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To Russia with love:

Organizational culture of Swedish companies in Russia

Abstract:

This thesis contributes to the organizational culture theories by answering the question of how organizational culture of foreign companies is adapted to the context of Russia. To obtain the answer, author has applied the model of organizational culture developed specifically for Russia by Carl Fey in 2007. This model was based on questionnaire data from multiple respondents in 200 firms in Russia. Thus, this study adds to this by conducting in-depth case studies of three Swedish MNCs to provide a fine-grained exploration of organizational culture in Russia. The model of Fey has proved very helpful and comprehensive. Its implications also held true with the exception of two findings. First, the change dimension which is adaptability and flexibility of a company was not recognized as the one most responsible for success. Being careful, stable, and getting support from a parent company was found to enhance performance more. Another finding is that in Russia societal orientation dimension is rather internally focused and is executed towards the personnel.

Key words: Russia, organizational culture, Fey, Swedish companies

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I. Formulation of the problem

1.1. Background

Organizational culture has become a focus of business discipline quite recently and since then has rapidly gained significant attention from both academia and practitioners. The reason for such an acclaim is the significant impact that culture has demonstrated to have on a company's performance. In what way organizational culture should be managed to enhance performance of companies becomes an important question. Before contributing to the answer, I would like to make a brief overview of the development of the question itself.

In the 70-s organizational culture started to be viewed as a source of competitive advantage, which was driven by the attempts to analyze the sources of Japanese success over their American counterparts. The 1980s presented such bestsellers on organizational culture as Ouchi "Theory Z: How American Business Can Meet the Japanese Challenge (1981), Peters and Waterman "In search of excellence" (1982), Deal and Kennedy "Corporate cultures" (1982) and others. All these authors attracted huge attention to the organizational culture phenomenon and made the organizational culture concept popular subject of research. The core feature of those theories was an underlying assumption of the possibility to create and maintain universally effective culture. Some researchers considered strong organizational culture to be effective: "Strong culture is a powerful lever that helps employees to work better in two ways: save time on making decisions and make feel better and work harder" (Deal and Kennedy, 1982).

Research of Heskett and Kotter (1992) proved that corporate culture can have a significant impact on a firm's long-term economic performance; this impact can be both negative and positive. Three possible reasons of positive effect were found to be goal alignment, unusual level of motivation in employees, and provision of needed structure and controls without stifling formal bureaucracy. Although tough to change, corporate cultures can be made more performance enhancing. According to their theory of adaptive culture, the content of the culture is more important for enhancing performance, than its strength: the culture should first of all fit its context. Their research has shown that in successful firms with more adaptive cultures managers throughout the organization exerted leadership to initiate strategic and tactical changes whenever necessary to satisfy changing interests of all three stakeholders, namely shareholders, customers, and employees.

Similarly, Cameron & Ettington (1988) identified the three most dominant and frequently appearing pattern dimensions in the organizational culture literature: cultural strength, cultural congruence, and cultural type; among those type of culture was found more closely associated with the effectiveness of organizations than congruence or strength of that culture.

Organizational culture has been proven to have impact on the long-term performance of the companies. Research of Heskett and Kotter (1992) has demonstrated that over an 11-year period, those organizations emphasizing leadership and key stakeholders increased their revenues by an average of 682 per cent, compared with an increase of 166 per cent in those organizations that did not. Other financial indicators showed similar trends. The research by Denison Consulting (2005-2006) also reveals positive effects. Specifically, this research has

shown a premium of almost 2% on ROA, sales growth that is 15% higher, and a 90% greater market value for organizations scoring in the top companies versus bottom ones[1].

Corporate culture is all about people that work in the organization, and logically Sackmann (2006) concludes that "the influencing dynamics of corporate culture – what it can mean for a business, its performance and its viability – increases with the importance of the human system within and for that business".

The main outcome from the research on organizational culture is that there are strong effects of organizational culture on the overall performance of an organization through different domains and levers. Therefore, designing and maintaining organizational culture that will enhance performance of a company is critical for its long-term success.

1.2. Purpose of the thesis

The question of culture adaptation arises when the multinational company establishes its subsidiaries abroad. Within the area of international business cross-cultural dimension becomes extremely important as was shown by researchers Hofstede (1983), House and Javidan (2001), Zander (1997), Inglehart and Baker (2000) and others. They show that people have different preferences on management practices and leadership styles; and these preferences are to a large extent shaped by their background, national culture being one of the most powerful. These specific traits differentiate one society from another and have potent implications for management to be effective.

Russia has been developing a market economy for almost two decades now. One of its strategic aims is in attracting foreign investment to the economy and Russia is proceeding in that direction: according to the estimates of the Federal Service of State Statistics the volume of foreign investments inflow into Russia amounted to 120,9 billion USD in 2007, that 2,2 times exceeds the value in 2006. The foreign direct investment (FDI) volume for the same period increased by a factor of 2 and made 27.8 billion USD[2].

Knowledge of how to work in Russia to be a success is essential; and this knowledge may cost a lot. There are no easy recipes, but with help of testing specially developed model and analyzing experience and management insights through in-depth case studies this thesis aims to contribute with practical recommendations on what traits of organizational culture are the most effective, and what traits are found the most challenging in Russia.

[1] www.denisonconsulting.com

[2] portal.economy.gov.ru/UnidocFileServlet/FileServlet?unidoc_id=1211180465391&template_id=4

II. Theory

2.1. What is organizational culture?

2.1.1. Definition of organizational culture

There are many definitions of organizational culture available. Below I quote the classical definition of Schein (1985): "The deeper level of basic assumptions and beliefs that are shared by members of an organization, that operate unconsciously, and that define in a basic "taken-for-granted" fashion an organization's view of itself and its environment. These assumptions and beliefs are learned responses to a group's problems of survival in its external environment and its problems of internal integration - …that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems".

Schein advocates the distinction to be made between this deeper level of the culture which is an essence of it, and the "values" and "artifacts" that are manifestations or surface levels of the culture. Erez and Gati (2004) observe that drawing on Schein's model, theories of culture differ in their focus on the various "layers" of culture. Most theories focus on values, the middle level on the continuum between visible and invisible elements of culture; fewer theories focus on artifacts – the visible and surface layer of behaviors and practices; very few models focus on the invisible and deepest level of basic assumptions (Erez and Gati, 2004).

Analogically, Kotter and Heskett (1992) propose two-level model of cultural structure. They argue that organizational culture has two levels that differ in terms of visibility and resistance to change. At the deeper and less visible level, culture refers to shared values; at the more visible level culture represents the behavior patterns and group behavior norms. Each level of culture has a tendency to influence the other. Distinction is also useful when making the culture adaptable: so that while core values remain unchanged, the behaviors should be adapted to the environment.

2.1.2. Organizational culture versus organizational climate

The separation of multiple layers of culture resembles the traditional distinction between organizational culture and organizational climate: "Culture refers to implicit, often indiscernible aspects of organizations; climate refers to more overt, observable attributes of organizations" (Cameron 2004). Regarding these two commonly interchanged disciplines, Denison in 1996 provided clear distinction as well as suggested potent convergence of the both:

"The traditional distinction is that *Culture* refers to the deep structure of organizations, which is rooted in the values, beliefs, and assumptions held by organizational members, and is usually investigated through qualitative studies. *Climate,* in contrast, portrays organizational environments and is often considered as relatively temporal, subject to direct control, and largely limited to those aspects of the social environment that are consciously perceived by organizational members. Organizational climate scholars use quantitative methods of research". According to Denison, though, organizational culture and organizational climate have similarities as well as differences and the differences are more closely linked to differences of

perspective rather than differences of substance. “Both, organizational culture and organizational climate disciplines actually address a common phenomenon: the creation and influence of social contexts in organizations”. (Denison 1996).

Nowadays, the term organizational culture appears to be a combination of both terms, and there is ongoing integration of quantitative and qualitative methods in the study of organizational culture. This paper is not an exception, and I will use both qualitative and quantitative methods of research. Throughout the thesis I will use the definition of Denison (1996) as it is integrative and simple:

“The underlying value, beliefs, and principles that serve as a foundation for an organization’s management systems, as well as the set of management practices and behaviors that both exemplify and reinforce those basic principles” (Denison, 1990)

In addition to its structural dimension, culture can be also viewed through its boundary levels. Erez and Gati (2004) proposed view on the culture as multi-level and dynamic, covering such levels as global culture, national culture, organizational culture, group culture, and individual culture. They also found bottom-up and top-down dynamics within those levels. Other authors also observed that within the organizations, multiple subcultures can be found – usually associated with different functional groupings or geographic locations (for example, divisional subcultures) (Heskett and Kotter, 1992). Throughout this paper I will use the term organizational culture as referred to the common culture within the whole organization if not stated otherwise.

2.2. Review of organizational culture studies and models

My analytical representation of the development of organizational culture models, as well as the intended contribution of this thesis, is offered below in the form of integral table (see Table 1). Early researchers proposed approaches for mere representation of a culture and developed tools for determining certain types of organizational culture: Schein 1985, Deal and Kennedy 1982, Quinn and Cameron 1999. Later researches added effectiveness criteria to their studies and developed a link between certain types of organizational culture and performance of a company: The Booz Allen Hamilton and Bertelsmann Stiftung model 2003, Denison 1990. Those models were basic and did not take context of their applicability into account. Many researches suggested adapting models to certain national contexts: the most famous was Hofstede 1983. The model of Denison was tested in Russia by Fey and Denison in 2003 and the main conclusions resulted in need to develop model specifically for the Russian context. Such model has been developed by Fey in 2007-2008. This model and its key findings are based on extensive quantitative research, therefore it might benefit from exploration of the effectiveness of organizational culture in Russia with the use of case study method. Thus, the contribution of this thesis will be to test the Fey model and its findings within the special context of certain companies operating in Russia, and present the practical issues of adapting organizational culture to the Russian context.

Table 1.
Analytical representation of the development of models and contribution of the thesis

	Presentation of organizational culture and development of organizational culture types	**Explicit link between certain types of organizational culture and performance of the company**	**Need for adaptation of basic models to other contexts, and in particular, to the Russian one**	**Developing a model for the Russian context**	**Use of case study to test The Fey model and further explore effectiveness of certain traits of organizational culture in specific context of Russia**
Main studies	The Deal and Kennedy model; The Schein model; The Quinn and Cameron model	The Denison model; TheBooz Allen Hamilton and Bertelsmann Stiftung model	Hofstede; Denison and Fey (2003); Fey, Pavlovskaya, and Tang[3]	Fey	This thesis
Time period	*1982; 1985; 1999*	*1990; 2003*	1983; 2003; 2004	2007-2008	2008
Context	USA; USA; USA;	USA; Europe	Several contexts; Russia; Russia	Russia	Russia
Method	Quantitative research; Case studies; Quantitative research	Quantitative research; Qualitative research	Quantitative research; Quantitative research; Comparative case studies	Quantitative research	Comparative case studies

Early models enabled to merely represent an organizational culture phenomenon which is inherently hard to capture; among them Schein (1985) and Deal and Kennedy (1982). Schein proposed dimensions of basic underlying assumptions to reveal deeper level of culture. Deal and Kennedy (1982) offered representation of more visible part of culture. They proposed four generic types of culture composed from various combinations of two parameters: degree of risk associated with company's activities and speed of feedback. These models can be called descriptive as they do not intend to link certain types of organizational culture to performance of the company.

Special approach can be emphasized within descriptive models: so called competing values framework. The main idea of these models is to characterize culture through controversial dynamics behind the cultural phenomenon. The most popular among them is that of Quinn and Cameron (1999). This framework emerged from a series of empirical studies of Quinn & Rohrbaugh, 1983) and was developed by Cameron & Quinn 1999. The dynamics behind the

[3] Though this study is not mainly about the organizational culture, its implications are relevant when organizational culture is in focus.

organizational culture phenomenon, according to them, are presented with controversial focuses: internal versus external focus (whether the organization focuses inwards or outwards) and focus on flexibility and discretion versus stability and control. Each continuum highlights a core value that is opposite to the value on the other end of the continuum – flexibility versus stability, internal versus external. These dimensions constitute quadrants that are also contradictory. These quadrants represent four dominant culture types: Clan, Hierarchy, Adhocracy, Market. Cameron & Quinn were concerned more about describing types of culture rather than drawing explicit links between them and performance of companies. Therefore, this model is referred to as descriptive here: it is very illustrative and sweeping, but still lacks clear relation between certain culture types and performance of the company.

Further organizational culture models comply with the need to do both: approach culture in comprehensive way and define its relation to performance of the company. Here is the model by Ralph H. Kilmann and Mary J. Saxton (1991) that relies on the notion of contradictory values behind culture phenomenon. They propose to measure culture through work group norms. According to Kilmann and Saxton, there are two underlying dimensions of cultural norms: technical versus people and short term versus long term. Various combinations within these dimensions result in four types of Culture-Gaps that are barriers to organizational success. Analyzing the profile of the work group thus enables to enhance its performance.

