staffing policy that follows (Hill, 2005). A human resource staffing policy is the function of responsibility over personnel recruitment. The staffing policies that are linked to strategy derive from the 1970s when Perlmutter divided companies' human resource policies into being either ethnocentric, polycentric, regiocentric, or geocentric. This typology will also be discussed further in chapter three.

When we were to decide a topic for our dissertation we believed the assumed linkage between strategy and human resource staffing policy to be particularly interesting. Our aim was to investigate if the assumption of linkage could be proven true in present Swedish MNCs.

Even though there is an assumed linkage between strategy and human resource staffing policy there have been discussions about tendencies of ethnocentrism in MNCs, one of the staffing policies presented by Perlmutter. A company with an ethnocentric human resource staffing policy hires mainly parent-country nationals for overseas assignments. The question concerning ethnocentrism could arise when reviewing annual reports of the configuration of the governance in MNCs. In a survey from 1993 it was in fact established that out of the 81 largest transnationals only 29 had non-nationals on their boards (Gillies & Dickenson, 1999).

Also, in the early 1980s the present CEO of the corporation IKEA was quoted saying: I would advise any foreign employee who really wants to advance in this company to speak Swedish (Bartlett & Ghoshal, 2000, 22). This comment could have been taken totally out of context, and even though no discrimination at IKEA was found, we believed this comment that implies a nourishing of parent culture to be of interest.

## **1.2. Problem**

Theory addresses a linkage between MNCs' strategies and their human resource staffing policies. The linkage is believed to be both beneficial and efficient for companies. The problem is that the linkage may not be true in practice. Also, theory contradicts what numerous studies have shown, i.e. there is a tendency that MNCs use one particular human resource staffing policy more frequent than others, the ethnocentric.

## **1.3. Purpose**

The purpose with this dissertation was to investigate the assumed linkage between strategy and human resource staffing policy. In order for us to study the linkage we had to categorise which strategies and which staffing policies the MNCs followed. Also, we wanted to investigate if Swedish MNCs could be accused of ethnocentrism. For example, if it would be established that MNCs of multinational, global or transnational nature had an ethnocentric human resource policy this would not be considered ideal according to theory.

#### **1.4. Limitations**

Two important limitations that we have had to handle in our research were time- and financial limitations. We restricted ourselves to investigate the linkage between Bartlett and Ghoshal's typology, and Perlmutter's typology. These typologies are well established in business theory, but it is important to stress that there of course are others.

The fact that we investigated Swedish MNCs in the industry sector also constituted a limitation. We narrowed down our research further by only investigating the MNCs' oldest European subsidiaries.

In our case we chose to study the MNCs' human resource staffing policies by reviewing the assigning of the subsidiaries' top-executive managers, which also has served as a restriction.

#### **1.5. Research Questions**

The dissertation has been based on the four following research questions:

- Can Swedish MNCs, by analysing the Bartlett and Ghoshal typology, be categorised as either multinational, international, global, or transnational?
- Can Swedish MNCs, by analysing the Perlmutter typology, be categorised as either ethnocentric, polycentric, or geocentric?
- Can a linkage between the Bartlett and Ghoshal typology and the Perlmutter typology be established in Swedish MNCs?
- Do Swedish MNCs adhere to an ethnocentric human resource staffing policy, independent of strategy?

#### **1.6. MNC Definition**

The definition of a multinational company is "a corporation having operations, subsidiaries or investments in more than two countries" (websters.com). However, one should note that there are various views if an international company should be categorised as multinational or not.



As there are different modes of entries in the internalisation process some researchers have chosen to define a corporation as multinational only if it has a production unit abroad. They have not considered it multinational if it only has a purchasing or selling unit abroad (Håkansson, 1980, 28).

Others have seen MNCs' commitment to international business grounded on other aspects, for example the number of subsidiaries abroad and the number of foreign languages spoken in the company (Heenan & Perlmutter, 1979, 15).

We gathered statistical information of Swedish MNCs from Institutet För Tillväxtpolitiska Studier (ITPS). ITPS' definition of an MNC is a corporation with at least one employee in one foreign subsidiary (itps.se). Therefore, we used its listing of the 80 largest Swedish MNCs in our study.

### **1.7. Outline of the Dissertation**

We here present the following outline for the dissertation.

Chapter 2: We discuss research approach, research philosophy and collection of secondary and primary data.

Chapter 3: We discuss the theoretical framework. A brief overview of the trends of present Swedish MNCs is first presented. We follow with a presentation of the typologies of Bartlett and Ghoshal, and that of Perlmutter. The tendencies of ethnocentrism in MNCs' human resource policies then follow. Finally, we state our hypotheses.

Chapter 4: We discuss the empirical method. We discuss the research strategy, the research population, and limitations. A review of the questionnaire follows, along with a presentation of our response rate. Finally, the concepts of validity, reliability, and generalisability are discussed.

Chapter 5: We present our analysis of the survey. We present our findings concerning the categorisation of MNCs, the linkage between strategy and human resource staffing policy, and possible ethnocentrism.

Chapter 6: We summarise the dissertation. Also, areas for future research and practical implications of our work are discussed.

# Chapter Two

## Method

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*In the second chapter we present our research philosophy and our research approach. A presentation of the collection of data follows.*

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### 2.1. Research Approach

As our aim was to study the linkage between two established business theories we followed a deductive research approach. The theories have been the foundation of our research. One very important characteristic of the deductive research approach is to test relationships between variables (Saunders, Lewis & Thornhill, 2003, 85). The approach seemed appropriate as we wanted to see if there in fact was a linkage between strategy and human resource staffing policy.

A deductive research approach is meant to lead the researchers to develop a theory and hypotheses and design a research strategy to test hypotheses (Saunders *et. al.*, 2003, 86). As a result of our literature review and our analysis we composed six hypotheses regarding the linkage and possible ethnocentrism.

Quantitative data often follows the deductive research approach (Saunders *et. al.*, 2003). The data collected in our study was quantitative, as the MNCs' strategies and human resource policies were categorised in figures.

The deductive research approach is also characterised by researchers' interdependency of what is being observed, something we considered ourselves having had.

## **2.2. Research Philosophy**

There are three leading philosophies which concern the development of knowledge: positivism, interpretivism and realism (Saunders *et. al.*, 2003, 83). In this dissertation we adopted the positivistic philosophy. The positivistic philosophy means to work with an observable social reality, much like the natural scientist (Remenyi, 1998; cited by Saunders *et. al.*, 2003, 83). Our aim was to conduct a structured quantifiable research that would enable us to analyse figures statistically. The quantifiable research enabled us to investigate the relationship between strategy and staffing policy, and also the possible tendency of ethnocentrism in Swedish MNCs.

## **2.3. Collection of Data**

Because of a high amount of data the difficulty was to sort out information relevant for our research. As the assumed linkage involves strategies and staffing policies originating from the works of Bartlett and Ghoshal, and Perlmutter we focused on reviewing their typologies.

Our literature sources consisted mainly of secondary data. We have gathered our information from literature, articles and the Internet. The language of the published materials was mainly English. However, a few Swedish sources were used, for example statistics from ITPS.

The publication period of the gathered data was primarily from the last two decades.

### ***2.3.1. Secondary Data***

Our secondary data consisted of books, refereed academic journals, and professional journals. The books were written by established theorists in the 1980s to 1990s. At that time the development of research in our particular field was heavily focused on. The refereed academic journals and professional journals were also of well-known theorists. Recent analyses of the theories have also been used.

### *2.3.2. Primary Data*

The respondents' answers to our questionnaire have been primary data to us. However, our main collection of literature sources has been secondary data.

# Chapter Three

## Theoretical Framework

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*In the third chapter the theoretical framework is presented. First, we will present facts regarding Swedish MNCs. A presentation of the typology of Bartlett and Ghoshal then follows. Further, we will present the implications of human resource management staffing policies in MNCs by reviewing the typology of Perlmutter. Finally, we will end this chapter with a presentation of six hypotheses.*

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### 3.1. Swedish MNCs

As our study involved Swedish MNCs we believed it to be of importance to present facts regarding current trends of Swedish MNCs.

Due to certain natural assets Swedish industries have shown prosperity for a long time. Swedish corporations can be considered to have welcomed the internationalisation process at quite an early stage. Already in the 1890s AGA and Alfa-Laval established themselves abroad (Håkansson, 1980).

In the early twentieth century mostly industrial companies with innovative and technical superior products established manufacturing units abroad. Examples of such corporations were LM Ericsson, Alfa Laval, ASEA, AGA and SKF (Håkansson, 1980).

Sweden, along with the other Scandinavian countries, is an open economy (Björkman & Forsgren, 2000). The country has a high level of outward foreign direct investment (Hayden & Edwards, 2001). Similar to other Nordic countries it is important for Swedish companies to trade internationally.

The internationalisation of Swedish capital has increased during the last two decades. In 1980, the stock of outward FDI from Sweden amounted to \$40 billion: by 1999 it had increased to more than \$104 billion. As a

percentage of all FDI, this represented an increase from 0.7 percent to 2.2 percent (Hayden & Edwards, 2001).

Hayden and Edwards (2001) have stated that Swedish MNCs often hold more assets abroad than they do in Sweden. Firms like Volvo and Electrolux employ more than half of their workforces outside of Sweden. Other companies, such as Astra and Pharmacia, have merged with foreign corporations (Hayden & Edwards, 2001).

According to Bengtsson (2000), Swedish MNCs are more diversified internationally than they are by product. Many Swedish MNCs conduct more than 95 percent of their sales abroad. In a study of manufacturing firms it was found that a majority had reduced their product scope between 1985 and 1994. At the same time Swedish MNCs seemed to increase their international operations (Bengtsson, 2000).

In 2003, there were 844 Swedish MNCs (itps.se). However, one important fact to establish is that in this day of age MNCs can change nationality fast due to acquisitions and mergers. An MNC considered to be Swedish one year may be of foreign nationality the following year (itps.se).

