



The Staffing Policies of Swedish Companies at their Chinese Production Units

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FOREWORD

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As international business students this dissertation concludes our education at University of Kristianstad. By writing this dissertation we had the chance to apply all the knowledge and competence we have earned during our education.

This project was demanding but very rewarding. During these 15 weeks we learned much about the subject we analysed and the impact it has on today's business society.

We would like to express our sincere gratitude to our tutor Bengt Ferlenius, who guided us, helped us and made it possible to complete this dissertation.

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TABLE OF CONTENT

1. INTRODUCTION.....	5
1.1 BACKGROUND	5
1.2 PROBLEM.....	6
1.3 PURPOSE.....	6
1.4 LIMITATIONS.....	7
1.5 DEFINITIONS.....	7
1.6 METHODOLOGICAL STRATEGY	8
1.7 LAYOUT OF THIS DISSERTATION	10
2. LITERATURE REVIEW	11
2.1 STAFFING POLICIES, ADVANTAGES AND DISADVANTAGES	11
2.1.1 <i>Ethnocentric policy</i>	11
2.1.2 <i>Polycentric policy</i>	12
2.1.3 <i>Geocentric policy</i>	13
2.1.4 <i>Summary</i>	15
2.2 VARIABLES AFFECTING THE CHOICE OF POLICY	16
2.2.1 <i>Variables related to the Swedish headquarters</i>	17
2.2.1.1 Corporate strategy	17
2.2.1.2 Corporate culture.....	18
2.2.1.3 Language	20
2.2.2 <i>Variables related to the applying candidate</i>	21
2.2.2.1 Adaptability.....	21
2.2.2.2 Age and experience	22
2.2.2.3 Education.....	23
2.2.2.4 Sex.....	24
2.2.3 <i>Variables related to the Chinese working conditions</i>	25
2.2.3.1 Government laws and regulations	25
2.2.3.2 Loyalty	26
2.2.3.3 Ownership of the production plant.....	28
2.2.3.4 Salary	28
2.2.4 <i>Variables related to the surrounding environment of the assignment</i>	29
2.2.4.1 Cultural differences (non corporate)	30
2.2.4.2 Duration.....	31
2.2.4.3 Family	31
2.3 COUNTRY DIFFERENCES	34
2.4 SUMMARY AND HYPOTHESES	37
3. CASE STUDY.....	40
3.1 RESEARCH STRATEGY	40
3.1.1 <i>Questionnaire</i>	41
3.1.2 <i>Interviews</i>	42
3.1.3 <i>Critics for our case study</i>	43
3.2 PRESENTATION OF THE COMPANIES.....	43
3.2.1 <i>Sony Ericsson</i>	43
3.2.2 <i>Atlas Copco</i>	44
3.2.3 <i>SKF</i>	45
4. ANALYSIS.....	46
4.1 ANALYSIS OF THE CASE STUDY	46
4.2 TEST OF HYPOTHESES.....	50
5. CONCLUSION	51
5.1 CONCLUSION.....	51
5.2 CREDITABILITY OF THE RESEARCH	52
5.2.1 <i>Reliability</i>	52
5.2.2 <i>Validity</i>	52
5.2.3 <i>Relevancy</i>	53

5.2.4 Generalisability.....	53
5.3 CRITICISM OF THE RESEARCH	53
5.4 SUGGESTIONS FOR FURTHER RESEARCH	54
WORK CITED	55

APPENDIX

Appendix 1A	Frågeformulär
Appendix 1B	Questionnaire
Appendix 1C	Further questions
Appendix 2A	Intervju med P.Swane
Appendix 2B	Interview with P.Swane
Appendix 3A	Intervju med E.Lundberg
Appendix 3B	Interview with E.Lundberg
Appendix 3C	Intervju med E.Lundberg
Appendix 3D	Interview with E.Lundberg
Appendix 4	Nationality of the managers

LIST OF FIGURES, TABLES AND DIAGRAMS

Figure 1.1	Layout of the dissertation	12
Table 2.1	Advantages and disadvantages of the different staffing policies....	17
Table 2.2	Variables of the dissertation.....	18
Table 2.3	Staffing policies and strategies	19
Table 2.4	Summary of the literature review	40
Table 4.1	Summary of the case study-variables.....	47
Table 4.2	Summary of the case study-staffing policy.....	48
Diagram 2.1	Sweden vs. China.....	36

1. INTRODUCTION

This chapter presents the dissertation's background, purpose and problem. It also explains research questions, limitations and definitions of the dissertation. After this follows a presentation of our methodological strategy, how we collected necessary data for this subject and our research approach. At the end of this chapter the layout of the dissertation is presented.

1.1 BACKGROUND

The main point of world economics has during the past decade moved several times, from the West and the USA to the Pacific area with China as the leading country. The Chinese market has developed so fast that it is now the fourth-largest receiver of Foreign Direct Investment in the world (Veckans affärer, 2005).

“Join the flow to China or die” is one of the recurrent statements at seminars and conferences around the world. The pressure is huge on the companies today. Low production costs and cheap workforce are some of the many reasons why large numbers of companies are moving their production to China. (Veckans affärer, 2005)

Swedish companies have also been attracted to follow the flow of investment in China. According to the Swedish Chamber of Commerce and the Swedish Trade Council there are about 160 Swedish companies only in the Shanghai area and about 250 in China, but the establishing process is not easy. Problems like fast changing rules, bureaucracy and difficulties with recruiting personnel are some of the problems that most of the establishing companies face. (Veckans affärer, 2005)

In spite of the complex establishment process including differences in culture and business ethics, the Swedish companies are still interested in doing business in China.

1.2 PROBLEM

The main issue that this dissertation is going to study is what staffing policies the different Swedish production companies have applied. The research also looks into the different variables affecting the choice of staffing policy. There are three staffing policies that are going to be used in this research the ethnocentric, polycentric and geocentric policy. The main questions throughout the dissertation are:

- What were the staffing policies that Swedish production companies used when they started their production in China?
- Which factors/variables have influenced the decision?
- Does the case study support our hypotheses?

As a supporting question to help us understand the different staffing policies we are also going to look at the advantages and disadvantages of the three staffing policies.

1.3 PURPOSE

The purpose of this dissertation is to analyse which factors have influenced the management level staffing policies of Swedish production subsidiaries in China. We are also going to find out if they are following the guidelines in literature.

1.4 LIMITATIONS

Due to lack of time and other resources this dissertation is going to be limited both in terms of geographic area and the parts of the companies' organisation.

Geographic limitation means that the dissertation is limited to a few Swedish companies with production plants in China.

Regarding the companies organisation we are only going to look at the management level. By this we mean for example managers for R&D, Production, Sales, Finance and Logistic managers.

1.5 DEFINITIONS

Swedish company: is a company wholly owned or at least the equally owned between the Swedish representative and the foreign company.

Staffing Policy: is a concept concerned with selecting employees for particular jobs. Selection can be defined as a process of collecting data to evaluate and decide which of the candidates to employ. (Hill 2005; Dowling 1994)

Ethnocentric: Means that parent-country nationals fill all the management positions.

Polycentric: Requires host-country nationals to be recruited to manage subsidiaries, while parent country nationals occupy management positions at corporate headquarters.

Geocentric: Seeks for the best people for jobs throughout the organisation, regardless of nationality. (Hill, 2005)

Our operational definition of a staffing policy is based on the majority of leading/managerial personnel fitting the criteria for the one of above mentioned staffing policies. For example if 7 out of 10 managers are Chinese and two are from Sweden and the last one from Germany. This definition leads us to the conclusion that the company has a polycentric staffing policy.

1.6 METHODOLOGICAL STRATEGY

The Swedish companies' decisions to open production plants in China requires large investments which makes them careful when the important decisions, like employment of personnel, are about to be made.

The research moved from theory to data and therefore it became a research with a *deductive* approach.

The *deductive approach* is, as we mentioned above, based on the scientific principles that move from theory to data. It is an approach that searches an explanation for causal relationships between different variables. It is also an approach that contains collection of quantitative data but it does not exclude the usage of qualitative data. It is a highly structured approach that demands independency of the researcher and where generalisation is of importance (Saunders et. al., 2003).

To be able to find theories about staffing policies the project started with the collection of the necessary data. This concerned *secondary data*; data that has already been collected and documented. This is the data we found in literature, newspapers and in previous studies.

When all data were collected our main staffing policies was selected from it. The staffing policies that we decided to test are: ethnocentric, polycentric and geocentric staffing policy.

In order to test our hypotheses, the research strategy was a *case study*. “Case study research is an empirical research of contemporary phenomenon within its real life context using multiple sources of evidence” (Saunders et. al., 2003).

The case study answers questions “why”, “what” and “how”. Within it the data collection may vary: observations, questionnaires, interviews and so on.