The Booz Allen Hamilton and Bertelsmann Stiftung model (2003, Sackmann 2006) also attempts to illustrate the effective type of organizational culture. The members of the Working Commission who studied potential candidates for the Carl Bertelsmann Prize 2003 developed and refined ten evaluation criteria or critical dimensions of organizational culture. Then the research team from Bertelsmann Stiftung and Booz Allen Hamilton developed scorecards (1-2-3-4-5) within those dimensions and studied all candidates through them. Scorecards resemble spider web and represent the profile of effective organizational culture. The critical dimensions found included Common goal orientation, Corporate social responsibility, Commonly-held beliefs, attitudes and values, Independent and transparent corporate governance, Participative leadership, Entrepreneurial behavior, Continuity in leadership, Ability to adapt and integrate, Customer orientation, Shareholder-value orientation.

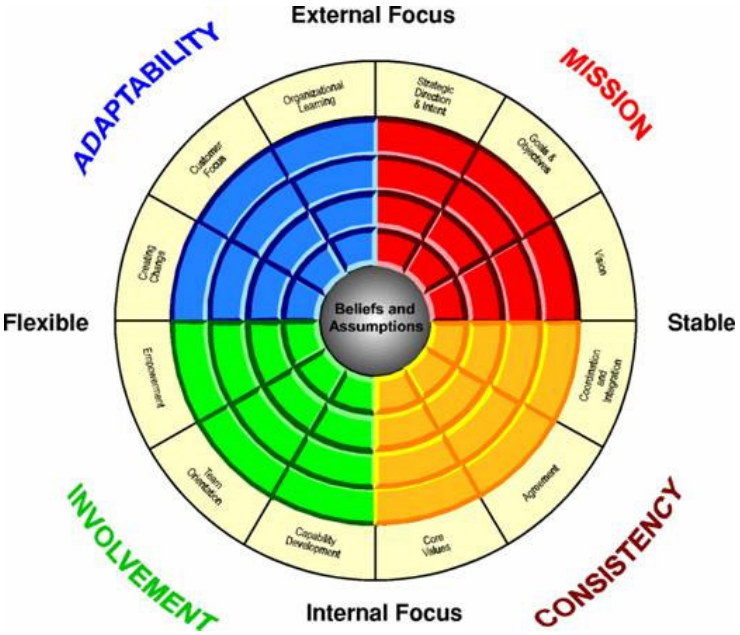
Very helpful model in terms of representation of organizational culture and explaining its effectiveness is that of Denison (1990) as it is based on extensive quantitative research, provides rigor link between certain traits of organizational culture and the performance of the company, and represents it in a comprehensive way.

Denison elaborates on the competing values framework and identifies four diverse traits of effective organizational culture:

- Consistency – "strong" culture, extensive set of common beliefs and values throughout the organization that provide integrity
- Mission – common goals, salient vision and clear strategy that guide employees in the same direction
- Involvement – development and empowerment of employees that contribute to their commitment and loyalty to the organization as well as make the organization learn
- Adaptability – ability to adapt to its external environment and treatment of changes within the organization

Based on that, Denison developed a model that covers all four types framed within the grid of competing values: external versus internal and stable versus flexible (see Figure 1).

Figure 1. The Denison model (1990)



Four different cultural traits in the Denison model are explicitly correlated with the effectiveness of the companies; and the significance of the correlation varies among different traits and different measures of effectiveness. Measures employed by Denison included overall performance, market share, sales growth, profitability, employee satisfaction, quality, product development and integral effectiveness index. The research (Denison 1990) found that profitability was most highly correlated with the traits of Mission and Consistency. In contrast, product development was most highly associated with the traits of Involvement and Adaptability, and sales growth was most highly associated with the traits of Adaptability and Mission.

The drawback of these models is their limited applicability. The study of Bertelsmann Stiftung and Booz Allen Hamilton was undertaken on the sample of European companies; the study of Denison was undertaken on the sample of USA companies. Thus questions on their applicability to other contexts aroused as well: "One of the most difficult challenges for the field of international management is the application of theories and models developed in one part of the world to understand phenomena that occur in another part of the world". (Denison, Haaland, Goelzer, 2004)

Test of the Denison model in Russia was conducted in 2003 by Denison and Fey based on data collected in 1999. They tested the model of Denison on the large sample of foreign-owned companies in Russia. Their main conclusions were:

- Greatest importance of flexibility in Russia. Adaptability proved to be the most useful dimension in the model for understanding overall effectiveness. This stands in stark contrast to a more stable environment like the United States, where mission appears to

take on a much greater importance. Involvement also appears to be important for effectiveness in Russia.

- Organizational cultures in Russia are driven by the "functionally incomplete" (when some functions of organization are not carried out) organizational structures inherited from the USSR.

This suggests the necessity to develop model especially for certain context instead of using the models developed initially for other contexts to capture the uniqueness of business environment and management practices that are historically inherited and are strongly influential. Such a model for Russia was developed in 2007 by Carl Fey. Before proceeding to the model, I will describe the Russian context first.

2.3. The Russian context

2.3.1. Cultural dimensions that have implications for management

People have different preferences on management practices and leadership styles, and these preferences are to a large extent shaped by national culture being one of the most powerful. These specific traits differentiate one society from another and have important implications for management and leadership to be effective.

The need for adaptation of organizational culture to specific foreign contexts was claimed by many authors, one of the most popular being Hofstede. In his "Cultural relativity of organizational practices and theories" (1983), he comes to the conclusion that organizational practices should account for national cultures to correspond to certain expectations and preferences that are shaped by the local cultural context. He draws four (later five) dimensions that are different for different countries. Those dimensions are large/small power distance, masculinity/femininity, large/small uncertainty avoidance, individualism/collectivism and short-/long-term time orientation (This 5th dimension was developed together with Michael Bond).

The more recent GLOBe project that is comprised of 150 researchers and investigates cultural differences in 62 countries, uses more extensive national cultural dimensions though some of them repeat those of Hofstede. There are nine critical cultural dimensions according to GLOBE (taken from House and Javidan, 2001):

1. *Assertiveness.* Assertiveness is the extent to which a society encourages people to be tough, confrontational, assertive and competitive versus modest and tender.
2. *Future orientation.* This dimension refers to the extent to which a society encourages and rewards future-oriented behaviors such as planning, investing in the future, and delaying gratification.
3. *Gender differentiation.* Gender differentiation is the extent to which a society maximizes gender role differences.
4. *Uncertainty avoidance.* This dimension is defined as the society's reliance on social norms and procedures to alleviate the unpredictability of future events. It refers to the extent to which its members seek orderliness, consistency, structure, formalized procedures and laws to cover situations in their daily lives.

5. *Power distance.* Power distance is defined as the degree to which members of a society expect power to be unequally shared.
6. *Institutional emphasis on collectivism versus individualism.* This dimension reflects the degree to which individuals are encouraged by societal institutions to be integrated into groups within organizations and the society.
7. *In-group collectivism.* This dimension is similar to the individualism dimension of Hofstede. It refers to the extent to which members of a society take pride in membership in small groups such as their family and circle of close friends, and the organizations.
8. *Performance orientation.* This dimension refers to the degree to which a society encourages and rewards group members for performance improvement and excellence as opposed to for example, loyalty and belonging.
9. *Humane orientation.* This dimension is defined as the degree to which a society encourages and rewards individuals for being fair, altruistic, generous, caring, and kind to others.

Other authors offer various dimensions as well to differentiate societies and therefore management approaches to be effective in those societies, some of them: Zander (2002) investigates level of preferred empowerment, that differs among societies; Inglehart and Baker (2000) differentiate societies through values of self-expression versus values of survival and traditional versus rational-secular values.

The main conclusion out of the studies is that organizational culture and management practices as part of it should be adapted to different national cultural contexts where firms operate. The ability of organization to fit into various local expectations and preferences often determines success of its international strategy.

Acknowledgement of differences between various cultural contexts remains critical even in the era of globalization. Many authors conclude that despite trends of globalization, national cultural traits still persist (for example, Inglehart and Baker 2000, Klarsfeld and Mabey 2004). This means that contexts of the companies do differ and will continue to do so, and therefore management practices, in particular, leadership, organization and motivation, should be adapted correspondingly.

2.3.2. Dimensions and traits of Russian culture

Hofstede`s dimensions (from Elenkov 1997) and Inglehart and Baker (2000) dimensions illustrate Russian culture as collectivistic and moderately masculine with high uncertainty avoidance and power distance indices; the USSR background tracks in adherence to rational/secular values and problematic economic situation in survival values as the opposite to self-expression. According to the GLOBE project (taken from House and Javidan, 2001) Russia is among the lowest ranked countries on future orientation, uncertainty avoidance (note the contradiction with finding of Hofstede!), and performance orientation. It is among the highest ranked on power distance. Other dimensions are moderately expressed. Low performance-orientation implies that Russians do not emphasize excellence and accomplishment of goals as such, and are not very comfortable with strong result-driven communications. They value loyalty and traditions rather than performance. Low uncertainty avoidance reflects the fact that people are not used to structure or firmly organize their day-to-day life. High level of power distance says that empowerment is not common and the manager is always expected to know more than

the subordinates. Input or feedback from subordinates is seldom asked for and in fact may be seen as impolite or disloyal. Communication is almost always top to bottom (House and Javidan, 2001).

Russian context is also specific due to its unique historic background and weakly developed civil system as observed by many authors (for example, Kossov and Gurkov 1995, Taylor, Kazakov, and Thompson, 1997). However, there are substantial changes in Russian management nowadays when the economy is transiting from command to demand. New Russian managers are more "Western" or "globally" minded as opposed to old ones, educated in USSR (Kossov and Gurkov, 1995; Mccarthy, Puffer, Vikhanski, Naumov, 2005).

Fey, Pavlovskaya, and Tang (2004) conducted comparative case studies on subsidiaries of Swedish MNCs in Russia, Finland and China. They found several interesting issues regarding the specific Russian environment that influence the effectiveness of HR practices, among them:

- There was a highly concerned trade-off between being locally adapted and stay foreign and preserve corporate culture.
- Managers of Swedish MNC felt that the information sharing was poorly presented in Russian organizations.
- Russian employees had problems with being empowered and initiative.

Study of Fey, Pavlovskaya, and Tang (2004) showed that there were substantial differences in employee behavior and attitudes, and those differences were obvious to the expatriates that work in Russia. The main conclusion is that HR practices should be adapted to Russian context in order to be effective; moreover, not only is it important to adjust the content of them, the way of how those practices and approaches are implemented and maintained is important as well.

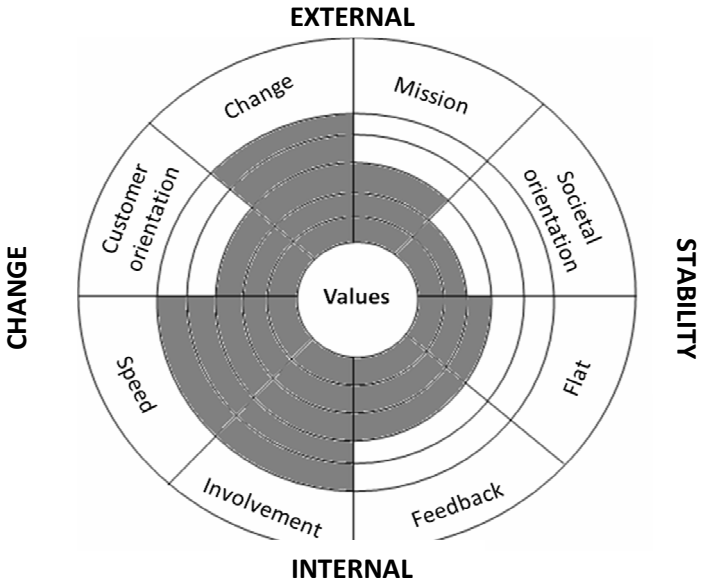
2.4. The model of Fey

Because of his discovery in the work with Denison discussed above (Fey and Denison, 2003) that some important Russian-specific dimensions of organizational culture are missed by leading general models of organizational culture, Fey decided to inductively develop a model of organizational culture specifically for the Russian context (2007). This is an extensive project involving a number of colleagues and the first key article from this project is currently in process: Fey, Xin, Morgulis-Yakushev, and Farley (2008). Fey asked 100 managers in Russia to list five words which best described the company's organizational culture. The words which were most commonly mentioned were then used to form questions for a questionnaire. After careful pre-testing of the questionnaire and refinement, the questionnaire was administered to multiple respondents from 200 firms in Russia. Then factor analysis was conducted and found that the questions represented eight key dimensions of organizational culture. Following additional psychometric analysis to ensure that the dimensions of the model were sound, the relation of these dimensions to firm effectiveness was investigated with the help of the structural equation modeling technique PLS. The result is the Fey model of organizational culture (Fey, 2007) which is specifically developed for the Russian context and is comprised of eight dimensions:

- *Mission*--the extent that an organization has clear overarching goals which are clearly communicated to the organization
- *Societal orientation*--the extent that the organization is focused not only on making money, but also on helping society and working in a way that is good for the environment
- *Flat*--the degree that the organization is not hierarchical
- *Feedback*--the extent that employees are informed about their performance and that communication flows well in the company
- *Involvement*--the extent that employees actively participate in the company and the extent that the company is devoted to their employees as seen by, for example, investing in training
- *Speed*--how quickly the organization is able to make decisions and take action
- *Customer orientation*--the extent that the organization strives to understand customer wishes and adjust to them
- *Change*--the extent that change is viewed as a potential opportunity as opposed to a threat

The model includes both internal and external factors as well as some factors which foster stability and others which foster change because internal-external and flexibility-stability are two important tensions which need to be considered when reflecting on organizational culture. While all the dimensions are related to the performance of the companies, Speed, Change and Involvement dimensions are found to be the most influential and Societal Orientation as the least (see Figure 2).

