

# A Swedish Presence

## ”A case study of Swedish companies in Japan”

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**LUND**  
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This master thesis for the degree of Master of Science in Industrial Engineering and Management has been conducted at the Department of Industrial Management & Logistics, the Division of Production Management at the Faculty of Engineering, Lund University. Supervisor at LU-LTH: Asst. Prof. Ola Alexanderson; Examiner at LU-LTH: Prof. Johan Marklund.

Thesis for the degree of Master of Science in Industrial Engineering and Management  
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# Abstract

As one of the largest economies in the world, Japan obtains great potential for foreign investors. Nonetheless, the Japanese market has been known to be difficult to penetrate for foreign companies. Research areas of adjustment regarding Swedish companies' market presence in Japan were identified as; *forming the organisation characteristics, culture and leadership approach, acquiring skills, managing networks and relationships* and *adapting to the market demand*. There exists limited literature involving Swedish companies' market presence in Japan. Thus, the purpose of this study was to identify patterns of, and describe, how Swedish companies in Japan have chosen to establish themselves, how they have managed to sustain their market presence and if the presence in return has contributed to the Swedish company. This was accomplished by conducting six case studies of Swedish companies active in Japan. The study found that the Swedish companies have market-seeking motives when entering the Japanese market. However, these evolve to non-marketable asset seeking motives during the market presence. The majority of these companies currently manage wholly owned subsidiaries, which were established through transitional phases with distributors or by risk-averse actions. It was also found that Swedish companies do experience difficulties when being active on the Japanese market, in particularly regarding managing the acquirement of new skills and adapting to Japanese market demand. Other areas of market presence such as organisation characteristics, leadership and culture were managed to a limited extent as they were also seen to be affected by local factors. Networks and partnerships were managed according to the business model or overall industry standards, rather than adjusted to local conditions. Furthermore, the study also found that the Japanese market offers valuable insights for multinational organisations, applicable to several markets internationally.

**Keywords:** Case Study, Contributions to the Multinational Organisation, Establishment, Japan, Market Presence, Swedish Subsidiaries



# Acknowledgements

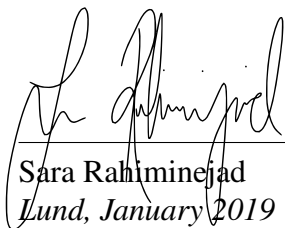
This master thesis was conducted during the autumn semester of 2018 by the two authors Sara Rahiminejad and Nicole Zaborowska, studying Industrial Engineering and Management at the Faculty of Engineering at Lund University. The research project was conducted during one semester and constitutes of 30 credits, finalising five years of education and 300 credits.

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Sara Rahiminejad  
Lund, January 2019



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Nicole Zaborowska  
Lund, January 2019





# Executive Summary

<b>Title</b>	A Swedish Presence - A case study of Swedish companies in Japan
<b>Authors</b>	Sara Rahiminejad & Nicole Zaborowska
<b>Supervisor</b>	Ola Alexanderson
<b>Background</b>	<p>The Japanese market obtains great potential for foreign investors as it is the third largest economy in the world and the second largest retail market. Today, approximately 150 Swedish companies are active on the Japanese market. However, Swedish companies are experiencing difficulties understanding the Japanese market demand and the business climate. Additionally, problems can be encountered when adapting to Japanese organisational structures and culture as well as finding top talents.</p>
<b>Purpose</b>	<p>The purpose of this Master Thesis is to identify patterns of, and describe, how Swedish companies in Japan have chosen to establish themselves, how they have managed to sustain a market presence and if the presence in return has contributed to the Swedish company.</p>
<b>Research Questions</b>	<p>RQ 1: What are the different motives for Swedish companies to establish themselves in Japan?</p> <p>RQ 2: How have Swedish companies established themselves in Japan?</p> <p>RQ 3: How have Swedish companies managed to sustain a presence on the Japanese market?</p> <ul style="list-style-type: none"><li>– RQ 3.1: What are the organisation characteristics of Swedish companies in Japan?</li><li>– RQ 3.2: How is the leadership and organisational culture of Swedish companies in Japan formed?</li><li>– RQ 3.3: How are Swedish companies perceiving and managing the Japanese employment market?</li></ul>



- RQ 3.4: How does Swedish companies meet the Japanese market demand?
- RQ 3.5: How does Swedish companies manage Japanese networks and partnerships?