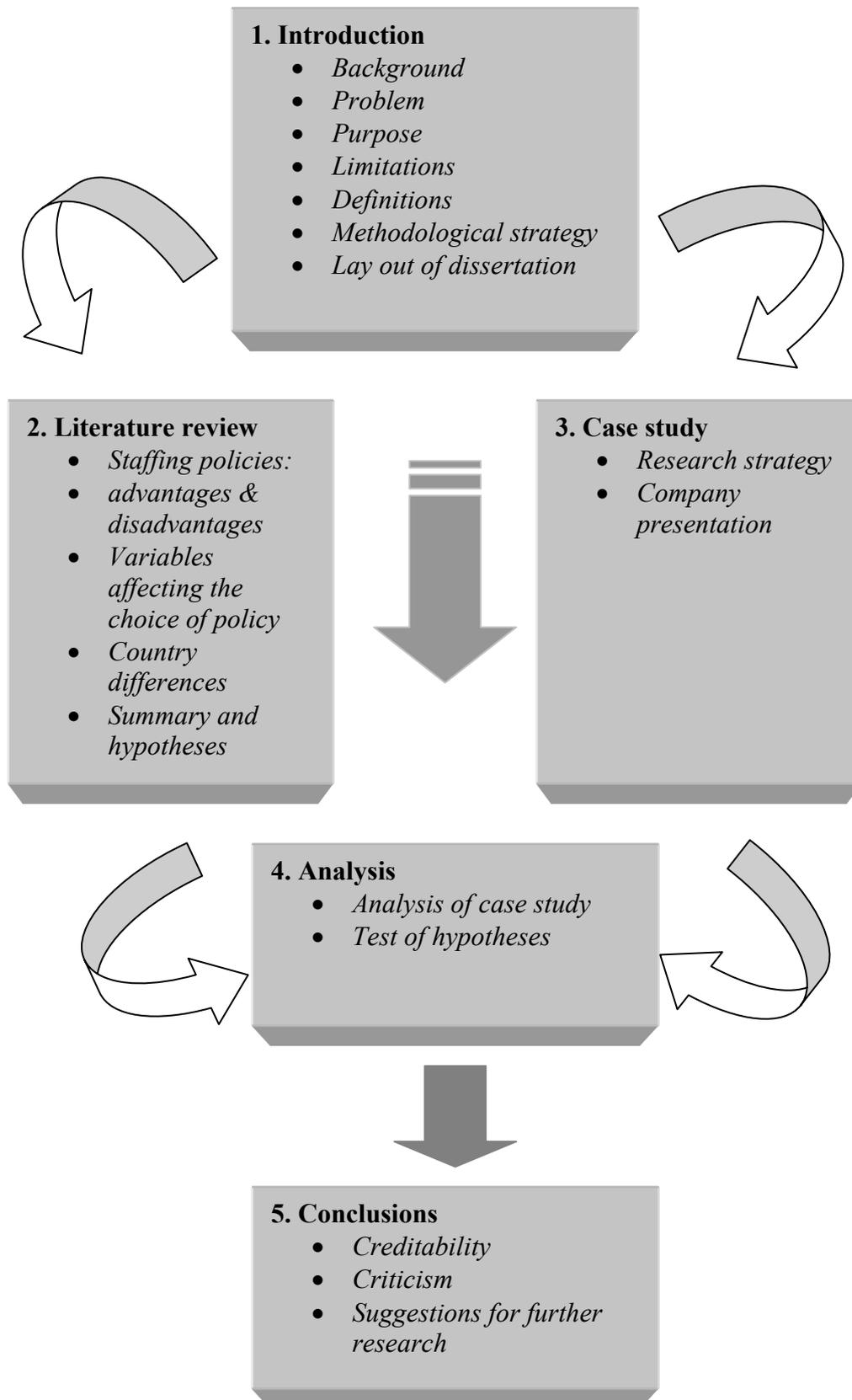
The case study may seem “unscientific” and therefore even suspicious. However if the case study is very well constructed it may be helpful to explore consisting theories and provide a source for new hypotheses (Saunders, Lewis & Thornhill, 2003).

The *primary data* of the case study was collected by interviews with the persons that are/ were involved in the selected companies. A questionnaire prepared for the interviews was formed similar in order to make it easier to compare the result between different companies.

At the end of the dissertation we have presented the analysis of our findings and in the last chapter the conclusions and analysis of the dissertation’s creditability can be found.

1.7 LAYOUT OF THIS DISSERTATION

Figure 1.1 Layout of the dissertation



2. LITERATURE REVIEW

In this chapter we summarize the literature studied in the areas of staffing policies, variables that influence the decision and the cultural environment of Sweden and China. At the end of the chapter we state our hypothesis.

2.1 STAFFING POLICIES, ADVANTAGES AND DISADVANTAGES

There are three options concerning how to choose the appropriate candidate for the assignment. The options that will be discussed in this section of the chapter are the ethnocentric, the polycentric and the geocentric policy. All of them can be used to develop or promote corporate culture depending on the aims and goals of the company. (Hill 2005; Dowling 1994)

2.1.1 Ethnocentric policy

Ethnocentric policy is a staffing approach within the Multi National Enterprise (MNE) in which Parent-Country Nationals (PCNs) fill all management positions (Hill, 2005).

The ethnocentric policy is common in a company within an early stage of internationalization and establishing a new part of its business in another country, where previous experience in company procedures can be necessary. There are even other reasons for practicing an ethnocentric approach; first it gives an MNE a chance to overcome a lack of qualified Host-Country Nationals (HCNs) and second it is the best way to maintain integrated corporate culture and support communication with corporate headquarters (HQ). The ethnocentric policy helps to transfer core competencies to the foreign company, by transferring PCNs who have the

knowledge in that specific area. (Hill 2005; Dowling 1994; Hodgetts & Luthans, 1997)

There are two main disadvantages the first explains that promotion opportunities for HCNs are limited. “This can lead to resentment, lower productivity and increased turnover among that group” (Hill, 2005 p622). The second disadvantage is that an ethnocentric approach may lead to cultural myopia. Cultural myopia can be explained as the host country’s cultural differences in marketing and management decision-making. They are difficult and often impossible to understand for many foreign managers. It can take a long time before expatriate managers, PCNs, adapt to the new environment and during that time many major mistakes and poor decisions can be made. (Hill 2005; Hodgetts & Luthans, 1997; Dowling 1994)

“For many expatriates a key overseas position means new status, authority, and an increase in standard of living” (Dowling, 1994 p52). This may give little value back to the company because some appointed managers might not make the best decisions for the company but the ones most profitable for him/her.

2.1.2 Polycentric policy

A polycentric approach contains host-country nationals (HCNs) that are recruited to manage subsidiaries in their own country, while parent-country nationals occupy positions at corporate headquarters. (Hill, 2005)

Firms practise a polycentric policy for four reasons:

- There are no high risks for cultural myopia. In contrast to expatriate managers the host country managers are not likely to make mistakes in their decision-making, arising from domestic cultural misunderstanding.
- The polycentric approach is less expensive to implement. By employing HCNs no specific cross-cultural training programs are necessary and language barriers are automatically eliminated.

- “Gives continuity to the management of foreign subsidiaries”
(Dowling, 1994. p.53).
(Hill, 2005; Hodgetts & Luthans, 1997; Dowling, 1994)

Among others there are two main disadvantages with a polycentric staffing policy. The first one explains that HCNs have limited career mobility overseas. They cannot gain their experience in the same way as PCNs abroad; the possibility to advancement and further progress outside their own subsidiary is low. (Hill, 2005; Dowling, 1994)

The second disadvantage shows how HQ can be isolated from its foreign subsidiaries. Cooperation between HCNs managing a subsidiary and parent-country managers at HQ meet a lot of difficulties arising from, language barriers, national loyalties and a range of cultural differences. This problem may result in a “federation” of independent national units that can make it difficult to achieve transfer of core competencies, pursuing experience curve and location economies. (Hill, 2005; Hodgetts & Luthans, 1997; Dowling, 1994)

2.1.3 Geocentric policy

Within a geocentric staffing policy an MNE seeks the best people for the job regardless of nationality. (Hill, 2005)

The geocentric staffing policy is the most attractive for HQ since it gives the company the right to employ whoever they feel most appropriate (parent-country nationals, host-country nationals or any country nationals (ACNs)). The MNE has sufficient access to high-quality staff, with high adaptability, available for relocation anywhere and whenever it needs it. (Dowling, 1994)

This approach uses the human resources most effectively and gives the possibility to develop a strong team of international managers with both cultural and informal networks. The geocentric policy achieves values of

transferring core competencies, pursuing the experience curve, enhancing local responsiveness and location economies better, than other mentioned policies. This option reduces cultural myopia and overcome negative aspects of federation problems arising from a polycentric policy. (Hill, 2005; Hodgetts & Luthans, 1997; Dowling, 1994)

Even here, as in the other staffing policies, the adaptation barriers are visible. The geocentric approach is very expensive and it is the main disadvantage, but there are two explanations to this. The first is high costs arising from training and the relocation of managers. Many of them are sent abroad in order to develop the international team essential to support the geocentric staffing approach. The second is more complex and not directly depending on the company. The implementation of the geocentric policy is limited by specific host country national immigration policies. Where the host country requires documentation gathering this documentation is often very time-consuming and of little real importance. The main goal is to force the company to hire local managers instead. (Hill, 2005; Hodgetts & Luthans, 1997; Dowling, 1994)

2.1.4 Summary

The table mentioned below summarizes advantages and disadvantages of the discussed staffing policies on the basis of HQ' view.

Table 2.1 Advantages and disadvantages of the different Staffing Policies

	ADVANTAGES	DISADVANTAGES
Ethnocentric approach Parent – Country Nationals	<ul style="list-style-type: none"> * Organizational control and coordination is maintained and facilitated * Promising PCN managers are given international experience * PCNs are favoured due to their prior knowledge/experience of the company * overcome a lack of qualified HCNs * There is assurance that subsidiary will comply with company objectives policies, etc. 	<ul style="list-style-type: none"> * The promotional opportunities of HCNs are limited * Adaptation to host country may take a long time, where many major mistakes can be made * PCNs may impose an inappropriate HQ style * Compensation for PCNs and HCNs may differ (PCNs are more expensive than HCNs)
Polycentric approach Host – Country Nationals	<ul style="list-style-type: none"> * Language and other barriers at the subsidiary are eliminated * Hiring costs are reduced, and no work permit is required * Continuity to the management of subsidiary improves, since HCNs stay longer in positions * Government policy may dictate hiring of HCNs * Morale among HCNs may improve as they see the career potentials 	<ul style="list-style-type: none"> * Control and coordination of HQ may be impeded * HCNs have limited career opportunity outside the subsidiary * Hiring HCNs limits opportunities for PCNs to gain overseas experience * difficulties of communication between HCNs at the subsidiary and HQ can result in federation of independent national units

Geocentric approach Any – Country Nationals	<i>* most efficiently use of human resource – high quality staff with high adaptability</i> <i>* strong team of international managers – cultural and informal networks</i> <i>* reduces cultural myopia</i> <i>* Salary and benefit requirements may be lower than for PCNs</i> <i>* ACNs may be better informed than PCNs about host-country environment</i>	<i>* Training and the relocation of managers is very expensive</i> <i>* Host country national immigration policies are costly and time-consuming</i> <i>* The host government may resent hiring of ACNs</i> <i>* ACNs may not want to return to their own countries after assignment</i>
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(Hill 2005; Dowling 1994)

2.2 VARIABLES AFFECTING THE CHOICE OF POLICY

In this section we describe the different variables that we believe influences the decision of staffing policy, when employing personnel for management positions. The choice of these particular variables was grounded on our literature review.

