

Foreignness – curse or blessing?

A case study on Swedish companies in Chile

abstract:

Much of the academic literature in international business presupposes that foreignness is associated with costs and difficulties, e.g. difference in languages, lack of networks and distrust and hostility from local actors. Much of these cost are related to a presumed lack of local legitimacy for foreign companies. This thesis explores the concept foreignness, studying also possible beneficial effects of it. Swedish companies in Chile are investigated and foreignness is related to the possible transfer of their Swedish human resource (HR) practices. The impact of such transfer is thereafter examined; on the Swedish subsidiaries and on Chilean society. The thesis looks into whether foreign market entry and HR practices can, in some way, have positive effects on development.

It is an explorative case-study and the aim is not to define reality but rather to contribute to theory and open up for discussion. The results, which are not to be generalized to other populations, show that the Swedish companies in Chile enjoy a very good reputation and that the effects of foreignness are mainly positive to them. This positive image of being Swedish facilitates for them to implement some of their Swedish HR management (e.g. less hierarchical organization, more autonomous workers as compared to Chile) and it appears that this increases subsidiary performance. As for the impact on Chilean society, there are indications that implementation of Swedish HR practices can contribute *marginally* to raise the capabilities of the Chilean workforce and Chilean organizations. This can possibly translate to e.g. higher productivity and a more innovation-friendly environment.

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1. QUESTIONNAIRES
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1 Introduction

“To understand somewhat better how the world goes around, and how we can make it at least a tiny bit better” – that was the original reason for me to start studying economics and to a great extent it still motivates me. At times I have been very frustrated, when theory seems to be completely out of phase with reality. However, I have learnt some important things: The potential of individuals, the difficulties of implementation and the importance of incentives and a long-term perspective – all crucial variables if you wish to achieve development. Also, all of these are reasons why I started thinking about the issues investigated in this thesis.

Companies that go abroad do so because they expect profit. However, it is a costly and uncertain venture which implies facing several barriers: difference in languages, lack of networks, unfamiliar cultural structures, laws and institutions that are hard to understand, distrust and hostility from local actors. The existence of such costs of foreignness is often presupposed in the academic literature¹. Although, only recently have researchers started to investigate these costs more closely (Eden and Miller, 2004; Luo and Mezias 2002). A proposal that has come up is the importance of legitimacy². That is, the effects of foreignness not only depend on the multi-national corporation (MNC) being unacquainted to host-country culture but also on how the cost-country perceives the MNC (Edman 2006).

The idea that there might also be benefits associated with foreignness has received very little attention. Partly these assumptions are based on the notion that foreign companies suffer from a lack of local legitimacy. However there is reason to question this belief. MNC spillovers, rather than adaptation, to local actors and competitors in host countries are documented in various studies (Blomström 1999; Blomström and Kokko 1998; de Mello 1999; Görg and Strobl 2001, all in Edman 2006). Also, there is evidence of positive country-of-origin effects, think of German cars or French wine for example. These will normally carry positive country associations, like high quality. (Insch and Miller, 2005)

¹ The ideas about costs of foreignness go back to Hymer (1960-76) and Johansson & Vahlne (1977).

² A definition of legitimate: Being in accordance with established or accepted patterns and standards/ being authentic, genuine. www.yourdictionary.com 2007-04-15

A possible source of MNC spillover is the human resource (HR) management³ brought by foreign entrants (Dickmann 2003). As stated above, foreignness is often associated with difficulties and as regards HR management cultural clashes and complications are predicted outcomes (Hofstede, 1982; Lou and Mezias, 2002). This view deserves some further investigation. Maybe foreign companies can introduce new competences and new ways of thinking to a host-country. Maybe foreignness can give rise to win-win situations. Possibly this can contribute to enhance development in a country.

1.1 Timeline and author's background

I have always been fascinated in meetings; there are so many great things that can come out when different persons and viewpoints meet. This conviction has driven me to continuously search for ways of studying and working abroad and the last few years I have mainly been in Chile. After having spent two semesters at different universities there I got, during summer 2006, the opportunity to make an internship at the Swedish-Chilean Partnership Fund (SCPF)⁴. My thoughts about writing this thesis were the reason for me to apply and working there gave me valuable background and new insights about the phenomenon of foreignness.

In October 2006 I was granted an MFS-scholarship by Sida⁵ that made it possible for me to travel to Chile. I parted in November and stayed until March 2007. During these four months I worked half time at the SCPF and conducted the field study simultaneously.

1.2 Purpose

The purpose of this thesis is to explore the concept “foreignness” in business relations. Swedish companies in Chile will be studied and the focus will lie on their HR practices.

1.3 Delineations

This thesis does not aim to generalize and find truths. It is no statistical paper and there is no representative sample. The study investigates *some* Swedish companies in Chile and the results are not meant to be generalized nor for all Swedish companies in Chile, neither for foreign market entry involving different countries

³ In this thesis HR management is defined as the practices used by management to attract, maintain, support and control the employees; how the work is structured, how the relationship is between management and employees etc. (a somewhat modified version of what is written in http://en.wikipedia.org/wiki/Human_Resource_Management, 2006-11-15).

⁴ For a description see the section “Selection of Companies” or appendix 2.

⁵ The Swedish International Development Agency.

When studying subsidiaries' management practices an important issue is the relationship between foreign subsidiaries and headquarters: How fluid is the communication between these entities? How much autonomy do the subsidiaries enjoy in these matters? These kinds of questions are addressed in an extensive literature and I have therefore chosen not to cover it in this thesis⁶. Nevertheless it was noted that all the Swedish subsidiaries interviewed have substantial independence when it comes to management practices. Financial matters conversely were often subject to quite formal control.

Furthermore, organizational culture and HR management are central parts of this thesis. However, I will only slightly revise previous literature and the reason is twofold: First, there is already immense research done on these issues. Second, the emphasis in this thesis lies on how foreignness affects the possible transfer of HR management rather than on HR management per se.

Besides, the thesis does not cover the situation of Chileans exiled in Sweden. It is a large group, which naturally has impact on the business relations Sweden-Chile. However, they do not appear to have the same "foreignness" image as other Swedish persons when they come to Chile.

Finally, the potential impact on development⁷ will be looked into. The effect of foreign market entry to developing countries is controversial: Some claim that foreign direct investment crowds out domestic investment, others emphasize the benefits of capital and technology coming into the country. This thesis does not touch upon the discussion on capital and technology. It intends to investigate first the effect of foreignness on a possible transfer of Swedish HR practices and secondly, what effect the transferred Swedish practices have on the local subsidiary and Chilean society. It will part from a business perspective, emphasizing the importance of win-win situations. That is, implementing Swedish HR practices in Chile *might* have positive effects both on subsidiary performance and (although marginal) on Chilean [business-] society. The idea is to look at development from a somewhat new perspective and the thesis does not discuss any academic theory on development.

⁶ For an interesting discussion regarding foreign subsidiary – MNE relations see e.g. Rozensweig and Singh (1991).

⁷ Chile is no longer considered a developing country but since it was until recently (see section 1.5) these issues are still relevant.

1.4 Contribution

As already mentioned I consider that the literature on foreignness have several shortcomings. This thesis intends to find new ways to look at foreignness and include also possible beneficial aspects. Hopefully it can come up with reasonably well-founded hypotheses to be tested in future research and thus contribute to fill these gaps in literature.

Further it should be mentioned that the great majority of the work on both foreignness and HR management is developed and tested in the Western countries, especially in the US. This might be a reason why existing theory cannot adequately explain the findings in this thesis. Also, it means that the results could be a contribution to a widening of the field of HR, and to international business theories.

At last, the thesis intends to relate foreignness to development. Maybe there are situations where foreign companies' search for profit can also serve as a driver of development. If so, it might contribute to more sustainable development, based not on western countries' vague philanthropic grounds but rather on the business incentives of autonomous parties. Moreover a fuller understanding of the effects of foreignness might show Swedish (and other) companies that investing in Chile, and other newly developed economies, need not be as risky as is often presupposed.

1.5 Chile's Economy

Chile has recently, as from January 1 2007, moved from the status "developing country" to "developed country"⁸. It has had an extraordinary economic growth the last 20 years, in average 6.1 per cent per year. In the same period, Chile's exports increased 800 per cent and foreign trade today represents 70 per cent of GDP. Also, the Government finances are very sound with high budget surplus and almost non-existent debt. (Broschek, 2006) Partly this amazing growth comes from Chile being a world champion in free trade. During the last five years the country has negotiated free trade and other trade agreements with almost all major economies in the world (including the USA, the EU, China, India and most Latin American countries). (Hillbom, 2006)

⁸ See http://www.programkontoret.se/templates/ProgramPage____4721.aspx, (2006-09-24) based on the list of OECD's Development Co-operation Directorate

Still, the status as “developed country” is questioned⁹. There are enormous inequalities in Chile and many people live in precarious conditions. According to Broschek (2006) one of the major challenges for the Chilean economy is to increase overall productivity. (Broschek, 2006)

1.6 A few words on development

“Aid to helping oneself” is gaining increased recognition as a cornerstone of development policy. The idea is that when foreign aid is brought to an end a project should be able to carry on, to be self-sufficient¹⁰. The focus lies on increasing the capabilities of people and organizations, not on donating assets. Foreign business integration could be a step in this direction. It implies moving away from unilateral aid towards bilateral interaction and from “ready to deliver” solutions towards business communication.¹¹

However, it has been difficult for many developing countries to integrate the worldwide trade flows. In a report from Sida (2002) it is stated: *“So far, however, most developing countries have benefited little from the rapidly increasing flow of international trade, investments and capital, or from the revolution in information technology.”* One can also read that Sida supports, among other things: *“A strong partnership based on dialogue, mutual trust and joint accountability.”* and *“Partnerships with a clear understanding of the rights and responsibilities of each partner plus agreement on objectives and ways of achieving them”*.

1.7 Structure

This was an introduction to the issues investigated in this thesis and my reasons to do so. In the following there will first be a review of the existing literature followed by the wording of the questions at issue. Having stated this there is a section describing the methodology used in order to answer these questions. Next, the results are presented, together with an analysis which is followed by the conclusions. Finally, there is a discussion on the implication of my results, a critical assessment of these and suggestions for future research.

⁹ My own observation from countless conversations with people in Chile.

¹⁰ E.g. an organization that received initial funding and assistance is today run by local people and generates revenues so as to finance its activities self-sufficiently.

¹¹ My own observations, based primarily on the courses I have taken at University and discussions in the SCPF.

2 Theoretical review

In this section, the existing literature on foreignness will be reviewed, together with relevant parts of organization theory. As stated in the purpose, I want to relate the notion of foreignness to HR practices.

The aim of this review is to answer the following questions: Which subjects/ perspectives have been emphasized? What are the common standpoints? What is missing?

2.1 Foreignness

In order to define foreignness I will part from Brannen's (2004) definition "[...] *dissimilarity – or lack of fit – in operating contexts of an MNE's home and host environments*". That is, foreignness can be seen as the differences between home and host country as regards e.g. culture, practices and norms. However, I would like to delete the words "lack of fit" since they have a negative connotation, as compared to "dissimilarity" which is neutral. Furthermore, as this thesis discusses the implications of foreignness I complement Brannen's definition by adding the perspective of the observer. This is because what will really matter are the differences perceived, by domestic as well as foreign entities¹².

Foreignness is the perceived dissimilarity in operating contexts of an MNE's home and host environments

As mentioned the literature commonly assumes that foreignness brings disadvantages. Zaheer¹³ (1995) defines this liability of foreignness (LOF) as: "*the costs of doing business abroad that result in a competitive disadvantage [...] broadly defined as all additional costs a firm operating in a market overseas incurs that a local firm would not incur*".

Related to LOF is the concept *liability of newness*. The famous Uppsala model (Johansson and Vahlne, 1977) says that lack of knowledge of local conditions will put foreign subsidiaries at a disadvantage compared to local firms. Furthermore, the differences between host and home country affect the impact of foreignness. Many researchers claim that the disadvantages of foreignness are greater the greater these differences are. (Miller and Parkhe, 2002; Nachum 2003; in Insch and Miller, 2005). Miller and Eden (2004) reach a similar

¹² A foreign firm might, e.g., have a practice nearly identical to the practice of a local firm and the practice might still be perceived as different.

¹³ Building on Hymer's (1960/76) work, one of the pioneers in the "disadvantage-of-foreignness" literature.

conclusion: Institutional distance is the key driver behind LOF¹⁴. They decompose (following Zaheer 2002) this LOF into three dimensions:

LOF (Miller and Eden)

1. *Unfamiliarity hazards*: Firm-specific unfamiliarity with the host-country environment.
2. *Discrimination hazards*: The foreign firm being subject to discriminatory treatment by local actors.
3. *Relational hazards*: Costs of external (clients etc.) and internal (personnel etc.) relation management due to an unknown environment and cultural differences.