According to statistics from ITPS most Swedish MNCs have their subsidiaries located within the European Union. In 2002, a total of 41 percent of the Swedish MNCs had establishments in Norway. 30 percent of the Swedish MNCs had establishments in other parts of Scandinavia, Great Britain, Germany and in the U.S. 70 percent of the MNCs were established within the European Union, and a total of 90 percent conducted business within the OECD area (itps.se).

## **3.2. The Typology of Bartlett and Ghoshal**

### *3.2.1. Introduction*

In our research of MNCs' strategies our focus has been on the typology of Bartlett and Ghoshal. When looking at the dates of theories concerning strategy it is noticeable that it was in the 1980s researchers noted that once local market-oriented subsidiaries started to become increasingly integrated into internal networks. The networks started to show tendencies of resembling "heterarchies" rather than hierarchies (Cantwell, 1999, 278). The result of the increasing integration was that knowledge of business units started to be spread out at numerous geographical locations, which made the old hierarchical structures insubstantial (Hagström & Hedlund, 1999).

Important contributors in the field of strategies of MNCs, before Bartlett and Ghoshal, have been Prahalad and Doz, White and Poynter, Hedlund, Porter, and Dunning etc. (Taggart, 1998; & Cantwell, 1999, 278).

By an in-depth study in the 1980s Bartlett and Ghoshal studied nine companies from three regions: Europe, the U.S., and Japan (Bartlett & Ghoshal, 1998). The nine companies were active in three industries. By personal interviews with key personnel and by handing out questionnaires Bartlett and Ghoshal examined how MNCs operated in the international environment (Leong & Tan, 1993). Bartlett and Ghoshal categorised the strategies of MNCs into the four following categories:

- the multinational
- the international
- the global
- the transnational

(Bartlett & Ghoshal, 2000)

It is important to note that the concepts of multinational, international, and global strategies were already known when Bartlett and Ghoshal contributed with the new concept of the transnational strategy. Bartlett and Ghoshal stressed that the new era required changes in organisations, speaking for a much more flexible organisation, i.e. the transnational.



### 3.2.2. Administrative Heritage

An organisation is shaped by its history. History, values, norms and other practices form implications for a corporation, and in research this can go under the term *administrative heritage* (Bartlett & Ghoshal, 2000). Companies, with different sets of values and different sets of resources, have dealt with the internationalisation process in different ways. Therefore, the internationalisation strategies and the human resource policies differ. Swedish MNCs have been influenced both by the Swedish culture, as well as by geographical restrictions and technical innovations.

Culture has had an impact, and does impact, Swedish MNCs' perceptions of how business should be done. Nations may vary in their perceptions of how to conduct business. Theory speaks of a Scandinavian profile in management style.

Between the years 1967 to 1973 the sociologist Hofstede conducted research in one large MNC's different subsidiaries. His aim was to locate differences in nations' attitudes, values and habits that ultimately shape businesses organisational culture, therefore also their management styles. The result was a Scandinavian profile stating that Sweden along with its neighbouring countries was characterised by 1) low power distance, 2) low uncertainty avoidance, 3) an individualistic focus, and 4) a low masculine dominance (Bakka, Fivelsdal & Lindkvist, 2001, 128).

The low power distance supposed that Sweden, at least in the 1960s and 1970s, was accepting of the fact that power of institutions and organisations were spread out. Sweden was also characterised by having a low need for structure, i.e. Swedes did not feel the need for rigid and formal rules. Unlike a country like Japan, that emphasises group behaviour, Sweden showed tendencies of individualism. To have a low masculine dominance means for a nation to be more interested in care and life quality rather on status issues (Bakka *et. al.*, 2001).

The characteristics of the Scandinavian management style have also been described as equality in terms of small distances between leaders and

those being led, informality in relations, an open and straightforward communication, with a focus on managing through values and visions (Gustavsson, 1995).

Apart from managerial culture, Swedish MNCs have been influenced by historical aspects. For example, when the typical European company in the 1920s and 1930s began its international venture it was forced to build local production plants abroad due to high tariffs and discriminatory legislations. The subsidiaries became highly independent. The subsidiaries were shaped in this way as a result of transportation and communication barriers (Bartlett & Ghoshal, 2000).

The typical U.S. company that expanded internationally in the 1950s developed subsidiaries which the parent headquarter could control by managerial systems and specialist staffs. This was the result of new technical innovations of the time (Bartlett & Ghoshal, 2000).

In the 1970s the typical Japanese MNCs built highly efficient plants which enabled them to benefit from economies of scale. At that time for example Leavitt argued that companies should focus on selling “the same thing, the same way, everywhere” (Bartlett & Ghoshal, 2000, 12). These subsidiaries had a foundation of strong cultural norms which encouraged group behaviour (Bartlett & Ghoshal, 2000).

In the 1980s many worldwide industries were transformed from the traditional multinational, international, and global forms toward a transnational form (Bartlett & Ghoshal, 2000). Bartlett and Ghoshal's argument was that the transnational form was to make companies achieve responsiveness, efficiency, and learning simultaneously. However, this would require many units' participation in a company's business activities. Bartlett and Ghoshal spoke of a need for an “integrated network” (Bartlett & Ghoshal, 2000, 514).

### *3.2.3. Organisational Characteristics of the Strategies*

In order to categorise an MNC as multinational, international, global or transnational it is important to understand the different organisational characteristics of the four strategies.

Bartlett and Ghoshal have identified the following three organisational characteristics for the four different strategies:

- the configuration of assets and capabilities
- the role of overseas operations
- the development and diffusion of knowledge

(Bartlett & Ghoshal, 1998, 67)

The four strategies deal with assets and knowledge differently. Consequently, the roles of the overseas operations also differ.

The configuration of assets and capabilities is one of the organisational characteristics and concerns the level of decentralisation or centralisation in MNCs' foreign units.

MNCs' handling of assets and capabilities is necessary for them to be able to perform at an efficient competitive level (Johnson & Scholes, 2002). Our focus has been on the importance of MNCs' human resources but there are of course other resources vital for companies, for example physical resources and financial resources.

Immaterial assets, such as knowledge, have become of increased importance for companies to gain advantages. Johnson and Scholes (2002) have stated that it is not only threshold competences and threshold resources that suffice in today's competitive business environment. In recent years it has often been argued that competitive advantage will rise through strategic human resource management (Johnson & Scholes, 2002).

Following the configuration of assets and capabilities Bartlett and Ghoshal noted different roles for MNCs' subsidiaries. The role of overseas operations concerns if MNCs' foreign units are locally responsive, implement or modify parent company strategies, or if they are highly integrated.

In a study by Andersson and Forsgren (1994) it was found that out of 59 large Swedish MNCs, the most common roles for their subsidiaries were to be locally responsive or to implement parent company strategies.

Finally, as a result of how assets and capabilities are handled, and what role the subsidiaries have, the development and diffusion of knowledge differ between the four strategies.

The term knowledge is often treated as “a question of transfer of technology between units, such as transfer of design, production, installation, sales and distribution, operation and maintenance, or management” (Andersson & Forsgren, 1994, 9). It has been argued that “the intangibility of knowledge as a resource makes it hard to assess and handle,” however the resource is not to be “overlooked and undervalued” (Johnson & Scholes, 2002, 153).

#### 3.2.3.1. Organisational Characteristics of the Multinational Strategy

The multinational strategy has been considered appropriate if there are benefits of placing certain value-creating activities in a specific country (Hill, 2005). Bartlett and Ghoshal (1998) claimed most MNCs to have the multinational organisation type. In an empirical test, Leong and Tan (1993) found evidence for this as well.

The strategy involves a decentralisation of assets and capabilities. A multinational MNC forms decentralised subsidiaries by dispersing its resources (Bartlett & Ghoshal, 1998). As the subsidiary becomes a small corporation in the entire corporation it is easier for it to adapt to local conditions, such as local preferences and local tastes. Therefore, a high local responsiveness becomes its main asset (Hill, 2005).

However, due to the decentralisation the multinational MNC is not characterised by a high knowledge transfer between units. As the multinational subsidiary becomes a small corporation within an entire corporation knowledge does not flow extensively.

### 3.2.3.2. Organisational Characteristics of the International Strategy

The international strategy represents a localisation of core competences in the parent headquarter, while assets and capabilities considered less important are located in the subsidiary (Bartlett & Ghoshal, 1998). Core competences stay centralised while other competences stay decentralised.

The international MNC suffers from the partial centralisation. As the international MNC has its resources tied to the parent company its subsidiaries are less locally responsive than multinational MNCs (Bartlett & Ghoshal, 1998).

The centralisation of core competences will make sense if these include competences that foreign countries lack. The international strategy is also suitable if both cost pressures and local responsive pressures are low (Hill, 2005).

Due to its centralisation, an international MNC transfers knowledge more than the multinational MNC (Bartlett & Ghoshal, 1998). The role of the subsidiary becomes to modify the parent company's strategies, and due to the modification the transfer of knowledge between parent headquarter to subsidiary is high.

### 3.2.3.3. Organisational Characteristics of the Global Strategy

The global strategy stands for a placement of assets and capabilities at the centre of the organisation. The centralisation is in order if MNCs wish to benefit from specialisation and economies of scale (Bartlett & Ghoshal, 1998).

The global strategy represents an implementation of parent company strategies and therefore the strategy represents a low local responsiveness (Hill, 2005). A low local responsiveness is not coherent with economies of scale.

### 3.2.3.4. Organisational Characteristics of the Transnational Strategy

The transnational strategy stands for a dispersal of assets and competences throughout the entire organisation (Bartlett & Ghoshal,

1998). Core competences are transferred to foreign units. The transfer should result in a quick response to environmental changes and local needs. A transnational MNC tries to achieve both low cost and differentiation at the same time: two things not easy to achieve simultaneously (Hill, 2005).

Transnational MNCs are to develop and spread knowledge worldwide. All units within the organisation are to contribute to a network of ideas, skills, capabilities, and knowledge (Bartlett & Ghoshal, 2000).