The variables are divided into groups in accordance with their internal relationships. Below in table 2.2 these groups and their adherent variables are shown.

Table 2.2 Variables of the dissertation

Variables related to the Swedish HQ	Variables related to the applying candidate	Variables related to the Chinese working conditions	Variables related to the surrounding environment
Company Strategy	Adaptability	Laws and Regulations	Cultural Differences
Corporate Business Culture	Age and Experience	Loyalty	Duration
Language	Education	Ownership of the plant	Family
	Sex	Salary and Bonuses	

We are looking at the variables from the company perspective in order to see what problems might arise from them and why they are important for the company to consider.

2.2.1 Variables related to the Swedish headquarters

The variables in this subsection are the ones concerning how work is being done at the subsidiary in China. Leading to that, the company can with help from these variables choose if it wants to have a close relationship between the HQ and the subsidiary or if it wants the subsidiary to be more adapted to the Chinese working environment.

2.2.1.1 Corporate strategy

The different staffing policies all have a certain corporate strategy.

Table 2.3 Staffing policy and strategy

Staffing approach	Ethnocentric	Polycentric	Geocentric
Strategic Appropriateness	International	Multidomestic	Global and transnational

(Hill, 2005. p.624)

When a company starts the process of planning and building a new production plant, it has to make decisions concerning what strategy to pursue. If it already has subsidiaries in China its strategy for its overseas business may easily transfer to the new production plant. If not, it has to create a strategy. The strategic decisions involve many different aspects that are of no importance to the decision concerning staffing policy. But as seen in table 2.3 above when the strategy is set it can help the company choose the suitable staffing policy. For instance the international corporation keeps a coordinating role by spreading its influence from its centre to regions and nations. (Trompenaars & Hampden-Turner, 2003)

But there are no direct facts to show it is a mistake not choosing the staffing policy that fits the corporate strategy.

2.2.1.2 Corporate culture

Corporate culture includes the values, beliefs and attitudes existing within the company, as it summarizes the way work is done within the company. The output of corporate culture contributes to substantiating perception and a codified system of communication. It includes among things group formations, relationships and communication between senior managers, managers and workers. (Yan, 2005)

Because values are unconscious, they are enduring and therefore not so easily accessible to change. In this respect, they bear some resemblance to values acquired through the national culture (Mead, 1998. p. 105).

This will in turn lead to differences in corporate culture depending on where the company is situated. According to Trompenaars and Hampden-Turner (2003) there are four different types of corporate culture:

- **The Family** has personal face-to-face relationships but is also hierarchical and power oriented. Many of these companies can be found in countries that industrialized late.
- **The Eiffel Tower** in this culture you obey the boss because it is your job to do so. Relationships are specific and status is ascribed to the members.
- **The Guided Missile** means everything you do must meet your strategic intent and lead towards reaching the goal. The culture is task oriented and typical for teams and projects.
- **The Incubator** has an existential idea that companies are secondary to the fulfilment of individuals. The culture is more like a sounding board for the members' ideas.

Some of these cultures are each other's opposites, for example The Family and The Eiffel Tower. Since the corporate culture is linked to the national

culture there may be problems and misunderstandings when a company opens a subsidiary in a country used to another corporate culture.

Present staff members teach the corporate culture to a new employee while working. Yet when sent to a foreign country to start working at a new production plant there is no existing staff member to teach the corporate culture. And even though the manager is fully trained in the culture of the HQ it does not mean that those values, beliefs and attitudes will work at the subsidiary in the new country. Here there may be other ways of doing business that are considered to be the right way. For example if the HQ culture is individualistic (not group orientated) and the business culture in the new country is collectivistic (group orientated) the manager might have problems reaching the planned goals. Similar problems may occur when employing local persons for the management positions, since they lack the understanding of the HQ culture. (Mead, 1998; Trompenaars & Hampden-Turner, 2003; Yan, 2005)

There are ways to minimize the problems and misunderstandings due to differences in corporate culture:

- Train the expatriate manager in the business culture of the new country
 - Send the local manager to work at the HQ for some time
 - Appoint a former expatriate (who worked within the same culture) as a mentor
 - A fusion of the two cultures in to one, applicable to the subsidiary
- (Mead.1998)

There are also reasons for using an expatriate manager as well as for using a local manager. If the company wants to keep the HQ culture they are to send a manager from headquarters on an expatriate assignment. The expatriate manager can also be an ACN, familiar to the culture because of

employment at HQ or at another subsidiary. Employing a local for the management position is used when the company wants to implement, in this case, the Chinese business way. Other reasons could be getting the competitive advantage of faster access to market knowledge, personal networks (considered very important in China) and minimizing political and legislative risks. (Douw, 2004; Garanaut, 2004; Mead, 1998)

2.2.1.3 Language

Language is one important factor the company has to consider, maybe more in the past than now. Today most business people speak English and it has become easier to do business with other countries. But since most international managers are not native English speakers there could be problems as “what I expect depends on where I come from and the meaning I give to what I experience” (Trompenaars & Hampden-Turner, 2003). Two non-native speakers may interpret what is said in two different ways since they take different things for granted in the conversation.

There are two other scenarios for the company to consider both with advantages and disadvantages, and within these there is a connection to the phrase:

Learning language goes beyond a simple ability to recall useable phrases and expressions. It also requires an awareness of sociocultural nuances (Holt, 1998. p.432).

The first scenario is when the company decides to use an expatriate manager. Here it has the linguistic advantages of being able to speak Swedish while for example giving instructions, meetings and inspections. Having a native Swedish-speaking manager also minimizes the misunderstandings when talking to HQ due to body language. The disadvantages of having a Swedish native as the manager are problems when addressing the working staff. But learning to speak Chinese is not an easy thing to do. Swedish and Chinese languages are not related and the

sounds are very different. In China there are many dialects and the company needs to know which one to train the manager in.

The same advantages and disadvantages apply when employing a HCN but in the other order. The local manager has no problems or misunderstandings when addressing the working staff, but on the other hand he may encounter some when dealing with HQ.

Managers in foreign companies speak English while Chinese is spoken at a Chinese worksite. China European International Business School in Shanghai has all its education in English and its linguistic education is very good (Lundberg, 2005-11-15). This gives that the HCN has probably good skills in the English language and it thereby do not requires the PCN to learn Chinese.

When choosing its staffing policy the company must consider the problems it will face regarding language barriers. One solution could be to employ an overseas Chinese, in this case a Chinese who grew up or has lived for some time in Sweden and therefore is fluent in both languages.

2.2.2 Variables related to the applying candidate

Personal qualifications of the candidates are always important but when employing somebody for a job in a foreign subsidiary they are even more important. As the candidate will be exposed to factors different from when working in a subsidiary that consists of one corporate and national culture. Here we have listed the variables we believe the company ought to look into before making a decision about its staffing policy.

2.2.2.1 Adaptability

Adaptability is a variable very much concerned with both corporate culture and national culture. Therefore we will not go through the same arguments twice (national culture will be discussed further ahead) and instead only point out a few things.

One suggestion to the adaption dilemma is to create a conscious understanding about cultural diversity. This can be achieved through international education and training. If the candidate did not receive this at university, it will be appropriate for the company to supply it before the start of the assignment. (Holt, 1998. p.390)

When it comes to expatriates the ACNs are favoured because of international experience and they tend to adapt more easily than managers from HQ. Women have a higher level of adaptability than men; they accommodate others more easily, establish social networks more effectively and are less confined by trappings of power relationships. (Holt, 1998)

Regardless of what staffing policy is chosen the managers need to have adapting skills. These skills may consist of creative thinking, flexibility and not being judgemental. (Mead, 1998; Yan, 2005)

2.2.2.2 Age and experience

In some studies it has been proven that younger co-workers are more eager to work abroad. They are more adoptive for new experiences and cultural differences than older people (Hodgetts & Luthans, 1997).

When fresh out of the university most people do not have the social strings attaching them to the country of origin, making it easier for them to move both within a country and to a new one. On the other hand they lack working experience and how things are done in the classrooms is not often usable.

An older person is likely to have been working for several years and is aware and familiar with business praxis. He/she also has experience maybe even in the field of international management and business. But as the expression goes it is hard to learn an old dog to sit. This shows that it

is harder for an older manager to readjust to the working conditions in a foreign company or to a subsidiary in a foreign country.

The balance between age and experience is a matter of concern no matter what staffing policy the company applies. But the candidate for the management position ought to have some kind of experience in international management, even if it is just from the school bench. Since there is a link between age and experience, the companies are looking for a balance between the two; a younger employee may easily adapt but does not possess the same experience as an older colleague. One may come to the conclusion that the best candidate is middle aged and works in the country or has done business with companies in the country. (Holt, 1998; Hill, 2005)

2.2.2.3 Education

With the term education we do not mean what kind of degree the company wants its managers to have, since this will differ depending on what kind of manager the company desires (top manager or middle manager) and in what area of expertise. Instead we are referring to the ability to find qualified personnel.

A Swedish company will have a great understanding for the educational system in Sweden and the quality of the newly graduated students, mostly because the managers at headquarters got their degrees in Sweden themselves.

In Sweden there are 61 colleges, universities and private education coordinators that supply academic education (hogskoleverket, 2005). At the moment there is an easy access to engineers, especially newly graduated. (hogskoleverket, 2004)

In China on the other hand there are thousands of colleges and universities (Landguiden, 2005). And every year these schools turn out about 400 000 engineers. This is as many as the EU, the USA and Australia together

(Civilingenjören, 2005). Even though it is a high number, the number of people of the right age makes the competition extremely high and access to universities is sometimes limited. Chinese students enter university when 17-18 years old, but before admission they have to undertake very hard entrance exams. Because of this and the confucianistic inheritance emphasizing mechanical learning and hierarchy today there is a lack of personnel with creativity, willingness to take risks and leadership abilities. (Lundberg, 2005-11-15; Tempus, 2005)

Before choosing the staffing policy the company has to look into the number of available candidates. If it is to select an employee from HQ his/her qualities are known and the post will be easy to fill for the duration of the assignment.