Nevertheless, there is an example where these opinions are questioned: Insch and Miller's (2005) study on U.S. and Mexican industrial buyers. Their conclusion is that there is a "benefit of foreignness" and that the perception of foreignness depends on "the country of the perceiver". In this case, Mexican industrial buyers discriminated local companies in favor of foreign companies. Their discussion builds on Zaheer and Kostova (1999) whose findings are presented in section 2.2.

Given all these disadvantages of foreignness, some researchers have tried to find out how they are overcome. Kindleberger (1969) and Hymer (1976) in Friberg and Lovén (2006) offer an explanation called Monopolistic advantage theory. It argues that foreign owned firms must have some specific advantage in order to compete on equal terms with a local firm. This is necessary since the foreign firm will face a knowledge-disadvantage of the new market. Further, Mezias (2002) tries to identify factors that mitigate the LOF. As can be seen this research still parts from the standing that foreignness is in itself something negative, although, e.g., home-country technology and organizational characteristics might outweigh and/ or reduce the costs incurred.

Most of the literature on foreignness focuses strictly on costs and disadvantages. In what has been presented here, with the exception of Insch & Miller and Zaheer & Kostova, there is no discussion regarding the potential benefits that might arise from the very same condition of foreignness. In my opinion, this literature has serious shortfalls and it is questionable to which degree one can generalize the findings. First, this tendency to presuppose that

¹⁴ Here a distinction, pointed out by Miller and Eden and mentioned earlier by Zaheer (2002)¹⁴, can be made: "costs of doing business abroad" encompasses both social and economic costs while "LOF" is mainly about social costs. This thesis will concentrate on these social effects, positive and negative.

foreignness is a negative factor appears to exclude possible alternative interpretations. Second, much of the research is carried out in the Western countries and it is unclear how it applies to the rest of the world (the investigation on Mexican buyers is an interesting exception).

2.2 Legitimacy

The emphasis put earlier on *perception* has a lot to do with the concept of legitimacy¹⁵ – an assessment directly dependant upon how local entities perceive the foreign company and its practices. Gaining external legitimacy in the host-country is indeed one of the great challenges for MNCs (Kostova, 1999; Kostova and Zaheer 1999; Rozensweig and Singh, 1991). Presumably, lack of local legitimacy is a crucial factor driving the LOF spoken of above. Kostova and Zaheer (1999) claim that foreign firms sometimes have to meet legitimacy standards that are different from those faced by local firms; as they are often more unfamiliar the local actors do not know how to judge them. This may translate into foreign firms having to work harder than local firms in order to get legitimacy and goodwill.

As already mentioned Zaheer has identified several costs of foreignness, together with Kostova, she has also found some possible advantageous situations. They write that sometimes local firms may be seen as illegitimate and thus “*almost any non-local firm is immediately perceived as more legitimate*”. This may happen e.g. when local firms enjoy excessive protectionism or when there is political or economical turmoil in the country. Also, foreign firms can be perceived as more legitimate if the country has a “*longstanding sense of inferiority*”. In all of these situations, being foreign can increase legitimacy. Moreover, as the locals probably will extend this sense of inferiority to countries similar to their own a cultural distance may strengthen this effect. (Zaheer and Kostova 1999)

2.3 Organization and efficiency

After having studied foreignness and legitimacy it is time to connect the issue of organization efficiency. If Swedish companies transfer their HR practices, can it enhance efficiency in the foreign subsidiary (and subsequently have some effect on development in the host-country)?

¹⁵ A definition of legitimate: Being in accordance with established or accepted patterns and standards.
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First, a few words on organizational culture. As stated in the delineation section it will not be much touched upon. Nevertheless, Deal and Kennedy (1982)¹⁶, has some thoughts that I want to include. They define organizational culture as “the way things get done around here” and look at the following aspects:

Aspects of organizational culture, Deal and Kennedy

- *Feedback* – Is there any response (can be monetary but also in other terms)? How much is at stake? Is the feedback quick or slow?
- *Risk* – How much uncertainty is it in the organization's activities?

As for the relationship between organizational culture and efficiency Nyqvist and Rössner (2006) report some interesting findings:

Organizational culture and efficiency

- Adler (1991) emphasizes the *effective use of human capital* and shows it to be the most important factor driving organizational performance.
- Cutcher-Gerschenfeld (1991) investigated organizational practices such as *worker autonomy and information sharing* and finds that “lost” worker hours and defects can be reduced by implementing such practices.
- Cooke (1992, 1994) claims that workplaces with *employee participation* achieve greater improvements in quality than more traditional workplaces.

Another important feature is the flow of information. Baron (1983) finds that in organizations with hierarchical structures there is a higher degree of distortion in the communication, especially upwards. Employees deliberately filter information and do not tell if they have, e.g., made a mistake. In more decentralized organizations the information flow is more fluid, as all employees are perceived to be at a somewhat similar level. There is also more direct feedback and less misinterpretation.

Nevertheless, it must be emphasized that the above findings are all specific to certain circumstances (such as industries and places) and that it is uncertain to what extent they can be generalized. Further, it should be kept in mind that a common view in literature is that motivational factors and culture are closely related (Fisher and Yuan, 1998, Hofstede 1982). That is, what motivates a group of employees or managers (and thus might enhance efficiency) in one setting might not work at all with some other group.

¹⁶ in http://en.wikipedia.org/wiki/Organizational_culture, 2007-02-15

I find these gaps in the literature quite unfortunate as my personal view is that organization culture is an important factor driving efficiency¹⁷. Hopefully, the findings of this thesis can somewhat complement this literature and show whether practices that motivate employees in Sweden might also work in Chile.

2.4 Communication and transfer

As mentioned in the introduction, being a foreign company is often associated with costs and local adaptation is the preferred remedy. However, there are some who reason differently: Dickmann (2003) finds a number of reasons to why an MNC would like to transfer their HR practices to foreign subsidiaries, three of which are relevant for this thesis¹⁸:

Reasons to transfer home-country HR practices to foreign subsidiaries, Dickmann

1. *Administrative heritage*, former success with specific practices within the firm will make them eager to transfer these.
2. Management might believe that there are *ethical merits* in having some practices internationally standardized.
3. MNCs will wish to transfer their practices if they see them as *superior*.

Apparently there are circumstances where a transfer of practices is desirable. The next question is if it is possible to perform such a transfer and what difficulties may incur. As has already been mentioned motivational factors being dependent on culture can be a problem. Now, let's look at the use of language. Even if one has learnt reasonably well the host country's language there can be great complications due to the fact that interpretations will be different. In Western cultures, especially in Northern Europe "*messages are conveyed in a low-context manner*" (Hall, 1976 in Ekman, C; Grönlund, J; 1997) That is, the important part of the message is explicitly formulated in words and the social context and physical contact is of less importance. Latin American people, in contrast, put more weight on *the way* messages are communicated than on what is actually said; the messages are highly dependant on the context. In the words of (Ekman, C; Grönlund, J; 1997) "*the western simple 'yes' in Latin America might signify both 'yes' 'maybe' and 'no'!*".

¹⁷ Concerning Swedish organizational culture Ikea's success can be an example of the favorable impact a corporate culture can have.

¹⁸ The other three "reasons" identified by Dickmann concern MNC global strategy and MNC- host government relations and are thus not covered in this thesis.

There are difficulties with transfer and the ones mentioned are only a few examples. However, Rozensweig and Singh (1991) bring up some examples where the transfer of practices has not only succeeded but also left a mark in the host-country. They write: *“subsidiaries of MNE’s can act as conduits that introduce changes in the host country’s environment”*; a matter directly related to one of the questions at issue in this thesis. They cite for example Basler (1989) who tells the story about how the Marriott Corporation opened a luxury hotel in Hong Kong. It challenged the local norm of a six-day work week since its company-wide practice implied a five-day week.

At last, some thought on the nationality of management. As Mezias and Luo (2002) claims; having expatriate managers might *“create a perception of bias against local employees”* and probably increase the LOF (due to e.g. unfamiliarity with host-country) – a common view. Nonetheless, it should be remembered that *if* foreignness is not a negative factor, having an expatriate manager need not to be a negative thing. This is important since if a company wishes to transfer Swedish practices it will probably need, at least initially, a Swedish manager.

2.5 From theory to questions at issue

Having reviewed the literature I made the following conclusions¹⁹: There is a tendency to relate foreignness to liabilities and the research on foreignness is incomplete. Further, there are indications that organizational culture can enhance efficiency and there might be situations where a transfer of HR practices is advantageous.

These reflections, together with the purpose of this thesis, resulted in me stating the questions presented in the following chapter.

¹⁹ As can be seen in the methodology section a method in between induction and deduction, although closer to the first one, was used for the purposes of this thesis. *All* the literature presented was thus not used in the formulation of the questions at issue; some of it was added in the process of analyzing the findings.

3 Questions at issue

This study aims to explore the effect of foreignness. Specifically Swedish firms that have subsidiaries in Chile will be studied and the emphasis lies on their differing HR management. Legitimacy is a central concept as it can affect how foreign practices are interpreted.

- How are Swedish firms seen in Chile? What are the advantages/ difficulties of being a Swedish company?
- How/ why do Swedish companies implement/change their HR management in Chile? What are the effects?
- How do Chilean companies react? What is the impact on Chilean society?

4 Methodology

4.1 Overall approach

The questions at issue formulated mainly regard *how*. Further, the phenomenon foreignness cannot really be separated from its context (in this case, the situation of Swedish companies in Chile). Therefore, in accordance with Yin (2003) a case study method was chosen, specifically, an explorative case study. Moreover, I chose to investigate various companies and the thesis is what Yin calls a multiple case study. That is, each of the companies investigated is treated as a single case.

The case study consists of interviews with Chilean and Swedish companies (in Chile). It should be noted that although each of these companies are treated as a single case there is no individual presentation of the results. This is in accordance with Yin who says that the individual case report is only needed as a base for the research.

I have used a method in between induction and deduction, although closer to the first one. This kind of method, combining induction and deduction is often called abduction (Alvesson and Sköldberg, 1994). I prefer to see it as a scale, with induction and deduction as two endpoints.

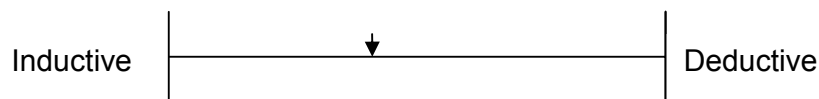


Figure 1, Research method, my own creation.

The study is inductive since the purpose is to *explore* foreignness, a quite unknown area of study. This implies that literature was mainly used *after* the interviews were conducted; in order to analyze the results and, to the extent possible, explain the findings. Also, rather than parting from hypotheses the thesis aims to come up with reasonable well-founded hypotheses for future research. However, to some degree it approaches deduction. I did not start out the fieldwork as a “blank page”: I had previous experiences and ideas²⁰. Further, I did a quite extensive literature review early in the process, in order to formulate the questions at issue. This literature constitutes a great part of what was consequently used in the analysis of the

²⁰ See the Reliability section for further discussion.

results. In addition, having the literature presented before the empirics is rather coherent with a deductive approach.

4.2 Theory

In this section I will make a few comments upon the choice and the reliability of literature. The gaps in the literature implied that the search for theory was more about *finding* relevant literature than about making a *selection*. To get started I got some articles from my tutor and I looked at older thesis discussing related issues. Studying their list of references I found other sources and so it proceeded. However, there was also selection involved and it mainly concerned prioritizing among subjects of study. The choices made can be seen in the delineations section and the criteria were principally: What is most closely connected to the purpose of this thesis? What areas are most poorly explored?

As to the reliability of the sources: Foremost, almost all are academic papers and has thus been subject to review. Second, as mentioned in the introduction, most of the investigations have been carried out by Western scholars, in Western countries. This probably affects the findings presented, a notion that will be somewhat discussed when analyzing the results.

4.3 Data

This section concerns the choice of empirics: On what basis have the questions at issue been answered – how was the data actually collected?

The answer is: Principally through interviews at the studied companies/ organizations. As background to prepare for the interviews written and electronic documentation²¹ of the companies was used. The reasons for this are multiple: First of all, since this is a case-study and the purpose is to explore a rather unknown phenomenon interviews are really the only feasible way to gather data. Further, as the phenomenon of foreignness is complex it can be hard to grasp it in a questionnaire; the interviewees might be unfamiliar with these thoughts and might need explanations to the questions. Moreover, being in site allows a fuller understanding of the company. As a final point, my previous experience from investigatory work in Chile says that there are benefits of such an approach. People are much more likely to put an effort into answering questions when there is a personal meeting than if they are to fill in a questionnaire or give a telephone interview.