Figure 2. The Fey model (2007)



The Fey model is based on the quantitative data and thus conducting case studies which explain and test the model in the Russian context would seem beneficial. This is the purpose of this thesis.

2.5. Research questions and theoretical prepositions

In this thesis I will continue the ongoing research on organizational effectiveness. My study seeks to contribute to the literature by conducting in-depth case studies of foreign firms operating in Russia. My study will provide illustrations and a deeper understanding of the dimensions of organizational culture highlighted as important in describing firms' organizational cultures in Russia by Fey (2007). The study will also examine the extent to which the Fey dimensions are sufficient to describe organizational cultures of firms in Russia. In particular, my research questions and theoretical propositions that come from the theory overview will be the following:

Research questions 1.1 and 1.2: What dimensions are needed to describe organizational culture in Russia well? Do the dimensions of the Fey model of Organizational culture do a good job of this?

> **Proposition 1:** According to Fey, these dimensions are Mission, Societal orientation, Flat, Feedback, Involvement, Speed, Customer orientation, Change dimensions within competing values framework. This model is believed to describe organizational culture well.

Research question 2: What dimensions of organizational culture are firms in Russia focusing most effort on?

> According to Fey, while all the dimensions are related to the performance of the companies, Speed, Change and Involvement dimensions are found to be the most influential and Societal Orientation as the least. Hence, the theoretical proposition is:
> **Proposition 2:** The Speed, Change and Involvement dimensions should be in greater focus of the companies

Research question 3: What dimensions of organizational culture are the most challenging in Russia?

> High power distance (House and Javidan, 2001) suggests Feedback and Flat dimensions to be especially challenging in Russia. Additionally, according to Fey and Denison (2003), functionally incomplete organizations may result in low Customer orientation since in USSR marketing function was not present. And according to the research on Swedish practices in Russia by Fey, Pavlovskaya, and Tang (2004), the challenging issues rising to foreign companies in Russia were related to extent of adaptation (trade-off between being locally adapted and staying foreign and preserving corporate culture), information-sharing, empowerment and initiative. Being converted into Fey dimensions these challenges are related to Change, Feedback, and Flat dimensions. Thus, the theoretical proposition is:
> **Proposition 3:** the most challenging dimensions are Feedback, Flat, Change, and Customer orientation.

III. Methodology

3.1. Research method

The research questions will be investigated with the use of combination of qualitative and quantitative data. According to Denison (1996), this way is the most beneficial to converge organizational culture and organizational climate disciplines: "With limited dialogue between these two perspectives, integrative studies that combine sufficient depth of analysis to gain a qualitative understanding with a broad enough sample to give some comparative leverage are very unlikely to occur. Greater dialogue can legitimate more integrative research combining these perspectives". This thesis attempts to provide integrative approach to the organizational culture and thus both methods will be used.

Variable methods will be united under three case-studies: each is comprised of qualitative and quantitative studies. To do so, the author has carried out 22 interviews with employees of three companies and additionally obtained 10 questionnaires at each company fulfilled. In total, the following data sources were used:

- Questionnaires: to get a comparative profile of the company and to support answers for research questions (10 questionnaires within each company by employees of different functions and positions). Questionnaire data for our target firms were compared to Fey's data set of 200 firms in Russia for benchmarking
- Observation: to watch the inside of the company
- Corporate web-pages and corporate documents: to get insight into the intended and claimed principles
- Interviews with employees that constituted the main source of data for this thesis: to answer the research questions in a deeper way and to explore and explain the results (minimum 6 interviewees from different functions and positions within each company from general managers to average employees, including General manager and HR manager in each firm). Additionally, to facilitate answering research questions, the author asked each respondent to mark three levels of each dimension on the Fey model: current level, effective level in the opinion of respondent, and desired level by top-management as it is felt by the respondent. Discrepancies between these three levels were helpful in answering the research questions.

The schedule and timing of the interviews can be found in the Appendix. The questionnaires use Likert-type scales. Quantitative data from questionnaires were taken to build the graphs and ratings in the thesis; it means that all graphs represent the insider evaluations of certain traits of organizational culture in the company, and these evaluations are inherently subject to individual interpretations. This is important to keep in mind when comparing companies to each other.

Case study was found as the most appropriate method since according to Yin (1994) this is appropriate when context is important as in this case.

3.2. Participants of case studies

In order to achieve homogeneity in sample and reduce deviations due to the company origins, the author has focused on Swedish companies that operate in Russia. Although these companies were quite global, many respondents were talking about Swedish traditional traits of organizational culture, so it was useful to limit the sample to Swedish firms only to make them more compatible.

The author has contacted 10 Scandinavian multinational companies that operate in Russia and employ more than 50 people there. Out of these, three companies agreed to take part in the study: Atlas Copco, Scania, and Swedwood. Thus, there are following similarities between these companies: they all are Swedish, operate in Russia and employ more than 50 employees. When it comes to the functions and profiles, these companies differ though: Atlas Copco is a customer and service center and does not have production facilities in Russia; Swedwood is a strategic investment of IKEA which is its almost only customer; Scania is an assembly and service center and, as well as Swedwood, does not have sales department. Another critical difference, suggested by one of the participating companies, is the structure of personnel in those three companies: Swedwood has the largest proportion of uneducated blue-collar workers in comparison to Scania and Atlas Copco. However, these are the workers that might be most challenging to handle for Swedish companies in Russia.

Nevertheless, the common ground of these companies makes the comparison of them valid while differences may contribute to the knowledge gained during the study and make the findings more generalizable. The general descriptions of these companies will follow in the next part.

3.3. Construct and external validity

Several threats to the construct validity took place:

- The case study has self-selection bias which might affect validity in a way that willingness to participate in this kind of study occurs in companies that already possess certain traits of organizational culture.
- Respondents for interviews and questionnaires were selected by the contact people in the companies. This may affect validity in a way that not all possible views are revealed.

Nevertheless, the amount of respondents and their even limited diversity make the construct validity acceptable.

When it comes to external validity, limited sample of the participants is believed not to affect generalization ability of the results since the aim of this study is analytical generalization: developed theory is used as a template with which to compare the empirical results of case study (Yin 1994). The theory of Fey is used as such a template and it is very relevant here as it focuses on almost same questions for the same context. The recommendation to use multiple case studies as “almost always preferable” is fulfilled. Thus, the external validity of the study is considered quite high.

3.4. Reliability

Reliability reflects "the extent to which the operation of study can be repeated with the same results" (Yin 1994). The possible subjective interpretations of the author might take place and are neglected with help of questionnaires and recordings of several interviews. Also each interview summary has been written. Additionally, triangulation of various data sources contributed to the higher reliability as well. Overall, reliability of the study is considered quite strong.

IV. Empirical material

The empirical part is structured as follows. It is comprised of three parts – each devoted to certain participant. The structure of each three part is identical. First, there is a brief description of a company. A summary of organizational culture developed on the basis of qualitative data follows. This is followed by organizational culture profile derived from quantitative data. Afterwards, the organizational culture of a company is presented in greater detail with help of Fey dimensions. This is based on qualitative data as well as quantitative data.

4.1. SCANIA[4]

4.1.1. Company overview

Background[5]

Scania is a global leading manufacturer of heavy trucks and buses as well as industrial and marine engines. The company also markets and sells a broad range of service-related products and financing services. It is the world's third largest producer for heavy trucks and the world's third largest producer in the heavy bus segment. Scania has operations in Europe, Latin America, Asia, Africa and Australia. Altogether, Scania is represented in about 100 countries through 1500 sales and service points. Scania also has 11 production and assembly units. Scania has more than 36,000 employees worldwide. In addition, about 20,000 people work in Scania's independent sales and service organization. Scania was founded in 1891.

Scania is presented in post-soviet Russia since 1990. The company is a leader in Russian market and has 27,42% market share. In 2007 Russia was the third largest market for Scania.

[4] Scania Peter
Buses and heavy vehicles
8, Ljubotinsky pr., Saint-Petersburg, 196084, Russia
+7-812-346-68-70
www.scaniapeter.ru

[5] From Scania homepage www.scania.com and the corporate newsletter "Мир Скании" ("Scania world") 3-4 2007

When it comes to net sales of vehicles and services, Russia is the 6-th largest market of Scania (net sales are close to those of Sweden).

It has assembly and service center in St. Petersburg called "Scania Peter" since 2001 where buses are being assembled and supplied either to Russian distribution center in Moscow or other divisions of Scania. Personnel of "Scania Peter" amount to 215 people; approximately 80% of which are blue collar workers. In 2007 "Scania Peter" supplied 142 buses.

Core values and policies[6]

There are policies and guidelines of Scania that are listed in the company document called "How Scania is managed". It is comprised of mission, vision, and strategy outlines, policies and core values of Scania, and main principles of management. Core values of Scania are Customer first, Respect for the individual, and Quality: "three core values… tie together the company and form the basis of Scania's culture, leadership and business success"[7]. Scania is more focused on methods rather than results: right processes based on fulfillment of core values and principles are believed to lead to the desired results. "All employees are involved in establishing best practice and continuously improving working methods"[8]. Leadership at Scania should stimulate openness, independence, responsibilities, development, and long-term thinking. Scania has rigorous quality, HR and environmental policies that are initiated in addition to laws, rules, and regulations. "How Scania is managed" guides also the process of decision-making and strategic processes in the company from the corporate level down to the units. Scania also has detailed guidelines and manuals in various spheres, such as annual "Strategic update", "Financial manual", "Scania Code of practice" etc. Scania has the following communication channels to distribute the messages to its stakeholders: The annual report, Scania world newsletter, homepage, Scania internal websites, and internal web portal for Scania top-management.

4.1.2. Organizational culture overview[9]

General description of the organizational culture at Scania:

The aggregated description of the company would be: "Scania Peter" is obviously foreign company with professional Swedish management and unique product; that puts much emphasis on satisfying its customers and developing its employees; that is open, innovative, and democratic; that possesses scrupulosity, order, and stability; and that is result-oriented and is willing to achieve its goals. Many note the ethical approach and long-term orientation towards market and society. Workers especially find working conditions very appealing (stable salary, social benefits, medical insurance, tidy workshops and showers etc).

Traits of the company which are mostly responsible for its success[10]:

1) Swedish leadership

Swedish leadership can be characterized with responsibilities, trust, and development that are given to employees:

[6] From "How Scania is managed"
[7] "How Scania is managed", p11
[8] From "How Scania is managed", p19
[9] According to this case study
[10] As suggested by respondents

- According to General Manager (expatriate): “Swedish manager does not want to be the best. For him it is OK if someone else from his team is better while Russian managers want to be the best”. Also Swedish leaders are generalists. Another difference – Russian leaders are noisier, “you can hear how they lead through their doors”.
- “The Swedish style – scrupulosity, thoroughness, carefulness, even some sort of slowness, but when it comes to result – you can see that it is very effective and everything is under control. This is what we should learn for”.
- “Desire to achieve goals and result-orientation”
- “Simplicity, horizontality of relations, and democracy” even though the company is not totally flat and there is “nice proportion of authoritarian and democratic styles”. “Policy of open doors”. “The management is alive”, General Manager walks in workshops, brings his family to the plant.

2) Order, control, and clear responsibilities

These traits are impressive for Russian employees. The good order is visible: “It is obvious that you work for a Western company because the work conditions are very nice: clean, tidy…. “. “Every procedure is written down and fulfilled: there is an order here”. The processes are more structured. “People work better here”. “Control is higher”. “Work is regulated, specified”.

3) Stability, ethics, and long-term orientation

Company has rigor ecological policy and complies with international certificates. It executes “long-term orientation of interactions with all stakeholders”

4) Development of employees

“Human attitude to personnel” though another Russian respondent considered that to be rather Russian feature: “The Russian element is also present – for example – the importance of a person as opposed to Western system when there is a task and instruction”.

5) Brand of parent company

“Scania brand is responsible for its success – people are proud to work for it”. It attracts customers as well. This implies certain quality level that is continuously maintained.

How it is adapted to Russian context:

The company is believed to be adapted to Russian conditions, among these adaptations are:

1) Service center is embedded into the production factory. One of the reasons for that is that many clients trust the brand and want to deal with Scania plant not dealers when it comes to service. Also it may be explained with the desire to earn more money since this service is provided even to those vehicles that were not totally built by Scania. Atlas Copco is also adapted to Russia in terms of its service center: it provides service in regions to satisfy clients more and to be closer to them which is needed as a result of Russia being so large.

2) More corporate events. People like to gather for informal matters. As general manager of Scania said, he was surprised to see that birthday of an employee is a matter of group gatherings and congratulations. In Sweden it is rather a quiet private happening. Similarity can be found in Atlas Copco and Swedwood where respondents expressed desire to have more corporate events as they lack informal communications with colleagues from other departments. Respondent at Swedwood said that additional advantage of corporate trainings is that it allows for communications with other people from various departments. Common with Atlas Copco – to attract families for corporate events – so that employees can show the work to their families. When Scania made corporate event for whole families including children, and during which

parents showed their work place to their children – it contributed really much to the pride, involvement, and loyalty of employees.