As the multinational unit becomes a small corporation in the entire corporation, the transnational unit becomes part of an “integrated network” (Bartlett & Ghoshal, 2000, 514). In 1993, an empirical test on the Bartlett and Ghoshal typology proved the transnational strategy to be the least frequent of the four strategies (Leong & Tan, 1993).

#### *3.2.4. Summary*

Bartlett and Ghoshal categorised the strategies of MNCs into four specific categories: the multinational, the international, the global, and the transnational. In order to categorise the strategies their focus were on three organisational characteristics, i.e. the configuration of assets and capabilities, the role of the overseas operation, and the development and diffusion of knowledge.

The development and diffusion of knowledge in MNCs, in relation to their handling of assets and capabilities, lead to different roles for their subsidiaries. The organisational characteristics are imperative in order to understand MNCs’ strategies. We have concluded our presentation of strategy by drawing up the following chart. The chart (modified) explains the different organisational characteristics of the four strategies (Bartlett & Ghoshal, 1998, 75).

**Table 3.1.** Strategies According to Bartlett and Ghoshal

<b>Strategy/ Character istics</b>	<i>Assets and capabilities</i>	<i>Role of overseas operation</i>	<i>Knowledge</i>
<i>Multinational strategy</i>	Decentralised	Responsive locals	Developed within each unit
<i>International strategy</i>	Decentralised and centralised	Modifiers	Developed at centre
<i>Global strategy</i>	Centralised	Implemente rs	Developed at centre
<i>Transnational strategy</i>	Dispersed	“Integratio- nalists”	Developed jointly

According to theory (Hill, 2005), the four strategies should be linked to Perlmutter’s typology regarding human resource staffing policies.

### **3.3. The Typology of Perlmutter**

#### *3.3.1. Introduction*

In the previous section we concluded that MNCs' strategies differ from each other. By presenting the typology of Perlmutter we will now present how MNCs' human resource staffing policies also vary.

The typology of Perlmutter is considered to be an important tool for understanding international market strategies (Sandberg & Hansén, 2004). It is often called the EPRG typology, and its focus lies in revealing the nature of MNCs' commitment to multinationalism (Heenan & Perlmutter, 1979). The EPRG typology stands for ethnocentric, polycentric, regiocentric, and geocentric human resource staffing policies.

#### *3.3.2. The EPRG Typology*

Perlmutter identified four types of staffing policies which MNCs follow (Heenan & Perlmutter, 1979). His view was that most MNCs start up as ethnocentric, then evolve to polycentrism (and in some regions evolve to regiocentrism) and then reach the final status of geocentrism.

It is important to stress that our focus is on the modes of the *human resource staffing policies*. For example, Heenan and Perlmutter (1979) pointed out that an MNC may have a possible ethnocentric human resource staffing policy, or it may only have an ethnocentric product-line.

As mentioned earlier, Perlmutter presented four categories of human resource staffing policies. However, only three have been linked to the strategies of Bartlett and Ghosal. The regiocentric policy is often only temporarily adapted by MNCs, and involves assigning managers on a regional basis (Heenan & Perlmutter, 1979). A possible reason for the policy not having been linked to a strategy may be because it is a transition type rather difficult to identify (Taggart, 1998). As the policy is not linked to a strategy we have not used it in our survey.

The regiocentric human resource staffing policy, despite not used in our research, is however of interest. Rugman (2003) has noted that



globalisation is in fact a falsehood and that most MNCs' business activities are often regionally dispersed to the following three regions: the European Union, North America, and Japan. As a result Rugman argued that top managers need to design strategies based on these regions, rather than on a global scale.

#### 3.3.2.1. Ethnocentrism

An MNC is considered to have an ethnocentric human resource staffing policy if the key positions abroad are filled with parent-country nationals (Heenan & Perlmutter, 1979). In studies ethnocentrism has been proven especially common in many South Korean and Japanese firms (Koop, 1994; cited by Bonache Perez & Pla-Barber, 2005). This could be a result of cultural views as the Japanese culture emphasise collectivism, where being part of a corporate group often leads parent-country nationals to get promoted abroad.

The ethnocentric approach encourages the maintaining of corporate culture. The maintenance enables the transfer of headquarters' know-how and skills. A common perception of companies has been that the transfer of corporate knowledge is best done by parent-country nationals (Heenan & Perlmutter, 1979).

In a study of Western European companies it was researched what the most important reasons were for employing parent-country nationals (Tung, 1988).

The most important reasons were the following:

- parent firm wishes to develop an internationally oriented management for headquarters
- technical expertise
- foreign enterprise is in start-up phase

A problem with the ethnocentric approach is the possible failure of understanding host-country culture (Hill, 2005). The belief is that the

ethnocentric policy is not ideal for an MNCs that tries to achieve local responsiveness in its foreign units.

Another problem with the ethnocentric human resource staffing policy, according to The Management Europe Centre, is that the salary cost is much higher when using parent-country nationals. A parent-country national is said to cost three times more than host-country and third-country nationals (Bonache Perez & Pla-Barber, 2005).

#### 3.3.2.2. Polycentrism

An MNC with a polycentric human resource staffing policy employs primarily host-country nationals to its subsidiaries. This favours an understanding of the host-country culture (Heenan & Perlmutter, 1979). If the MNC's strategy is to achieve local responsiveness this policy should prevail (Hill, 2005).

The most important reasons for Western European companies for staffing host-country nationals have been proven to be the following:

- familiarity with culture
- knowledge of language

(Tung, 1988)

Further, other benefits with the polycentric policy have been noted by researchers:

- assurance of continuity in the subsidiary's management
- lower salary costs
- motivation of the local staff increases as managerial positions are not kept for the headquarters' employees
- local acceptance of the company

(Bonache Perez & Pla-Barber, 2005)

A problem with the polycentric human resource staffing policy is that employees may lack experience outside the country in which they operate, i.e. communication problems may arise between headquarters and foreign units (Hill, 2005).

### 3.3.2.3. Geocentrism

The geocentric philosophy means to assign the most suitable employees for the tasks, regardless of nationality (Heenan & Perlmutter, 1979). The employees should have the ability to work anywhere in the companies' operations. The most important reason for hiring third-country nationals has been proven to be that these employees have been considered the best person for the job (Tung, 1988).

As a result of companies' internationalisation researchers have noted that there is the need for something called a global manager (Bartlett & Ghoshal, 1998). Even though geocentrism could be considered as ideal in international business today one notion that many researchers have is that "there is no such thing as a global manager" (Bartlett and Ghoshal, 1998, 232; Baruch, 2002). When Percy Barnevik, the former CEO of ABB, was asked if there is such a thing as a global manager he replied: "Yes, but we do not have many. [Our priority] is to create more of them" (Taylor, 1991).

Some claim that there are certain skills needed for the truly global managers. However, the most examined factors of managers' skills have concerned demographics, for example age, gender and marital status (Baruch, 2000). There has also been a discussion about managers' personal qualifications. For example, self-confidence, the ability to interact with host-country nationals, and respect for host-country nationals are skills believed crucial (Hill, 2005).

### 3.3.3. *Summary*

There are benefits as well as drawbacks of the previously described human resource staffing policies. According to theory it is clear that depending on how locally responsive MNCs' subsidiaries want to be, their choice of human resource staffing policy could be crucial.

We have concluded our presentation of the three human resource staffing policies by drawing up the following chart. The chart (modified) explains

four aspects that differ between the ethnocentric, the polycentric, and the geocentric staffing policies (Heenan & Perlmutter, 1979, 18)

**Table 3.2.** Human Resource Staffing Policies According to Perlmutter

<b>Aspects of Organisation</b>	<i>Ethnocentric</i>	<i>Polycentric</i>	<i>Geocentric</i>
Authority; Decision Making	High in HQ	Relatively low in HQ	Collaboration of HQ and subsidiaries around the world
Communication	High volume of orders, commands, advice to subsidiaries	Little to and from HQ, little among subsidiaries	Both ways and among subsidiaries around the world
Geographical Identification	Nationality of owner	Nationality of host country	Truly worldwide company, but identifying with national interests
Recruiting, Staffing	People of home country developed for key positions in the world	People of local nationality developed for key positions in their own country	Best people everywhere in the world developed for key positions everywhere in the world

(HQ= headquarters)

There are similarities between Perlmutter's work and Bartlett and Ghoshal's later work. Perlmutter talked about authority and decision making whereas Bartlett and Ghoshal talked about configuration of assets and capabilities. Both concepts deal with decentralisation and centralisation. Also, Perlmutter talked about communication, whereas Bartlett and Ghoshal talked about development and diffusion of knowledge. These concepts are also similar.

### 3.4. The Assumed Linkage between the Two Typologies

In the previous sections we presented the typologies of Bartlett and Ghoshal, and that of Perlmutter. It is believed that the strategies of MNCs result in different human resource staffing policies (Hill, 2005). Below follows a figure of the assumed linkage.

**Figure 3.3.** The Assumed Linkage between the Typologies

Multinational strategy	⇒	Polycentric human resource staffing policy
International strategy	⇒	Ethnocentric human resource staffing policy
Global/ Transnational strategy	⇒	Geocentric human resource staffing policy

It should be noted that it may not be easy to categorise an MNC as multinational, international, global, and transnational. This is also true in the attempt to categorise human resource staffing policies. Taggart (1998) has argued that companies do not often follow a pure form of the strategies. However, he meant that it is usually possible to classify any particular international firm as falling broadly into one of these classifications.

In our survey we chose to investigate the Swedish MNCs' oldest subsidiary situated in Europe. We did so because the countries in Europe share quite similar economic and political frameworks (Bonache Perez & Pla-Barber, 2005). A Swedish MNC may conduct its foreign business differently in Europe than in the U.S.

It would have been harder to categorise the strategies of the MNCs if we would have asked Swedish MNCs' relation to *all* their foreign subsidiaries.

### 3.5. Ethnocentrism

#### 3.5.1. Introduction

There is a discussion about MNCs' ethnocentric tendencies in their human resource staffing policies. Even though there is an assumed linkage between the previously described typologies there are reasons that could

make MNCs favour the ethnocentric human resource staffing policy. MNCs may do so even though the policy is not the most efficient one according to business theory.