RQ 4: How has the market presence in Japan contributed to the Swedish company?

**Method**

The project had an abductive and qualitative approach with an explorative purpose. The chosen research strategy was case studies of six Swedish companies active on the Japanese market.

**Delimitations**

The master thesis is written with a Swedish perspective and is limited to Swedish companies active on the Japanese market, with a focus on the subsidiaries' presence. The target audience is students, researchers and practitioners wishing to enter the Japanese market

**Conclusions**

In this study, Swedish companies were found to have market-seeking motives when entering the Japanese market. However, these evolved to non-marketable asset seeking motives during the market presence. The majority of these companies currently manage wholly owned subsidiaries which were establish through transitional phases with distributors or by risk averse actions. Acquiring skills and adapting to market demands where found to often be difficult to manage in Japan, while organisation characteristics, leadership and culture where managed to a limited extent. Networks and partnerships where mostly managed according to overall industry standards, rather than local factors. Furthermore, the study also found that the Japanese market offers valuable insights for multinational organisations, applicable on several markets internationally.

**Keywords**

Case Study, Contributions to the Multinational Organisation, Establishment, Japan, Market Presence, Swedish Subsidiaries



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## List of Abbreviations

<b>B2B</b>	Business to Business
<b>B2C</b>	Business to Customer
<b>FDI</b>	Foreign Direct Investment
<b>JIT</b>	Just In Time
<b>KPI</b>	Key Performance Index
<b>MNO</b>	Multinational Organisation



# Chapter 1

## Introduction

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*This segment is initiated with the background of the thesis, and followed by a problem discussion. The discussion entails the presentation of the purpose of this thesis followed by an introduction of the research questions, delimitations and thesis outline.*

---

### 1.1 Background

Japan is the third largest economy in the world (International Monetary Fund, 2018) and is the center for high technological products, delivering innovations such as the compact disc, the pocket calculator and android robots (Thomson, 2016). This year, 2018, Sweden and Japan are celebrating 150 years of diplomatic relations that began with a Treaty of Friendship, Commerce and Navigation in 1868 (Embassy of Sweden Tokyo, 2018). Nowadays, around 150 Swedish companies are established on the Japanese market and 1500 are trading with Japan (Business Sweden, 2018a). In 2013-2017, Japan was the 25th country in the order of Sweden's largest net FDI abroad, with an average of 1% during that period. The largest net FDI was invested in Norway, Finland and Germany, ranging from an average of 24-17% during 2013-2017 (SCB, Enheten för utrikeshandel och betalningsbalans, 2017). Of the 150 established Swedish companies in Japan, the main activities are 92% sales & marketing and 6% production. The most common industries for the Swedish companies are Materials and Manufacturing, Life Science and Retail. The majority of Swedish companies have historically done well on the Japanese market; in 2016, 75% of the Swedish subsidiaries increased their revenue and 53% increased their operating margin (Business Sweden, 2018a).

As the world economy shifts its focus towards Asia, Japan's role is growing bigger. According to a report made by Leiram Öberg and Norsten (2018), managers at Swedish companies in Japan argue that established relations with Japanese companies are crucial for cooperation in other markets in Asia. Additionally, it is possible for foreign companies to take advantage of production know-how and R&D capabilities (Leiram Öberg & Norsten, 2018), areas which Japan have accelerated in (Japan External Trade Organization, 2017). Swedish companies are also expressing interest in being active on the Japanese market as it is the second

largest retail market in the world (Japan External Trade Organization, 2017). The Japanese government has created several different incentives in order to stimulate the attraction of foreign establishment and investment in Japan. These incentives include lower corporate tax rates, subsidies for new business in the areas recovering from the tsunami 2011 (Japan External Trade Organization, 2017) and trade stimulating agreements with the European Union, called Economic Partnership Agreement (European Commission, 2018). Incentives to simply make life easier for expats have also been created by opening more international schools, removing language barriers by displaying public information in foreign languages and accepting business jets at local airports (Japan External Trade Organization, 2017).