3) Also, the fact that according to Russian legislation, employee has to work only two weeks after he decided to quit the company, while in Sweden it is 2 months, makes the company adapt to this vulnerability, and struggle "not to have key people" – says General Manager. "So that every time manager should understand what happens if this particular person leaves the company". In the author opinion, it results in desire to keep the organization not 100% flat.

What traits of organizational culture are impeding[11]:

Here bureaucracy is somewhat surplus, especially when it comes to financial area: "in Sweden we would have three people doing this job, in Russia - 10", says expatriate. "When company is maturing, more and more formalities start to exist. In the very beginning, the company was very dynamic and adaptive, now it has a bit slowed down, and formalized many procedures, and this is necessary. And in the process of running the company along its lifecycle – you need to look at it sometimes critically. So maybe, some of the formalities are not essential, and it is because of momentum. At the same time, a lot of rules are caused with external environment, with Russian regulations, especially in the financial sphere".

Challenging features of Russian context:

1) Traits of Russian employees:

- Poor time management, as suggested by Russian employee: "Russian feature is time management and here it sometimes affects the processes – people tend to wait till the very deadline. But the general trait of Scania – scrupulousness - mitigates that".
- "Some workers get spoilt with time, and continuously ask for more".
- Fear to tell about the problems, unwillingness to provide feedback, - this was suggested by expatriate

2) Deficit on job market in Russia

"There might not be enough specialists in the market if company wants to extend its business in Russia".

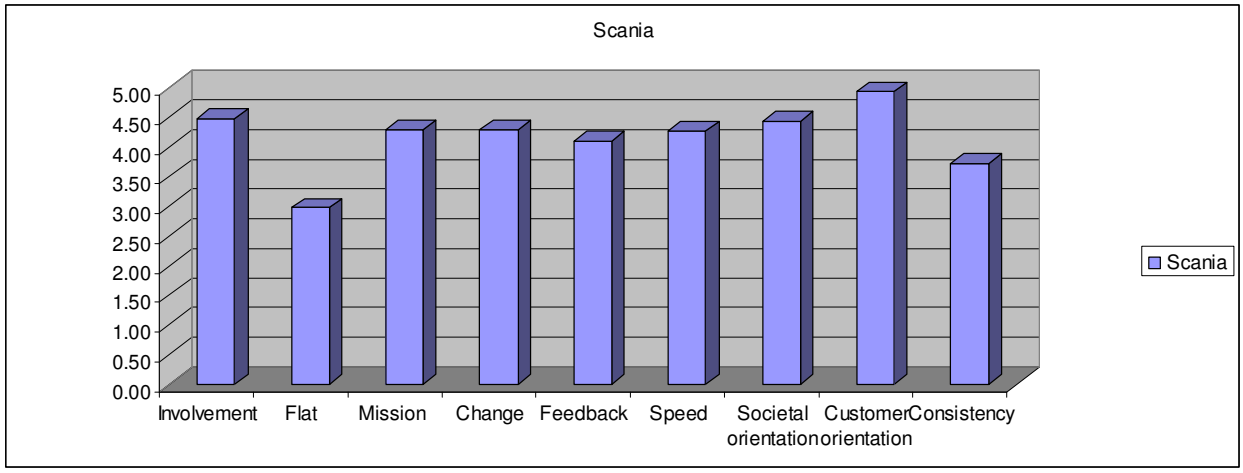
3) Macro environment of Russia

In general, Scania is well adapted to Russian context, and especially as long as Russian legislation and formal requirements are improved and stabilized, Scania will prosper even more. Also "the bureaucracy from Russian officials is disturbing". Customs procedures are impeding: that is noted by many logistics managers.

[11] According to the respondents

The organizational culture profile from questionnaires

Figure 3. Organizational culture profile of Scania



The organizational culture profile from interviews

Employees find that the following organizational culture dimensions are not expressed to their full extent: Change, Flat, Feedback, Societal orientation. Interestingly, feedback is not satisfying only for managers while employees find it satisfactory. The degree of Societal orientation is reasonable according to respondents.

4.1.3. Summary of Fey dimensions at Scania

Mission

"People need to know what they work for" and what their target is, and all the goals and news are being communicated during meetings and presentations; then managers communicate them down. Management set the targets; all the tactical decisions are left for the employees. Though employees were not naming mission uniformly; it was either "produce buses" or "win clients". The global principles are familiar to employees: policies and main principles are written and additionally are communicated to newcomers during the introduction program. The author has seen environmental and quality policies posted on the wall at the reception.

Societal orientation

The products and processes are very environmentally concerned. Company has rigor ecological policy and complies with international certificates. Environmental concern is expressed through producing environmental friendlier buses (for example, with ethanol engines – but is mostly for European markets). Scania-Peter does not initiate any societal projects in Russia – they are done centrally (locally they provide buses for some events and help local administration).

Flat

This dimension was controversial for many respondents. In many cases they considered the company hierarchical and yet flat. It is because hierarchy was close to authority, while flat was closer to formal structure of the company. So it might be possible to have only one boss between employee and General Manager and still feel high hierarchy. Scania Peter was not considered flat by all respondents; and being flat was not considered good by all respondents.

The same for all respondents were feelings of accessibility of bosses ("open doors policy"), good communication flow, and appropriate level of democracy ("company is hierarchical and yet democratic"; "nice proportion of authoritarian and democratic styles").

Feedback

Scania struggles to be open, to make people talk about problems. Mistakes are treated tolerantly: "We love mistakes". "It is considered to be very important that a person shares with management, does not hide mistakes, which is very Russian feature" as suggested by expatriate. "There is principle of no-punishment here". "If a mistake was revealed, there is a rule that 10 buses before and after it took place are also checked" – to learn from mistakes and not to repeat them.

There are annual meetings of managers where their achievements and plans are discussed. Production workers get feedback daily during five minute meetings. Normally feedback is provided informally: "through communications", "I can judge the feedback from the mood of my boss". Actually, this dimension was not completely well expressed at Scania: "In general, you should comply with your instructions – and then you do not need to wonder about your feedback", "It depends on a person", "I better be silent".

Involvement

Management at Scania empowers people, and wants them to assume responsibility: "You cannot do everything by yourself" says General Manager. Though huge part of work is regulated and specified, especially when it comes to financial department. Also "initiatives are not really possible in production unit where many processes are already designed: 80% is decided already when designed". In words of worker: "Work is regulated, specified". Some employees still say that "Initiatives are welcome but are not stimulated via material appraisal". For example, recently, their mechanic proposed to change the supplier, and after considerations they came to conclusion that it is reasonable and they did change.

Company invests in development of employees and pays profound attention to personnel. There is much training and education going on in the company, including English language courses, professional trainings, and teamwork seminars. "Scania Peter was awarded as best employer last year". Development of employees was considered by some respondents as societal orientation of the company: stable salary, medical insurance including dentist, resort trips, fitness subscription etc.

Speed

Decisions, if they do not involve other departments of Scania – are made very quickly, some employees even say "momentally". "It is due to the open door policy – all managers are accessible". If decisions do involve other departments – then it takes some time to make a decision: "Scania is a huge company". It is considered to be important by Russian employees: "it

is a rhythm of life here". This dimension was found to satisfy all respondents regardless of unavoidable bureaucracy: "Bureaucracy is reasonable – in financial department – according to legislation".

Customer orientation

This dimension was controversial as well. Though many describe customer orientation as very high ("Customer is number one here", "work of everyone here is devoted to solving the problem of a client"), level of customization may be lower: the product is to a large extent standardized. "You cannot change a lot in buses at our plant". Scania can make changes, but then it will take more time and money. "Russia in this sense is very convenient country for standardization", says expatriate, since many clients do not require any customization, they are happy with standard product, "while in Sweden for example, each town can have its own design of buses". Since Scania Peter does not have it own sales department, "all buses are produced under certain order" – so they are customized in that sense. Anyway, the customers were believed to be satisfied and according to questionnaires this dimensions was the most expressed. I think it was because Customer orientation is one of three core values of the company.

Change

This dimension was also perceived controversially: attitude to adaptations and risk aversion. While the company is found to be flexible, innovative and adaptive, it was alongside considered as careful and risk averse. How the company has adapted to the Russian context was discussed in the general overview. Additionally, production adapts to the market demands: "if market wants more of a certain kind of buses – the production process is tailored to demand" (the author observed it herself).

Not all respondents find Change dimension expressed enough in Scania, and mainly due to its risk aversion. The company is very risk averse, all the risks are measured. "Risk is supposed to be excluded". This carefulness is perceived to be a right thing by majority of respondents.

In general, it seems that adoption of new technologies is not an adaptation but rather centralized innovativeness. This explains discrepancy between highly expressed Change dimension according to questionnaires and the one according to interviews.

4.2. ATLAS COPCO[12]

4.2.1. Company overview[13]

Background

Atlas Copco is a world leading provider of industrial productivity solutions. Headquartered in Stockholm, Sweden, the Group's global reach spans more than 160 markets, with its own sales operations in about 80 countries. In the other countries, the products are

[12] ZAO "Atlas Copco"
15, Vashutinskoe Road, Khimki, Moscow Region, 141402, Russia
+7-495-933-55-51
www.atlascopco.ru

[13] From "Facts in brief 2008"

marketed through distributors and service networks. The Group has 68 production facilities in about 20 countries. Manufacturing is mainly concentrated in Belgium, Sweden, the United States, Germany, France, and China. The Group operates through a number of divisions within three business areas: Compressor Technique, Construction and Mining Technique and Industrial Technique. The Atlas Copco Group was founded in 1873. Revenues for 2007 totaled BEUR 6.7 with 33 000 employees at year-end.

Atlas Copco is presented in post-Soviet Russia since 1993. The subsidiary of Atlas Copco – called ZAO "Atlas Copco" – was founded in 1997. The company is responsible for promotion of the Atlas Copco products and for providing service to customers. There are many offices across the country; the central office is located in Moscow. The personnel of the company amount to more than 500 employees in Russia.

Core values and policies

Vision of the company is to become "First in mind – first in choice" of its customers and prospects, and of other key stakeholders. To reach its vision, Atlas Copco has three strategic directions: organic and acquired growth, innovations and continuous improvements and strengthened aftermarket. To reach the financial targets, "all operative units follow a proven development process: stability first, then profitability, and finally growth". Non-financial objectives and targets of the company are related to personnel, environment, and business partners, and among others, there are following targets:

"All employees shall receive appropriate training in the Business Code of Practice, including human rights aspects. Each employee shall be provided with an average of 40 hours competence development per year. Each employee shall receive an annual personal performance appraisal. Internal mobility is stimulated with the aim to recruit 85% of managers internally. All product companies/production sites shall be ISO 14001 certified and the same should be encouraged at the business partners units".

The Group is organized in three separate, focused but still integrated, business areas each operating through divisions. The Atlas Copco Group is unified and strengthened through:

- A shared vision and a common identity
- The sharing of brand names and trademarks
- The sharing of resources and infrastructure support
- Common processes and shared best practices
- The use of common service providers
- Financial and human resources
- A common leadership model
- The corporate culture and the core values: interaction, commitment, and innovation.

Corporate values and principles are stated in "How we do things" document.

4.2.2. Organizational culture overview

General description of the organizational culture

The aggregated description of the company would be: Atlas Copco is obviously foreign company that puts much emphasis on development of employees, proximity to clients, and benchmarking and learning from successful experiences of other departments; that is stable, long-term oriented, and transparent. Many underline brand of Atlas Copco and importance of

reputation and support of the mother company. There are also opinions that the company has more foreign culture in the top, and then – closer to the bottom line it gets more Russian traits.

Traits of the company which are mostly responsible for its success[14]:

1) "Intention for efficiency"

The company has strong desire to do everything even more efficiently, because "always there is a room for improvement". Atlas Copco has salient "orientation on positive experience of other departments – the company learns and is open to knowledge and experience". This company is constantly changing, learning, developing. "It makes it interesting to work here. It is intense in terms of information and innovation". Also as another employee adds, "benchmarking is very effective": both with internal parties – other divisions of Atlas Copco, and external ones – competitors. Culture of Atlas Copco stimulates using "collective thinking" when group provides help due to experience sharing.

2) Focus on employees and their development

Atlas Copco invests a lot in developing its employees, and puts much "focus on personnel with desire to retain them". The company does much to motivate employees through financial incentives, education possibilities, well-functioning internal job market, and cross-divisional rotations within Atlas Copco.

3) Client orientation

The structure of the company is submitted to the client needs and makes the company closer to its customers. "Matrix structure works well in Russia when it comes to B2B market".

4) Brand and reputation of Atlas Copco

Many respondents emphasized the uniqueness of the product and the high reputation of Atlas Copco. The brand equity of Atlas Copco is its liability at the same time: it puts high pressure on all activities of the company and makes it exert conservative approach in order to avoid any possibility to damage the parent name. The global support is also considered important in terms of learning and hiring people: "Everyone here feels that he or she is a part of a truly international company". The fact that the company is "global multinational leader" attracts new employees to the company.

5) Stability, long-term-orientation

"The best thing here is stability". Atlas Copco complies with all local and international rules. "Business ethics is important when it comes to long stay". "Atlas Copco is a company for stayers, for marathon runners. Here experience is valued, and there is a desire to promote internally".