When preferring a HCN there may be problems in allocating qualified personnel. Multiple methods of recruitment can be used such as job fairs, university career days, recruitment consultants, newspaper ads and labour agencies. But these tasks are time consuming, costly and there is no guarantee of the outcome. (Yan, 2005)

2.2.2.4 Sex

The variable of sex is one of a sensitive matter especially in a country like Sweden where equality between the sexes is a high priority. There are a high number of female managers in Sweden, but in other countries like China the view of female managers were not as well developed. The picture is changing and more females apply for higher education today than before, making it easier to find local females for the managing positions. According to Eskil Lundberg (2005-11-15) female students from China European International Business School in Shanghai are very attractive in the labour market and are handling their interviews better than their male counterparts.

Most research findings consider expatriate females and not the advantages and disadvantages of a female Chinese manager. The male manager is not

discussed here because a male manager is considered with authority in both countries.

Many might argue that sex should not be a matter of consideration but as stated among the advantages and disadvantages for female expatriates in Holt (1998) many foreigners are unwilling to accept women in managerial positions. The company has to look into whether a woman would be accepted or not at the foreign production plant.

2.2.3 Variables related to the Chinese working conditions

Different countries have different sets of rules and regulations and when a company first sets out to open a production plant in a new country there are many things it needs to know. Employing a candidate with the right knowledge may help the company overcome some obstacles. There are also laws to be considered before employing anybody, because there might be restrictions preventing, for instance foreigners from working in China.

2.2.3.1 Government laws and regulations

The laws and regulations concerning foreign companies in China have changed during the last fifteen years. Still foreign companies have problems and even local companies are confused.

Not because of the competition but due to that different rules applies to foreigners and foreign companies since these are subject to special legislation concerning foreign investment. A Foreign private firm is not covered by the Company Law, Partner Enterprise Law or the Sole Proprietor Enterprise Law these only cover private domestic firms (Garanaut, 2004. p.170).

The differences in the legal system and to know which laws apply where are hard for a foreign manager. Here the HCN has an advantage because

of legal courses at university and living through the reformation of the legal system.

Another factor that points towards a HCN is that only in a majority-owned joint venture and with government approval can a foreigner hold the position of managing director. Still the fact that there are many foreign managers in China this regulation cannot be a too hard obstacle to overcome. (Holt, 1998)

The All-Chinese Federation of Trade unions (ACFTU) and the Chinese Communist Party (CCP) cover laws and regulations concerning the working conditions.

All worksites with more than 25 employees are allowed to have a trade union, but it is not allowed to negotiate salary or working conditions. Instead it functions directly under the government controlled ACFTU (Landguiden, 2005 translated).

Not all companies have a trade union as a result of their inability to influence the company's decisions among things. Swedish companies have a more open communication with their workers and therefore the workers can more easily transmit their opinions to the managers.

A law that might cause problems when recruiting personnel is the one that says; when a person applies for a job he/she must have a permanent residence permit for that specific location. This is a problem since in China there is a lack of persons with the proper education especially in the industrial areas. And this law hinders recruitment from other areas. Foreign people wanting to work in China also have to have a residence permit. (Landguiden, 2005; Lundberg, 2005-11-15)

2.2.3.2 Loyalty

Loyalty is a variable concerning how long an employee is willing to stay with the company. This is not only a problem concerning local Chinese

managers but also expatriate managers. In a country like China where it is hard to find qualified personnel, the company has to take actions in order to keep its managers. There are many different ways for a company to do this. For example it can give the staff more influence in the decision making process or give them bonuses like company cars.

The expatriate failure leading the expatriate manager to return early cannot be avoided by bonuses. But if the company has problems finding an appropriate replacement for the expatriate manager when the assignment is over a loyal manager may be willing to stay longer. Still here the expatriate manager may need some incitements in forms of bonuses or a higher salary. (Tempus, 2005)

When looking at a HCN both in the case of a polycentric and a geocentric approach there are no greater loyalty towards the employer in China. High-qualified personnel have a taste for hard and competent work, and a short-term devotion to the company. Especially the newly graduated have a tendency to move on after a short time; the average time of employment is 1.5 years (Civilingenjören, 2005). In-house training is one thing a company can consider if it already has a subsidiary in China, making a junior level manager into a senior manager at the new subsidiary. Since in-house trained managers have a tendency to stay longer and it also shows other managers that there are chances of promotion. (Douw, 2004; Tempus, 2005)

But the Chinese have a great loyalty when it comes to disagreeing with their boss. This comes both from not wanting to “lose face”¹ or make the superior manager “lose face” and their educational system that do not teach the students to speak up and express their opinion. (Lundberg, 2005-11-15)

¹ A common expression and mentality in Chinese culture.

Since employing a new person for the position is more expensive than keeping the old one, the company has to take into consideration how long the candidate is willing to stay before making its decision. (Tempus, 2005)

2.2.3.3 Ownership of the production plant

In this dissertation we are not only looking at wholly owned subsidiaries but also at companies that are joint ventures.

When the production plant is a joint venture the partner company may have requests about who to employ. The other company may prefer an employee from its HQ or of its own nationality.

Another reason to why we bring it up is that at the beginning foreign companies were not allowed to have fully owned subsidiaries in China until 1997 when China joined the World Trade Organization (WTO) (Davis Wright Tremaine LLP, 2005). The production plants were all co-operations of some sort, mostly joint ventures. Foreign partners rely on their Chinese partners to recruit employees to the venture, this because they have the required knowledge about the labour market. (Yan, 2005)

2.2.3.4 Salary

The production costs, including the cost of the personnel, are lower in China than in Sweden. With the cost for personnel we mean salary, social insurance and benefits paid by the company.

Here is a clear difference between employing a HCN or an expatriate, either from HQ or an ACN. Since the ACNs differ from one company to another they are hard to include in this comparison, therefore we make the assumption that their salary contracts are comparable to the Swedish ones.

On an average a Swedish engineer makes 32 600 Swedish kronor (SEK) per month (Scb, 2005) while working in Sweden and it is not unlikely that they will make a little more when on an expatriate assignment. A monthly salary of 32 600 will end up costing the company around 45 640 SEK after adding the social security contribution which is altogether about 40%

(Swane, 2005-10-24). Another matter of concern is where the taxes are to be paid and what deductions can be made.

A Swedish person working abroad for more than six months is usually not subject to taxation if tax is paid in the other country. Tax deductions are available for persons working less than 183 days and a monthly deduction of 3 200 Chinese yan (CNY) is normal for foreigners in China (Deloitte, 2005 translated).

In China it is mandatory to pay a month extra salary at the end of the year. On the other hand a Chinese engineer working for a foreign company makes on average 5 000 CNY (civilingenjören, 2005) per month, with today's (2005-10-28) exchange rate that ends up to 4 687 SEK per month (1 CNY = 0.94 SEK, Forex 2005). When including social insurance of 43.5 % the salary of 6 725.8 SEK still does not come close to the one of the Swedish engineer. But since qualified personnel is hard to find and keep in China companies often have to pay bonuses in forms of money, free housing and meals, mobile phones or new tires to the car (Tempus, 2005). A reason that the Chinese engineers do make so little money may be that he/she has not shifted jobs yet. They tend to make more and more money every time they change jobs and in the end the best ones make the same amount as a Swedish one. (Jörneskog, 2005-11-17)

2.2.4 Variables related to the surrounding environment of the assignment

Here we have listed three other variables that may influence the company while making the decision between a PCN, a HCN or a ACN. These variables may not seem to look at the HCN as they point out more facts concerning the parent and any country nationals. But if the company do not consider these variables it may encounter problems, that may be avoided by employing a HCN or just by having the proper knowledge about how to avoid them.

2.2.4.1 Cultural differences (non corporate)

“Culture is man-made, confirmed by others, conventionalised and passed on for younger people or newcomers to learn” (Trompenaars & Hampden-Turner, 2003). That there is a great difference between Chinese and Swedish culture is a known fact and this affects the choice of staffing policy, in the way that an expatriate manager might fail due to the inability to adapt to the new cultural environment.

When choosing an ethnocentric or a geocentric policy, the employees should undertake cross-cultural training so that they can cope with everyday life and also to avoid misunderstandings while addressing the workers. Cross-cultural training may lead to the ability to understand different cultures, recognize the cultural differences, see the opportunities in the other culture, communicate in the new language and understand the ups and downs of everyday life. (Holt, 1998; Mead, 1998)

A company’s ability to attract, retain and motivate people from different cultures can give it competitive advantages in cost structures, structures, creativity, problem solving and adapting to change (Mead, 1998. p.18).

This clearly gives an incitement to implement a geocentric staffing policy in the subsidiary. While the risk of cultural shock is a disadvantage, this is a state that will severely damage the manager’s ability to function and work properly.

With a polycentric policy the Chinese culture is not a problem since the manager is already functioning within it. Nor is the Swedish culture a problem if there is no mandatory trips to Sweden included in the assignment. Here the corporate culture needs to be considered because of differences between the countries business cultures. Even if the local manager may need some cross-cultural training it is less expensive, as it is only work related.

2.2.4.2 Duration

With duration we mean the length of the assignment. There are different types of assignments and the choice of staffing policy differs among them.

For a shorter assignment concerning the initiation process, helping the subsidiary to get started, an expatriate manager (both PCN and ACN) may be better qualified. Since they have the knowledge of the company and another job to return to after finishing the assignment. It might also be hard to find a HCN that wants to spend up to one year starting up a production plant where there are no further job opportunities. Even if you should not rule out the HCN, an ethnocentric or geocentric staffing policy may be preferable. (Holt, 1997; Hill, 2005)

For a long time assignment including the start up process and then continuing into the future, all of the variables in this chapter are to be considered. Still looking at it from a point only considering time, the HCN may be the most suitable. Even if a HCN is unlikely to make a lifelong commitment to the company it is easier to change one local for another. Some of the factors that make a HCN more appropriate are family, friends, children and their education and that they are accustomed to the Chinese culture. (Holt, 1997; Civilingengören, 2005)

2.2.4.3 Family

Family is a variable relevant when the decision involves an expatriate manager.

When employing a local for the position the family is also local and in no need of training in how to survive in a new culture.