The demographic changes occurring in Japan have far-reaching effects on the country and can create opportunities for foreign investment. The declining population, partially caused by the aging society (Export Enterprises, 2018) and low birth rates (Hagström & Moberg, 2015), has created new demand for robotics and life science products (Export Enterprises, 2018). Furthermore, the demographic changes have caused a need for adjustments in Japan. Many women want to continue to have a meaningful career and economic independence, instead of quit working when married. Thus, it has been noticed that several women are postponing marriage and childbirth instead of demanding more equal conditions on the job market and reasonable childcare. Many are optimistic about opportunities involving automated robotics as a solution to the demographic challenges (Hagström & Moberg, 2015).

## 1.2 Problem Discussion

Although there are several indications for why Swedish companies would want to establish business in Japan, there are also numerous challenges needed to be overcome (Fensom, 2018). The Japanese market is somewhat known for being difficult to penetrate by foreign investors. There are numerous foreign companies, many western companies included, that have tried to establish business in Japan only to be forced to retreat after failing to stay present on the Japanese market. The reasons are among several; lack of ability to understand Japanese market demands, high costs and eager for growth (Nakamoto, 2011). Furthermore, language barriers and differences in business culture are challenges that can be proven problematic for foreign investors (Export Enterprises, 2018), along with the Japanese business climate, which is characterised by close relationships, regulations and, loyalty. Strong relationships between suppliers and companies can obstruct foreign market entry (Fensom, 2018) (Export Enterprises, 2018).

Additionally, Swedish companies in Japan are experiencing difficulties when searching to find top talents. The difficulties concern the lack of attractiveness of Swedish companies among new recruits on the Japanese unemployment market (Business Sweden, 2018b) which also has reached historically low employment rates (Suzuki, 2018). According to Business Sweden (2018b), the problem is twofold; first Swedish companies do not have significant brand recognition in Japan in many cases, and secondly, Japanese students lack trust in foreign companies as their employer (Business Sweden, 2018b). Furthermore, Nordic expatriates in subsidiaries in Japan can face challenges concerning organisational structures and cultures (Peltokorpi, 2006).

## 1.3 Purpose

The purpose of this thesis is to identify patterns of, and describe, how Swedish companies in Japan have chosen to establish themselves, how they have managed to sustain a market presence and if the presence in return has contributed to the Swedish company.

## 1.4 Research Questions

The purpose has been further divided into the following Research Questions:

RQ 1: What are the different motives for Swedish companies to establish themselves in Japan?

RQ 2: How have Swedish companies established themselves in Japan?

RQ 3: How have Swedish companies managed to sustain a presence on the Japanese market?

- RQ 3.1: What are the organisation characteristics of Swedish companies in Japan?
- RQ 3.2: How is the leadership and organisational culture of Swedish companies in Japan formed?
- RQ 3.3: How are Swedish companies perceiving and managing the Japanese employment market?
- RQ 3.4: How does Swedish companies meet the Japanese market demand?
- RQ 3.5: How does Swedish companies manage Japanese networks and partnerships?

RQ 4: How has the market presence in Japan contributed to the Swedish company?

## 1.5 Delimitations

This master thesis is written with a Swedish perspective and assumes that the reader understands Swedish values, business practice and other phenomena. Furthermore, the thesis adopts a Swedish management perspective when answering the research questions.

The master thesis is limited to explore Swedish companies active on the Japanese market. Thus, focus lies in studying the subsidiary's presence in Japan. See section 2.4.1 *Case Selection* for criteria of the studied cases.

The selected research areas; establishment, market presence and contributions to the multinational organisation's assets are selected based on the information introduced in *1.1 Background & 1.2 Problem Discussion* and correspondence with practitioners in Japan mentioned in *Preface & Acknowledgement*.

## Target Audience

The aim of this thesis is to appeal to students and researchers as well as practitioners wishing to enter the Japanese market. For students and researchers, the study may provide knowledge and insights of Swedish companies in Japan and create a foundation for future research. For practitioners, this thesis can provide insights of factors needed to be taken into consideration when entering the market and being present in Japan.