6) Freedom

The company has open culture and has such traits as "democracy, initiatives, right to make a mistake", empowerment, transparency, easy communications. Several respondents noted simple, open, and transparent interior as indicator of the company's organizational culture. This culture is considered foreign by many Russian respondents.

7) "Good order", "scrupulousness", "clear structure"

These traits are also mentioned by Russians: "responsibilities are precisely specified".

8) Orientation on results

The company is result-oriented; and all employees have clear measurable goals.

[14] As suggested by respondents

How it is adapted to the Russian context

In opinions of many respondents the adaptability of the company was proved by the 1998 crisis: Atlas Copco not only survived the crisis but overcame it with only one employee left. "We did not escape like many others – since we came to Russia – we decided to stay and to learn how to work here, how to adapt", says General Manager, expatriate.

Atlas Copco is believed to be adapted well to the Russian context. "The culture is closer to global culture of Atlas Copco", but has some specifically Russian features. For example, "the company has many regional departments to be closer to clients on such a huge territory, though the principle model still persists – matrix" (there are two subordination lines: territory and product related). Intention to stay closer to customers has also led to "the service being not centralized in Moscow; some cities have their own service centers". The adaptation takes place within Russia as well: "There is some need for local differences. For example, if to compare Moscow and St-Petersburg with Siberia – personal contacts are much more important in the latter, while the speed is less".

"Another specific feature is that there is a warehouse here - it is not common for Atlas Copco to have warehouses" because they make company bear additional costs. But in Russia due to specific custom procedures the company has decided to keep warehouse to be able to quickly provide certain products.

Traits of organizational culture that are impeding[15]:

Coordination and communications should be well enhanced in the company. "There is lack of communications and that can be seen from lack of awareness of what is going on in other departments: broader, it is lack of project management". Currently management goes in this direction: with the moving to one office and creating communications manager position, communication flow is believed to get improved.

To meet the needs of fast growing company and reflect the development of employees more precisely – probably company will consider implementing idea of grades within hierarchical levels. In opinions of some respondents, Russians, this grade system will fit better in the current context: "an employee starts as a sales representative, after three years here he gains experience and new skills, education, but is still a sales representative. We observe the market and see that other companies have more illustrative systems that represent achievements of a person more carefully and make his progress visible for others. In USSR plant for example, there would be many positions, and person would be promoted, say, every 6 months, to represent his progress. Here, in our so flat organization, grades can be such a mechanism". Another respondent added: "People need to grow more often to stay motivated."

Another possible improvement is also related to the rapid growth of the company: "Due to fast growth, procedures should be more specified; standards should be clearer, more precise, fixed and transparent". Even though the company is already recognized for being precise and well-structured, it still might address growing need for formalization to correspond to its growth. This notion brings additional aspect to the organizational culture problem – the lifecycle of the organization. The same issue was raised in Scania where surplus bureaucracy may be seen as byproduct of certain steps of organization life; and Swedwood, becoming less flexible with time, as suggested by one respondent.

[15] As suggested by the respondents

As can be seen below, the Mission dimension is not very strongly expressed in the company. As General Manager says, "It is all about communications". This is where company is taking active steps nowadays, and perhaps the increased flow of communications in the company will affect positively acknowledgement and alignment of common goals in the company. Also, as one of respondents proposed, the current one-day induction program might not be enough to build the truly efficient team.

Many respondents consider the company too conservative and risk averse: "the company should be more flexible and quick"; "the bad thing is that it is not flexible". In the interview with top-management, this issue was addressed especially. As already cited above, the Russian subsidiary is very concerned about the parent brand and its reputation: as General Manager, expatriate said, "we are only afraid to damage the parent name – the brand of the company".

Challenging features of Russian context:

The biggest challenge found by many respondents is deficit of competent employees in the market. "Deficit of competent personnel is what impedes the success the most". "The worst is lack of professionals". "There is not a problem to find another job nowadays in Moscow". "There is deficit on the labor market in Moscow – and the company is not taking the best". The deficit of competent employees affects all companies that took part in the research: it makes them invest more in training and educating people, as well as in retaining ones that have already been developed.

Many concerns are related to the Feedback dimension. From one standpoint, brought up by Russian respondent, Russians need more feedback from their management, because "curiosity is a Russian specificity". But when it comes to personal feedback, one respondent, also Russian, noted lack of ambitiousness: "I say to a person what is needed for his career and then after certain moment I see that the person does not do it, I do not really know why, it is some sort of lack of ambitions, or laziness. So, perhaps, not everyone seeks for feedback from the boss". "The problem is that Russians do not appreciate the nice things that company can offer them: development, performance orientation, orientation on results", this is also suggested by Russian respondent. One Russian respondent was personally interested in how to make Russian people to be more result-oriented. There are incentives for that, but they work till certain limit. Lack of ambitiousness of local employees was also mentioned in Swedwood, and that was also brought up by Russian respondent. In general, Russian respondents were quite critical about national traits of Russians. The feedback that comes from employees to management is also challenging. The company struggle to provide and to get feedback as much as possible, to encourage people to speak up, to be more open. "But it is a Russian trait probably that people are not that expressive: they prefer to hide their opinions. There are situations when an employee seems being OK, but all of a sudden you find out that he has been applying for other companies during last two months – and he has not even come with a problem to management" – this time it is suggested by expatriate.

Another feature of Russian character is expressed in the following: "Russians tend not to appreciate good things to full extent and like to complain". This can make an analogy to another opinion at Scania: "with time workers get spoiled and constantly ask for more".

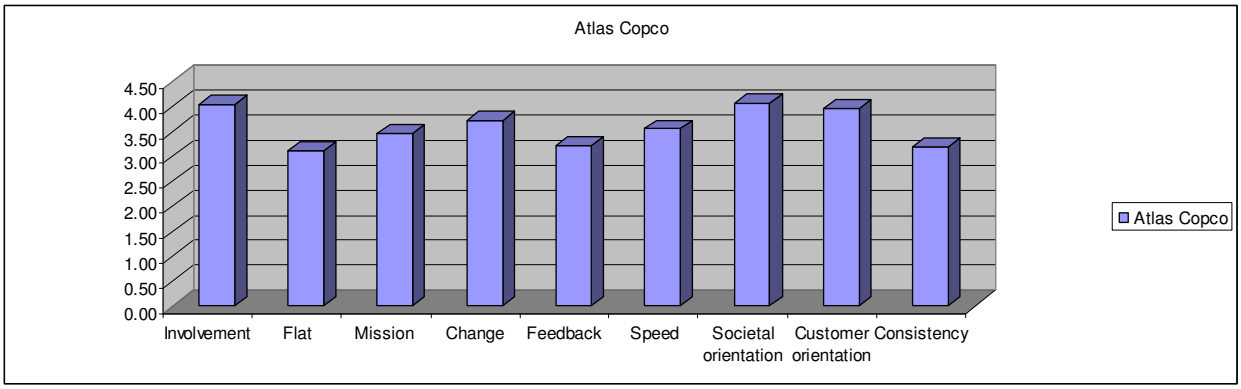
Close to this is the following notion on Russian employees: "it is Russian trait to say the idea, but not to elaborate on that towards further consequences and responsibilities". Another

observation of respondent at Swedwood is that "People want to be heard - and often they have very good ideas - but they don't want to be part of a final decision".

Many Russian respondents considered the Russian environment to put more pressure on the company in terms of Speed and Change dimensions: "Probably some decisions could be made quicker, but they are slow due to European colleagues often, because Russians are more dynamic and their life is faster". "Speed might be higher in some areas. This is especially important in Russia". "In Russia you should be able to take on risk. It is certainly not a Swedish trait: they tend check everything, and while you check it all – it can become too late". As one respondent suggested, the company is not taking 100% of what it could get.

The organizational culture profile from questionnaires

Figure 4. The organizational culture profile of Atlas Copco



Organizational culture profile from interviews

Dimensions that are not fully expressed are Feedback, Speed, Change, Mission, Societal orientation. The most controversial dimension was Flat: during the interviews respondents expressed very different views on how flat the company should be: some preferred more hierarchy to be more effective while others prefer the opposite. In any case, the current level was not satisfactory for many of them. The same comes to Customer Orientation: while some respondents considered that dimension to be expressed too much to be effective, others found a room for improvement in this area. Societal orientation was not executed at 100% but that dimension was not considered to be effective at 100%.

4.2.3. Summary of Fey dimensions at Atlas Copco

Mission

Goal acknowledgement can be higher: "There are a lot of new employees – company is growing extremely fast – so maybe some of them do not know goals". Goals are cascaded in the form of budgets, and moreover, "budgets are discussed" which means that employees participate in stetting their individual goals. "Majority of employees would just recall their budgets when being asked about goals of the company". When it comes to the values of the company: "Values of the company are not actually well known; there is still lack of transparency here. There is one day introduction program which is not enough at all". Mission is considered to be important though: "We seek to provide every one with mission and visible growth perspectives so that every employee knows his path and mission for three years", says General Manager. The

company is taking active steps in this direction by improving communications within the company: “Mission is all about communications”.

Societal orientation

In Atlas Copco majority of respondents by Societal orientation meant what it is really referred to – the one focused externally. The company is societal oriented only on global level while in Russia it does not execute this dimension at 100%. Moreover, majority of respondents did not consider this to be somewhat important and expressed the desire to improve it only slightly. The management nowadays takes active steps in this direction – and the new communications manager will probably exert some societal projects in this dimension: “there are some intentions to start societal projects here as well”. Ecological concern is executed through products and complying with certificates.

Flat

This dimension was the most controversial: respondents were not similar in their estimation of how flat the company is and how flat it should be. There are two quite opposite views:

1. The company is too flat nowadays. Probably it is better to make the structure a bit more hierarchical – to implement grade system for example to differentiate people and to reflect the development of employee more precisely. In other words, “people want to grow more often to be motivated.”
2. The company is hierarchical. “Hierarchy is strong”. “It is not very flat, because it has too many people”.

The empowerment in the organization is considered to be rather sufficient; employees are responsible for tactical decisions: “More empowerment would mean anarchy”, says middle-level Russian manager. Nevertheless, some managers would prefer to be more empowered.

Bosses are accessible and open; the management style is democratic, (but according to one respondent, it has authoritarian traits as well: they tend to listen to everyone when making a decision, but sometimes it becomes too democratic, therefore authoritarian force is also present, and she thinks “it should be present more often in some cases”).

Communications do not flow really well within the organization – there is lack of coordination and communications. Again, the management is making steps in this direction: for example, with recent initiative to send monthly newsletters. Interactions between regional divisions of Atlas Copco are considered easy and frequent, though as one respondent remarked, “it depends on personal contacts that you make”. Since there is no much vertical promotion, they encourage horizontal ones and rotations really take place in this company – this will be described in the Involvement dimension.

Feedback

This dimension is found challenging but very important in the company. “There are annual so called appraisal talks during which employee and boss are sharing feedback”. “Maybe, bottom line employees can have them more often because these people work outside the office”. Some employees earn variable bonuses: “feedback will effect your wallet”. The feedback from management to employees is mostly considered insufficient: “Curiosity is a Russian specificity”, so this feature requires more feedback from management. “The feedback from management is

not always enough; apparently it is how it needs to be". Meanwhile, as one respondent said, ""Sometimes you say to a person what is needed for development of his career and then you see that the person does not do it – some sort of laziness, lack of ambitiousness". So, "perhaps, not everyone seeks for feedback from the boss". When it comes to feedback from employee to the boss, it also can be improved in the opinions of several respondents. The company struggles to provide and to get feedback as much as possible, though as one respondent said, "Opinions are not being spoken easily".

The General Manager, expatriate, explains: "It is a Russian trait probably that people are not that expressive – they prefer to hide their opinions. There are situations when an employee seems ok, but all of a sudden you find out that he has been applying for other companies during last two months – and he did not even come with a problem to management". The culture of the company appreciates feedback from employees. Nevertheless "only constructive critic is welcome: "criticize – propose".

Mistakes are treated very tolerantly. "Everyone has right for one mistake". As an example – the story of one employee, who made a significant mistake before, but currently he has been rotated to another Atlas Copco department as a general manager. "The most important – to learn from mistakes and do not make them intentionally and repeatedly". There is a principle in "How we do things": "asking for help is a sign of maturity". There is a "red flag" rule – if you have a problem – ask others for help. "No material punishments are executed at all".

Involvement

Development possibilities are wide. There are a lot of trainings, seminars. Education is really offered a lot: "this is special about this company". "There is e-education – each employee has an access to corporate database and learns a lot from there as well". however, there is a perspective that certain trainings still are not sufficient, and are done "in tough limits". Probably, it is because self-education with help of corporate resources is preferred by top-management.

There is internal job-market, and it is highly promoted. "Notably, each employee can apply for other job anonymously, so that his or her boss does not know about it". "There are rotations that really work: 8 expatriates in Russia and 4 Russians work abroad nowadays". "Everyone here feels that he or she is a part of a truly international company".

Every year global survey on employee satisfaction is carried out and each employee gets aggregated results of it. The level of satisfaction of employees varied from respondent to respondent from "slightly below the average" to 80-90% are satisfied. Turnover is normal – "because of stability", "this company appreciates those who can stay long".

Initiatives are welcome in the company: "Opinions will be at least listened to". They encourage knowledge sharing. As one respondent said, "the only way of how to stimulate initiative is through communications and personal meeting. We had tried to make a database where every initiative would be written, but it did not work. Only during meetings, and actually after people got used to them – start they come with initiatives".