²¹ E.g. annual reports, web pages, articles.

This experience comes from my employment at the SCPF. My task there was mainly to carry out an inquiry about the Fund's work, which included interviewing more than 30 Chilean entrepreneurs. Having conducted these interviews was indeed of great help when I started out the fieldwork for this thesis. It meant having quite a few ideas upon e.g. how to approach the companies, how to frame the questions, what not to say and how to interpret answers and other signals. I had really no problem getting the interviews for this thesis; people were pleased to receive me and willingly answered all my questions. Partly this was due to these notions; also, people in Chile are generally very friendly, especially to Europeans²².

The persons were, with one exception, interviewed one at a time. A semi-structured approach was employed; I used questionnaires²³ but they were not rigorously followed. In contrast to totally "free" interviews it assured some common input to the analysis (Trost 1997). New questions arose during the course of the interviews and allowing for these gave room for the individual thoughts of each interviewee. Also, it meant somewhat reducing my influence on the answers, as compared to a more structured situation²⁴.

The interviews were recorded. Unfortunately some of the recordings did not succeed. However I did take notes of all important points and, based on recordings and notes respectively, all the interviews were transcribed. These were later sent back to the persons who have read and confirmed them, in some cases making minor corrections²⁵; a procedure that increases the credibility of the material. Further, they confirmed what was asked already in the interviews: It is no problem for them to be quoted in the thesis. This is important in terms of ethics; no one is quoted without their explicit consent.

As for possible weaknesses in this interview approach one thing deserves special attention; the language. The interviews were conducted in Spanish and Swedish respectively and the thesis is written in English. Thus, all the empirics presented, including the quotations, have been translated. I speak Spanish fluently and, as mentioned, have previous experience of interviewing in Spanish. My belief is that language has not really been a problem. Still, the

²² See the discussion on bias in section 4.5.2.

²³ Complete questionnaires are found in appendix 1. They comprise some questions not included in the analysis, their purpose being mainly to get a broader understanding of the respondents and their opinions.

²⁴ In several of the interviews issues associated with the research questions but not present in my questionnaire were brought up by the interviews. This added valuable insight and inputs to the analysis.

²⁵ The transcripts from Alief has not yet been confirmed but as the interviews were properly recorded this should not be a problem.

reader should be aware that nuances might have been lost or misinterpreted. Moreover, English is also a foreign language to me and some terms might not be properly used.

Finally, some thought on foreign subsidiary performance. If the subsidiaries are not doing well there is really not a case for investigating possible advantageous effects. To objectively calculate performance is complicated²⁶. Fortunately, in this case précis numbers are not crucial but rather an assessment of whether the subsidiaries are doing well or not. Therefore, I have chosen a simple, but not necessarily deceptive, way of estimating subsidiary performance. That is, I asked the managers interviewed about how the subsidiary is doing. As this was deemed a somewhat sensitive issue, and in order to ensure credible answers, I told the managers that this answer would not be quoted in the thesis.

4.4 Selection of companies

Yin (2003) states that a case study should be guided by replication rather than sampling logic. That is, the findings of each case are tested against previous understandings. In this thesis I have tried to follow such replication logic. Moreover, as the purpose is to explore a relatively unknown matter, getting a wide selection of viewpoints has been strived for²⁷. As for the Swedish²⁸ companies studied four conditions were set up:

Criteria for selection of the Swedish Companies

1. The company should have been present in Chile *2-10 years* – so that the very first adaptation process is over while at the same time the subsidiary is yet not too rooted in the Chilean society.
2. It should be a *green-field subsidiary* – so that the effects of foreignness are not diminished by e.g. the Swedes taking over an already Chilean company.
3. The subsidiary should have a *Swedish top-manager*, preferably the Managing Director– to make it more plausible that the subsidiary does implement some Swedish practices.
4. The subsidiary should be *small or medium sized* –because much of the research on foreignness is conducted upon large companies. Besides, my experience from the SCPF concerns small and medium sized companies.

²⁶ Annual reports and other accounts are often blurred by tax and other considerations and internal transfers between parent firm and foreign subsidiaries increases the imprecision. Also, asking managers to share sensitive company data can be difficult and might make them less willing to answer other questions

²⁷ Short descriptions of the companies and organizations are found in appendix 2. Facts about the persons interviewed are found under "References" – Interviews.

²⁸ "Swedish" is a subjective measure. I parted from the Swedish Embassy's list of Swedish companies in Chile. Also the assessment of management in the chosen companies is that they are mainly Swedish. Nonetheless, as can be seen in appendix 2, some of the "Swedish" companies interviewed have no longer Swedish owners.

When choosing the companies I parted from the Swedish Embassy's listing on Swedish companies in Chile²⁹. Then I looked at web-pages and made phone-calls in order to check how the different companies met the criteria. The third condition turned out to be the toughest one to meet and together with practical considerations³⁰ actually reduced the sample to the four companies investigated³¹:

EF English First (EF): An English learning institute.

Kapsch: A supplier of products and systems to collect fees electronically in highways.

Destaca: Specialists in positioning at Internet search motors (Google etc.)

Hiab: A supplier of loading equipment, mainly cranes.

Thereafter it was time to add a Chilean perspective, in order to get some input on how Chilean companies differ from Swedish ones and how they react to Swedish practices. It was necessary to choose Chilean companies which had worked with Sweden. Otherwise, given that Sweden is a small country³² they would probably not have much to say on the issue. At Kapsch they gave me a contact at Autopista Central, a Chilean company³³ who they work closely with. Further, interviews were made with the CEOs at two Chilean firms; Paradigma and Drillco.

Besides, I chose to interview a Chilean firm, Alief, without any connection to Sweden. The idea was to get some kind of Chilean bench-mark to compare the Swedish companies with. The degree to which one can generalize from *one* company is rather limited. Nonetheless, there are indications that their practices *might be* quite representative for Chilean companies: I was quite amazed by many organizational issues³⁴ at Alief and I told my Chileans friends, at home and at work, about them. To my surprise, they all thought that the organization at Alief was very normal.

²⁹ At this date, there were 80 companies (http://www.swedenabroad.com/Page___24898.aspx, 2006-10-15. The number of Swedish Companies being *represented in some way* in Chile is about 200. (Fürst, 2007)

³⁰ Companies situated in Santiago were favored over some in more remote locations. Also, in some cases the assessment could not be properly made since I was unable to get in contact with the company.

³¹ The first and fourth condition turned out to be very similar in effect since most of the larger Swedish companies have been in Chile more than 40 years already.

³² Had I asked about the U.S. for example, which is the largest investor in Chile, it would have been different.

³³ It has partly Swedish owners, see appendix 2.

³⁴ Especially their organization chart, see "Swedish versus Chilean HR management" in the "Results" chapter.

Autopista Central (AC): Owns and manages highways in the metropolitan region.

Paradigma: A company that develops Internet solutions.

Drillco: A company specializing in drills; for mining, heat pumps etc.

Alief: A language learning institute, focusing mainly on English classes.

Lastly, in order to put the results in a somewhat wider context complementary interviews were conducted with R. Broschek³⁵, the *Commercial Attaché at the Swedish Embassy* and A. Fürst, the *Director of the SCPF*; both having vast experience of Swedish companies making business in Chile.

SCPF: An organization aiming to increase the commercial relationships between small and medium sized enterprises in Sweden and Chile. The SCPF is financed in equal parts by Sida and the Chilean government and its policy document explicitly states that all projects financed by the SCPF must have clear benefits for both countries. That is, the projects must be based on real business incentives from both parties. (Guidelines SCPF, 2003)

4.5 Quality of the research

Having presented the tools used for this thesis I will now assess what the quality of the results will be: What can we use the findings for and how credible will they be?

4.5.1 Validity

Validity mainly concerns whether one is investigating the right object(s) –that is, does the interviews and analysis presented in this thesis really correspond to what was outlined in the purpose?

Testing the *construct validity*³⁶ (Yin 2003) is a way to assess this: Do the interviews measure what I ask for in the questions at issue? Construct validity is, as Yin points out, very problematic in case-research since there is rarely any hard data. In this case, the analysis is based upon my subjective interpretations of the interviews. On the other hand, the questionnaires and many quotations are presented so that the reader can appreciate what people actually said. The construct validity can thus be said to be uncertain, with measures reasonably transparent so as to let the reader make his/ her own assessment. The *external*

³⁵ Broschek is also a member of the SCPF board.

³⁶ “establishing correct operational measures for the objects being studied” (Yin, 2003)

validity concerns to what extent the findings can be generalized (Yin, 2003). As already stated, there is no representative sample in this thesis. Regarding the Swedish companies quite transparent criteria were indeed set up but the location and access were also considered. As for the Chilean companies they represent rather a convenience choice. All in all, there is a low degree of external validity. The choices made are deliberate; in accordance to Yin's discussion the validity of a representative sample has been traded off for a broader understanding and different perspectives on the phenomena.

To conclude, the validity of this thesis is weak, a problem common to most social science research. Nevertheless, it should be said that a low validity is not necessarily a problem. Yin (2003) writes that case studies give little basis for generalizing to populations but that they do generalize to theoretical propositions. As already stated, this thesis does not intend to come up with truths about reality but rather to stimulate discussion and contribute to theory.

4.5.2 Reliability

Reliability means, in accordance to Yin (2003), that if another researcher conducted exactly the same study as I have done he or she would come up with the same results, reflecting the same reality. Yet, reality is hard to define, as reflected in the following quotation:

Why does everyone declare the form of a pocket watch as round, something that unquestionably is false, inasmuch as if viewed in profile forms a thin, elliptic rectangle, and why in hell has one noticed the form only the moment when the watch-face was in focus? (Jarvis, in Ekman, C; Grönlund, J; 1997)

In my view this quotation does not say that a social reality is inexistent, only that it will always be interpreted in different ways. The social and cultural background of people will, among other contextual aspects, influence the way we look at things.

The risk of bias is clearly a weakness of the case study approach (Yin, 2003). It is almost all about people's perceptions, and the researcher's interpretation of these. In the process, there is a risk to e.g. infer causality from simple correlations, to overstate the importance of certain factors and to disregard others and to misinterpret the responses. In this case, the fact that I

am Swedish must be pointed at; there is always a risk of ethnocentrism³⁷; my Swedish background will constantly affect the interpretations made. Furthermore, I entered with other types of biases: I had a thought, already before starting working on this thesis, that Swedish HR practices are superior to Chilean ones. Besides, I had previous experience of being positively discriminated against in Chile, for being Swedish. These were reasons for me to write this thesis in the first place and probably they have also somewhat influenced the results. As stated, case studies are vulnerable to the investigator's biases.

To be aware of these biases is important in order to reduce their impact on the results. Writing the thesis in the first person is a means to constantly remind the reader that the author is a person and not an objective instrument. Furthermore, I have tried to make the research process as transparent as possible. Nevertheless, there is really no procedure to take the biases away. On the other hand, it should also be remembered that I have lived more than 1 ½ years in Chile and I am thereby familiar with the Chilean culture. This will reduce the degree of misinterpretations due to cultural factors. Again, the thesis does not pretend to present any objective "truths" but rather to offer some new insights and open up for further discussion.

4.6 Presentation of Data

The methodology used has been presented and I have pointed out some weaknesses and strengths. We will soon move on to see what results this methodology has actually produced but first, a short explanation of how the data is presented:

I have chosen not to separate the empirical findings and the analysis. The reason is mainly to make the document more readable and interesting. As Yin (2003) says, a common pit-fall of case study research is to present "massive unreadable documents".

Further there are three things to notice for the reader: First, there is a heavy emphasis on quotations. Their purpose in the text is illustrative and the analysis is based not only on what is presented but on all interviews. Second, the quotations should not in any way be interpreted with a statistical approach in mind. In some places, a greater part of the answers has been presented, in others the analysis is presented without any quotations. The criterion for these choices has been whether including the quotations contributes to a greater

³⁷ To interpret other people's cultures using one's own culture as a benchmark. (Norstedt's Swedish Dictionary)

understanding or not. Again, a tradeoff had to be made between presenting convincing material and presenting a readable document³⁸. Lastly, to enhance clarity, the answers from employees are written in italics while the answers from people in managerial positions are written in normal type.

³⁸ In appendix 3 fairly complete answers to some of the questions are presented. It proved impossible to include all the questions though, due to space-limitations. Besides, all interviews are transcribed and complete answers to all questions are available upon request.

5 Results and Analysis

I have interviewed several persons, always with the purpose in mind: How do they look at foreignness in business relations? How does foreignness affect HR management? Now it is time to present and analyze the findings.