In Hill (2005 p 624) the main reasons why expatriates fail is listed and number one is: inability of spouse to adjust (in most cases the wife) and

third are other family related problems². This shows the importance of how family members experience living in a new and unfamiliar country.

Nowadays most wives are working and if they are to accompany their husbands abroad, they will have to give up their job. It may be a big problem for the wife to find a fulfilling job in the new country. Here the company can help by also giving the wife a career opportunity at the overseas subsidiary or make appointments for her at a local recruiting agency.

Another way for the company to make it easier for the spouse/children to adapt is to include them in the acculturation and language training that the manager receives. Facts point to that wives value the predeparture orientation and in particular, acculturation training more than the husbands does. This might depend on the wives being out more in the culture, buying food and organizing for the children, while the husbands are in somewhat familiar circumstances at the office. Another thing that Swedish companies do nowadays is sending the family to look at accommodations before departure. (Holt, 1998; Lundberg, 2005-11-15)

The children are also to be included in the process of predeparture training; depending on their age their adaptation will be more or less easy. If they are preschool the parents do not have to worry about enrolment procedures or the standard of the educational program. Here the company can help by having in-house day-care or make recommendations about good schools. (Holt, 1998; Hill, 2005)

An American newspaper reported a survey conducted by a New York consulting firm where one company explained: "The desired expatriate is a thirtyish married male with preschool-age children" (Mead, 1998).

² Second is manager's inability to adjust.

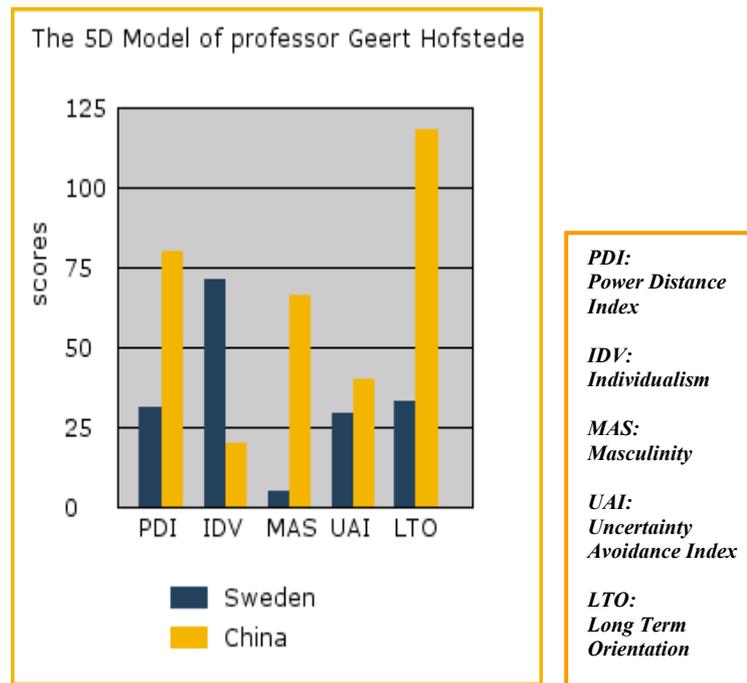
This can be explained by the fact that with preschool children the wife might still be at home and therefore not dealing with becoming a housewife at the same time as leaving her home country. It may also be easier for the children since they are not enrolled in school and will be in an age where it is easy to build new friendships.

Training an expatriate and the accompanying family is costly for the company, which might lead the company to train only the manager. This on the other hand may lead to an expatriate failure, which will be even more costly. To sum up, before choosing between an expatriate manager and a local manager the family situation must also be considered.

2.3 COUNTRY DIFFERENCES

In this section the differences between in Swedish and Chinese's national culture and business culture are briefly discussed. The differences in culture influence the way people act and thereby also the decision of staffing policy. Firstly the national culture differences are described using Hofstede's theories, secondly some of the business culture differences are stated.

Diagram 2.1 Sweden vs. China



(Hofstede, 2005)

The diagram above shows that there is a great difference between Swedish and Chinese culture. The different variables stand for:

- **Power Distance index** refers to whether there is a high inequality of power and wealth between the people. A country with a low power distance is one that stresses equal opportunities for everybody.
- **Individualism** talks about the relationships between the members. In a country with high individualism, individuality and the individual are paramount. Relationships between the members are loose as in contrast to the collectivistic culture, which forms tight bonds and the members take care of each other.

- **Masculinity** indicates to what extent the country enforces gender differentiation. In a country with low masculinity females and males are treated equally without any discrimination.
- **Uncertainty avoidance** focuses on the tolerance of uncertainty. If with a high level the country has a low tolerance for uncertainty and ambiguity. This leads to many rules, laws and regulations controlling the society. A low score shows that the country has a high acceptance for variety.
- **Long-term orientation** handles the country's position when it comes to embracing long term devotion to traditional, forward thinking values. A high level indicates that the country has a strong commitment to tradition this can make it hard for an outsider to do business in that country. (Hofstede, 2005)

The only variable where the two countries are somewhat similar is Uncertainty Avoidance, in the other four there are more or less a high distance between China and Sweden. These cultural differences will probably continue to be there, but the way Chinese and Swedish business people cooperate will likely undergo some changes, as culture is made and affected by people interacting with each other. (Trompenaars & Hampden-Turner, 2003)

China has for the past 50 years undergone some changes in the way they interact with foreigners. In 1949 Swedish companies exported products like paper and wood pulp to China. There were no direct cultural aspects to the negotiation but they were technically problematic. China started to open up in 1978 thanks to Deng Zao Ping, but foreigners living in China were not allowed to socialise privately with their Chinese counterparts. Today the environment is totally different. Chinese and Swedish businessmen are allowed to meet outside the office and foreigners are allowed to have contacts with universities, businessmen and country administration without a Chinese overlooking the process. (Lundberg, 2005-11-15)

As the business culture in China has changed and become more open, foreigners now have to be more considerate and respectful to the Chinese cultural inheritance. To show an interest in Chinese culture, art or history is ways to lighten up the relationship with a Chinese business partner. (Lundberg, 2005-11-15)

But there are also other matters to consider while doing business with the Chinese, things different from Swedish business behaviours. A few of these are stated below:

- **Appearance:** Women should avoid high heels and short-sleeved blouses. Jeans are not accepted for business meetings.
- **Behaviour:** Do not use large hand movements; it may distract the Chinese host. Avoid acts involving the mouth or pointing and do not give gifts that refer to death for example anything blue, black or white or connected to a crane.
- **At dinner:** Do not discuss business at meals, do not eat or drink before the host. As a cultural courtesy you should taste all the dishes, but do not finish the plate. Women do not usually drink at meals.
- **Communication:** Bowing or nodding is the common greeting but applause is common when greeting a crowd. Appointments are a must for business and to be on time is vital. Be very careful when handling business cards, receive and give them with both hands. And do not forget to let the Chinese leave the meeting first.

(International business centre, 2003)

Still the Chinese may not be as sensitive as foreigners might think, one should not overdo it. They do understand as long as one is straight and sincere. They may even find it amusing when foreigners try to totally adjust to their conditions. So as long as one uses the head and some common sense it will probably be no greater problems. (Lundberg, 2005-11-15)

2.4 SUMMARY AND HYPOTHESES

In the literature review Hill (2005), Holt (1998) and Mead (1998) point out that there are three main staffing policies applicable in today's business world. These are the Ethnocentric, Polycentric and Geocentric approach. The policies can be explained in short by the following:

- **Ethnocentric policy:** Personnel from HQ should occupy the management positions; because of for example company knowledge, better organization control and coordination.
- **Polycentric policy:** Local managers are employed, due to language skills and labour costs among other things.
- **Geocentric policy:** The best-qualified person is employed, since for example competence and high adaptability.

In order to be able to select which staffing policy is best suited for Swedish companies and their production plants in China, the environment surrounding the decision was studied. According to Dowling (1994), Hodgetts & Luthans (1997) there are several factors/variables that influence the company choice of staffing policy. The variables studied are summarized in table 2.4.

Early in our literature review we found that there are great differences in the business and national cultures of China and Sweden. In Hofstede (2005) the differences in national culture were pointed out, among his five cultural dimensions only uncertainty avoidance was somewhat similar between the two countries. This is the dimension that marks a country's tolerance for uncertainty and ambiguity. Both countries had a low rank showing that they have a high tolerance for variety.

Further on information received from the International Business Centre (2003) showed how to behave while doing business in China. The biggest differences between Chinese and Swedish business culture were in the area of behaviour (hand movements and giving gifts), at dinner (taste

everything but do not finish a plate and females do not drink during meals) and communication (nodding and handling business cards).

Table 2.4 Summary of the literature review

VARIABLES	STAFFING POLICIES		
	<i>Ethnocentric</i>	<i>Polycentric</i>	<i>Geocentric</i>
<i>Corporate Culture</i>	+	-	0
<i>Company Strategy</i>	0	0	0
<i>Language</i>	0	0	0
<i>Adaptability</i>	-	+	-
<i>Age and Experience</i>	+	+	+
<i>Education</i>	+	-	0
<i>Sex</i>	0	0	0
<i>Laws and Regulations</i>	-	+	-
<i>Loyalty</i>	+	-	+
<i>Ownership</i>	0	0	0
<i>Salary and Bonuses</i>	-	+	-
<i>Cultural Differences</i>	-	+	-
<i>Duration</i>	-	+	-
<i>Family</i>	-	+	-

When looking at China the variables agree or do not agree with the different staffing policies. In table 2.4 we have summarized our literature review by giving the different variables a + (agreeing), a - (not agreeing) or a 0 (neutral) to show how they agree with the different staffing policies.

In order to separate the geocentric policy from the other two we excluded Chinese and Swedish managers from it. The reason for this is because those managers can be the most suitable candidates but if that is what the company wants it will choose an ethnocentric or a polycentric policy. In order to make the table easier for the reader to grasp the following segment is an example. The variable Education has a plus concerning the ethnocentric policy since it agrees well with it. When comparing Education with the polycentric policy, there is a minus because they do

not agree. Finally Education has a zero since it has neutral relationship with the geocentric policy.

After evaluating the studied literature we created the following Hypotheses:

Our first hypothesis is that at the beginning of the establishment Swedish companies should choose a polycentric staffing policy at their production plants in China.