The atmosphere in the company is friendly, not assertive or aggressive. The management also encourages employees to bring their families to corporate events.

Customer orientation

The customer orientation of the company was also a controversial issue. Respondents from the service department tended to evaluate this dimension sometimes as over effective, ("too

much", "sometimes even too much oriented". "It is always important to place the income from the client against the orientation towards him", "there should be precise principle of what we do for clients and what we do not – it is undecided even on a global level", "Atlas Copco is very flexible for clients in terms of contracts, conditions, and proposals. Sometimes it is too much flexible"), while other respondents estimated it as satisfactory or even not expressed at the sufficient level.

Some respondents said that the company is rather product oriented in the sense that it has the product already produced and then searches for those who might need this particular product ("the basic product has client needs already embedded). Though "some products are tailored to clients". In general, the customer is number one in the company, and it is perceived as very important to satisfy their needs: "As a client, I would like other companies to be like Atlas Copco". However, not all the needs will be met, if there is a probability of damaging name and reputation of Atlas Copco, then they better loose a client than the name.

Their main principle is to be as close to client as possible which is considered to be especially important in B2B market – that is why they have a matrix structure.

Change

The company is believed to be adaptive; which was proved by the successful survival of the 1998 crisis when only one employee left the company: "We did not escape like many others – since we came to Russia – we decided to stay and to learn how to work here, how to adapt". The company undergoes changes, recently it has moved to one office, and this change was being prepared long in advance. The company is also growing very fast, and increasing its personnel. There are structural changes as well.

The company does much learning under the principle: "Copy paste and adapt".

At the same time the company is perceived by several younger Russian respondents as conservative and very risk-averse: "Maybe it is adaptive, but certainly not flexible – with such a strong hierarchy and tough positions. And it is not necessarily bad, though in Russia you should be more flexible, especially in such a fast developing market". The conservative approach was explained by the management from the position of parent name and reputation of Atlas Copco: "we are only afraid to damage the parent name – the brand of the company".

Speed

This dimension is perceived by Russian respondents as being responsible for success in Russia: "Speed might be higher in some areas. This is especially important in Russia". "In Russia you should be able to take on risk. It is certainly not a Swedish trait: they tend to check everything, and while you check it all – it can become too late". "Sometimes if you want decision to be made quicker – you have to push harder". "Probably some decisions could be made quicker, but delay is due to European colleagues often, because Russians are more dynamic and their life is faster".

However, not all respondents think that company should follow this trend of the Russian context: "decisions should not be made too quickly". Though there is desire to spend time as efficiently as possible, and "once decision is made – it is implemented quickly".

4.3. SWEDWOOD[16]

4.3.1. Company overview[17]

Background

Swedwood is an industrial group of companies whose primary function is to manufacture and distribute furniture. Swedwood group is a strategic partner of IKEA created in 1991 and owned by IKEA. Most of the furniture produced by Swedwood goes to IKEA stores. Nowadays the group encompasses 36 timber and woodworking facilities that are located in 12 countries all over the world. Since it was formed, Swedwood has started up one to three new facilities every year. There are three factories in Russia: based in Tikhvin (area of Saint-Petersburg), Esipovo (area of Moscow), and Kostomuksha (area of Karelia). The one in Tikhvin has been studied during the research. Swedwood Tikhvin was created in 2002. It is comprised of four factories that work as a supply chain. The amount of employees there exceeds 1000 people.

Core values and policies

"We coordinate manufacturing and industrial development within the group by developing a joint concept, the "Swedwood Way of Production", which we also call SWOP. SWOP gives us a tool, based on our core values, that makes it possible for us to improve the entire manufacturing chain, from timber or wood to ready furniture. In this way, we can achieve strict quality objectives and ensure that the needs of IKEA customers are met in the best way. SWOP focuses on the individual and encourages individual initiatives. Everyone can contribute with their own ideas and suggestions that lead to improvements based on the principle of "development by many small steps." This means that we use every opportunity to become better, and that all Swedwood units are in the midst of constant development. Swedwood also focuses on reality based training. We recruit on location and train our employees at the factories where they work and in the surroundings they are used to. This allows Swedwood to contribute to providing new job opportunities and increase skills and expertise in the area. Our aim is every day to "do something better but not worse than the day before. It is these thousands of small steps forward that produce results".

4.3.2. Organizational culture overview

General description of the organizational culture

The aggregated description of the company would be:
"Swedwood is flexible and fast-growing company that has rather Swedish culture. Its culture can be characterized with: democratic, open and free atmosphere within the company; accessibility of managers and low level of bureaucracy; clear planning and good structure; result-orientation; and great focus on development of employees. It complies with Russian legislation and

[16] Tikhvin LLC
+7-812-331-10-20
15, Shvedsky proezd, Tikhvin, Russia, 187550
www.swedwood.com

[17] From Swedwood homepage www.swedwood.com and the corporate booklet

international certificates. The culture is not really consistent and apparent throughout the company; nor is it consistent throughout Swedwood globally. The management is flexible and allows for local culture adaptations a lot.

Traits of the company which are mostly responsible for its success[18]:

1) Good structure

"Coordination between departments is working well – they look like an effective chain with well tuned processes". So that each department is functioning as an element in the chain and this interrelatedness is well structured.

2) People

"Right managers chose the right approach from the beginning"; here are "people that can take initiative". Expatriate top-managers say: "The success factor is people – not wood (in Sweden now wood is cheaper than in Russia actually) – that we make sure they make results". Right mix of Swedish and Russian management styles is extremely important. "If you are totally Swedish style – just forget it – because nothing will be produced then. You need to tell quite really what you want, and with time they learn. You have to be quite tough to work effectively in Russia – otherwise Russians get lazy, they cheat, nothing is produced and you just spend money. But with Russian style only they don't think and just use their arms and not head. It can be called lazy – once they have done what was told – then they do nothing". "Only 10% of expatriates can work effectively in Russia, who understand Russian culture and use it".

4) High speed of decision-making and implementations"

5) Good order

"There is discipline here", "clear goals and tasks", "solidarity"

6) Long-term approach and stability

"Have the focus on every one - they should feel that you are interested in them, in each of them; that you will invest in them - and the success will come, says expatriate manager. Stay here. Russia is like pregnancy – you are pregnant or not – you are in Russia or you are not. You can not stay in the middle. We are not colonizing Russia now – we have been gracefully allowed to come here and work. That is important".

How it is adapted to Russian context:

Swedwood is very flexible and adaptive. It allows for different approaches within the company to better fit local context. The company also recognizes differences in context inside Russia: "There are different cultures in different places, in Tikhvin and Karelia for example. It is also because the mentality of people is different – even if it is still in Russia". Globally Swedwood has intentions to make the culture consistent – but just to a certain limit. There is a room for adaptations and flexibility – this makes Swedwood differ from IKEA which is more consistent and unified.

Even within Tikhvin subsidiary Swedwood culture is not very consistent. Swedwood there is comprised of four factories, and each of them has its own management. There are trends of converging management practices, and there are critical issues that are intended to be the same: some HR practices, finance, environment and ethical policies, quality level of IKEA, main principles of management. For example, according to expatriate top-manager, some Russian managers may find Swedish management style too complicated and relaxed and execute Russian

[18] As suggested by respondents

management style which may be too authoritarian and discourage initiatives and empowerment. "If person is too Russian manager – he is out". In general, there is intention to create mix of management styles, because pure soft Swedish style is not appropriate either: "if you are totally Swedish style – just forget it – because nothing will be produced then".

Traits of organizational culture that are impeding[19]:

Communications between departments are weak: "This is not good for the company as a whole because even though there is a spirit of competition between departments and this might be positive – the overall effectiveness suffers". Systematic communications are poor: "people mainly communicate in the dining-room".

Motivation of workers and their discipline may be improved. The discipline is better than it is in Russian companies, but is still far from being the ideal one. "Russian nature is impeding: lack of discipline", says Russian employee. Many new employees have difficulties in accepting good discipline – especially after coming from Russian companies. Motivation of employees has also room for improvement though it is already higher then usual one in Russia.

Impeding features of Russian context

1) Job market in Tikhvin and in Russia in general

It is a real challenge to find, to attract, and to retain professionals here. There is deficit of workers in Tikhvin, especially of well educated and hard-working (the best ones have moved to Saint-Petersburg). Non-production employees especially from finance can be really hardly found in Tikhvin and are "imported" from Saint-Petersburg. In general, furniture industry is not well developed in Russia and therefore the company has to use work of expatriates.

2) Russian mentality

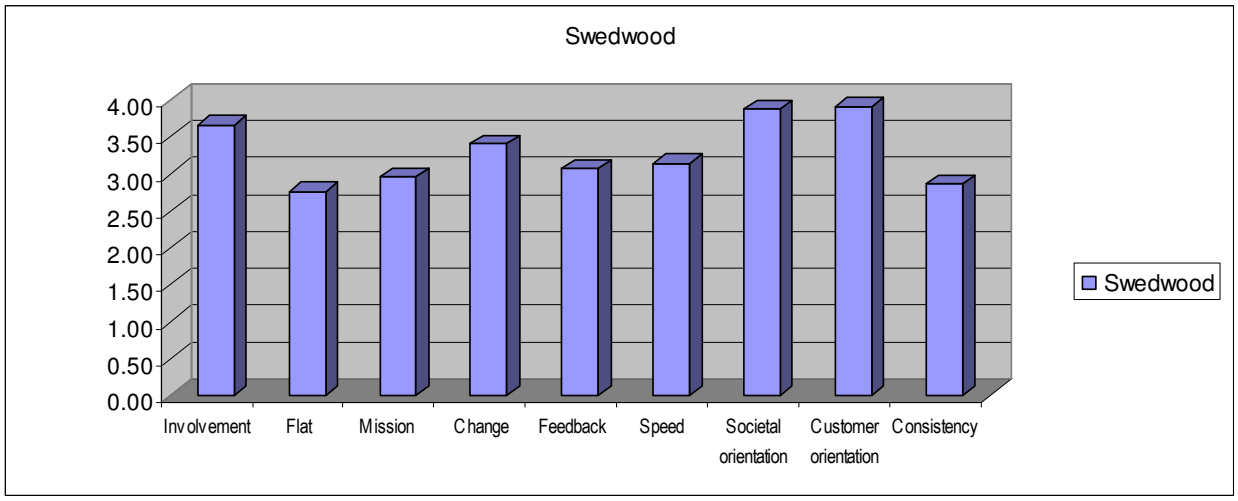
It can be characterized with poor result-orientation, weak ambitiousness and poor discipline. The motivation though can be really stimulated with financial incentives, according to expatriate manager. "Some people are very ambitious, but some people are not at all – and that is terrible. I can tell that Russians are the worst people I have worked with – but they are also the best that I worked with too. So they are very-very different", says top-manager, expatriate. There is a real need to know how to work in Russia – and then success will come. Russia is very specific.

3) Unpredictable macro economical situation

[19] As suggested by respondents

The organizational culture profile from questionnaires

Figure 5. Organizational culture profile of Swedwood



Organizational culture profile from interviews

Dimensions that are not expressed at full extent: Change, Customer orientation, Mission, Societal orientation, Feedback, Involvement (though it is very high). Notably, Change is preferred by some Russian respondents to be even reduced. Moderate levels of Customer and Societal orientations are considered effective in the context of Swedwood. Mission and Feedback dimensions are desired to become higher. Involvement is desired to get slightly improved.

4.3.3. Summary of Fey dimensions at Swedwood

Mission

General goals of the company are communicated to a newcomer in the introduction program. Actually, the Mission dimension is not really well expressed here: "Management do not do anything here"; "Very few know goals of organization – in the office they know our budget"; "We all have one goal – to earn money", in words of expatriate manager: "It does not give any sense to tell the Russians what the company's goal is – it makes much sense to tell what their own possibility is – and then to make their personal targets as close to the company` ones as possible – then we will move in the same direction". Thus, goals of the company are cascaded to each employee in the form of his own goals. Majority of employees have variable part of income that depends on how the employee fulfills his goals. Production workers are dependent on group performance, but it is very important to keep these groups small: "what we did especially for Russian employees, says expatriate manager, – we did not make bonuses connected to the company in general – it would not work here: we organized workers in much smaller groups – so now they feel that they can influence. It is very important especially for Russians – because historically they feel very distant to many things - and they do not feel themselves a part of something. Their horizon is very short. That is why we made very small bonus groups (8-10 people) – and they can effect the performance – and can see who exactly is impeding the performance – and can influence him – so that now their bonuses are manageable by them directly - and this works really well here!". Russian employees were found to be very responsive

to financial incentives. As another expatriate adds: “I have never met anyone like Russians when it comes to salaries. It is crazy! I was very surprised – Russians are very aggressive about salary – even very shy person starts telling I want this and I want that and why I don’t get that. They are always talking about their bonuses!”

Societal orientation

Swedwood is oriented internally: “We instead focus more on helping our employees – and in this way we also help the society”. They are to launch village support project. Though still – orientation is on employees – there are current and potential workers in villages – and by supporting them Swedwood supports its personnel. Moreover, to decide what is better to do with the investment they create a council, where two their employees from villages will be presented. The Tikhvin area is undeveloped, so by providing decent workplaces Swedwood also helps the society.