The order below is not strictly coherent with the questions at issue, mainly because some of the material is not directly attributable to one of the questions but concerns several of them. Nonetheless, in the concluding chapter all the questions at issue will be answered, in order and one at a time.

5.1 *What is good HR management?*

First of all I wanted to get an idea about what the persons thought of HR management in general. Management was asked to name the five most important things in HR management. The employees got the same question and also, were asked to define a good workplace. In the Swedish companies there is considerable agreement; frankness, fairness and information sharing is crucial:

“First of all, that you are frank, honest. And then, if I am frank to my employees, I do hope that they are frank to me. [...] Second, that you are fair, decent...if someone works really much one day he or she could take a half day off the next day. And fair also, if you pay more the employees hopefully work harder and thus the company do better, you earn more and can pay more, like a good circle.” (EF, Erik Petko)

“It is very important to have a direct communication, that they tell you when you’re doing your work poorly or well. And that you can go to your boss, tell him when you have a problem, when something isn’t working.” (EF, Silva)

“[...] that there is information, that the management, all the directors, supply information to the employees, relevant information. So that the employees feel that they are important, and feel that they are a part of it.” (Kapsch, Thorell)

All the Swedes interviewed mention how important it is to have good and fluid communication. This can partly be explained by Baron’s (1983) argument presented above,

that more decentralized organizations³⁹ have more fluid information channels. Presumably such organizations also value such open communication more and, in this case, try to implement such practices in the more hierarchical Chilean environment. Maybe then, even if more decentralized organizations can appear strange in Chile at first, in the longer run they might make cultural differences less serious. *If* Swedish companies manage to implement more open communication channels there will be more direct feedback and probably less misinterpretations due to cultural differences.

Another important issue in the Swedish companies, to management as well as to the employees, is to let the employees know that they are important to the company, to tell them when they do well and to give them the opportunity to grow:

“That they recognize the work that one is doing, the merits, the achievements. It does not need to be economic compensation. Most of all, that they tell you when you’re doing well; it makes you feel good and believe in yourself. Here it is like that, that’s why I like it here. Nicolas [Ter Wicha, his Swedish manager at Destaca] shows plenty acknowledgement, he has said thank you many times for my effort.” (Destaca, Olmedo)

In the Chilean companies the answers are quite similar to the Swedish ones, particularly in those companies working with Swedish companies; open doors and empathy are important. Visions are also mentioned as an important pillar, something which the Swedes do not mention. However, as will be shown later on, in practice they do differ from Swedish companies, especially Alief.

“At this level, that the director has visions. That he can generate leadership, not forcing but by making people understand, making them share your ideas. That the people feel that the director knows where he’s going. [...] Also, that he/she is empathetic, that he/she understands and cares about the workers. [...]” (AC, Paratori)

“Principally, to have patience, every day wears. Secondly, the capacity to put yourself in another person’s place, to have empathy in order to understand him/ her. [...] We

³⁹ That the Swedish companies investigated are more decentralized than the Chilean ones is stated in section 5.2.

work every day with feelings, with people. It's exhausting to work with people; it's not like working with machinery. It wears and tears." (Alief, Nuñez)

5.2 Swedish versus Chilean HR management

A crucial issue for this thesis is the differences between Swedish and Chilean HR management. What distinguishes a Chilean work place from a Swedish one? What is "Swedish" HR management?

Most of the persons interviewed, Swedes as well as Chileans, seem to have quite homogenous ideas about what "Swedish" business and organizational practices consists of (in relation to Chilean ones): Swedish companies are often less hierarchical and more decentralized, the chain-of-command is shorter and more flexible and the management is more openly available to its subordinates.

As an illustration of Chilean hierarchy the organization chart of Alief is inserted. There are about 15 teachers at Alief, somewhat less than at EF but where EF has three organizational layers Alief has 7 (here the marketing department at Alief is showed, the financial and administrative departments have similar structures).

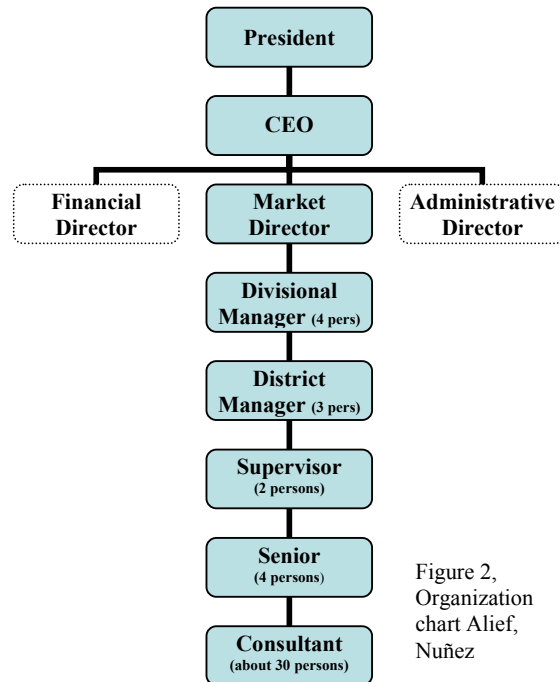


Figure 2,
Organization
chart Alief,
Nuñez

"Chile is a very hierarchical society, somewhat authoritarian [...] in a very hierarchical culture there is much reduced scope for taking own initiatives. People are afraid to do things themselves since you can't afford to make mistakes, which could lead to some kind of punishment." (Swedish Embassy, Broschek)

"A big thing is the chain of command. In Sweden a colleague can say to another 'hey, can you get me this document', here it doesn't work that way, even if it's critical 'we need to fix this today, can you do it?' 'Yes'. And still, the next day it

hasn't been done 'The boss didn't say anything'. And well, if the boss isn't there, it's a dead-lock." (Kapsch, Thorell)

Concerning *how* the work is structured there was also quite big differences reported: In the Swedish companies employees are generally more involved in the decision process and assume more responsibility for their own work; often they can plan and carry out their tasks quite freely.

"Nicolas [Ter Wicha] does not supervise us at meetings etc. He trusts in us. Also, one cannot invent meetings because if, at the end of the month, you have 20 meetings but no sale... There is really no reason to supervise actually." (Destaca, Olmedo)

"We have the liberty to organize between ourselves, work tasks as well as schedules. If I need to do something I arrange it with my colleague and there's no problem." (EF, Silva)

In the Chilean companies interviewed, in contrast, management structure the work quite in detail and the employees seem to like it that way.

Deal and Kennedy's framework (1982) could be used to further analyze the differences. In the Swedish companies there seems to be a higher tolerance towards risk than in the Chilean ones. Power is delegated to a larger extent and management is aware of, and accepts, the risk that employees may make mistakes. Chilean organizational culture appears to be more risk-averse. The hierarchic structure ensures that everyone knows exactly what to do. It is rare to take own initiatives since the risk is high; mistakes are often severely punished.

What regards feedback it seems to be important and quick in both organizational cultures but the manner differs. In the Chilean companies monetary feedback is crucial and there are complex commission systems. At Alief e.g. everyone gains commission not only for their own work but also for those subordinated to them⁴⁰. In Swedish companies there is relatively more emphasis on non-monetary feedback, such as simply telling "you did a great job yesterday" or, giving awards in terms of more responsibility and independence.

⁴⁰ The Supervisor gains commission for the Senior, the District Manager gains commission both for the Supervisor and the Senior etc. (see figure 2).

To conclude, one could say that there are great differences between Swedish and Chilean HR management. Further, there are indications that the Swedish way may be more efficient. Along the lines of Cutcher-Gerschenfeld (1991) and Cooke's (1992, 1994) reasoning the Swedish way of letting the employees assume responsibilities and organize their own work lead to improved efficiency and better quality of work. However, if the Swedish practices are transferable to Chilean circumstances remain to be seen

5.3 Important characteristics for Chilean employees?

When talking about HR the employees are fundamental. What are the important characteristics for employees? Is it easy or hard to find competent Chilean people?

For these questions, all the Swedish companies, and those firms working with Swedish companies, had very similar answers: In Chile it is difficult to recruit and the most difficult thing is to find people who can work independently and take initiatives. The same goes for honesty, and the capability to admit "hey I screw up" when one has made a mistake. All these, according to the persons interviewed, are essential characteristics for employees.

"What is very difficult to encounter, although it gets easier every day, is initiative.[...] Someone that you can tell 'I want you to supervise that this process works properly' and that he finds a manner". (AC, Carlos Paratori)

"The most important thing is that if they have any questions, if they have any problems, if they make mistakes, that they tell me. I have had some problems with this, they make a mistake and they don't want to tell me but try to cover it up, thinking that we won't notice. [...] To me this is, unfortunately, a very Chilean behavior. [...] But it's only because they are not used to that situation." (EF, Petko)

Alief differs though, Nuñez does agree with the previous view of the difficulty to find good employees. However, the personnel she looks for is different.

"The most important thing is to have a good appearance. To talk well. To be obedient. Also, to put style into your work. And to stay up to date, never forget how the work is to be done." (Nuñez)

Overall, the characteristics of the Chilean labor seems to be somewhat problematic for the companies, however, they do have strong points:

“A big strength for Chile and the Chilean companies is that they are very at it, they are as we were during the sixties, growing, growing, growing... [...] Sure, they can be really inefficient but they can also be ultra-efficient [...] I believe that here, generally at least, people are used to that ‘when it is it is’, it takes the time it has to take, you don’t get your vacations when you’re supposed to and the boss changes everything, it’s kind of a part of everyday life. Also, if you want something done rapidly, here you can have an exhibition made in a second. In Sweden it is 9-5, and that’s the way it is⁴¹.” (SCPF, Fürst)

5.4 How “Swedish” is the Swedish subsidiary?

We have now identified some differences in Swedish and Chilean HR management. Although, to go on it is important to know how “Swedish” the subsidiaries really are. Do they still use Swedish practices? Have the persons changed their ideas about HR management since moving to Chile?

“I believe that the company has let go completely, we are a Chilean company. [...] Now I contradict myself, I said that we’re a Chilean company, but I guess some of the Swedish honesty is still here, the company is after all Swedish. I guess that our way of working with clients is pretty Swedish.” (Kapsch, Hejel)

“Personally I believe that the relation I have with my employees is very much the same as I would have had in Sweden. But I have also been very selective when employing people”. (Hiab, S. Bredinger)

“I guess I do have a quite Swedish management style after all, the important thing for me is to try to create a team spirit, to give people opportunities; with education, by explaining, by letting them accompany me to meetings, by giving constant feedback etc. To give people the opportunity to get better and better.” (Destaca, TerWicha)

⁴¹ The same view is expressed in an article by Porter, 2006: “Many Swedes place very high value on their private lives and therefore work overtime only when it’s absolutely unavoidable”.

The answers to these questions were quite indecisive at first and in some cases the persons contradicted themselves: First they said that the company has turned completely Chilean and later they realized that the company actually still has quite a few Swedish practices. Maybe this can be explained by the “common view” of these issues, as presented above. Since it is commonly assumed that being foreign brings disadvantages and that local adaptation is the way to go the companies might not pay great attention to the Swedish practices that they actually keep. To conclude, the Swedish subsidiaries, and their Swedish managers do seem to be quite “Swedish” but it is not always a conscious choice.

5.5 Are Swedish companies legitimate?

The next step was to find out what image Swedish companies have in Chile and how they are generally treated. From what the Swedes told the answer is clear: Being a Swedish company implies legitimacy and great advantages.

“First of all, it’s a society with a lot of prejudices. If you come here and are tall, blond and foreign and say that ‘I have this product’ they will believe that it’s better than if a Chilean would come with the same thing. Naturally, that is good for me, for us”. (EF, Petko)

“I don’t believe that from the start, that they think that it’s cool or anything to work with Swedes, rather the other way around, a bit upwards sloping in the beginning, they prefer to make business with someone they already know. But when things get going...well then [...] they really trust us, in all situations, and feel that we really participate when they have problems and try to solve them. [...] I think that we have got every order where we have had any kind of competition.” (Kapsch, Hejel)

As stated above (by Kostova, 1999; Kostova and Zaheer 1999; Rozensweig and Singh, 1991) external legitimacy does seem to be an important issue for the Swedish companies. However the accordance ends there; what the companies tell is clearly the opposite of most of the literature saying that foreignness is a negative factor.

The results do support Insch and Miller’s (2005) findings. There can be a “benefit of foreignness” and the perception of foreignness depends on “the country of the perceiver”.

However, in this case I find it important to add that the home country needs to be associated with positive characteristics in order for there to be such benefits.