Our second hypothesis is that the most influencing variable in the decision making process is language.

Our third hypothesis is that the most influencing variable in the decision making process is laws and regulations.

Our fourth hypothesis is that the most influencing variable in the decision making process is cultural differences.

We base these assumptions on the previous stated facts from our literature review; the cultural differences and the language barriers may be hard to overcome while implementing an ethnocentric or a geocentric approach. Moreover the result from Table 2.5 points towards implementing a polycentric policy.

3. CASE STUDY

This chapter describes the dissertation's research strategy including the questionnaire and interviews. In the end we also present the companies that were part of the case study.

3.1 RESEARCH STRATEGY

The purpose of the dissertation was to analyse which factors influence the management staffing policies of Swedish production subsidiaries in China. To be able to answer the research questions a case study was conducted. This was necessary because the needed information could only be gathered through qualitative data by interviews and questionnaires with mentioned companies.

The case study started with a selection of companies that we wanted to investigate. The primary goal was to find Swedish production companies with wholly owned production plants in China. Finding these companies was more complex than expected. Therefore we reconsidered our target and included joint ventures with foreign companies.

To be able to choose companies for the case study, the data about Swedish companies in China was received from Sweden-China Trade Council. By

a random sample about ten companies with production plants in China were chosen. The first contact with the companies was established by telephone. At that time they were asked about their willingness to participate in our case study. The vague interest among the companies contacted resulted in the research's small scope. The number of selected companies came down to three, Sony Ericsson (with one subsidiary in China), SKF (with six subsidiaries in China) and Atlas Copco (with seven subsidiaries in China).

In order to make it easier for the companies to answer the questionnaire or to be prepared for the interviews, the questions were sent in advance. Because of the geographic obstacles (some participants were located in Shanghai) and our participants' lack of time, some answers to the questionnaire were received by e-mail, while other answers were gathered by interviews.

The results of the case study are gathered and compiled in table 4.1 that can be found under chapter 4. The measurement of our results was based on the fourteen cases; in each and every case all managers were studied separately. This data made it possible to draw our conclusions to what staffing policy that specific production plant has.

3.1.1 Questionnaire

The questionnaire was based on the literature review. To be able to compare our results the same questionnaire was used throughout the research.

The framework of the questionnaire started with a presentation of the research topic and our group. To make sure that the right persons at the selected company answered the questionnaire, the following segment of it covered background and control questions.

Further on it contained questions related to the companies studied. To allow us to visualize the company' structure and also to see how many production plants it has.

The last segment regarded the different variables that we believed influence the decision when employing personnel. The choice of variables was made by an analysis of the secondary data, which showed that several recurring variables were important when discussing HRM in a company.

In the questionnaire the variables are divided into four groups in accordance with their internal relationships:

- Variables related to HQ – corporate culture, corporate strategy and language
- Variables related to the applying candidate – adaptability, age and experience, education and sex
- Variables related to Chinese working conditions – government laws and regulation, loyalty, ownership of the production plant, salary and bonuses
- Variables related to the surrounding environment of the assignment – cultural differences, duration and family

The questionnaire also included questions regarding importance of the mentioned variables. The participants were asked to rank the importance of the different variables. (Appendix 1)

3.1.2 Interviews

The interviews were continuous throughout the project, in order to complement the previous data. To be able to compare and draw the same conclusions the interview questions were similar to the questionnaire. The main difference was that the questionnaire was made to be answered in front of the computer. (Appendix 1)

Another kind of interviews was performed with Eskil Lundberg (former Consul-General in Shanghai). The purpose of the interview was to get an overall picture about the similarities and differences between Chinese and Swedish business culture. The performed interview was a semi-structured one, allowing Mr Lundberg to talk more freely about the subject. (Appendix 2 & 3)

3.1.3 Critics for our case study

The case study contains fourteen cases but within three companies. We should have foreseen the loss of participants and therefore contacted a larger number of companies.

Another aspect that we should have paid more attention to was finding a second opinion within the companies. The goal was to have at least two participants per case but the outcome was not to our satisfaction as we only got one.

During the gathering of the primary data we noticed that the layout and context of the questionnaire might have been perceived as complex. This may have been a further reason for the low level of participation among the companies contacted.

3.2 PRESENTATION OF THE COMPANIES

In the following section a short presentation of the selected companies is given.

3.2.1 Sony Ericsson

“Sony Ericsson Mobile Communications is a global provider of mobile multimedia devices, including feature-rich phones and accessories, PC cards and M2M solutions” (Sony Ericson.com).

The Sony Ericsson is an enticing brand that combines technologically powerful products with innovative applications for mobile imaging, communications and entertainment. The main goal for Soy Ericsson is to create compelling business opportunities for mobile operators and offer desirable, fun products for end users.

Sony Ericsson Mobile Communications is a joint venture company established in 2001 by telecommunications leader Ericsson and consumer electronics powerhouse Sony Corporations. The company is owned equally by Ericsson and Sony (49% each) and an unknown third part (2%). The company announced its first joint products in March 2002.

There are approximately 5,000 employees at Sony Ericsson worldwide. It undertakes product research, design and development, marketing, sales, distribution and customer services. Global management is in London, and R&D is in Sweden, Japan, China, the US and UK. (Sony Ericsson, 2005)

3.2.2 Atlas Copco

The Atlac Copco Group was founded already in 1873 as AB Atlas in Stockholm (Sweden), where the company's headquarters are situated. During that time it was the largest manufacturing company in Sweden. AB Atlas first international expansion was Arpic Engineering, located in Belgium. (Atlas Copco, 2005)

Today Atlas Copco is a global group of companies developing and manufacturing industrial tools, compressed air equipment, construction and mining equipment and assembly systems. Additionally Atlas Copco offers related service and equipment rental. "The Group operates through a number of divisions within four business areas; Compressor Technique, Construction and Mining Technique, Industrial Technique, and Rental Service" (Atlas Copco, 2005)

There are 49 production sites in 16 countries where seven of them are situated in China. These Chinese productions are fully owned by Atlas Copco with entire management responsibility. (Atlas Copco, 2005; Hamilton, 2005-11-16)

Furthermore Atlas Copco operates under different brands in 150 countries, where half of its sales and service network are wholly or partly owned sales companies. (Atlas Copco, 2005)

3.2.3 SKF

“SKF is the leading global supplier of products, customer solutions and services in the rolling bearing, seals business and related businesses” (skf.com). SKF (Svenska Kullager Fabriken) was founded in 1907 and by 1911 it had established its first production plant abroad (in Luton the United Kingdom). Now it is represented in 70 countries all over the world. The company is divided into five divisions; Industrial, Automotive, Electrical, Service and Aero and Steal. Each one of these serves a global market focusing on its specific customer segments. (SKF, 2005)

Of SKFs 100 manufacturing sites six are located in China; of these production plants two are wholly owned. The other four are joint ventures where SKF has the majority of the shareholding and management responsibility (60/40%; 70/30% and two of 51/49%). Five of these six production plants produce Bearings and the sixth produces Seals. (Johansson, 2005-11-14; SKF, 2005)

4. ANALYSIS

Here we analyse the collected data and present the results of the case study. All the cases have been studied separately, every production plant as a case of its own. In the end we test our hypotheses against the collected data.

4.1 ANALYSIS OF THE CASE STUDY

The purpose of the case study was to find out which staffing policy the companies studied used when employing management personnel. In order to gather the necessary data we asked the companies for the nationalities of the main division managers; CEO, finance, R&D, production, marketing and technology.

The result of our case study is presented in table 4.1 and in table 4.2. Where table 4.1 shows the variables and their relationship with the companies and table 4.2 shows the companies and their staffing policies.

Among the answers regarding the variables there was a great diversity, variables considered important by one participant was considered unimportant by another. Some of the variables were pointed out as neither important nor unimportant.

As to how to interpret the table on the following page (Table 4.1) an example is presented; if the company consider the variable important it has a plus under the corresponding production plant, if not it has a minus and in the case where the company consider it to be either unimportant or important there is no mark. The numbers that can be found under each company represents their different production plants (Sony Ericsson has 1, SKF has 6 and Atlas Copco has 7).

Table 4.1 Summary of the case study - variables

Variables	Companies/ Prod. units	Sony Ericsson						SKF						Atlas Copco						
		1	1	2	3	4	5	6	1	2	3	4	5	6	7					
The less (-) and most (+) important variables:																				
<i>Variables related to the Swedish HQ</i>																				
Corporate culture			+	+	+	+	+	+	-	-	-	-	-	-	-					
Corporate strategy																				
Language (Chinese)	-	+	+	+	+	+	+	+	+	+	+	+	+	+	+					
Language (Swedish)	+ (English)																			
<i>Variables related to the applying candidate:</i>																				
Adaptability																				
Age and experience	- (Age)	+	+	+	+	+	+	+	+	+	+	+	+	+	+					
Education	+																			
Sex		-	-	-	-	-	-													
<i>Variables related to the Chinese working conditions:</i>																				
Government laws and regulations	+								+	+	+	+	+	+	+					
Loyalty	-																			
Ownership of the production plant																				
Salary and bonuses																				
<i>Variables related to the surrounding environment of the assignment:</i>																				
Cultural differences	+	+	+	+	+	+	+													
Duration																				
Family	-								+	+	+	+	+	+	+					

The variables marked as important and examples of the given reasons were:

The Chinese Language (13/14) managers must be able to talk to their teams and people.

Age and Experience (13/14) in 6 of these cases age was crossed out, the managers need to have knowledge and experience in business ways as well as in general leadership.

Laws and regulation (8/14) since they may restrict the options concerning for example nationality of the employees.

Cultural Differences (7/14) since these differences are so large; the manager needs to have an understanding for them.

Family (7/14) since the manager may want to bring his/her family along.

Corporate Culture (6/14) in order to be able to promote the company values, leadership behaviour and have access to in house networks.

The English Language (1/14) the duration of the assignments makes it hard to learn a new language.

Education (1/14), there is a lack of specific competence in China, for instance in the area of marketing.

There were also variables marked as unimportant, but since we wanted to see which variables did influence the decision we will only state these variables without any further explanations. They are Corporate Culture (7/14), Gender (6/14), Loyalty (1/14), age (1/14), Family (1/14), and The Chinese Language (1/14).