Flat

As was already mentioned, Flat for respondents can mean both: amount of levels and degree of authority. Swedwood intends to keep both low. The company has 4-5 levels and is perceived rather flat. Now they are taking away whole layer to make it as flat as possible “though Russians prefer to have much authority”. When it comes to authority, there are different levels but nevertheless, “bosses are very accessible and open. The bureaucracy is very low here”. “Management style is democratic”. There is also intention to provide empowerment. “People want to be heard – and often they have very good ideas - but they don`t want to be part of final decision. And if they see that this final decision has some part, slight color of their opinion – they will accept it really well”. “Some managers may find Swedish management style too complicated and relaxed and execute Russian management style which may be too authoritarian and discourage initiatives and empowerment. But if person is too Russian manager – he is out”. In general, there is intention to create mix of management styles, because pure soft Swedish style is not appropriate either: “if you are totally Swedish style – just forget it – because nothing will be produced then”.

Feedback

Some divisions have special annual talks, and there is intention to make this practice uniform in all factories because this is considered important. Expatriate manager says: “sometimes communications (both – upward and downward) stop somewhere in the middle. We have Russian managers in the middle – and they sometimes can not understand what expats want, or they have different tradition”. Additionally, regarding feedback from Russian employees: “it takes a couple of months before they find out that when I tell to all my managers – tell me when there is something wrong - it takes time before they find out that I really mean it”. Mistakes are treated moderately tolerantly, for some of them people get punished: according to expatriate manager, Swedish trait to treat mistakes very tolerantly does not work here – people need to understand that repeating same mistakes is not allowed. Otherwise Russians tend to misuse this tolerance.

Daily feedback is provided informally: “free communications”. Russian manager says: “I provide feedback to my employees informally. Though Russian specificity is that sometimes when I need to change behavior of an employee, and informal talks have not helped, I invite

person to the office-room, and this formal atmosphere gives an extra effect". There is intention to improve Feedback dimension in the company, though 100% is not a goal: "too much feedback is not that effective because you end up working like an answer-machine", says Russian manager.

Involvement

This dimension is well expressed here. There are great possibilities for development, especially "for those only who are willing to grow". There are three levels of training in Swedwood; trainings for non-production workers are done globally:

- Training of general management skills – for managers
- Training of variable skills, for example, group trainings – for specialists and managers
- Specific for production – it is executed on the workplaces and is done locally

The third level is also forced by legislation – workers need to be certified to be legitimate to work with certain equipment – and the company trainings may be often the only source of these certificates. "The development of employees is important due to historical conditions in Russia: during miserable 90-s large number of engineers left their jobs. The profession of engineer as such got unappealing image. That is why nowadays it is important to educate employees because otherwise they are not competent enough", says Russian manager.

The attitude towards trainings is very positive in general, often they are done abroad. Additionally, "the nice thing about trainings in Swedwood is that during them people from different departments are being mixed – so this is an additional opportunity to see other employees and managers and to communicate with each other".

Initiatives also sometimes stop in the middle and do not reach the target. Expatriate manager says: "Middle managers think we won't like it anyway, or they follow the Russian way and think that all should do like they were said. That is why I sometimes talk directly to employees and sometimes I am lucky to hear something".

The internal job market is getting more developed nowadays in the company.

Speed

The speed of decision-making at Swedwood is high due to low bureaucracy and accessibility of managers. Implementation of decisions is quick as well. "We try to kill bureaucracy – and we will dismiss those who encourage bureaucracy. Many people in Russia use bureaucracy to protect themselves. When they find out that there is no need to do it – they drop it. Russians know very well that bureaucracy is … resource consuming and non-productive".

Customer orientation

"The customer is very often internal in Swedwood, and then – IKEA". "Quality standards of IKEA are like the Lord`s prayer here". "IKEA of course influences a lot here".

"Having internal customers makes it both easier and more difficult. Because one unit who produces for internal client knows that they will buy it anyway – just unless they complain too much". "We are customer oriented but not that much". They are moderately flexible to the internal client – "we do not want to get totally submitted". "We are very much more production oriented – much more than customer oriented. It is a necessity – it is the only way we can produce the cheapest furniture for IKEA"

Change

Swedwood is flexible and takes changes openly. There are many frequent changes going on. Being flexible and adaptive especially is easy in Russia, according to expatriate manager: "I have never had so little of this "we are used to" in any other country as here. People are open to changes and are willing to try something new". Now though it is slowly becoming more stable and less flexible; that is unavoidable stage of the company development. And as one respondent said, "some changes might be done in a more planned fashion".

V. Analysis and Comparison

Below is comparative data on organizational culture dimensions of all three companies derived from questionnaires, supplemented with data from previous Fey research (see Table 2):

Table 2. Comparative quantitative data on organizational culture dimensions

Organizational culture dimension	**Scania**	% of companies where this dimension was less present (acc. To Fey results)	**Atlas Copco**	% of companies where this dimension was less present (acc. To Fey results)	**Swedwood**	% of companies where this dimension was less present (acc. To Fey results)
INVOLVEMENT	4.48	*94*	4.03	*72*	3.66	*45*
FLAT	2.98	*22*	3.10	*30*	2.77	*11*
MISSION	4.28	*90*	3.47	*43*	2.96	*13*
CHANGE	4.29	*88*	3.71	*58*	3.41	*40*
FEEDBACK	4.10	*91*	3.23	*34*	3.07	*28*
SPEED	4.27	*76*	3.55	*26*	3.15	*10*
SOCIETAL ORIENTATION	4.44	*91*	4.06	*77*	3.88	*64*
CUSTOMER ORIENTATION	4.93	*96*	3.95	*42*	3.91	*38*

The results show that in comparison with each other, Scania seems to have an organizational culture with all dimensions evaluated as present to a higher extent than in the other case-study companies. The only exception is the Flat dimension: it is higher at Atlas Copco. Interestingly, some respondents at Atlas Copco suggested more hierarchy to be effective. In general respondents in Scania were less critical to the company, and that may mean both: the organizational culture dimensions are really well expressed there, or employees are not encouraged to be critical.

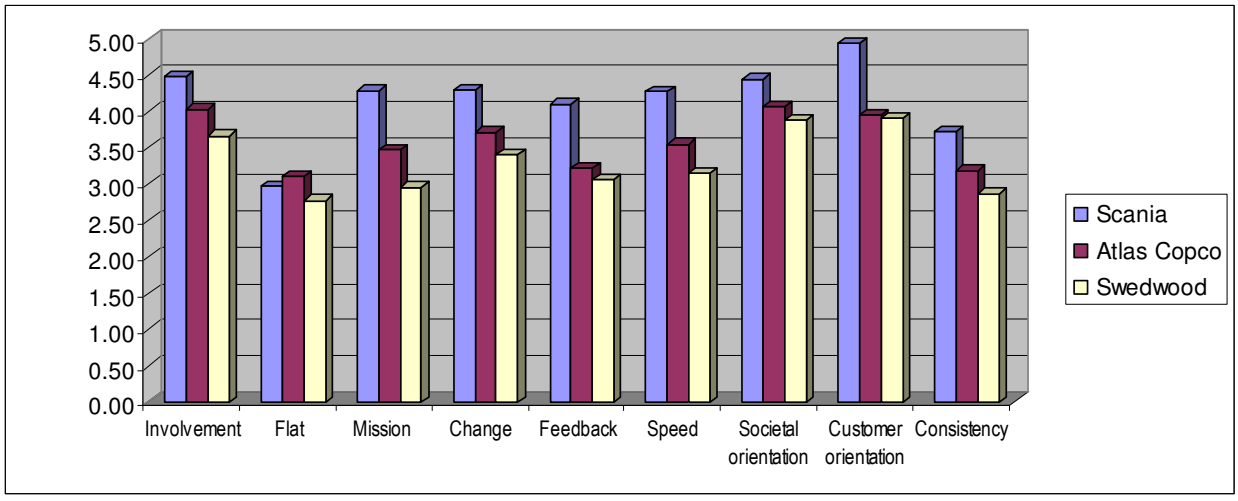
When being compared to the Fey sample, Scania still performs very well, though its Flat and Speed dimensions are not in the top percentile group. Atlas Copco seems to be an averagely

performing company for many dimensions, with the best being Involvement and Societal orientation and the weakest Speed, Flat, and Feedback. Swedwood is behind the benchmarking data for many dimensions, such as Flat, Mission, Feedback, Speed. The general conclusion is that the benchmarking companies are more flat and quick compared to all three companies that took part in this study (except Scania where speed is above average). Another challenge is Feedback dimension – it is lower than average for Atlas Copco and Swedwood.

The lagging position of Swedwood for organizational culture dimensions, as well as its overall performance evaluated by the interviews, may derive from its personnel structure. As was suggested by one interviewee, there are three basic groups that constitute the personnel structure of a company: white-collar employees, educated blue-collar employees, and uneducated blue-collar employees. The latter is believed to be the most challenging to manage, especially for foreign companies as they require the deepest knowledge of the culture, are very specific and hard to motivate. While Atlas Copco has personnel structure comprised of white-collar employees mainly, and Scania the one comprised of all three personnel groups, Swedwood has overwhelming share of uneducated blue-collar workers in its personnel structure, also the largest in absolute terms. Hence, there probably no correlation may be made between its performance and its organizational culture as it might be that this company needs, for example, more time to get established.

Analysis of questionnaires shows that the top-three dimensions for all three companies were Involvement, Societal orientation, and Customer orientation (see Figure 6). I shall analyze these results coupled with qualitative data from interviews.

Figure 6. Dimensions of Carl Fey and Consistency at three companies



Involvement is expected dimension to be stressed due to many reasons, mentioned by respondents: specifics of Russian job market (low education and deficit of professionals), legislation, and traits of Swedish management. Many said that there is always possible to improve involvement. Interestingly, personnel were satisfied with level of employee development at Scania, where top-management considered this to be somewhat excessive. While in companies where top-management was more or less satisfied, this dimension was viewed as not sufficiently expressed by employees. This means that either that employees tend not to

appreciate it at full extent (this was suggested by some respondents), or that top-management does not feel the extra importance of this dimension in Russia.

Customer orientation was not highlighted by findings of Carl Fey to be the most strongly associated with performance. I think Customer orientation was understood rather agitationally rather than considering the real practice – the latter was revealed during the interviews. To a certain extent all three companies in Russia were product or brand oriented rather than customer oriented. To a certain extent it is true that preserving product orientation is the way to satisfy the customer in Russia: they rely much on the brand name and often are satisfied with their needs already embedded into the product; in case of Swedwood product orientation was considered the way to keep costs low – and this is what makes their customer satisfied.

High level of Societal orientation might seem contradictory from the quantitative data, but interviews showed that Societal orientation is highly expressed due to misunderstanding of what the Societal orientation was initially meant by Fey – the one oriented outward – towards society and not personnel. It was so frequently confused that the author has suggested differentiating the internal orientation (towards providing employees with good working conditions) from the external one (towards society in general). While internal orientation is very high at all three companies (stable official salary, medical insurance etc), the external one is limited to complying with global environmental and quality policies and certificates, and some help to local institutions. When it comes to external Societal orientation – that was not a concern at all. Internally-oriented care is very much embedded into the Involvement dimension; as it was expressed by an expatriate top-manager at Swedwood: "We instead focus more on helping our employees – and in this way we also help the society".

Flat is another dimension weakly expressed in all three companies: many respondents find hierarchy more relevant in the Russian context. Noteworthy, the interpretation of Flat dimension was controversial. It meant both amount of levels and accessibility of bosses. Amount of levels was approximately 4-5 in all three companies, and that was considered rather flat. Some respondents at Atlas Copco suggested that more levels would better fit to the Russian context and represent the Involvement dimension of the company. Though all organizations inherited Swedish intention for democracy and accessibility, still there was room for authority. In general, it can be concluded that though all companies were more flat than traditional Russian companies, still they were not perfectly flat. This may represent the mix of Swedish and Russian approaches. The same comes to the amount of levels: being very flat requires stability and long-term orientation since it requires each person to stay longer within the same position, and that is the most challenging in Russia.

Feedback is another weakly expressed dimension in all three companies. This dimension was also found very challenging during the interviews. Many say that feedback is a weak point of traditional Russian management style and Russian culture in general as suggested by high power distance, and historical background of Russia. People are not used to provide and get much feedback in Russia.

Mission was yet another challenge in Swedwood. Motivation through short-term group goals enhanced the performance but resulted in weak long-term orientation of the employees. The same concern was sometimes expressed in Atlas Copco: "Majority of employees would just recall their budgets when being asked about goals of the company"

Consistency of organizational culture was not in the Fey model but I just add it for bringing additional insights here. It represents strength of organizational culture and its

consistency throughout the organization. This dimension is expressed quite weakly: presence of different divisions or functions (service and sales, blue-collar and white-collar) results in existence of subcultures. The least consistent culture was presented at Swedwood. In addition to low consistency in the horizontal dimension, there is lack of consistency vertically meaning that organizational culture gets modified closer to the bottom line. In general it is possible to say that closer to the bottom-line the culture gets more Russian features.

In general, I can conclude that Stability direction as a whole is a challenge in Russia. Both unpredictable environment and certain traits of Russian culture such as low future orientation, uncertainty avoidance, performance orientation, and high power distance, resulted in difficulties in reaching high Mission, Societal orientation, Flat, and Feedback dimensions.