If an MNC mainly employs parent-country nationals abroad there is the possibility of it not employing the best persons for the job (Hill, 2005). Therefore, ethnocentrism has often been used to describe managerial orientation in a negative manner, often to explain management failure to penetrate new markets (Marlo & Hill, 1999). Heenan and Perlmutter (1979) have argued that ethnocentrism of MNCs is not so much the result of prejudice as it is inexperience or lack of knowledge about foreign countries and nationalities.

Ethnocentrism is often found in companies which are in the early stage of their internationalisation (Heenan & Perlmutter, 1979). For example, Ingvar Kamprad (former CEO of IKEA) handled the internationalisation process by using Swedish missionaries to open and run subsidiaries until local management could be turned over to local managers. Most of the key national positions were to remain in the hand of parent-country nationals until the operation and the market reached maturity (Carranza, Iqbal, Lindahl, Svensson & Svensson, 2001). Heenan and Perlmutter (1979) stated that ethnocentrism is most common in the early stages of the internationalisation process. The question is then if ethnocentric tendencies can be found in MNCs with long international experience.

### *3.5.2. Tendencies of Ethnocentrism*

Heenan and Perlmutter (1979) have presented two interesting reasons for companies' adherence to the ethnocentric policy, aside from those benefits discussed in 3.3.2.1. For example, if there is uncertainty within a corporation this can result in an ethnocentric human resource staffing policy. There is then the likelihood that the CEO of the company pays more attention to the stakeholders of the corporate headquarters, than to those abroad. Also, in the 1970s there was little evidence of that companies following the polycentric and geocentric policies were more

profitable. There was little evidence of a positive correlation between the level of a MNCs' "multinationalism" and profitability (Heenan & Perlmutter, 1979).

Studies have shown that the ethnocentric human resource staffing policy is the predominant staffing policy in MNCs. According to Mayrhofer and Brewster (1996) the general predominant trend in MNCs is ethnocentric, and research by Koop (1994) showed that 75 percent of Japanese subsidiaries' directors were expatriates (Bonache Perez & Pla-Barber, 2005).

Also, it has been established that out of the 81 largest transnationals only 29 had non-nationals on their boards (Gillies & Dickenson, 1999).

As we wanted to study the linkage in Swedish MNCs, we wanted to investigate whether there were ethnocentric tendencies even among them. In literature there are possible explanations for Swedish MNCs' following of the ethnocentric staffing policy.

One argument for Swedish MNCs having ethnocentric tendencies has been that the companies have not been leaders in international alliances (Hedlund & Rolander, 1990). In the 1970s many Swedish MNCs grew by making acquisitions, one famous example is that of Electrolux. The level of green-field investments decreased. Hedlund and Rolander believe that the non-entering into alliances can be considered an implication of the MNCs' power. However, it is not without the possibility a sign of reluctance in accepting foreign bodies into their global structures (Hedlund & Rolander, 1990, 39).

Hedlund has argued that there is a detectable country of origin effect in most MNCs, and that this is the case even for the most internationalised MNCs. There is a tendency to raise finance and conduct R&D primarily in the home base, and also to fill senior managerial positions with home-country nationals (Hayden & Edwards, 2001).

### 3.5.3. Summary

Even though theory speaks of a beneficial linkage between the Bartlett and Ghoshal typology and the Perlmutter typology, there are indicators of ethnocentric tendencies in MNCs. Even though host-country nationals tend to lead to lower salary costs, there seems to be tendencies of hiring parent-country nationals. For example, Mayrhofer and Brewster (1996) have claimed that the predominant trend in MNCs is ethnocentric (Bonache Perez & Pla-Barber, 2005). We have also found arguments for Swedish MNCs' possible adherence to the ethnocentric staffing policy (Hedlund & Rolander, 1990).

### 3.6. Hypotheses

As a result of our analysis of the typologies we composed six hypotheses. By composing a questionnaire we tested our hypotheses by the help of Swedish MNCs.

- *H1: It is possible to categorise a Swedish MNC as a follower of the multinational, the international, the global or the transnational strategy.*

We believed it to be possible to see if MNCs were followers of the certain strategies, by investigating consistency in the respondents' answers to configuration of assets and capabilities, the role of the subsidiary, and the diffusion of knowledge. Taggart (1998) has argued that it is usually possible to classify MNCs as falling broadly in one category.

However, if the respondents did not show consistency it would not be possible to state if the MNCs followed one particular strategy.

- *H2: It is possible to categorise a Swedish MNC as a follower of the ethnocentric, the polycentric, or the geocentric human resource staffing policy.*



We believed that the MNCs would show consistency in their answers relating to our questions concerning the human resource staffing policies. However, if no consistency was found it would not be possible to state if the MNCs followed one particular human resource staffing policy.

- *H3: Swedish MNCs with the multinational strategy follow the polycentric human resource staffing policy.*

The assumed linkage is for the multinational MNC to have a polycentric human resource staffing policy. We believed this to be rational. If adhering to a polycentric human resource staffing policy the subsidiary's positions should mainly be staffed with host-country nationals. Host-country nationals should enable it to respond to local needs in the local market. A strong corporate-culture from the parent headquarter should not be needed as the multinational strategy represents decentralisation. The MNCs should then not need to employ top executive managers of parent-country nationality in their subsidiary. The rationale of theory's assumption of linkage between multinational strategy and the polycentric staffing policy has been logical to us.

- *H4: Swedish MNCs with the international strategy follow the ethnocentric human resource staffing policy.*

The assumed linkage is for the international MNC to have an ethnocentric human resource staffing policy. *We believed this linkage to be rational.* If adhering to an ethnocentric human resource staffing policy the subsidiary's positions are staffed with parent-country nationals. The employment of parent-country nationals can be appropriate as the international strategy does not involve high response to local market needs. Instead, a strong corporate-culture from the parent headquarter is needed due to the centralisation of assets and capabilities. We wanted to test if the ethnocentric philosophy was realistic in international MNCs'

practice. The rationale of theory's assumption of linkage between international strategy and the ethnocentric staffing policy was clear to us.

- *H5: Swedish MNCs with the global or the transnational strategy follow the geocentric human resource staffing policy.*

The assumed linkage is for the global and transnational MNCs to have geocentric human resource staffing policies. *We believed theory's linkage to be rational.* If adhering to a geocentric human resource staffing policy the subsidiary's positions should simply be staffed with the best persons for the job. To employ the best person seems appropriate in the transnational MNC as the subsidiaries are to form integrated networks. Due to the collaboration between units there is no emphasising on either a specific parent corporate-culture (ethnocentrism), or on local responsiveness (polycentrism). This emphasis can be noted in the multinational and international strategy.

The employment of the best persons for the job is appropriate in global MNCs as the MNCs' strategy does not involve high response to local market needs. However, as there are such clear signs of centralisation it has been unclear to us why for example the ethnocentric human resource staffing policy is not an optional linkage to the global strategy.

Theory's assumption of linkage between the global and the transnational strategy and the geocentric staffing policy has been convincingly understandable.

- *H6: Swedish MNCs will show signs of having an ethnocentric human resource staffing policy, independent of strategy.*

This is a counter-hypothesis to H3, H4, and H5. Despite our belief of a general linkage between strategy and human resource staffing policy we believed that present Swedish MNCs would show signs of ethnocentrism

in their human resource staffing policies. In studies there are several inclinations of ethnocentrism in MNCs (Gillies & Dickinson, 1999, Bonache Perez & Pla-Barber, 2005).

# Chapter Four

## Empirical Method

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*In the fourth chapter the empirical method is presented. The research strategy is presented, followed by a discussion of our research population, limitations, and questionnaire. A presentation of the questionnaire's response rate then follows. Finally, we discuss the validity, reliability, and generalisability of our research.*

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### **4.1. Research Strategy**

Our main objective was to test the linkage between the Bartlett and Ghoshal typology to Perlmutter's typology in present Swedish MNCs. Our research was deductive as it was based on previous theory. Another aim with the research was to investigate possible ethnocentrism in Swedish MNCs' human resource staffing policies of top executive managers working abroad.

Our investigation was deductive and therefore we found it appropriate to conduct our study by a survey. As we wanted to test the assumed linkage between the two typologies we found it necessary to include several Swedish MNCs in our survey. A survey is considered a good alternative in deductive research as it enables researchers to collect a large amount of data, and enables the researcher to make comparisons between variables (Saunders *et. al.*, 2003).

A case study would have been appropriate if we had wanted to understand *why* Swedish MNCs have certain strategies and certain human resource staffing policies. However, our aim was to understand *what* the situation was for Swedish MNCs. Therefore, we chose to conduct our survey by composing a questionnaire that would enable us to measure, compare and analyse the situation in Swedish MNCs.

At first our aspiration was to conduct interviews over the telephone. This method is considered to be fast, it leads to a high response rate, and it is less expensive than sending questionnaires by mail (Langet & Wårneryd, 1980; cited by Eriksson & Wiedersheim-Paul, 1991). However, when we had composed our questionnaire we considered the questions to be too long to be asked over the telephone.

After we had decided that we would have to *send* the questionnaires to the MNCs, we had to determine how to distribute them in the most efficient way. Due to financial limitations we came to the conclusion that regular mailing or faxing was not the best option for us. Instead, we decided to publish our questionnaire on the Internet.

In order to achieve a high response rate we stressed the anonymity of all respondents. To achieve a higher response rate we also decided to let all respondents participate in a lottery of a secret gift.

In order to know who in fact had participated, and who would therefore be included in the lottery, we gave each MNC a control number that they had to fill in on the online questionnaire. This control number also enabled us to see which of the MNCs had not answered and therefore needed to be reminded by us to answer.

We sent e-mails to the MNCs in question in the beginning of the week as it has been noted that sending out questionnaires early in the week will result in a higher response rate than if sending them later in the week (Saunders *et. al.*, 2003). In the e-mail we explained the purpose with our questionnaire in a short, but still in an explanatory way (Appendix 1a, Appendix 1b). According to Saunders (2003), attached files can lead to a low response rate as participants may be unwilling to make the effort to open them. Therefore, we decided not to attach the presentation of ourselves and our purpose of the questionnaire in a file.