The result of the case study presented in Table 4.2 (below) clearly showed a polycentric staffing policy as the most common one when starting up a production plant in China. In 12 out of 14 production plants a polycentric policy was used while one had an ethnocentric policy and one had a geocentric policy (Table 4.1). In accordance with our definition that says that the majority of the managers should fit the described criteria for a specific staffing policy. This leads to a polycentric policy when we looked at the results even though the company says that it has a geocentric policy.

For further information on the different nationalities of the studied managers, they are presented in appendix 4.

Table 4.2 Summary of the case study-staffing policy

Companies/ Prod. units Variables	Sony Ericsson	SKF						Atlas Copco						
	1	1	2	3	4	5	6	1	2	3	4	5	6	7
Staffing Policy:														
<i>Ethnocentric</i>	X													
<i>Polycentric</i>		X		X	X	X	X	X	X	X	X	X	X	X
<i>Geocentric</i>			X											

The numbers presented under the companies represent their production plants. The “X” marks what staffing policy the production plant has, according to our operational definition.

In the literature review the variables are described with examples related to the different staffing policies, while in the case study the companies were asked to give their reasons to why the variables were important or unimportant. The statements given by the companies fit the criteria for the polycentric staffing policy stated in the literature review.

When comparing the literature review with the results from the case study, regarding the variables, we found similarities in the variables fitting a polycentric staffing approach (table 2.4) and the variables that companies considered important (table 4.1).

4.2 TEST OF HYPOTHESES

To make it easier we present summary of our hypotheses:

H1. At the beginning of the establishment Swedish companies should choose a polycentric staffing policy at their production plants in China.

H2-4. Variables most important for the decision are:

- Language
- Laws and regulations
- The Cultural Differences between China and Sweden.

When it comes to the choice of staffing policy our hypotheses were proved to be accurate since 12 of 14 production plants had a polycentric policy. This result may depend on many of the production plants belonged to the same companies.

Our second, third and fourth hypotheses were proved to be accurate, since at least 50 per cent of the participants considered these variables to be important for the staffing policy decision.

It must be stated that also the variables Family and Experience were considered important by at least 50 per cent of the participants. The reason that we did not include these two variables in our hypotheses is that we believed that experience could be found among the candidates from all staffing policies. Concerning family we did not consider it to be important since for a HCN the family is already there. Nevertheless this could still be a reason for making the variable important.

5. CONCLUSION

In this chapter our conclusions are presented. Further on the dissertation's creditability and critics of the research are discussed. In the end suggestions to further researches are given.

5.1 CONCLUSION

There are many Swedish companies established or planning to establish themselves in China. Low productions costs and the larger market are two of several reasons why a company may consider moving its production to China.

One of the main resources a company possesses is its human capital; therefore it is important to pay attention while employing personnel. The literature pointed out three main staffing approaches usable during the selection of personnel for the assignment: ethnocentric, polycentric and geocentric approach. The definition of these policies is fixed, making it almost impossible to apply them directly into a company.

In spite of the fact that our case study showed that the majority of the studied companies had a polycentric approach (according to our definition of staffing policies), we came to the conclusion that all studied companies had their own staffing approach. They are not using any particular staffing policy. However, the companies' choice of personnel is based on the assignment's criteria. This results in a mix of the above-mentioned policies within the company's management level.

Regarding the environmental variables influencing the decision of staffing approach, the companies considered some of them such as cultural differences and language as very important when employing personnel for a particular assignment.

In short the research performed in this dissertation answered our research questions. It also concluded in hypotheses supported by the underlying theories concerning staffing policies and the conducted case study.

5.2 CREDITABILITY OF THE RESEARCH

To make sure that the right data was collected attention was paid at the dissertation's reliability, validity and relevancy. Finally we looked at whether or not the dissertation's findings could be generalized.

5.2.1 Reliability

The dissertation was based on interviews, meetings and other contacts with persons involved in the studied companies. Since we do not consider our subject to be off sensitive character, there is no reason for the companies to give us incorrect data or to exclude data. On the other hand we do not consider the result to be the same if the research was to be repeated in the future, all other variables constant. That is because of the very low response to our questionnaire (many companies were not willing to be analysed) and our limitations, for example lack of time. Therefore we consider our research to be less reliable than we expected it to be.

5.2.2 Validity

Validity is a vaguely defined concept. Validity means the ability of an instrument to measure the variable that it is supposed to be measuring. Regardless of what is going to be measured, the research should give an answer to the research questions. (Wiedersheim-Paul&Eriksson, 1991)

The intention was to get total creditability of our dissertation by interviewing several different companies and then comparing the results. Unfortunately the dissertation only included a few companies and therefore we do not consider our research to be completely creditable.

5.2.3 Relevancy

Relevancy means that the researcher chooses to look into what is important for this subject and what may be important or relevant for other researches. (Wiedersheim-Paul&Eriksson, 1991)

The creditability in the dissertation should therefore be reasonable and supported by the underlying research. By carefully choosing the literature and other relevant data for the dissertation we achieved a high relevancy for this dissertation.

5.2.4 Generalisability

Generalisability refers to if our result is generalisable, meaning if our findings may be equally applicable in other research settings. In this case it means if our findings may be applicable in other industries or within other countries and cultures. However, the research's limitation and the vague response to our questionnaire it would be wrong to claim that this dissertation is generalisable.

5.3 CRITICISM OF THE RESEARCH

As seen in the previous section about the dissertation's creditability there are many aspects that we could have included or done differently in our research.

- **Different industry:**

The case study analysed production companies regardless of industry. In a situation where all of the analysed companies are in for example the telecommunication industry, our result may have been different; all companies could have the same staffing approach. Sony Ericsson motivated its choice of staffing policy as a result of the better knowledge within mobile phone industry possessed by Swedes.

- **Establishment at different times:**
Depending at what time the establishment took place the choice of staffing policy may have been affected. For example ten years ago the Chinese government was much more involved in company decisions regarding HRM.
- **Ownership:**
In our case study companies with different types of ownership were analysed. By selecting companies with the same ownership structure (either wholly owned or joint ventures) the result could have been more accurate.

5.4 SUGGESTIONS FOR FURTHER RESEARCH

Since the dissertation's focus is on a limited amount of cases and covers a small area we believe that further research could be performed.

In order to determine the applicability of this research, further investigation could look at the following issues:

- To achieve higher validity and generalisability of this dissertation the research should be done to a larger scale, for example by including a larger number of participants.
- The dissertation's purpose could also be to analyse a large amount of companies within two or more different industries to see if there is any pattern regarding staffing policies within those specific industries.

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Shanghai.

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Lund/Munich, Sony Ericsson in Lund

Appendix

Appendix 1A

Frågeformulär

Vi är tre studenter vid Högskolan Kristianstad som skriver vår Kandidatuppsats om Anställningsprinciper (Staffing Policies). Vi har valt att titta på svenska företag med produktions anläggningar i Kina och hur de har gått till väga när de anställt personal i lednings positioner. För att få en bredare förståelse tittar vi även på variabler som kan påverka företaget i dess besluts process.

Vi har utgått från tre olika Anställningsprinciper:

- Svensk personal anställs i alla lednings positioner
- Kinesisk personal anställs i lednings positioner
- Den bäst lämpade för jobbet anställs, oberoende av nationalitet.

Vi är intresserade av ert val av anställningsprincip när ni öppnade er produktions anläggning i Kina, vad ledde till just detta beslutet och om ni skulle öppna en ny hade ni valt samma anställningsprincip.

Om ni har mer än en produktions anläggning i Kina skulle vi vara tacksamma för möjligheten att titta på dem separat. Då detta ger oss möjlighet att se förändringar i omgivningen påverkat valet.

Följande frågor består av ett antal frågor angående anställningsprinciperna och variablerna.

Vi skulle bli väldigt tacksamma för en chans att lära känna ert företag bättre. Efter att vi fått svaren på frågorna erhålles en trisslott som tack för hjälpen.

Hoppas att ni kan hjälpa oss med att svara på dessa frågor, ser fram emot ett snabbt svar.

Med Vänliga Hälsningar

Nina Dolinska
Dzenita Hrlovic
Katarina Swane

1. Namn och titel?
2. Vad hade du för position under tiden för uppbyggnaden av produktions anläggning i Kina?
3. Hur många produktions anläggningar har ert företag i Kina?
4. Skiljer sig tänkandet åt beroende på vilken position det handlar om? I så fall vilka positioner och vilken anställningsprincip används?

	Svensk anställs	Kinesisk anställs
	oberoende	
Samma för alla <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
VD <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ekonomi <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Marknadsföring <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Försäljning <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Produktion <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Teknik <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Utveckling <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

5. Har ert företag en speciell anställningsprincip ni alltid utnyttjar vid era utländska produktions anläggningar?
Ja **Nej**
Vilken?
6. Med den kunskap ni har idag, skulle ni använda samma anställningsprincip vid ett ny öppnande?
Ja **Nej**
Varför?
7. Variablerna nedan har blivit indelade i fyra olika grupper, vilken av dessa grupper tycker du hade störst inverkan på beslutet? sätt ett kryss i rutan efter rubriken.
8. I de olika grupperna vilken är den mest viktiga variabeln? Sätt kryss i rutan.
9. Varför är dessa variabler viktiga?

10. I de olika grupperna vilken är den mest oviktiga variabeln? Sätt kryss i rutan.

11. Varför är dessa variabler oviktiga?

➤ Variabler relaterade till det svenska huvudkontoret:

- | | Viktig | Oviktig |
|---------------------|--------------------------|--------------------------|
| • Affärs kultur | <input type="checkbox"/> | <input type="checkbox"/> |
| • Affärsstrategi | <input type="checkbox"/> | <input type="checkbox"/> |
| • Språk (Kinesiska) | <input type="checkbox"/> | <input type="checkbox"/> |
| • Språk (Svenska) | <input type="checkbox"/> | <input type="checkbox"/> |

➤ Variabler relaterade till den ansökande kandidaten:

- | | Viktig | Oviktig |
|------------------------|--------------------------|--------------------------|
| • Anpassningsförmåga | <input type="checkbox"/> | <input type="checkbox"/> |
| • Ålder och erfarenhet | <input type="checkbox"/> | <input type="checkbox"/> |
| • Utbildning | <input type="checkbox"/> | <input type="checkbox"/> |
| • Kön | <input type="checkbox"/> | <input type="checkbox"/> |

➤ Variabler relaterade till de Kinesiska arbetsförhållandena:

- | | Viktig |
|--|--------------------------|
| Oviktig | |
| • Lagar och förordningar | <input type="checkbox"/> |
| • Lojalitet | <input type="checkbox"/> |
| • Ägandeskap av produktions anläggningen | <input type="checkbox"/> |
| • Lön och bonus | <input type="checkbox"/> |

➤ Variabler relaterade till omgivande faktorer.