Moreover, analysis showed that dimension Change, assumed very important for achieving success, was not that important in views of majority of respondents. Though some claimed that Russia requires companies to be flexible, many other respondents, including Russians, preferred the company to stay stable and careful. Important notion of parent company brand was raised in Atlas Copco. Many respondents noted support from the parent company to be important, and that support can be correlated with less expressed dimensions of Speed and Change. Sometimes external parties, like custom, were considered to slowdown decision-making. Scrupulousness, long-term commitment, and stability were mentioned as attractive and effective by many respondents in different companies. This also benefits the Involvement dimension as strong and stable foreign company can better attract, motivate, and retain employees. Nevertheless, Speed dimension was quite high in all companies, and this was not somewhat challenging in Russia, since the mere life is fast here. When it comes to the Change dimension, risk aversion was quite high in all companies. To conclude, Stability was considered to be responsible for the success sometimes even more than being quick and adaptive. Some respondents even suggested lowering Customer orientation and Change dimensions in their companies to make them more effective. Though it might be that low Change dimension limits profits of the company, it is rather short-term approach that can damage the company's performance in the long-run.

Another important notion comes from organization life cycle standpoint: organizational culture is very much related with stages of the company development. While Scania undergoes rather maturing stage, Atlas Copco is being developed very rapidly and dramatically increasing its personnel. Swedwood is also believed to start maturing only now. This results in different traits of organizational culture being important.

The comparative analysis of three companies is presented below in the integral table (see Table 3).

Table 3. Comparative analysis of qualitative data from the interviews

	Scania	**Atlas Copco**	**Swedwood**
Effective aspects of organizational culture:	• Swedish management (empowerment, accessibility, scrupulousness, result-orientation) • Order and control • Development of employees • Stability • Brand of the parent company	• Intention for efficiency • Development of employees • Client orientation and good structure for that • Brand of the parent company • Stability • Freedom • Order • Result-orientation	• Structure • People and Involvement • Speed • Order • Stability
How the company is adapted to the Russian context:	• Service department embedded into the production unit • Many corporate events • Desire to keep less core people[20]	• More representatives to be closer to clients • Warehouses	• Mix of management styles
How the performance of the company may be improved:	Bureaucracy	• Weak communication flow • Less flat • Better order • Improve Mission dimension • Less conservative	• Weak communication flow • Improve motivation of bottom-line employees • Better discipline
Challenging features of the Russian context:	• Traits of Russian culture (bad time-management, desire to complain, weak feedback) • Deficit of professional workforce • Macro environment of Russia	• Deficit of professional workforce • Traits of Russian culture (weak feedback, do not appreciate opportunities) • Environment requires company to be quicker and more flexible	• Deficit of workforce • Traits of Russian culture (bad discipline, lack of ambitiousness) • Macro environment of Russia
Dimensions that are not fully expressed:	• Change • Flat • Societal orientation • Feedback	• Feedback • Speed • Change • Mission • Societal orientation	• Change • Customer orientation • Mission • Societal orientation • Feedback • Involvement (though already quite high)
Intentions regarding dimensions:	Feedback to be improved	Top-management expressed intention to improve Mission and Feedback dimensions, while some respondents at lower positions suggested to improve Change and Speed dimensions	Mission and Feedback to be improved

[20] In the author opinion, it corresponds to the desire to not make the company more flat

From the Table 3 we can conclude that:

1. The most responsible for the success of the company were
    - Certain traits of management (perceived Swedish) such as democracy, accessibility of managers, result-orientation;
    - Good order and structure
    - Development of employees
    - Stability
    - Brand of the parent company
2. The companies adapted first of all their structure to better fit Russian context
3. Higher speed, improvement of discipline, and not being 100% flat were considered to improve performance of the companies
4. Deficit of workforce, traits of Russian culture (especially bad discipline and habit to complain and be unsatisfied), and macro environment of Russia were found to impede performance of the companies the most. It results in lower productivity, higher expenses on attracting, educating, keeping and controlling the workforce. In opinion of the author, bad discipline corresponds to the low Uncertainty avoidance of GLOBE discussed in the theoretical part.
5. Dimensions that were not well expressed at all three companies were Societal orientation, Feedback, Change. The dimensions that were to be improved were Feedback and Mission, to a lesser extent – Change.

VI. Conclusions and Recommendations

6.1. Conclusions

To conclude, I will answer my research questions and discuss deviations from respective theoretical prepositions.

Research questions 1.1 and 1.2

What dimensions are needed to describe organizational culture in Russia well? Do the dimensions of the Fey model of Organizational culture do a good job of this?

Proposition 1: According to Fey, these dimensions are Mission, Societal orientation, Flat, Feedback, Involvement, Speed, Customer orientation, Change dimensions within competing values framework. This model is believed to describe organizational culture well.

The model of Carl Fey was really helpful in describing organizational culture of the companies, and majority of respondents found dimensions sufficient and representive. If there were suggestions for adding new dimensions – all of them to a significant extent fitted one of the existing dimensions. For example, motivation of employees fits Involvement dimension, Respect for bosses lies in the area of Flat dimension, Intention for efficiency corresponds to the Change

and Involvement dimensions. Competing values framework is very relevant here and does represent well the contradictory intentions and trends that occur in the real companies.

Instead of adding new dimensions, I would consider to make existing dimensions clearer because many dimensions were perceived controversially. One of those was Flat dimension: it meant both amount of levels and degree of authority. Many respondents found their company flat and yet hierarchical: it is explained that though amount of levels is low, the relations within those levels can be very hierarchical. Societal orientation was often understood as the one focused internally, and this was always highly expressed in the companies: complying with legislation, social benefits for employees etc. Another controversial dimension was Change: attitude to changes, flexibility and risk aversion are all sides of this dimension, but the answers here can be very different and even contradictory. The same comes to Customer orientation: it can be that customer is number one and still the level of customization is low. As it was suggested by one respondent, it is better to differentiate the Involvement dimension of the company towards its personnel from that of personnel towards the company. It may be that the company executes much development of employees while they are still not committed to the company. The same can be suggested about the Feedback dimension as well: the downward feedback may differ from the upward one.

Overall, the theoretical proposition holds true for first research question.

Research question 2

What dimensions of organizational culture are firms in Russia focusing most effort on?

Proposition 2: The Speed, Change and Involvement dimensions should be in greater focus of the companies

Management exerted much emphasize on such dimensions of organizational culture as Involvement, Feedback, Customer orientation (except for Swedwood), and Speed (except for Atlas Copco), and to the certain traits of Swedish management such as openness and accessibility of managers which is related to the Flat dimension. The theoretical proposition is thus not fully supported and the reason to that was that respondents viewed slightly other dimensions to be the most responsible for success than those suggested by theory. Involvement dimension of organizational culture was considered indeed important and influential, and was in great focus of the management teams; to a lesser extent - Speed and Customer orientation dimensions were emphasized. The Change dimension though was a contentious one. Many respondents claimed scrupulousness, carefulness, and support from a parent company to be more important than being very adaptive. There should be a balance between taking opportunities and staying “foreign” and conservative and preserve corporate brand and values. This balance is found not so close to 100% presence of Change dimension. Since Speed is closely related to the Change dimension, it was also sometimes desired not to be fully expressed so that managers make more deliberate decisions. Instead, Feedback dimension gains bigger importance: many respondents considered this dimension to be improved in order to enhance effectiveness of the company. Societal orientation was indeed regarded as less influential and thus was not in great focus of the companies.

Research question 3

What dimensions of organizational culture are the most challenging in Russia?

Proposition 3: the most challenging dimensions are Feedback, Flat, Change, and Customer orientation.

The most challenging were Flat dimension (especially amount of levels), Feedback, Change, and to a lower extent Customer orientation and Mission (especially when it comes to communication flow between departments). Notably, not all these dimensions are in focus of the management of the companies; therefore, not all of these challenges become a key concern for companies. In general, stability and long-term orientation is challenging in Russia, and companies find it difficult to reach in stability dimensions. While Societal orientation is not considered very important at that moment, Feedback is considered critical and thus is the most challenging.

Overall, the theoretical preposition is fully supported.

6.2. Recommendations

Recommendations for practitioners that come from the conclusions include:

1. Traditional Russian management style is not effective in Russia. Mix of approaches is needed. That is to combine right degree of democracy and openness with the right proportion of authority.
2. Deficit of professional workforce results in development of employees being extremely important in Russia. Unpredictable and unattractive macro environment adds to the investment unattractiveness of Russia.
3. Long-term approach, ethical principles, and stability are very important when working in Russia. There might be need to compromise short-term profits and opportunities in order to keep brand and principles of the company preserved. The foreign companies that stay "foreign" are more attractive for employees. Employees who want to work at foreign companies look for a real foreign company.
4. Good structure and order are very important in Russia especially regarding such given things as lack of discipline of Russians and huge territory.
5. Corporate events might be a good thing to do in Russia to improve communication flow within the company and increase satisfaction of Russian employees.

6.3. Limitations and suggestions for further research

The generalizability of the findings of this thesis may be limited due to specificity of Swedish organizational practices. Another weakness arises from the lack of explicit quantitative performance analysis; thus enhancement of performance of the case-study companies cannot be assessed in any precise way.

Further researchers might benefit from overcoming drawbacks of this study identified above. In particular, they might contribute with a study on various multinationals that operate in

Russia, extending the sample of Swedish companies. This will reveal the extent to which the findings of this thesis are management-origin specific and enrich the recommendations for practitioners. Also, further researchers may further explore the subject towards better analysis of performance of companies in order to identify the enablers and barriers to the success in a more precise fashion. Drawing a more explicit link between the organizational culture profiles and the performance will make the conclusions more convincing. Alongside, it is worth to add other perspectives to this study and append various factors to the effect of organizational culture on performance. For instance, such factors may be organizational life-cycle and personnel structure.

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VIII. Appendix

Protocol of interviews

I. **Introduction of the research project and its purposes. Defining what I will refer to as organizational culture throughout the interview. 2 min**

II. **Introductory 3 min**

a. Name and contact information of the respondent

b. His/her current position

c. Work experience in the company, his/her career path in the company

d. Expatriate / local employee?

e. Is it ok if I will record the interview?

III. **General description 5 min**

a. What makes this company special for you? How does it differ from other companies you have been exposed to?

b. To what extent the organizational culture of your company strong, explicit, and apparent?

c. To what extent this organizational culture is Russian? Scandinavian? Why?

IV. **Dimensions 32 min**

a. Mission 4 min

- To what extent all employees know vision and mission of the company? How is it communicated throughout the company?
- To what extent all employees share this vision? Is there consistency between what is claimed and what is carried out?

b. Societal orientation 4 min

- To what extent Is your company involved in any societal activities (charity, environmental…)? Are they focused rather inward or outward?
- Do you feel that by working for this company you contribute to the development of the society?

c. Flat 4 min

- What is the extent of centralization in your company referred to the HQ? Referred to the top-management of this local subsidiary?
- How easily can you approach people from the upper levels of your organization? Does it happen often enough?
- To what extent do the communications between different departments flow well?
- To what extent do the communications between Russian subsidiary and HQ flow well? Are they done only on the top level of your company?

d. Feedback 4 min

- Are employees provided feedback on their performance? What are the ways of communicating feedback (positive and negative) to the employees?
- Are there performance-based incentives? Are they clear and rigor? Are they individual or group?
- To what extent do you think that all employees get enough and in-time information on the overall performance and news in the company (Local subsidiary? Globally?)?
- To what extent do employees provide feedback to their bosses? Does it happen often enough?

e. Involvement 4 min

- What is the level of empowerment in the organization? Do you think it is the right one?
- To what extent are employees encouraged to come up with initiatives? How are they encouraged? Do they do it in practice?
- What is the treatment of mistakes in the company? How does it affect the level to which employees are entrepreneurial and open?
- To what extent is development of employees through trainings, rotations etc considered important in your organization?
- Do you think the employee-turnover is high? In your opinion, are employees satisfied in your company? Is there any employee satisfaction research carried out in the company?

f. Speed 4 min

- To what extent are decisions made quick enough in the company? Why?

- To what extent are the decisions implemented quickly enough in the company? Why?

g. Customer orientation 4 min

- To what extent can we say that your company really strives to uncover and meet customer expectations? Would you consider your company being customer oriented? Competitor oriented?
- Do you think all employees get the feeling of what makes customer satisfied? How customer needs and level of satisfaction are being revealed and communicated throughout the company?
- What is the real level of customization in the company? Do customers influence any company decisions regarding products and services?

h. Change 4 min

- To what extent would you consider your company flexible and adaptive enough? Why?
- What changes has your company undergone recently? What were they driven by?

V. Effectiveness 15 min

a. In your opinion, what traits of your company contribute to its success and effectiveness?

b. What traits do impede them? What would you ideally change in your company to make it more effective?

c. Do you feel that the organizational culture of your company fits its context (market and national)?

d. Do you feel any initiatives regarding organizational culture from top-management that do not find sufficient response? What are they? Why not?

e. To conclude would you please with the help of this model mark Claimed (or the one according to intentions of the management), Real (or the one that is really attained), and Desired (or the one which you consider to be the most effective in the context of your company) levels of these 8 features.

VI. Final 3 min

a. Would you like to raise some other aspects of the organizational culture in your company? What would you change in this model to better describe organizational culture?