“Swedish companies, or those from the western hemisphere, I believe that they have the same type of advantages as we have as persons, the inverted discrimination that exists. [...] certain snobbery, ‘I work with a gringo’. [...] There is more tolerance towards what’s different and [...] there are many doors opening for you that will not open for a Chilean. And you can ask questions and get answers that a Chilean would never ask and never get answered.” (SCPF, Fürst)

“It’s something that we started to emphasize, that we work with a Swedish company and that Nicolas is Swedish. It creates value. [...] Sweden which is a Nordic country is even better; it has a higher status than for example Spain I believe.” (Destaca, Eyzaguirre)

Besides, the findings are in line with Zaheer and Kostova’s (1999) argument: In some circumstances being foreign can increase the legitimacy of a firm. However, there is an important difference: In this case, the advantage does not seem to depend on Chilean companies being illegitimate and it is not that “*almost any non-local firm is immediately perceived as more legitimate*”. In Chile there is no excessive protectionism, nor is there economic or political turmoil as Zaheer and Kostova talks about – rather the opposite, the Chilean economy is booming. So, Swedish⁴² companies do not rest on the illegitimacy of Chilean companies but rather enjoy a reputation and *behave* in certain ways that give them not only legitimacy but also an image of being “superior”. Nevertheless, the picture is not clear-cut; at Hiab, as the only exception, people do not experience this same advantage:

“I don’t believe that it makes any difference being Swedish. However, I do not have a lot of contact with other companies, I mostly work internally.” (Hiab, S. Bredinger)

“I don’t really feel that it makes any difference.” (Hiab, U. Bredinger)

Presumably this could be due to the kind of sector Hiab operates in – low price and with basic technology – a sector in which their e.g. suppliers and customers might not know much

⁴² N.B: “Swedish” is equivalent to “Scandinavian” or “North European” for many people in Chile.

about Sweden. That Swedish firms are not very well known in Chile is exactly what the Chilean companies report. They find it difficult to describe the Swedish company image but they do mention a “high quality” label and that Swedes are reliable and professional. It should be noted that not even in the case of Hiab do “foreignness” and unfamiliarity have negative consequences. Rather the effect is neutral. None of the findings thus supports Kostova and Zaheer’s (1999) argument about uncertainty; unfamiliarity with Swedish firms mostly translates into a positive, at times neutral, but never negative, image. There might be different standards to judge them but if anything these are lower than those used for local firms.

Also, as far as the findings of this thesis are concerned, Eden’s (2004) second hazard can be written off. If there is any discriminatory treatment by local actors it is favorable to the Swedish companies.

5.6 Implementing Swedish HR practices: Advantages, Difficulties and Effects?

Until now the analysis has shown that there are considerable differences between Swedish and Chilean HR management, that there might be advantages associated with the Swedish practices and that Swedish companies generally enjoy good reputation in Chile. Now, it is time to investigate whether it is feasible for a Swedish company to implement these practices in Chile. First, it should be mentioned that based on the criteria presented in the methodology chapter an assessment of subsidiary performance was made and the conclusion is that the four Swedish companies interviewed are all doing well⁴³.

“To me, this positive image of being Swedish means that many times I can do things in my own way. Here at the company it works very much like that. For example I work a lot at home. [...] And no one questions this although it’s extremely unusual in Chile that someone works at home.” (Kapsch, Thorell)

“It’s more accepted that you do different things and odd things than if you had been a Chilean company [...]. So, as a Swedish company it’s easier to, for example, handle personnel in a different way. [...] I can mostly only tell from secretaries and so on

⁴³ The finding seems to be common, according to Broschek the Swedish companies in Chile are generally performing very well.

who I've been working with here, most of them, if you give them a chance, they do take initiatives. They want to do it, there are few who don't, they are just not used to it. They have to learn it and you need to give them freedom and the right to fail without it being a catastrophe." (SCPF, Fürst)

So, implementing a "Swedish style" is possible and can have quite positive results. Being foreign⁴⁴ appears to imply being free from informal restrictions placed on domestic firms and thus given "space" to do things in a different, non-usual manner. Nonetheless, it does not mean that transfer is easy and it seems especially hard to find people who are used to working independently⁴⁵. However, as mentioned above, it is doable and it does seem possible to motivate people even with practices that are unfamiliar to them. Thus, the reasoning presented by Fisher and Yuan (1998) may need some reconsideration. Motivational factors and successful HR management might not be all that contingent upon culture.

"The communication is very direct with Erik [Petko]; you can speak frankly with him without getting problems. I believe it is because he is Swedish, they treat workers more directly. Also, the timetable is flexible and complied with. We do not have any goals, of sales etc., so it's less pressure. All this, I don't think they do it that way in other companies here. [...] My family notices that I like my work, that I am relaxed, not stressed, and that I stay. It means certain stability to work for a foreign company." (EF, Silva)

"Yes, it is very different; in a Chilean company you can enter as a junior and die as a junior. Here, they recognize your work; it's much easier to ascend. Also, the director is accessible. He's not distant and you don't need to make an appointment to see him. And if I have a problem I can discuss it with him and we'll find a solution." (Hiab, Nuñez)

Given these results, Miller and Eden's (2004) third hazard can also be written off: All in all there seems to be no LOF concerning relation management. Although there are costs due to

⁴⁴ In this case "Swedish" which, as previously mentioned is equivalent to "Scandinavian" or "North European" for many people in Chile

⁴⁵ See previous section "Important characteristics for employees".

cultural differences and ignorance, these are clearly outweighed by the positive reception by local actors. Both within and outside the company people appreciate the Swedish openness and less hierarchical structure.

“The type of straight, honest, as I believe to be a quite Swedish way to act is very unusual here. But people like it, they like assuming responsibilities. [...] There is a guidebook [...] *Let's go Chile* and it says that if you're an English teacher the first place where you should go to look for a job is EF Santiago [...] it was really the final confirmation. Several teachers had written to the publisher and said that this is a great place.” (EF, Petko)

It was previously mentioned that the Swedish view on employee participation supports Cooke's (1992, 1994) and Cutcher-Gerschenfeld's (1991) results. The question asked here is whether these theories also apply in Chilean settings. My answer is that it seems to be affirmative – worker autonomy and increased employee participation has positive effects on company performance. This is by no means a trivial conclusion. As mentioned before Adler (1991) proposes that the *effective use of human capital* is the most important factor driving organizational performance. Besides, there are other positive effects reported, not directly related to employee participation:

“It takes a lot of work, to have a clear plan, in order to transfer a Swedish model over here. But I would do it, I think that it would definitely work; I think it would be great. [...] I don't believe that they [the Chileans] would be negative about anything; I believe that they would think that it's really nice. Also, the company would become more efficient; one could delegate more, well, absolutely everything would be more efficient compared to when one person needs to decide everything.” (Kapsch, Hejel)

“[...] sellers almost always work with commission and a good seller is extremely valuable, they are not easy to find. In a Chilean company the sellers know that if they sell too much one month they risk that the commission system will be changed the next month. This is because the management can never risk that a seller earns more than someone at a higher position, and in most Chilean companies there are many levels. Then they rather cut the commission which of course means less incentive for the seller, and less sales. Here we don't do it that way; our seller in the south of Chile

earned second best at the company last year. Since we are not very hierarchical this is not an issue for us and we benefit from it since he's extremely valuable to us." (Hiab, U. Bredinger)

Dickmann's argument on reasons for MNCs to wish to transfer their HR practices is clearly helpful to analyze these results. *Administrative heritage*, a desire to be *internationally fair* and a belief that many of the Swedish practices are *superior* all seem to be reasons to why Swedish practices are implemented by the Chilean subsidiaries. Presumably the last one is the most decisive in these cases.

We could also go back to Kindleberger (1969) and Hymer's (1976) Monopolistic advantage theory. It may be that one of the specific advantages of foreign owned firms is their very "foreignness". Foreignness will thus not only imply costs that have to be outweighed but can in itself carry benefits.

Finally, Fürst points to the fact that the "strong points" of Chilean employees in combination with Swedish practices can have great results as they give rise to "ultra cross-fertilization". She mentions that Chileans are used to work longer hours than Swedes and to improvise in order to meet tight deadlines. Giving space for such initiative, in a more decentralized organization, can give great results.

5.7 Costs of Foreignness?

Until now there has been a lot of talk about the advantages of foreignness and I would like to make two points: First, this thesis does not aim at exploring the costs of foreignness per se – had I asked more specifically about e.g. language, distance and bureaucracy there would probably have been more disadvantages reported. Second, as can be seen from the questionnaires, all of the questions are open in the sense that difficulties as well as advantages are asked for. There were also a question explicitly asking the Swedes to describe the difficulties of being Swedish/ a Swedish company in Chile and a question on language:

"[...] sometimes it takes time; maybe you don't understand exactly what people want. I'm not Chilean and I will never be." (EF, Petko)

“If you say that you’re from Europe or USA it’s kind of ‘this guy knows, listen to him’. But also, sometimes it can be ‘here comes some know-it-all and you can hardly understand what he says’, there are a lot of language barriers.” (Kapsch, Thorell)

The language problem is indeed present and Hall’s (1976) reasoning seems to offer some guidance as to the understanding of this. Although some of the Swedes speak perfect Spanish the “high-context manner” in which the Chileans communicate can prove to be difficult to grasp at times. Some examples mentioned are that Chileans rarely say no, nor do they tell if they do not understand. Regarding other difficulties of being Swedish not much is reported.

Having said this, the results cannot really support nor contradict the rest of the literature regarding “costs of foreignness” presented above. Nevertheless, regarding the *specific companies* investigated it can be stated that: The costs of foreignness do not appear to be as serious and cumbersome as described in the literature. Thus, neither Eden and Miller’s three hazards nor the liability of newness (Forsgren 1989) seem to describe very well the situation of these Swedish companies. Moreover, much of the reasoning concerning differences between host and home country (Miller and Parkhe, 2002; Nachum 2003; in Insch and Miller, 2005; Miller and Eden 2004) seems to be inapplicable. That Chile and Sweden are different in many aspects was continuously stated in the interviews. However, these differences do not appear to be accompanied by equivalent disadvantages.

5.8 The reaction of Chilean companies?

The advantage of foreignness reported by the Swedish companies seems to be a factor helping them when introducing their HR practices to Chile. Also, the employees at the Swedish companies seem to be quite pleased with their management. But, what about the Chilean companies? What do they think of Swedish practices?

“Me, personally, I like that people take initiatives [...]. And I love less hierarchical organizations. [...] Partly that is what I have tried to do here but...to tell the truth I think that it would be very difficult. Especially since it is really hard to find people who can work independently. [...] in Sweden the general educational level is very high. That’s why people like, and assume, responsibilities. Here, if you employ a technician he doesn’t know how to do it, he needs well-specified tasks. [...]. Also, Chile is a *strong* class society. And the people from lower levels tend to always

behave as subordinated; it's like at once they put their head down, waiting for people of higher classes to give them orders. That's why it's difficult to implement a Swedish model.” (AC, Paratori)

“[...] it's the best way of organizing, I believe that people contribute more when they feel more free, closer, more recognized, when the relationship with the boss is more fluid, when they can speak more, when they can tell when things are bad without fear of reprisals, and this contribute to the company. I think that people give the best of themselves in an environment with more trust, and not so much fear, the hierarchy is frightening. [...] I believe that we're going in that direction but that it will take some more time. [...] what I like is the innovation; it's a culture that is strongly promoting innovation.” (Drillco, Carmona)

All the Chilean companies working with Sweden seem to be impressed by the Swedish openness; the less hierarchical structure and responsibilities given to, and assumed by, the employees. They seem to believe that this would be a good way of organizing, even in Chile. However, they also see several obstacles and say that it will take a long time. Fürst tells a similar story:

“The Chilean companies with whom I have traveled to Sweden get very impressed by the Swedish openness, and it makes them more open, even towards each other [...]. But when they come back they fall back to the old way [...] they become like an island here and it doesn't work to do it all yourself, you can't change everything yourself. And, then if you're Chilean, in addition, it gets strange. [...] Well, they do want to change but it's not that easy. [...] they often say that it would never work in Chile, that the employees would take advantage of it.” (Fürst, SCPF)

5.9 Impact on the Chilean society?

We have now looked at almost all the questions laid out in the beginning of the thesis. The last one remains to be answer: What is the impact on Chilean society of Swedish companies bringing their HR practices? As stated in the delineations section there are no theories on development reviewed in this thesis and I allow myself to hypothesize quite freely. That is, the analysis in this chapter is based on my own experiences from Chile and from my assessment of global tendencies.

As a starting point one can see that the Chilean companies making business with Swedish ones see themselves as different. Maybe it is that working with Swedes, and seeing their practices implemented, have somewhat changed the attitude in these companies. Yet, one should be cautious to make these inferences. There do seem to be a general trend of Western influence on Chilean company practices. Still, in these particular cases the correlation is not clear-cut. It may also be that *because* these companies have a more “Swedish” approach they searched for ways, and were successful in, making business with Sweden.