- | | Viktig | Oviktig |
|-------------------------|--------------------------|--------------------------|
| • Kulturella skillnader | <input type="checkbox"/> | <input type="checkbox"/> |
| • Anställningens längd | <input type="checkbox"/> | <input type="checkbox"/> |
| • Familj | <input type="checkbox"/> | <input type="checkbox"/> |

12. Har vi nämnt någon variable som är utan betydelse för ett anställnings beslut på ledningsnivå på en produktionsanläggning i utlandet?

13. Har vi glömt någon variabel som ni anser vara viktig?

Appendix 1B

Questionnaire

We are three students at the University of Kristianstad writing our dissertation about staffing policies. What we wish to do is see how companies go about employing personnel at their production plants in China. We are also looking at which variables that may influence the decision.

We are looking at three staffing policies:

- Swedish personnel in leading positions
- Chinese personnel in leading positions
- The person best qualified for the job is employed

We are interested in your choice of staffing policy when you opened your production plant in China, why you made that choice and if you were to open another one would you choose the same policy.

If you have more than one production plant in China we would like to get the opportunity to look at them separately, this will allow us to consider the changes in the environment surrounding the production plant.

The following page consists of a couple of questions regarding the staffing policies and the variables.

We would be sincerely grateful for the chance to get to know your company better. All replies are rewarded with a trisslott and we are hopping to hear back from you soon.

Hope you have the time to help us with these questions.

Nina Dolinska
Dzenita Hrlovic
Katarina Swane

1. Name and Title?
2. What was your position and assignment during the time of establishment in China?
3. How many production plants do your company have in China?
4. What Staffing Policy did you choose for the management positions?

Swedish personnel qualified	Chinese personnel	The best
The same for all <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
CEO <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Finance <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Marketing <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sales <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Production <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
R&D <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

5. Do your company have a certain policy that you always chose to use on your foreign production plants?
Yes **No**
Which?
6. Whith the experience you possess today, would you choose the same staffing policy if you were to open a new production plant in China?
Yes **No**
Why?
7. The Variables below have been divided into four groups, which of these groups do you consider to have the highest influence on the decision? Put a mark in the box after the heading.
8. In the different groups which variable is the most important?
9. Why is it important?
10. In the different groups wish variable is the most unimportant?

11. Why is it unimportant?

➤ Variables related to the Swedish headquarter.

- | | Important | Unimportant |
|-----------------------------|--------------------------|--------------------------|
| • Corporate culture | <input type="checkbox"/> | <input type="checkbox"/> |
| • Corporate strategy | <input type="checkbox"/> | <input type="checkbox"/> |
| • Language (Chinese) | <input type="checkbox"/> | <input type="checkbox"/> |
| • Language (Swedish) | <input type="checkbox"/> | <input type="checkbox"/> |

➤ Variables related to the applying candidate.

- | | Important | Unimportant |
|-----------------------------|--------------------------|--------------------------|
| • Adaptability | <input type="checkbox"/> | <input type="checkbox"/> |
| • Age and experience | <input type="checkbox"/> | <input type="checkbox"/> |
| • Education | <input type="checkbox"/> | <input type="checkbox"/> |
| • Sex | <input type="checkbox"/> | <input type="checkbox"/> |

➤ Variables related to the Chinese working conditions.

- | | Important | Unimportant |
|--|--------------------------|--------------------------|
| • Government laws and regulations | <input type="checkbox"/> | <input type="checkbox"/> |
| • Loyalty | <input type="checkbox"/> | <input type="checkbox"/> |
| • Ownership of the production plant | <input type="checkbox"/> | <input type="checkbox"/> |
| • Salary and bonuses | <input type="checkbox"/> | <input type="checkbox"/> |

➤ Variables related to the surrounding environment of the assignment.

- | | Important | Unimportant |
|-------------------------------|--------------------------|--------------------------|
| • Cultural differences | <input type="checkbox"/> | <input type="checkbox"/> |
| • Duration | <input type="checkbox"/> | <input type="checkbox"/> |
| • Family | <input type="checkbox"/> | <input type="checkbox"/> |

12. Are there any variables mentioned that are of no importance to the decision of what staffing policy to use?

13. Have we forgotten any variables that you consider of high importance?

Appendix 1C

Further questions to Magnus Johansson (SKF) and Marianne Hamilton (Atlas Copco)

Sent by e-mail

2005-11-14 and 2005-11-16

- 1. Are all of your production plants wholly owned?**
- 2. If not how many are wholly owned and how many are joint ventures?**
- 3. If there are joint ventures do you have majority ownership and management responsibility?**
- 4. In the joint ventures how are the equity interest divided between the owners?**

Appendix 2A

Telefonintervju med Patrik Swane 2005-10-24:

- 1. Hur mycket betalar man i arbetsgivare avgifter i Sverige?**
- 2. Finns där några andra tilläggskostnader för företaget, som baseras på lönen?**
- 3. Vart går dessa kostnader och hur stor procent av lönen ligger de på?**
- 4. Finns där några avdrag som företagen kan göra på dessa kostnader?**

Appendix 2B

Interview with Patrik Swane 2005-10-24 by telephone

- 1. How much are the social security contributions in Sweden?**
- 2. Are there other costs for the company that is based on the salary?**
- 3. Where do these costs go and what percentage of the salary is paid?**
- 4. Are there any deductions that the company can make on these costs?**

Appendix 3A

Telefonintervju med Eskil Lundberg (före detta General Konsul i Shanghai),
2005-11-08

- 1. Hur ser din bild av svenska företag anställnings principer i Kina ut?**

- 2. Hur är arbetsklimatet i Kina idag?**

Appendix 3B

Telephone interview with Eskil Lundberg (former Swedish consul-general in Shanghai),
2005-11-08

1. **What is your picture of the staffing policies of Swedish companies in China?**
2. **What does the business environment look like today?**

Appendix 3C

Semi-structured interview with Eskil Lundberg (former Swedish consul-general in Shanghai) 15 November 2005

1. Hur länge jobbade du som General Konsul i Shanghai?
2. Vad jobbade du med innan du blev Konsul i Shanghai?
3. På vilket sätt hade du kontakt med de svenska företagen i Kina?
Hjälp med etablering, kundkontakt, hjälp med lagar och regler etc?
4. Vilka är de skillnader i arbetskulturen/sättet som du har märkt skapar de största ”problemen” för svenskar i Kina?
5. Läste på Landguiden.se att för en Kines krävs att de har bosättningsstillstånd på den ort de önskar söka arbete på gäller detta även för svenskar?
6. Anser du att svenskar som arbetar i Kina har lätt att anpassa sig till livet i Kina?
7. Finns/fanns där någon trend vad gällande familjen till cheferna, följde de i stor utsträckning med, eller valde de att stanna hemma, medan den andre åkte iväg till Kina?
8. Vad är det för språk som talas på arbetsplatserna?
9. Hur ställer sig kineser till kvinnliga chefer, jämställda med men etc?
10. Utbildning hur står Kineser till den?
11. Hur ser medarbetarna på en kinesisk respektive utländsk chef?
12. Övrigt att tillägga om Kina?
13. Övrigt att tillägga om arbetskulturen i Kina?

Appendix 3D

Semi-structured interview with Eskil Lundberg (former Swedish consul-general in Shanghai),
2005-11-15

1. **For how long time did you work as consul-general in Shanghai?**
2. **What was your job before you became Consul in Shanghai?**
3. **In what ways did you have contact with the different Swedish companies in China? Did you help them with the establishment, customer contacts; help with the interpretation of laws and regulations etc?**
4. **What are the differences in the business culture that you noticed created the biggest problems for Swedes working in China?**
5. **We read on Landguieden.se that a residence permit is required for the Chinese for the location where they apply for a job, those this rule also apply for Swedes that wants to work in China?**
6. **Do you consider that Swedes working in China find that it easy to adapt to life in China?**
7. **Was/is there a trend when it comes to the manager's families, did they to a great extent accompany their spouses or did they choose to stay at home while the other left for China?**
8. **What is the spoken language at the worksites?**
9. **What do the Chinese consider about female managers, equal to men, or?**
10. **What do the Chinese consider about education?**
11. **What is the workers perspective on a Chinese vs. foreign manager?**
12. **Do you have anything else you would like to say about China?**
13. **Do you have anything else you would like to say about the Chinese business culture?**

Appendix 4

Nationality of the managers

Companies / Prod. units	Managing divisions					
	VD	Finance	Marketing	Sales	Production	R&D
Sony Ericsson						
1	Swedish	Swedish	Swedish	*	Swedish	*
SKF						
1	Chinese	Chinese	Chinese	Chinese	French	*
2	Italian	Chinese	*	*	British	*
3	British	Chinese	Chinese	Chinese	Chinese	*
4	Chinese	Chinese	*	*	French	*
5	Chinese	Chinese	Italian	Italian	Chinese	*
6	Chinese	Chinese	Chinese	Chinese	Chinese	*
Atlas Copco						
1	Swedish	Chinese	Chinese	Chinese	Chinese	Chinese
2	German	Chinese	Chinese	Chinese	Chinese	Chinese
3	South African	Chinese	Chinese	Chinese	Dutch	Chinese
4	South African	Chinese	Chinese	Chinese	Chinese	Chinese
5	Chinese	Chinese	Chinese	Chinese	Chinese	Chinese
6	Chinese	Chinese	Chinese	Chinese	Chinese	Chinese
7	Peruvia n	Chinese	Chinese	Chinese	Chinese	Chinese

**The information was not submitted*