## **4.2. The Population**

Today there are many Swedish companies with operations abroad. Therefore, we had no difficulty in finding a population for our survey. As we reviewed trends of Swedish MNCs by using statistics of ITPS we decided to limit our population to its records of the 80 largest Swedish MNCs in the industry sector. By using its records we could be sure that the corporations had at least one employee in one foreign subsidiary.

We had hesitations whether the response rate would suffer if we contacted the largest Swedish MNCs. However, we believed that an investigation of the large companies would result in that all strategies and human resource staffing policies would be covered in our survey.

## **4.3. Limitations**

We limited our research to Swedish MNCs. One important limitation was that we chose to investigate the parent headquarters' views on strategy and human resource staffing policy, not the foreign subsidiaries' views. Also, when studying the MNCs' human resource staffing policies we only studied the subsidiaries' top executive managers.

We decided that our questions would concern *one* of the MNCs' subsidiaries located in Europe. MNCs can have different ways of conducting business in different locations. We chose to focus on Europe because of two reasons. Firstly, many Swedish MNCs have operations in Europe (itps.se). Secondly, Europe shares similar economic and political frameworks (Bonache Perez & Pla-Barber, 2005).

We also limited ourselves to depict the MNCs' oldest subsidiary. The reason for this was that according to theory ethnocentrism tends to be higher in younger companies (Heenan & Perlmutter, 1979). We hoped to eliminate the risk of capturing the early stages of ethnocentrism in companies.

#### 4.4. The Questionnaire

As mentioned earlier, we carried out a survey of Swedish MNCs by composing an online questionnaire. The questionnaire consisted of nine questions (Appendix 2a, Appendix 2b).

The first part of the questionnaire consisted of three general questions concerning the companies' international experience, their number of employees, and the countries where the MNCs' oldest European subsidiary was located.

These general questions are so-called category questions, which mean that only one alternative is possible to choose from (Saunders *et. al.*, 2003).

The second part of the questionnaire concerned MNCs' strategies. In our aspiration to categorise MNCs as multinational, international, global, or transnational we chose to use earlier works that have regarded the categorisation of MNCs. We chose to do this as categorisation of organisations' modes can be difficult. The areas focused on when determining the MNCs' strategic mode were *the configuration of assets and capabilities, the role of overseas operations, and the development and diffusion of knowledge*.

Our questions, that were to categorise which strategies the MNCs had, were based on the work of Leong and Tan (Appendix 3a). They measured the strategic mode of the MNCs in relation to their configuration of assets and capabilities, their role of overseas operations, and their development and diffusion of knowledge by using a five-point-scale. For example, the MNC had to indicate the extent of agreement of the following statement: "The main role of our overseas operations is to implement parent company strategies" (Leong & Tan, 1993).

We modified Leong and Tan's five-point-scale and instead presented four options the MNCs could choose from. In our questions concerning configuration of assets and capabilities, role of overseas operations, and development and diffusion of knowledge four options were presented.

These four options represented the multinational, the international, the global, and the transnational strategy.

We decided it would be easier if the MNCs only had to choose from one option, instead of the five-point-scale. This made the respondents able to make a clear choice concerning the configuration of assets and capabilities, the role of overseas operations, and the development and diffusion of knowledge. We also wanted the questionnaire not be too complex as we were aware of the difficulty in achieving a good response rate by an online questionnaire.

The third part of the questionnaire concerned the MNCs' human resource staffing policies of executive managers. As we wanted to test the concepts of ethnocentrism, polycentrism, and geocentrism we used some of Perlmutter's own questions when establishing companies human resource policies (Appendix 3b). Perlmutter had an extensive questionnaire when establishing companies' belonging to ethnocentrism, polycentrism, and geocentrism. However, we decided to use two of his original questions from the 1970s (Heenan & Perlmutter, 1979, 184). We chose the two questions of Perlmutter's questionnaire that would be possible for respondents to answer properly to. In the questions the respondents could choose one of three options. The three options represented the ethnocentric, the polycentric, or the geocentric human resource staffing policies.

The first question concerned *the selection of managers*. We wanted to see what the reasons were for assigning managers abroad. Was previous experience in the company, familiarity with the local marketplace, or the ability to perform well in overseas markets what characterised the MNCs' choices when assigning managers to work overseas?

The second question concerned *the assignment of foreign service*. We wanted to see whether the prime positions were staffed by parent-nationals, host-nationals, or if nationality simply was of no importance when assigning managers.



Finally, we had a question which concerned what percentage of top executive managers in the subsidiaries were of Swedish nationality. We wanted to see if the percentage was coherent with the previous questions regarding staffing policies. We wanted to see if Swedish MNCs could be accused of ethnocentrism.

#### **4.5. Response Rate**

We sent the online questionnaire to a total of 80 MNCs (itps.se). Some MNCs did not have e-mail addresses of information representatives published online. Therefore, we had to telephone these companies to access the e-mail addresses to those representatives suitable to answer our questionnaire.

A total of 46 MNCs did not answer despite our attempts by e-mail to make them participate. While some chose to not send any replies, a few sent a promise to reply which then appeared false. This happening was a mystery to us.

Some firms were simply unfit for the investigation since they did not have a subsidiary located in Europe. These are the ineligible. Eleven responding companies considered themselves ineligible to respond.

Others regarded themselves unfit for the investigation for individual reasons, most often for lack of time. Seven respondents did not wish to participate in our questionnaire.

**Table 4.1.** Response to Questionnaire

	Number of MNCs	Percent
Resp. not answering	46	57.5
Ineligible to respond	11	13.8
Resp. wishing no participation	7	8.8
Participants	16	20
<b>Total</b>	<b>80</b>	<b>100</b>

The total response rate is a measurement of eligible respondents (Saunders *et. al.*, 2003). The total response rate is measured by the total number of responses (16), divided by the total number in the sample (80), minus the ineligible (11). Our total response rate came to be 23.2 percent.

The active response rate is a measurement that excludes ineligible respondents and those having refused to answer (Saunders *et. al.*, 2003). The active response rate is measured by the total number of responses (16), divided by the total number in sample (80), minus the ineligible (11) and unreachable (46). Our active response rate was 69.5 percent.

An online questionnaire may lead to few responses. The response rate may only be 10 percent (Saunders *et. al.*, 2003). If taking that into account we considered ourselves lucky to have received useful responses from a total of sixteen companies out of our original sample size of 80.

#### **4.6. Validity**

Validity is concerned with whether findings are what they appear to be about (Saunders *et. al.*, 2003). In order to create validity there needs to be more than just a random relationship between what is being measured.

There are six threats to validity: history, testing, instrumentation, mortality, maturation, and ambiguity about casual direction (Saunders *et. al.*, 2003, 102).

We focused on designing the questionnaire as understandable as possible. An understandable questionnaire would inevitably lead to a higher validity. For example, we were careful when modifying the other researchers' questions from English to Swedish. We also tried to structure the questionnaire in a logical way to make it easy for respondents to follow it.

Also, we used clear definitions when we stated that the research was to be based on the MNCs' relationships with their oldest European subsidiary.

#### **4.7. Reliability**

The concept of reliability needs to be taken into consideration to researchers who try to analyse different situations, both qualitative and quantitative. Easterby-Smith have stated that reliability of research is assessed if similar results can be found by other researchers, and if the measures lead to the same results on more than just one occasion (Saunders *et. al.*, 2003).

There are four threats to reliability in research: subject or participant error, subject or participant bias, observer error, and observer bias (Saunders *et. al.*, 2003, 101). Therefore, we have had to think about both the participants and ourselves in order to create reliability.

We tried to eliminate subject and participant errors by telephoning and e-mailing the respondents early in the week. The enthusiasm to respond tends to be greater earlier in the week (Saunders *et. al.*, 2003). Our first contact with the companies was initiated on a Tuesday, but as we had to send reminders to many companies we could not show consistency in having only contact early in the week.

We tried to eliminate the problem of subject and participant bias by providing anonymity to all respondents. However, as our questions concerned nationality of workers we were aware that our questions could have been interpreted as sensitive to some.

We were aware that individual research methods could cause errors in the research, which could make the reliability suffer. Therefore, both of us conducted the research in the same mode.

Also, as the questionnaire consisted of so-called category questions, we believed that the structure would lead to small chance of being misinterpreted by us. Of course, we only hoped that there were few misinterpretations among the participants when answering our questions.

Finally, we have not had any personal bias when conducting the research as we have had no personal interests in the studied MNCs.

#### **4.8. Generalisability**

Our population has not been of sufficient quantity to enable us to generalise from our findings. We were only able to analyse the situation for 16 Swedish MNCs. These responses were not sufficient for us to make any generalisations.

# Chapter Five

## Analysis of Survey

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*In the fifth chapter our hypotheses are evaluated. By the use of SPSS we investigate the linkage between the typologies, and investigate the possible tendency of ethnocentrism.*

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### **5.1. Introduction**

We wanted to test the linkage between strategy and human resource staffing policy in Swedish MNCs. Also, our aim was to investigate the possible tendency of ethnocentrism in the MNCs' human resource staffing policies. In order for us to investigate the linkage we have had to measure respondents' consistency of our questions regarding strategy and human resource staffing policy.

To analyse our questionnaire we used the computer program SPSS. The program enabled the statistical material to be analysed.

### **5.2. Population Characteristics**

As mentioned earlier, we chose to study Swedish MNCs' relationships to their oldest European subsidiary. There is evidence that many Swedish MNCs have operations in this particular region. We had expected that many of the Swedish MNCs would have their oldest subsidiary located in Scandinavia as theory speaks of that companies' international expansion initially depends upon cultural similarities as well as geographical closeness (Hollensen, 1998). 31.3 percent had their oldest subsidiary within the Scandinavian region.