“We warn you, this is a very different company; it’s even different from other parts of the company. In other parts they can tell you ‘wait a second, I have to see this with my boss first’. Both of us have worked in other companies and we know that generally things are different. Why? Here they keep the doors open, they acknowledge your effort [...] (Barrios, Salgado) “Actually, the other day my son came here and he noticed that it is different, he said ‘Me too I want to work here’”. (Barrios)

“Paradigma is not the typical Chilean company; in terms of style it’s different. [...] when they leave [the employees] [...] for another company they realize what they had here, that actually they had other things, which now they don’t: a spirit, an opportunity to learn different things, to work with international issues; the other companies are only one of the multitude.” (Roe, Paradigma)

As mentioned above it appears that initiative, and the ability to work independently is a much demanded characteristic in employees (by Swedish companies and by companies working with Sweden)⁴⁶. Also, we saw that Swedish HR practices might contribute to greater efficiency in a company, also when employees are Chilean. This includes putting higher demands on the employees, e.g. the secretaries will not have as their only task to answer the phone and to make photocopies⁴⁷. So, maybe Swedish companies implementing their HR practices in Chile (or Chilean companies getting influenced by Sweden) can contribute to raise somewhat the capabilities of the Chilean workforce. In many cases, it may simply be that the Swedish practices give Chileans a possibility to show strengths and capacities they already have; only, in Chilean companies they have not had room to use them.

⁴⁶ See “Important characteristics for employees”.

⁴⁷ My own observation of what Chilean secretaries normally do. This view is confirmed by many though.

“Those who benefit more than anyone from these international projects are the persons participating. [...] The tendency is that you finance their learning during 3-4 months and thereafter they start looking for another job. There is an indirect effect on employment since the person’s capacity increases [...]. The level is so poor here in Chile, the other kind of companies does not make such projects, so having worked in this kind of project [with Swedes] makes them a lot more attractive to other companies.” (Roe, Paradigma)

“Many here started right after school and they are very happy for the openings they have got here, promotion and development. They feel that they have been given an opportunity.” (Hiab, U. Bredinger)

Innovation is everyday more important in order to get and retain competitive advantage in the world market. Carmona (Drillco) states that the Swedish HR practices are more conducive to innovations than are the Chilean ones. Having employees capable of assuming responsibilities and take initiatives allow for more new ideas, as compared to hierarchic, rigid organizations. A crucial aspect is that Swedish practices accept that employees make mistakes while we have seen that making mistakes can be devastating in Chilean companies. Nonetheless, taking risks and allowing for mistakes is an integral part of innovation. Maybe in Chile turning towards more flexible organization structures can be a first step toward a more innovation-oriented business environment. As mentioned, Chileans have a great capacity to improvise⁴⁸ and more decentralized organizations could presumably be means to take fuller advantage of this capacity.

Moreover, I would like to refer back to Sida’s discussion on trade and development. They stated that most developing countries have, until now, been little integrated into the worldwide trade flows. Nonetheless, the findings of this thesis suggest that there might be beneficial effects of entering a country with a lower degree of economic development. Possibly, such market entry can prove fruitful for both parties. As mentioned, Sida supports, among other things: “A strong partnership based on dialogue, mutual trust and joint accountability.” This is, presumably, more easily and naturally achieved in a commercial

⁴⁸ A result of often having to do things in the last minute (my own observation).

setting. When both parties have interests at stake, there is a stronger base for accountability and demands.

Further, a few more words on the possible transfer to Chilean companies. It has been shown that they are often impressed and inspired by Swedish HR practices. Yet, Chilean businessmen believe that it would be very difficult to implement them in Chile. There are examples⁴⁹ when companies have succeeded and there is a tendency towards more “Western” practices but the process is slow. Nonetheless, this does not mean that there is no impact. First, the few companies who dare to try new ways will, although if there is no direct positive effect for themselves, serve as an inspiration for other people – “Look, there is an alternative way of doing things, it is possible to try new ways.” Second, as already stated, the people working with Swedish companies will start to think differently and they will, albeit slowly, turn into drivers of change in the rest of the society.

Finally, writing all this, I am aware that Swedish companies are very small players in Chile. The impacts speculated about are indeed *marginal*. Nonetheless, my investigation shows that they are real, in some places, to some persons, and that is enough to make a difference.

⁴⁹ Although not part of the study I did witness an example of this taking place in a Chilean bus-company. “Lokaltrafik” is inspired by Stockholm Transport (SL) and by e.g. demanding greater responsibility from bus-drivers and showing interest in their well-being they have attained almost unbelievable results: To cut fares, to increase frequency and destinations, to reduce accidents to a minimum, to boost the status of the drivers etc. All this in an underprivileged sector of Santiago while also increasing the profitability the firm.

6 Conclusions

The results and analyses have been presented and I will move on to the conclusions. First, let us look at the purpose once again:

The aim of this thesis is to explore the concept “foreignness” in business relations. Swedish companies in Chile will be studied and the focus will lie on their HR practices.

These two sentences have guided everything written in this thesis and together with the theoretical review it was the foundation for the questions at issue. Now, these questions will be answered:

- **How are Swedish firms seen in Chile? What are the advantages/ difficulties of being a Swedish company?**

According to the findings of this thesis Swedish firms enjoy very good reputation in Chile. Not only are they legitimate they are also often seen as superior to Chilean companies. The reasons seem to be primarily that Sweden has a high status and that the Chilean counterparts appreciate the Swedish openness. As for the disadvantages they are not as serious as reported in other studies. However, they are present and mostly derive from language barriers.

- **How/ why do Swedish companies implement/change their HR management in Chile? What are the effects?**

It appears that the companies investigated do implement a great part of their Swedish HR management in Chile. The reason seems to be, primarily, a conviction that things work better this way. Also, the positive image of foreignness gives the Swedish companies “space” to implement such different, non-usual practices. The major difficulty reported is to find Chilean people who are used to working independently. Nonetheless, training is possible and the employees at the Swedish companies all seem very pleased with the Swedish practices. At a company-level management report e.g. higher efficiency, more direct communication, and easier recruitment as effects of implementing Swedish HR practices.

- **How do Chilean companies react? What is the impact on Chilean society?**

Those Chilean companies working with Sweden/ Swedish companies find the “Swedish way” to be a good way of organizing, even in Chile. However, they see major obstacles; primarily that Chilean employees are not used to assume responsibilities and that Chile is a

strong class society. As for the impact on Chilean society, there are indications that implementation of Swedish HR practices can contribute to raise somewhat the capabilities of the Chilean workforce and Chilean organizations. This can possibly translate to e.g. higher productivity and a more innovation-friendly environment. Nonetheless, it is emphasized that Sweden is a small player in Chile and that the impact speculated about is indeed marginal.

7 Discussion

The questions at issue are now answered and the purpose is complied with. In the following I want to address these issues: What do the conclusions actually imply? How do they relate to existing theory? What are their weaknesses? How could they inspire future research?

7.1 Contribution to theory

Throughout the analysis previous literature has been contrasted with the findings. This resulted in some theories being supported, some being object to modifications and others rejected. These assessments were based only on the findings of this thesis but they might nonetheless add interesting perspectives to theory. As mentioned in the validity section, although case studies do not generalize to populations they do generalize to theory. In the following, I will highlight the contributions I find most interesting:

Regarding foreignness the thesis has shown that, in the particular cases investigated, being Swedish implies great benefits. Insch and Miller's (2005) finding that there can be a benefit

		Home-Country	
		Advanced Economy	Basic Economy
Host-Country	Advanced Economy	<i>Neutral/ somewhat negative</i>	<i>Negative</i>
	Basic Economy	Positive	<i>Neutral/ somewhat negative</i>

Figure 3, Effect of foreignness, my own creation. N.B. The assessment of a country being "basic" or "advanced" is equal to the host country perception.

of foreignness is supported although a complement is suggested: The *host-country perception of home-country status* is an important determinant of a possible advantage of foreignness. Further, the findings are in line with Zaheer and Kostova's (1999) argument. Also here I suggest that the host-country perception of the foreign player is included. This would modify their theory to: Foreignness can lead to increased legitimacy *not only* when local companies are seen as illegitimate *but also when a foreign company's home-country reputation or*

business practices are seen as positive in the host-country.

These proposed modifications, together with the overall finding of benefits of foreignness, could be illustrated in a model (figure 3). It shows the effect of foreignness (curse or blessing) as a variable dependant upon the degree of development on the home- and host-

country. That is, e.g. Chilean companies entering Sweden would suffer from LOF but Swedish companies entering Chile would enjoy an advantage of being foreign. It should be emphasized that this thesis has only investigated one of these four squares (the lower left square) and that the model should be seen as a hypothetical proposal.

The model could further explain why Eden and Miller's (2004) discussion on LOF is not supported by the findings in this thesis. As noted much of the research on foreignness is conducted in Western (advanced) economies. Maybe Eden and Miller's "hazards" do square with reality, but only to reality in the upper right square (and to a lesser degree to the "neutral/ somewhat negative" boxes) in my model.

As for HR theory, the findings have some interesting implications. First, it seems that motivational factors need not be contingent upon culture, as opposed to the reasoning presented by Fisher and Yuan (1988). At least in Chile, which is indeed different from Sweden, employees in the investigated companies seem to appreciate the Swedish practices and organizational culture. In addition, it appears that the implementation of these practices have positive effects on company performance. This implies that the results of Cooke (1992, 1994) and Cutcher-Gerschenfeld (1991) seems to apply also in Chile – the theories that worker autonomy and increased employee participation have positive effects on company performance might be more generally applicable than what was previously thought.

7.2 Implications for practice

The possible implications for practice all needs further investigation before any recommendations can be pronounced. Nonetheless, I find it interesting to speculate about what the implications could be, *if* the findings of this thesis would be confirmed in future research.

To Swedish companies (and those from countries with similar HR management) it would suggest considering the transfer of e.g. decentralized organizational structures when expanding abroad. Implementing such structure could possibly increase the returns of the foreign venture due to efficiency gains, even though home-country employees are not used to such organization. Besides, it proposes that when analyzing possible foreign market entry variables such as expected degree of legitimacy should be considered; costs due to e.g. distance and language barriers could be counterbalanced by positive associations to

foreignness in the host-country. If a positive expect on legitimacy is expected, the case for transferring national HR management would be even stronger since it would facilitate such transfer.

The thoughts upon the effects on development could prove to be valuable inputs into the formulation of development policies. Hitherto development aid has in many cases had dubious effects but foreign business integration might be a way to achieve more sustainable development. As was shown, bringing Swedish HR practices might, at the same time, increase Swedish subsidiary performance, augment the capabilities of their Chilean employees and inspire Chilean companies to adopt more innovation friendly organizational cultures. Today, the integration of private initiatives into development aid is an increasing phenomenon. Having my findings confirmed would suggest that this course should be encouraged and that the transfer of HR practices might be an interesting component.

7.3 Critical assessment of the results

Regarding the credibility and possible implications of my findings two things could be stated: First, as this a quite novel area of research there is little possibility to compare the findings with similar research conducted in other countries and/or other circumstances. This reduces the degree to which one can speculate: Maybe Sweden and Chile is a unique combination. Perhaps the results are contingent upon e.g. Chile being an expanding and unusually open economy.

Second, it should be remembered that this thesis has studied only some aspects of foreignness, HR management and development. Some important issues are left out which might modify and/ or contradict the findings presented here. An example could be the previously mentioned discussion on foreign investment in developing countries. Future research might establish that the crowding-out effects of such investments is negative enough to make the positive effects of improved HR management irrelevant.

7.4 Suggestions for future research

In the methodology section it was stated that this thesis uses a method close to induction and that it aims to come up with hypothesis for future research. Based on the above conclusions and discussion I have come up with the following hypotheses, which I believe are worthy of

further investigation. In addition to these, it would be interesting to study questions similar to those put up in this thesis but with different countries and/ or types of companies.

Hypothesis 1. The effects of foreignness can, in some circumstances, be more positive than negative.

Hypothesis 2. The overall effect of foreignness is closely related to the legitimacy that a foreign company has in the host-country.

Hypothesis 3. The legitimacy of a foreign company is highly dependent upon the host-country perception of the home-country's status.

Hypothesize 4. More decentralized organizations, including increased worker autonomy and more fluid information channels inside the company, can motivate employees also in countries that are not used to such practices

Hypothesis 5. Having more decentralized organizations can, even in cultures that are not used to such structures, increase the performance of companies.

Hypothesis 6. A foreign company being perceived as more legitimate than local actors will (as compared to these local actors): (A) Have an advantage in terms of revenues (e.g. it will be easier to attract customers and increase sales) (B) Be able to implement practices that are not acceptable for local companies and thus decrease costs (e.g. implement host-country HR practices that increase worker's efficiency).

Hypothesis 7. Development aid that is based on mutual business incentives is more sustainable and have more long-term positive effects for the developing country than development aid founded on donations of the developed country.

Hypothesis 8. Living abroad for a while and having to cope with new realities often implies that one grows as a person; the same phenomena can apply to organizations, especially smaller ones. That is, foreign market entry can increase overall capabilities of a company.

7.5 Final words

To support individuals in fulfilling their potential can prove valuable both to companies and countries. To overcome the difficulties of implementation might prove both rewarding and sometimes, less difficult than that was thought. To give people autonomy and responsibilities can serve as incentives even in seemingly unsuitable circumstances. This is all possible, and can give rise to fruitful win-win situations, as long as people's perspectives are not too shortsighted.

Thank you for reading this thesis!

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Interviews:

(NB, Co-founder refers to the subsidiary)

Kapsch (2007-12-11):

Mikael Hejel, Co-founder and System Engineering Manager (Swedish)

Mathias Thorell, Systems Engineer & IT Manager (Swedish)

Carlos Cisneros, Technician (Argentinean, has worked in Chile for 17 years, always in Swedish companies)

EF (2006-12-20):

Erik Petko, Managing Director (Swedish)

Rodrigo Silva, Sales coordinator (Chilean)

Destaca (2007-01-10):

Nicolas TerWicha, Co-founder, Market Director (Swedish)

Carlos Eyzaguirre Valderas, Co-founder, Managing Director until recently (Chilean, has lived and studied in Sweden)

Gerardo Olmedo Sanchez, Sales man (Chilean)

Hiab (2007-03-04):

Susanne Bredinger, Co-founder, HR manager and Controller (Swedish)

Ulf Bredinger, Co-founder and Managing Director (Swedish)

Freddy Nuñez, Sales man (Chilean)

Autopista Central (2007-02-22):

Carlos Paratori, Director of maintenance of the toll system (Chilean, has been visiting Kapsch in Sweden)

Gustavo Divin, Director of maintenance of the traffic system, Paratori's subordinate (Chilean, has had a lot of contact with Kapsch)

Luis Barrios and Pedro Salgado (both were interviewed at the same time), Administrators (Chileans)

Alief (2007-03-02):

Jimena Nuñez, Marketing Director (Chilean)

Sergio Barros, Salesman (Chilean)

Paradigma (2006-11-24):

Phillip Roe, Managing Director (Chilean, works closely with Blue2net and has been to Sweden several times for business)

Drillco (2006-12-18):

Rolando Carmona, Managing Director (Chilean, works closely with Sindeq and has been to Sweden several times for business)

Swedish Embassy, Santiago Chile (2007-03-12):

Roberto Broschek, Commercial Attaché. (Chilean who has lived many years in Sweden)

Swedish Chilean Partnership Fund (2007-03-07):

Anette Fürst, Director (Swedish, has worked and lived in Chile 13 years)

Appendix 1, Questionnaire

To managers in Swedish companies:

- Could you shortly describe the company?
- How long have you worked for this company? How long in Chile? What is your background? What is your role in the company?
- How were you established in Chile? How independent is the subsidiary vis-à-vis the Swedish headquarters?
- How would you define your market?
- How many people work here?
- How do you look at HR? What is important to you in HR, can you mention, and place in order of preference, 5 things?
- How is your wage policy? (level, benefits, commissions)
- How are the tasks defined? (What is X's task? How does he get there? If he wants to do it another way?)
- What working hours do you have (schedule, flexibility, a sick child etc.)?
- How many Swedes are working here? In what positions?
- Why Chile (you, the company)? Advantages/ Disadvantages with the Chilean market?
- What is most different from a Swedish place of work?
- In what ways have the company's HR management changed since you came to Chile? What parts have you taken away/ changed? What parts have you kept?
- How do you "educate" your Chilean employees?
- How do you look at the labor market in Chile? Easy/ difficult to recruit competent staff?
- How do you look at Chilean labor generally? Differences compared to Swedish labor (productivity, loyalty, job satisfaction)?
- Can you say 5 characteristics for a good employee – and put in order of preference?
- What practices have the Chilean employees been most skeptical about? Most positive?
- How does Chilean middle management look at the Swedish practices?
- How has your own attitude towards HR management changed here? Do you believe the change to be to the better or the worse?
- Advantages/ disadvantages of being a foreign company? Of being Swedish?
- How is it to work in Spanish? Do people comment upon your Spanish?

- Have you/ your company worked previously in Latin America? Were these experiences of any help?
- How large is your turnover (define your)?
- How was last year's result?
- How do you look at the future?

To managers in Chilean companies:

- Could you shortly describe the company?
- How long have you worked for this company? What is your background? What is your role in the company?
- How would you define your market?
- What is your major competition? Companies/ countries?
- How many people work here?
- How do you look at HR? What is important to you in HR, can you mention, and place in order of preference, 5 things?
- How is your wage policy? (level, benefits, commissions)
- How are the tasks defined? (What is X's task? How does he get there? If he wants to do it another way?)
- What working hours do you have (schedule, flexibility, a sick child etc.)?
- Do you have systemized training for your employees?
- How do you look at the labor market in Chile? Easy/ difficult to recruit competent staff?
- How do you look at Chilean labor generally? What positive and negative characteristics do they have?
- Can you say 5 characteristics for a good employee – and put in order of preference?
- Would you be interested in implementing the following practices (Xa, Xb...)?
- Do you think it would be possible to do so?
- What would the effects be?
- How do you look, generally, at foreign companies in Chile? At Swedish companies?
- How are, according to you, the Swedes? What positive and negative characteristics do they have? How do they fit into Chilean society?
- How large is your turnover (define your)?

- How was last year's result?
- How do you look at the future?

To employees, in all companies:

- For how long have you worked here? What is your background?
- Could you describe your main tasks?
- What are the characteristics of a good work place? Mention 5 and put them in order of preference.
- How do you look at your work place in relation to these?
- What are the characteristics of a good manager? Mention 5 and put them in order of preference.
- How do you see your boss in relation to this?
- What is most important in terms of remuneration (base wage, benefits, commissions etc)?
- How do you prefer to have your tasks structured? Well defined or with freedom to decide yourself upon how to accomplish them?

Only to employees in Swedish companies:

- Do you think it is any different to work in this company, since it is Swedish? In what way? How is it to have a Swedish boss?
- Do your family/ friends etc. comment upon the fact that you work for a foreign company?

To Fürst and Broschek:

- Is there any ground for commerce between Chile and Sweden? Describe.
- What advantages/ disadvantages do Swedish companies have in Chile?
- Say 5 things that describe HR management in Sweden.
- Say 5 things that describe HR management in Chile.
- Chilean companies that work with Swedish companies, do they get influenced by Swedish practices?
- Do they want to imitate, can they?
- Generally, what is the image of Swedish companies in Chile?

Appendix 2, Company Presentations

Swedish Companies

EF Education First ltd: EF was founded in Sweden in 1965. They are a multinational corporation with presence in 43 countries and they are the world's largest private learning institute. (www.ef-chile.cl/master/hr/virtualtour/history.asp, 2006-11-29) Today the headquarters are located in Switzerland, due to tax considerations, but many at EF are still Swedish, including the founder and CEO Bertil Hult (Wilhelmson, 2003-11-13). EF English First is a part of the EF group and is mostly organized on a franchise basis. In Chile they started 6 years ago and today there works about 15 people, mostly teachers plus some 15-20 part-time employees.

Kapsch TrafficCom AB⁵⁰: Kapsch was founded in Sweden in 1991. It is a supplier of high quality products and systems to collect road tolls electronically, mainly in high-ways. Today Kapsch have subsidiaries in Australia, Chile and Malaysia. The headquarters are located in Sweden although in 2000 they were bought by an Austrian company. (www.kapsch.se, 2006-12-07) The Chilean subsidiary was founded in 2001 and today they employ 15 persons. The MD is Chilean and there are three Swedes working at the company, all in managerial positions. (Hejel)

Destaca S.A⁵¹: Destaca was founded in Chile in 2004. (www.destaca.cl/nosotros.php, 2007-01-15). It specializes in web positioning in search motors, that is, it helps e.g. a company selling watches to come up among the first if you search for "watches" at Google. Destaca differs from the other companies in that it is no subsidiary; the only office is in Chile although they work closely with their business partner in Sweden. Today there work 8 people at the company.

Hiab Sverige AB: Hiab is a supplier of loading equipment, mostly cranes. They have their headquarters in Sweden (www.hiab.se 2007-01-15) but are since a few years ago part of a Finnish group. (S. Bredinger). Hiab Chile was founded 10 years ago and employs 22 persons (S. Bredinger); Ulf and Susanne are the only Swedes.

⁵⁰ "AB" is the Swedish equivalent to "Inc."

⁵¹ "S.A." is the Chilean equivalent to "Inc."

Chilean Companies:

Autopista Central S.A: Owns and manages the most important highways in the metropolitan region. The company was funded in 2001, employs 215 persons and Skanska (Swedish company) holds half of the shares. (Annual Report 2005) Autopista Central is Kapsch Chile's most important customer.

Alief: A language learning institute, in size⁵² and products quite similar to EF English First Chile although Alief offer a somewhat wider array of products. It was funded in 2003, employs about 60 persons and has its only office in Santiago (Nuñez).

Drillco Tools S.A: A company specializing in drills, for mining, heat pumps etc. The company was funded in 1966 and since 2004 has a close partnership with the Swedish company Sindeq. Drillco employs about 120 persons. (Carmona).

Paradigma ltd: Funded in 1997 Paradigma develops Internet solutions and employs 12 persons. They have a close partnership with the Swedish company Blue2net.

Other Organizations:

Swedish Embassy in Santiago: Broschek is the Commercial Attaché and thus works with helping Swedish Companies doing business in Chile. He is also a member of the SCPF board.

Swedish Chilean Partnership Fund: A cooperation project between the Swedish and Chilean governments aiming to increase the commercial relationships between small and medium sized enterprises in the two countries. Sida finances the Swedish part (50 per cent), as a means to smoothen out Chile's transition from developing to developed country. Its policy document states explicitly that all projects financed by the SCPF must have clear benefits for both countries. That is, the projects must be based on real business incentives from both parties. (Guidelines SCPF) The SCPF was established in 2004 and it was initially intended to operate for three years. However, in 2006 their mandate was prolonged until 2010 – a result of the success of the Fund and an indication that Swedish as well as Chilean government agencies believe that further market integration and business cooperation have positive effects for development. (Fürst)

⁵² Referring to the number of teachers, Alief have considerably more staff than EF in sales and administration functions.

How do Chileans understand and interpret Swedes/ Swedish firms? Is foreignness legitimate in their eyes?