**Chart 5.1.** The Countries of the Oldest Subsidiaries

	Frequency	Percent
Belgium	1	6,3
Denmark	2	12,5
Finland	1	6,3
Italy	2	12,5
The Netherlands	1	6,3
Norway	2	12,5
Russia	1	6,3
Switzerland	1	6,3
Great Britain	2	12,5
Germany	3	18,8
Total	16	100,0

We chose to focus on the oldest European subsidiary to eliminate early forms of ethnocentrism. We did not want this to affect our research. The results showed that the MNCs had quite long international experience. 68.8 percent of the MNCs had been international between six to fifty years, while 31.3 percent had over fifty years of international experience. This result proves what we presented earlier, i.e. many Swedish companies have long international experience.

### **5.3. Strategy**

Our first hypothesis was the following: *It is possible to categorise a Swedish MNC as a follower of the multinational, the international, the global or the transnational strategy.* As was seen, the answers relating to the three classifying characteristics of strategy were not show fully consistent.

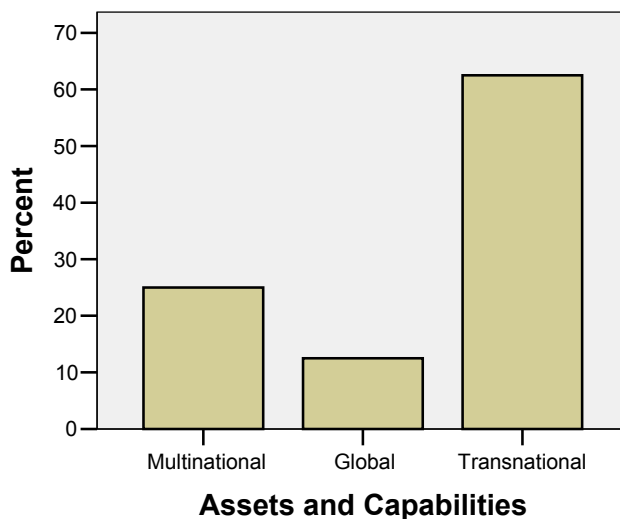
The first question regarded the handling of assets and capabilities (Appendices 2a 2b, Question 4). A total of 62.5 percent considered handling assets and capabilities in line with the transnational strategy, i.e. *the company locates assets and capabilities in the subsidiary, as all overseas units most often cooperate with and depend upon each other.* 25 percent stated that assets and capabilities were handled in the multinational way, i.e. *the company's assets and capabilities are located*

*around the world, but the subsidiary conducts its business independently without relying on other units' expertise.*

12.5 percent handled their assets and capabilities in line with the global strategy, i.e. *assets and capabilities are centralised and globally scaled.* Not one respondent considered that assets and capabilities were handled in line with the international strategy, i.e. *the most vital assets and capabilities tend to be located at the parent company headquarters, while less important activities are located in the subsidiary.*

The result showed that the majority of the studied MNCs handled assets and capabilities in the transnational way (Chart 5.2.).

**Chart 5.2.** The Handling of Assets and Capabilities



Our second question regarded the role of overseas operations (Appendices 2a 2b, Question 5). The results from this question showed favour of another strategic mode (Chart 5.3.).

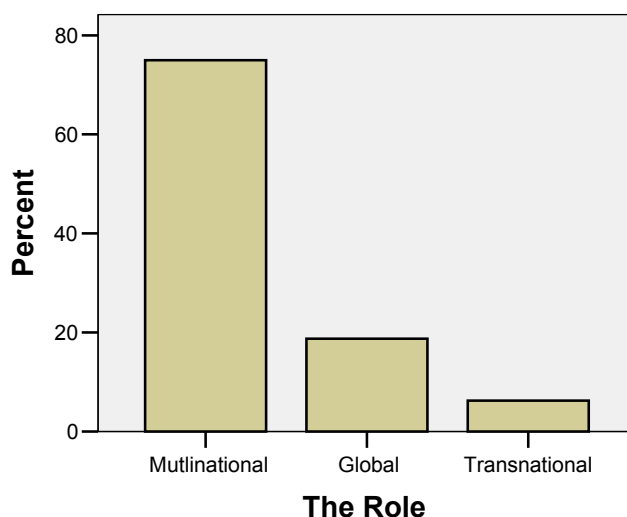
75 percent considered the foreign role of the subsidiaries to be in line with the multinational strategy, i.e. *the subsidiary's role is to find out and take advantage of opportunities within the country in which it operates.* 18.8 percent considered the foreign role of the subsidiaries to be in line with the global strategy, i.e. *the subsidiary's role is to implement parent company strategies.* Only 6.3 percent considered the foreign role of the subsidiaries

to be in line with the transnational strategy, i.e. *the entire corporation is integrated, and therefore the role of the subsidiary is to contribute with its individual strengths and know-how*. Not one considered the foreign role of the subsidiaries to be in line with the international strategy, i.e. *the subsidiary's role is to receive and adapt products and services offered by our parent company*.

We were not as surprised to see the multinational strategy to dominate in this question, as we were to see the transnational strategy dominating in the question concerning assets and capabilities. History's influence may be seen here. Typical European MNCs often formed decentralised foreign units due to transportation and communication barriers, which led to independent locally responsive units.

Also, in a study by Andersson and Forsgren (1994) it was noted that the most frequent roles Swedish MNCs' subsidiaries had were in line with the multinational and global strategy. The following chart presents similar results.

**Chart 5.3.** The Role of Overseas Unit

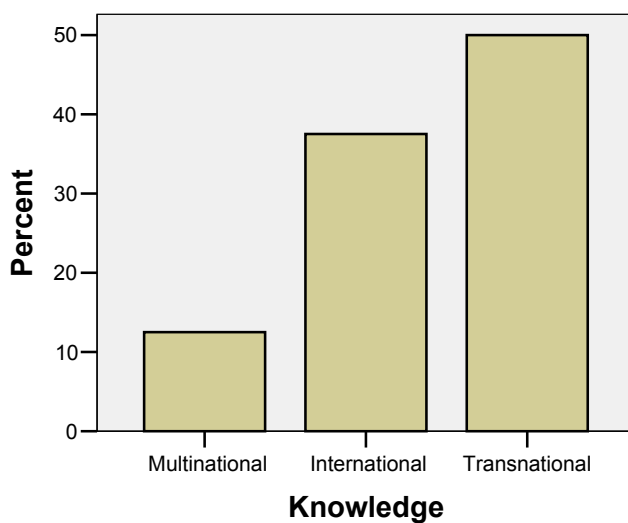




Finally, the development and diffusion of knowledge was studied (Appendices 2a 2b, Question 6). The result showed that a majority considered handling knowledge in the transnational way (Chart 5.4.).

A total of 50 percent of the respondents considered handling knowledge within the organisation in line with the transnational strategy, i.e. *research and development activities are typically conducted jointly by parent company and the subsidiary as the knowledge is to be shared world-wide*. 37.5 percent of the respondents considered handling knowledge in line with the international strategy, i.e. *new knowledge is developed at the parent company and then transferred to the subsidiary*. 12.5 percent of the respondents considered handling knowledge within the organisation in line with the multinational strategy, i.e. *new knowledge is developed in the subsidiary, and tends not to be transferred to other units within the company*. No one considered handling knowledge in line with the global strategy, i.e. *research and development activities are conducted and retained at parent company headquarters with little dissemination to the subsidiary*.

**Chart 5.4.** The Development and Diffusion of Knowledge



By reviewing the previous charts we saw that most respondents considered the MNCs to handle assets and knowledge in line with the transnational strategy, whereas the majority interpreted the role of the overseas operations as locally responsive in the multinational way.

The results showed that most respondents viewed the MNCs as having the transnational strategy. This was surprising to us as Bartlett and Ghoshal's original study noted that none of their studied companies *fully* reached the ideal of being transnational (Leong & Tan, 1993). Also, in a test by Leong and Tan (1993) transnational strategy was proven the least frequent among the four strategies. There is of course the possibility that respondents have misclassified their companies' strategies. It may also be that the respondents have considered the companies more integrated than they really are.

However, there is a possibility that companies have learned about the integrated network model, which categorises the transnational strategy, and have worked towards implementing this strategy.

We expected to find consistency in the respondents' answers regarding the three organisational characteristics (Table 5.5.). However, we could only see that two respondents showed complete consistency in their answers regarding the characteristics. These respondents chose the three answers in line with the multinational strategy.

However, ten respondents showed consistency in two out of three aspects relating to strategy. For example, a total of five respondents considered the MNCs to handle assets and capabilities in a transnational way, that the subsidiaries' roles were in line with the multinational strategy, and that knowledge was dispersed in the transnational way. The fact that a total of ten respondents were partially consistent in the questions regarding characteristics could indicate their following of a certain strategy.

Four of the respondents showed no consistency in their answers regarding the three organisational characteristics.