“Swedish companies have a very good reputation here. It’s not that the common man know what Sweden is men in the industry and business world Sweden has a very good reputation. Swedish goods are known to be of good quality. And Swedes are known to be serious and reliable. [...] I think that you can say that Swedish companies are known to have a higher quality than many other European countries. Then there are countries as Germany which has a somewhat similar profile.” *What negative aspects are they, what disadvantages do Swedish companies have in Chile?* “I don’t know if they really have any direct disadvantages. It could be the prices; Swedish goods [...] are sometimes associated with high prices. And Chile is very price sensitive. [...] It’s all about finding the right positioning if you want to sell high-quality, and expensive, goods here.” *And Swedish companies, have they found these segments here?* “Oh yes, they really have, the Swedish companies are performing very well here.” (Swedish Embassy, Broschek)

“First of all, it’s a society with a lot of prejudices. If you come here and are tall, blond and foreign and say that ‘I have this product’ they will believe that it’s better than if a Chilean would come with the same thing. Naturally, that is good for me, for us, ‘we’re a foreign company, we have schools all over the world’, it will sound great here. But sometimes it takes time; maybe you don’t understand exactly what people wants. I’m not Chilean and I will never be.” *Does it go for all contacts, relationship this advantage of being Swedish?* “Yes, normally it does, because it’s the openness really that helps you.” (EF, Petko)

“But I don’t believe that from the start, that they think that it’s cool or anything to work with Swedes, rather the other way around, a bit upwards sloping in the beginning, they prefer to make business with someone they already know. But when things get going...well then [...] they really trust us, in all situations, and feel that we really participate when they have problems and try to solve it. When it’s about updates or additional orders we do have competition but... I think that we have got every order where we have had any kind of competition.” (Kapsch, Hejel)

“To be in a foreign company means that they give you an extra for what you know. In my case, I started from below and step by step I was promoted. To me being in a foreign company means security, it means feeling safe. At Ericsson it was the same thing. I worked there for 12 years, climbing the stairs, just as here. I have a position as an engineer although I’m not.” (Kapsch, Cisneros)

“Generally you have quite a high status if you come from what the Chileans see as a developed country. Unfortunately they look down at themselves too much sometimes. If you tell that you’re from Europe or USA it’s kind of ‘this guy knows, listen to him’. But also, sometimes it can be ‘here comes some besserwisser and you can hardly understand what he says’, there are a lot of language difficulties.[...] To me, this positive image of being Swedish means that many times I can do things in my own way. Here at the company it works extremely lot like that. For example I work a lot at home. I have said that if you want me to develop software I cannot sit here. It’s an open office space and people come and ask me constantly, the telephone rings... And no one questions this although it’s extremely unusual in Chile that someone works at home. However, I have proved that I know what I’m doing. The highest manager says that it doesn’t matter where I work as long as I deliver. And I have so far. [...] Well, you asked me if as a Swede I have any advantages and well, here in Latina America you do and hopefully one uses it in a good way, I think I do anyhow, no one has complained so far. Many in a managerial position find it good that you make people think by themselves. It’s a new thing for them; they are used to, as I said, to do everything on order from the boss. As a Swede one has learnt to if not being completely independent so at least you make your own decisions based on facts you have found yourself. ‘Shall we repair this, shall we call this customer etc.’” (Kapsch, Thorell)

“The normal Chilean has an ambiguous vision of foreign companies. There are many foreign companies, especially Spanish ones, in very important sectors of the economy. This makes it complicated sometimes to the Chileans, for a protectionist motive. At the same time they know that if the companies had been Chilean they would probably have been a lot worse administered. Swedish companies...if they know anything it’s that they have high-quality products. As for Kapsch, I’ve been really impressed by them. [...] Swedes, they are excellent persons! Those that I’ve known have been excellent persons and professionals. They understand the idiosyncrasy and they adapt quite well to the local conditions.” (AC, Divin)

“When you meet clients, do you emphasize that you cooperate with Sweden? Of course we do. It’s something that we started to emphasize, that we work with a Swedish company and that Nicolas is Swedish. It creates value. We noticed this with Securia also [their other company], that’s why we made a venture with the Swedes. When we have met banks and so on and said that we were a Swedish company it was a completely different interest, people assume that the quality of the work is different. It has to do with mentality, what comes from outside is better. Sweden that is a Nordic country is even better; it has a higher status than for example Spain I believe.” (Destaca, Eyzaguirre)

Is it noticeable that Nicolas is Swedish? *“Yes, Nicolas is Swedish. I’ve been working with Swedes before, at Electrolux. Swedes have this way of working, to incentivate the workers. It can be with bonuses, premiums...all type of incentives. So I do note that he’s Swedish as I have worked with Swedes before. Chileans are normally not very good at recognizing the effort one makes, me... I feel really good working with Swedes. Here they recognize my effort, it’s really great. [...] To me, that it is a company with Swedish-Chilean capital is a guarantee. You know that technology come here with a delay of 4-5 years, so working with Swedish technology gives confidence, it improves the corporate image.”* (Destaca, Olmedo)

“The Swedes are reliable in terms of what they say [...] until they haven’t done anything wrong; they have never caused us any damage.” (Paradigma, Roe)

“I don’t believe that it makes any difference being Swedish. However, I do not have a lot of contact with other companies, I mostly work internally.” (Hiab, S. Bredinger)

“I don’t really feel that it makes any difference.” (Hiab, U. Bredinger)

“Swedish companies, or those from the western hemisphere, I believe that they have the same type of advantages as we have as persons, the inverted discrimination that exists. [...] a certain snobbery, “I work with a gringo, and that is an advantage since people are more positive. There is more tolerance towards what’s different and it also leads to a completely different development of the employees. It’s my experience that if you treat them as we do in Sweden it gets really great [they have another angle of approach, the combination. [...] there are many doors opening for you that will not for a Chilean. And you can ask questions and get answers that a Chilean never would ask and never get answered. [...] Had a Chilean

asked it would have seemed pushing or been embarrassing. When we ask, even if it isn't that way, it is interpreted as part of our culture, that we're more direct and so on. [...] there is downside also, it's when they start to distrust this openness, when they start believing that there must be a catch in it somewhere, it cannot be this open and simple and...nice Those in Chile who know about Sweden, what do they associate with Sweden/ Swedish companies? "I believe that, generally, they think that they are pretty professional, that you can trust in them. Also, I believe that they are generally quite surprised with the informal attitude [...] in a company." (SCPF, Fürst)

What are the effects (advantages/ difficulties) of Swedish companies implementing their HR practice in Chile? How do Chilean employees react to these practices?

"The type of straight, honest, as I believe to be a quite Swedish way to act is very unusual here. But people like it, they like assuming responsibilities. They like being able to take time off; if two persons do the same thing, then one of them talk to the other 'I need to do this, could you work for me that morning?' Then the next month they do it the other way around. If it works it doesn't really matter how." *So you think that it's been pretty smooth to "import your style here?"* "Yes...but of course, after a while there are some people who believe that you do not see, who try to sneak away, then you need to be there, supervising. [...] I mean, the Chilean professors that we have had, they are very few but those we have had, almost all of them have been here since we started. There is a guidebook, you know like Lonely Planet, Rough Guide etc. This one is named 'Let's go Chile' and there it says that if you're an English teacher the first place where you should go to look for a job is EF Santiago. When I saw that I almost started to cry because it was really the final confirmation. Several teachers had written to this book and said that this is a great place." (EF, Petko)

"The communication is very direct with Erik; you can speak frankly with him without getting problems. I believe it is because he is Swedish, they treat workers more directly. Also, the time table is flexible and complied with. We do not have any goals, of sales etc, so it's less pressure. All this, I don't think it is done in other companies here. [...] My family notices that I like my work, that I am relaxed, not stressed, and that I stay. It means certain stability to work for a foreign company." (EF, Petko)

“It’s more passive here, more hierarchical, it’s the boss that decides. People do not take initiatives since they do their job and then there is no more to it, they wait for further orders from the director. I believe that the employees think that ‘this is the way it should be’. They get insecure and do not really know how to handle it if it’s done in another way. In Sweden it’s more...that decisions are worked through together. More meetings, you discuss more...the employees handle it well. [...] It takes a lot of work, to have a clear plan, in order to transfer a Swedish model over here. But I would do it, I think that it would definitely work; I think it would be great. It’s not a big investment I just mean that you cannot believe that it will work at once; one needs to understand the Chilean mentality, slight differences. One needs to be clear about what these are. You cannot just tell the receptionist one day that she’ll have free work hours. They are not as transparent. They are used to that one needs to grab, and help oneself a lot more than what we are used to in Sweden.” [...] *Is it anything in the “Swedish model that the Chileans are very skeptical about?* “No, I don’t think so, I don’t believe that they would be negative about anything; I believe that they would think that it’s really nice. Also, the company would become more efficient; one could delegate more, well. Absolutely everything would be more efficient as compared to when one person needs to decide about everything; delegate, benefit, get the best out of all employees.”(Kapsch, Hejel)

“I guess I have managed quite well to train those who work closest to me that please ‘say something, or it will all break down’. But it is hard and I believe it’s a big problem. [...] Also, I’m in charge of all of the computers so I send my famous scold letters every month ‘idiots, you can’t do this way, think about the virus risk, don’t connect that computer there, you know you can’t!’ It’s accepted but I’ve heard from a colleague in the management group that if I had been a Chilean I would have been fired immediately with the first e-mail, no manager would have tolerated it. This is thing I get away with by being Swedish but I don’t stop doing it because I really think that they need to learn to think in another way. It’s not that it’s Swedish but it’s necessary to make the company survive. We cannot pass on virus to our clients, then we’ll lose our contracts, then the whole company will go bankrupt anyhow.” (Kapsch, Thorell)

“I have been lucky to work in companies that have flexible work hours; generally, the national companies are not that way. Thereafter, the wage, social security, that the health care system works properly. Here it is excellent; they comply with all of this. I don’t know if it is that they are Swedish but they do have another mentality. I was working in Sweden two

weeks [...] you have more time to do your work; you don't need to run around, it's more organized." (Cisneros, Kapsch)

"Generally the Chileans always prefer to work for a foreign company but in great part that is due to a misunderstanding. It's not about being foreign or not, it's about having owners or shareholders. In Chile the most typical companies are family owned. These are very oppressive; there is no room for doing things in another way, to innovate. It's awful to work in these. The same goes for companies that have an *owner*. The foreign companies, and several Chileans, on the contrary do not have owners but shareholders. This means that everyone, even the MD are employed which makes it more fair, ideas and communication will flow better. Swedish companies, well, generally the Chileans don't know about them. [...] For the worker, it's fantastic. I've been several months in Sweden, with Kapsch etc. I've seen that the workers are really happy, working does not seem to be an obligation. They have a fluid contact with the directors, having coffee with them... They have a lot of responsibility and assume it. I was astonished with the few layers there are in Sweden, and that managers are not oppressive. Here in Chile it's the other way around, working is always a stress factor. And you never know if it will last, they can fire you tomorrow. In Sweden this doesn't happen, they rarely fire anyone. The Chilean workers are a lot less happy. [...] Swedes are excellent persons. VERY transparent, very prepared, very professional, very reliable – when they say something it is. Negative... here being so transparent can be negative as it means showing your weaknesses, other could abuse of it. Here a lot of things are always hidden."

(AC, Paratori)

"They appreciate, I believe, that I try to listen, communicate. That it is not so hierarchical."

here. (Hiab, S. Bredinger)

"I think that we have unusually many team-players here. Many have been with us for a long time so they have been formed. I guess they have noticed that I appreciate when they cooperate. If someone has a lot of work, and you have little, you could help him out and the next time you'll do it the other way around. [...] If we were a Chilean company we would have more management levels, a bigger economics department etc. A considerably less efficient administration. Also, many Chilean companies are obsessed with not having any loss, that the employees do not steal. Our system, we do have a certain loss but it's acceptable, with one person supervising the stockroom. If we had done it the Chilean way we

would need 4 people working with supervision and there would still be a certain loss. At a considerably higher cost. Another thing, sellers almost always work with commission and a good seller is worth gold, they are not easy to find. In a Chilean company the sellers know that if they sell too good one month they risk that the commission system will be changed the next month. This is because the management can never risk that a seller earns more than someone at a higher position, and in most Chilean companies there are many levels. Then they rather cut the commission which of course means less incentive for the seller, and less sales. Here we doesn't do it that way, our seller in the south of Chile earned second best at the company last year. Since we are not very hierarchical this is not an issue for us and we benefit from it since he's extremely valuable to us." (Hiab, U. Bredinger)

"Yes, it is very different; in a Chilean company you can enter as a junior and die as a junior. Here, they recognize your work; it's much easier to ascend. Also, the director is accessible. He's not distant and you don't need to make an appointment to see him. And if I have a problem I can comment it with him and we'll find a solution. Also, the treatment is different, here it's very pleasant. [...] Maybe it's not so much that the company is foreign but my family and friends do note that I like it here. They ask me if I can't get work for them in the company but in foreign companies they don't give work to family members. My sisters and brothers who work in Chilean companies have a lot tougher work environment." (Hiab, Nuñez)

"[...] It's more accepted that you do different things and odd things than if you had been a Chilean company, in this case, and you want to drive through changes. So, as a Swedish company it's easier to, for example, handle personnel in a different way. It doesn't mean that it always works, or that it is easy [...] but from my experience, and what I've heard, is that it does work, and that it works really great because you get an ultra cross-fertilization. [...] I can mostly only tell from secretaries and so on who I've been working with here, most of them, if you give them a chance, they do take initiatives. They want to do it, there are few who doesn't, they are just not used to it. They have to learn it and you need to give them freedom and the right to fail without it being a catastrophe. [...] for a common worker without education it is hard to face though. *So it's different, it's easier to implement a Swedish style at a company where the employees have higher education?* "Yes, I think so [...] *If the boss acts that way [frank and open] do you believe that the employees will also do that?* Yes I do, eventually but not from the start. I think that they get really insecure at first

[...] I can see when I work as an architect [...] no one asks if they [the craftsmen] have any own thoughts about how to do things and many times they do and it might even be better. I've seen many times when I know that they have knowledge but they say 'yes' anyhow and does what the boss tells even though it is wrong and they know that it's wrong. [...] 'it's the boss who decides [...] I can appear to be rude or I can loose my job [...] because I show that I know more than him and you can't do that'. [...] My experience is that it works [to build up trust with the workers], I always do it that way. [...] in those cases where I have worked with these persons that barrier has been cut down and there's been a great exchange of ideas.”
(SCPF, Fürst)