**Table 5.5.** Answer Consistency Regarding the Strategies

<i>MNCs</i>	<i>Assets</i>	<i>Role</i>	<i>Knowledge</i>
1*	<b>M</b>	<b>M</b>	<b>M</b>
2**	M	M	T
3***	G	M	I
4***	T	M	I
5**	T	M	T
6**	T	M	T
7**	T	M	T
8**	T	G	T
9*	<b>M</b>	<b>M</b>	<b>M</b>
10**	M	M	T
11**	G	G	I
12***	T	M	I
13**	T	M	T
14**	T	M	T
15***	T	G	I
16**	T	T	I

\* full consistency (12.5 percent), \*\* partial consistency (62.5 percent),  
\*\*\* no consistency (25 percent)

M= multinational, I= international, G= global, T= transnational

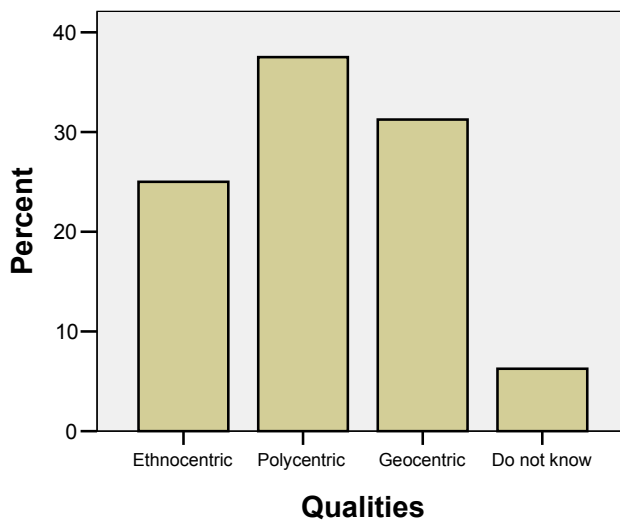
#### **5.4. Human Resource Staffing Policy**

Our second hypothesis stated: *It is possible to categorise a Swedish MNC as a follower of the ethnocentric, the polycentric, or the geocentric human resource staffing policy. We wanted to see if there was consistency in the respondents' answers regarding the qualification considered most valued for managers working abroad, and also what the primary nationality of those working abroad was. These questions are parts of Perlmutter's way of categorising human resource staffing policies (Appendix 3b).*

First, there was the question concerning the most valued quality of managers working abroad (Appendices 2a 2b, Question 7). A total of 37.5 percent considered managers' compatibility with the local marketplace to

be most important. This is in line with the polycentric human resource staffing policy. 31.3 percent considered their companies to mainly value managers' ability to perform well in a number of overseas markets, as well as in the local subsidiary. This is in line with the geocentric human resource staffing policy. 25 percent considered their companies' most valued quality of managers to be previous experience in the company. This is in line with the ethnocentric human resource staffing policy. 6.3 percent of the respondents could not say which quality was of most importance.

**Chart 5.6.** The Most Valued Quality of Managers



Secondly, there was the question concerning if the majority of top executive managers were parent-country or host-country nationals (Appendices 2a 2b, Question 8). A total of 75 percent considered the oldest European subsidiary's management positions to be staffed with host-country nationals. This is in line with the polycentric human resource staffing policy. 18.8 percent considered that nationality made no difference for key subsidiary's positions. This is in line with the geocentric human resource staffing policy. 6.3 percent considered their oldest European subsidiary's management positions to be staffed with parent-country

nationals. This is in line with the ethnocentric human resource staffing policy.

**Chart 5.7.** The Origin of Managers

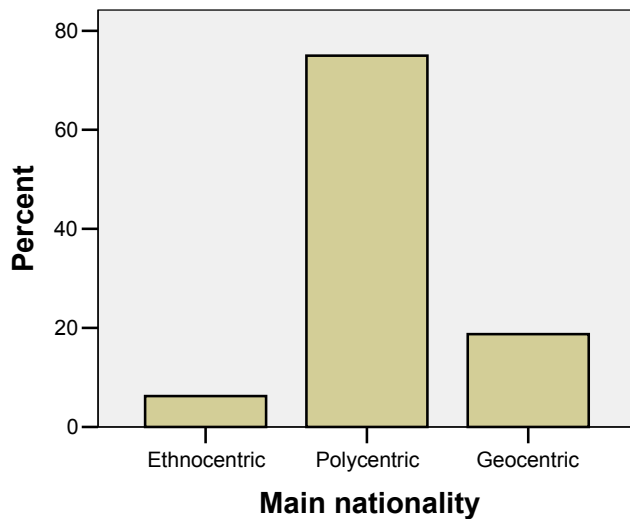


Chart 5.6 and Chart 5.7. show favour of the polycentric human resource staffing policy. This may be a result of the history of European MNCs. As most companies followed the multinational strategy, the most suitable policy would be the polycentric. Because of high tariffs and barriers the subsidiaries became highly interdependent, and therefore host-country managers were considered most suited in these subsidiaries.

It should be noted that human resource staffing policies can be delicate questions for companies to comment on. Therefore, we could only hope that the MNCs have been honest in their responses regarding their staffing policies.

Seven respondents showed full consistency concerning our questions regarding human resource staffing policy (Table 5.8.). This could be compared to two consistent answers regarding strategy. However, our questions regarding strategy involved three questions, whereas human resource staffing policy involved two.

**Table 5.8.** Answer Consistency Regarding the Staffing Policies

<i>MNCs</i>	<i>Most valued quality</i>	<i>Origin of managers</i>
1*	<b>G</b>	<b>G</b>
2*	<b>P</b>	<b>P</b>
3**	P	E
4**	G	P
5**	E	P
6**	G	P
7*	<b>G</b>	<b>G</b>
8**	E	P
9*	<b>P</b>	<b>P</b>
10**	#	G
11**	G	P
12*	<b>P</b>	<b>P</b>
13*	<b>P</b>	<b>P</b>
14**	E	P
15**	E	P
16*	<b>P</b>	<b>P</b>

\* full consistency (44 percent), \*\* no consistency (56 percent)

E= ethnocentrism, P= polycentrism, G= geocentrism, #= do not know

### **5.5. Exploring Linkage**

We had three hypotheses concerning the possible linkage between the Bartlett and Ghoshal typology, and the Perlmutter typology. In the analysis of linkage we chose to study the fully consistent and partial consistent answers regarding strategy (Table 5.5.). The respondents also had to be consistent in the two questions regarding the human resource staffing policies (Table 5.8).

First, we believed that MNCs with a multinational strategy would follow a polycentric human resource staffing policy. As mentioned earlier, two respondents showed total consistency in their answers regarding strategy. They could be categorised as multinational. One of these two respondents

chose the human resource staffing policy that was a clear form of the polycentric policy. The other chose a clear form of the geocentric policy.

Two respondents gave partial consistency in the questions of belonging to the multinational strategy. One of these chose the clear form of polycentrism.

The results were that out of the four MNCs showing evidence of having a multinational strategy, two followed a clear form of the polycentric human resource staffing policy.

Secondly, we believed that the Swedish MNCs with an international strategy would follow an ethnocentric human resource staffing policy. Only six respondents considered their MNCs to deal with diffusion and development of knowledge in line with the international strategy. Aside from this, there were no other answers given that related to the international strategy. Therefore, we have not been able to see a tendency towards Swedish MNCs' following the international strategy.

Thirdly, we believed that Swedish MNCs with a global or transnational strategy would show signs of the geocentric human resource staffing policy. One MNC followed two characteristics in line with the global strategy. However, this response showed signs of both the polycentric and the geocentric human resource staffing policy.

Also, we found seven responses partially consistent in following the transnational strategy. Only one of these followed a clear form of geocentrism.

Our final results, after reviewing the figures from Table 5.5. and Table 5.8., were that only three out of sixteen (18.75 percent) followed a certain strategy connected to the assumed human resource staffing policy. Due to the low percentage, a linkage between strategy and human resource staffing policy could not be proven by us.

## **5.6. Exploring Ethnocentrism**

Our sixth hypothesis was the following: *Overall, Swedish MNCs will show signs of having an ethnocentric human resource staffing policy.*

We had three questions that were to indicate if Swedish MNCs were ethnocentric or not. However, we did not find signs of ethnocentrism.

Our first question concerned the most valued quality of managers. Only 25 percent valued parent-nationals' experience to be the most valued quality when assigning managers abroad. A total of 37 percent valued host-country nationals' experience, and 31 percent valued mainly managers' ability to work efficiently within the whole international organisation. These results showed that the polycentric staffing policy was most frequent.

Our second question regarded the primary nationality of top executive managers assigned abroad. We found that only 6.3 percent claimed that the majority of the top executive management positions were staffed with parent-country nationals. A total of 75 percent stated the positions to mainly be filled by host-country nationals. 18.8 percent considered that nationality was of no importance, and ultimately the best persons for the assignments were hired. Once again we did not recognise signs of ethnocentrism.

Our last question concerned how many top executive managers abroad were of Swedish nationality. We used the following scale: 0-50 percent, 51-90 percent, and 91-100 percent. Fifteen of sixteen respondents (87.5 percent) claimed that 0-50 percent of the overseas positions were staffed with managers of Swedish nationality. One respondent (12.5 percent) could not give us information concerning this question.



# Chapter Six

## Conclusions

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*In the sixth chapter we summarise our work. We conclude our findings concerning the linkage between the two typologies, and our findings concerning ethnocentrism. We also discuss possible future research and the research's practical implications.*

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### **6.1. Summary of Dissertation**

Theory addresses a linkage between MNCs' strategies and their human resource staffing policies. We believed this assumed linkage to be an interesting research topic. The multinational, the international, the global, and the transnational strategies are to follow the ethnocentric, the polycentric or the geocentric staffing policies (Hill, 2005). Our objective was to investigate if this linkage could be proven in Swedish MNCs.

As there have been tendencies of ethnocentrism in MNCs, we found it more likely to spot the ethnocentric human resource staffing policy than the other policies. For example, in a study by Koop (1994) the result showed that 75 percent of Japanese subsidiaries' directors were expatriates (Bonache Perez & Pla-Barber, 2005). There has also been a discussion concerning the country of origin effect in even the most internationalised companies (Hayden & Edwards, 2001). The country of origin effect means that there are tendencies to raise finance and conduct R&D primarily in the home base, and also to fill senior managerial positions with home-country nationals.

In order for us to classify the MNCs' strategies we used the typology of Bartlett and Ghoshal. We used three organisational characteristics to classify the MNCs' strategies: the handling of assets and capabilities, the role of the overseas operation, and the development and diffusion of

knowledge. These characteristics have been studied by Leong and Tan (1993). Their results showed that the most MNCs considered following the multinational strategy, and the least believed to follow the transnational strategy.

We also studied MNCs' human resource staffing policies. The staffing policies that are linked to the strategies originate from the works of Perlmutter. We studied the most valued criteria in assignment of abroad positions of managers. Also, we explored if the subsidiaries' positions were primarily staffed by parent-country or host-country nationals, or if nationality was of no importance for the positions.

As a result of having reviewed the two typologies we developed six hypotheses. We believed it to be possible to see the respective MNCs as followers of a certain strategy and a certain human resource staffing policy. As theory addresses a linkage between the between strategy and staffing policy which we considered rational, we also believed that a linkage between the typologies would be shown.

Our questions concerned Swedish MNCs' relation with their oldest European subsidiary and the subsidiary's top executive managerial staff. We chose to focus on only one of the MNCs' subsidiary. The reason for this was that companies may handle their subsidiaries differently depending on location. The region which we studied was Europe, and this was mainly because many Swedish MNCs have operations there.

The study was conducted by the use of an online questionnaire (Appendix 2a, Appendix 2b). The questionnaire consisted of other researchers' questions regarding the classification of strategies and staffing policies (Appendix 3a, Appendix 3b). However, these questions had to be translated and modified by us. The questionnaire was sent out to the 80 largest Swedish MNCs in the industry sector. As online questionnaires are known to cause a low response rate we had to be satisfied with 16 responses.

## **6.2. The Study of Linkage and Ethnocentrism**

In order to classify the MNCs as followers of a strategy and a human resource staffing policy we asked questions that would enable us to make this classification. Our criteria for the categorisation were that the respondents had to show full or partial consistency in their answers regarding strategy, and full consistency regarding staffing policy.

We found that 75 percent of the respondents could be classified as followers of a certain strategy. The most frequent strategy appeared to be the transnational. Seven MNCs (43.75 percent) could be classified as followers of this strategy.

In our classification of human resource staffing policy we found seven MNCs (37.5 percent) showing full consistency in their answers. Five MNCs (31.25 percent) followed the polycentric policy, and two MNCs (12.5 percent) followed the geocentric policy. We discovered that no MNCs could be classified as having a clear ethnocentric policy.

The assumed linkage between Bartlett and Ghoshal's typology and Perlmutter's typology was not evident in our survey. Only three MNCs (18.75 percent) showed evidence of having the assumed linkage. We conclude that even though theory addresses a linkage, this could not be proven by us.

Another objective with the dissertation was to investigate if Swedish MNCs could be accused of being ethnocentric. As mentioned earlier, we found no MNCs possible to classify as having an ethnocentric policy. The quality most valued in top executive managers was host-country nationals' familiarity with local culture, and this is in line with polycentrism. Also, the primary nationality of managers working abroad was host-country nationals, also a characteristic of the polycentric policy. A total of 87.5 percent believed that the percentage of managers of Swedish nationality in their oldest European subsidiary to be 0-50 percent.

### **6.3. Methodological Criticism**

We conducted our research by an online questionnaire. As we wanted to study *what* the situation were for the MNCs we believed the use of a questionnaire to be beneficial. The online questionnaire was mainly used due to financial restrictions.

However, we have had no personal contact with the respondents and therefore we cannot be certain that the questions were perceived in the way we intended. We tried to be as clear as possible in our formulation of the questions.

We had a total response rate of sixteen. This cannot be considered sufficient in order to create validity or to generalise from our findings. We would in all probability have ended up with a higher response rate if we would have had more time to send out the questionnaires. Therefore, also time limitations have affected our study.

Only *one* employee in the MNCs, responsible for international relations or human resource management, gave us answers to our questions. This could have led to misleading results. The respondents were situated in Sweden, and therefore we have not studied the views of the subsidiaries.

### **6.4. Future Research**

As a result of our theoretical review and the results of our survey we understand that there is further research in the field that can be of interest.

- A study with more participating MNCs would inevitably be substantial. The applicability of our results would then be able to be investigated.
- In a similar survey it would be interesting to study not only Swedish MNCs. Evidence may be found of differences between different countries' MNCs. One could also choose to not only investigate Swedish MNCs European foreign units, but instead make comparisons of Swedish MNCs foreign units on a global scale.

- To compare different industries' strategies and human resource staffing policies would be an interesting future research topic. We have limited our survey to Swedish MNCs active in the industry sector.
  
- As we have had to limit our investigated population concerning the human resource staffing policies there is the possibility to include others than only top executive managers when studying MNCs' staffing policies.
  
- Another possible area for future research is to investigate *why* MNCs choose certain strategies and staffing policies. We have only investigated *what* the tendencies are in Swedish MNCs' adherence of strategy and staffing policy.
  
- Finally, we believe that it would be interesting to include the regiocentric human resource staffing policy in relation to the typology of Bartlett and Ghoshal. Is the regiocentric human resource staffing policy able to link to certain MNCs?

### **6.5. Practical Implications**

Our study has most practical implications for Swedish MNCs. Even though we could not prove the assumed linkage, the linkage should be beneficial and efficient for companies. Companies should be aware of this.

In our study we explained the importance of a well functioning human resource management, in order for companies to gain a competitive advantage in the international marketplace. Therefore, when companies choose a strategy they should carefully consider their staffing policy as well. Bartlett and Ghoshal, and Perlmutter, have described that certain strategies are to be linked to certain staffing policies to gain advantage. The Swedish MNCs could use our study when they are in the planning phase of expanding internationally. Our results show that Swedish MNCs do not follow the most modern paths, which are assumed the most suitable. Therefore, this study could highlight companies' problems trying

to survive in the global business world. Also, by our study companies could learn about other companies' strategies and staffing policies.

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## Appendix 1a

Högskolan Kristianstad - Institutionen för Ekonomi  
Linnea Ivinger och Lisa Lindvetter

### Bästa Informatör,

Vi är två studenter från Kristianstad Högskola som läser sista året på Internationella Ekonomi-programmet. Vi arbetar just nu på vår kandidatuppsats som går ut på att undersöka om en länk kan bevisas mellan två välkända teorier inom området ekonomi. Den första teorin gäller *internationella företags* strategier och den andra teorin gäller organisationers human resource management. Vi behöver nu er hjälp att undersöka denna eventuella länk, och vi hoppas att ni har möjlighet att ställa upp.

Våra frågor kommer att avse ert äldsta europeiska dotterbolags relation till huvudkoncernen, och även rekryteringen av dotterbolagets ledande manager-positioner.

Vad vi först vill veta är om företaget är *ett internationellt företag med ett dotterbolag inom Europa?*

Om ni svarar Nej på ovanstående fråga, var god sänd tillbaka e-posten så snart som möjligt. Tack för er hjälp.

Om svaret är Ja hoppas vi ni kan delta i vår enkät undersökning. Enkäten består av nio frågor och den kommer att ta *5-10 minuter* av er tid. Vi hoppas ni förstår att er medverkan skulle betyda mycket för oss, och för att visa detta låter vi alla medverkande ta del i ett lotteri av en hemlig gåva.

Vi garanterar er givetvis anonymitet.

Gå in på <http://biphome.spray.se/ced/form/form.html> där ni kan besvara enkäten. Var vänlig fyll i verifieringskoden i början av enkäten. Detta är viktigt.

Verifieringskod:

Med vänliga hälsningar  
Linnea Ivinger och Lisa Lindvetter

## Appendix 1b

Högskolan Kristianstad – Department of Economics  
Linnea Ivinger och Lisa Lindvetter

**Dear Ladies and Gentlemen,**

We are two students from Högskolan Kristianstad doing our final year in International Business. Right now we are working on our bachelor dissertation which is an investigation of linkage between two established theories within the field of business. The first theory concerns *international companies'* business strategies, and the second concerns international companies' human resource management. We now need your help in order to investigate the possible linkage between the two theories, and we hope you will be able to help us.

Our questions will concern your oldest European subsidiary's relation to parent headquarters, and also how the subsidiary's positions of top executive managers are staffed.

What we first need to know is if your company is *an international company with a subsidiary in Europe*.

If the answer is No please return this e-mail as soon as possible. Thank you for your help.

If the answer is Yes to the previous question we hope you will participate in our questionnaire. The questionnaire consists of 9 questions, and will take 5-10 minutes of your time. We hope you understand that your participation would mean a lot to us, and therefore we will let all respondents participate in a lottery of a secret gift.

Naturally, we guarantee anonymity.

Click on <http://biphome.spray.se/ced/form/form.html> where you can answer the questionnaire. Please fill in the control number in the beginning of the questionnaire. This is important.

Control number:

Sincerely,  
Linnea Ivinger and Lisa Lindvetter

### **Appendix 3a**

1. The skills and resources of my organization are located around the world, but each overseas unit conducts its own operations without relying on the expertise of other units located elsewhere.
2. The main role of our overseas operations is to implement parent company strategies.
3. New knowledge (e.g., product improvements) is developed at the parent company and then transferred to overseas units.
4. The most vital and strategic skills and resources of my organization tend to be located at parent company headquarters, while less important activities are located in our overseas units.
5. The primary role of our overseas units is to find out and take advantage of opportunities within the countries in which they operate.
6. Research and development activities are conducted, and the results retained, at parent company headquarters with little dissemination to our overseas units.
7. Our skills and resources are centralized and globally scaled.
8. Research and development activities are typically conducted jointly by parent company and overseas units with the knowledge gained shared worldwide in my organization.
9. Our overseas operations receive and adapt products and services offered by our parent company to the best advantage in the countries in which they operate.
10. My organization locates specialized skills and resources around the world, but our overseas units often cooperate with and depend upon each other.
11. The new knowledge (e.g., product improvements) developed in our overseas units tends not to be transferred to other locations in which my organization operates.
12. My organization is integrated worldwide and our overseas units play an important role by contributing their individual strengths and know-how towards its operation.

*Source: Leong & Tan, 1993, 459*

## **Appendix 3b**

### SELECTION OF MANAGERS

1. Prospective managers in our subsidiaries are most often selected on the basis of their compatibility with the parent-country – for example, previous work experience in the parent country is considered very important.
2. Prospective managers in our subsidiaries are most selected of their compatibility with the local marketplace.
3. Prospective managers in our subsidiaries are most often selected on international potential – the ability to perform well in a number of overseas markets as well as in a local subsidiary.

### ASSIGNMENT IN FOREIGN SERVICE

1. Prime positions in our subsidiaries are staffed with citizens of the parent-country or, to a lesser extent, third-country nationals.
2. Prime positions in our subsidiaries are staffed by local nationals.
3. Nationality makes no difference in our key subsidiary positions. Competence, not passport, counts.

*Source: Heenan & Perlmutter, 1979, 184*