## 1.6 Thesis Outline

### Chapter 1 - Introduction

In this chapter the background and problem discussion of the thesis is presented followed by the purpose and research questions of the thesis. Furthermore, the delimitations, including the presentation of the target audience will be presented.

### Chapter 2 - Method

The purpose of this chapter is to present the different methods studied in order to motivate the choice of research methodology. The research design is then introduced as well as a review of its quality.

### Chapter 3 - Theory

In this chapter, the theoretical framework constituting the foundation on which this thesis is built on, is presented. It is disposed in alignment with the research questions and other areas relevant for the research.

## Chapter 4 - Setting the Context: Japan

The purpose of this chapter is to build an understanding of the context of Japan for which this thesis is presented in. The chapter will introduce relevant contextual areas needed in order to understand the content of the remaining chapters.

## Chapter 5 - Empirics

This chapter will introduce the six cases constituting the empirical material of this research. Each case is presented with the perspective of the interviewees and followed by a summary of conclusions. In this summary, the data from the cases are formulated according to the theoretical framework and secondary sources are presented to create a richer foundation of data for the analysis and conclusion of this thesis.

## Chapter 6 - Analysis

This chapter will present a set of background variables used to support the cross-case analysis which is further presented. The cross-case analysis, provides an extensive analysis of each research area from the data collected.

## Chapter 7 - Discussion

The purpose of this chapter is to present a discussion of the data analysed in the prior chapter, in relation to the research questions of the thesis. This discussion will lay the foundation to the answers of the research questions.

## Chapter 8 - Conclusion

This chapter is introduced with a summary of conclusions. The summary is followed by the presentation of the answers of the research questions. Furthermore, based on the findings of the thesis, academic and practical implications are explained. The implications are followed by a review of the fulfilment of purpose, including reflections of used research method and trustworthiness. Finally, suggestions for further research are presented.





## Chapter 2

# Method

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*In this segment, the chosen research methodology and how the quality of the research is ensured, will be presented. The research purpose is further defined along with the research strategy and design. Different methods and approaches are introduced together with discussions and motivations of the chosen design.*

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### 2.1 Research Purpose

According to Höst, Regnell, and Runeson (2006) there are four different purposes a study can have: descriptive, exploratory, explanatory and problem-solving. A descriptive study aims to portray and assess a phenomenon. Similar to this, an exploratory study has the same objective but aims to assess the phenomenon on a deeper level and intends to find an understanding of it. Explanatory studies have the objective of explaining relationships between variables (Saunders, Lewis, & Thornhill, 2009a), and a problem-solving approach is usual amongst engineering studies (Höst et al., 2006).

As this research aimed to study and identify patterns of Swedish companies' establishment and market presence in Japan, the purpose of the study was exploratory. The literature regarding Swedish companies in Japan is limited and the main part of current research is focused on international companies in Japan. Due to this, the exploratory purpose enabled the authors to be flexible and adaptable to differences and similarities between available theory and empiric. To fit with the exploratory purpose, the initial focus was broad and was progressively narrowed down as the research advanced. Suitable methods, approaches and research designs were chosen to conform with the exploratory motives.

## 2.2 Research Approach

### 2.2.1 Inductive, Deductive and Abductive Research

The design of a research project is initially defined by how theory is utilised. There are three different approaches on how to reason on existing knowledge; deductive, inductive and abductive approaches. (Saunders, Lewis, & Thornhill, 2009b)

Deductive reasoning commences with a hypothesis, deduced from theory, and reaches a logical conclusion through empiric collected solely for the purpose of the study (Check & K. Schutt, 2012). In contrast to this approach, inductive reasoning commences with empirics that are used to develop a theory based on the collected data (Check & K. Schutt, 2012). The approach is often used when there is limited or no previous theory about a certain subject (Saunders et al., 2009b). The abductive approach is a combination between deductive and inductive reasoning where iterations between theory and data are made throughout the process (Saunders et al., 2009b). The abductive reasoning is a continuous process, as iterations are made throughout the whole study (Van Maanen, Sørensen, & Mitchell, 2007).

For this study, an abductive approach was chosen. The theory regarding establishment and development on the Japanese market is extensive. However, only a fragment focuses on Swedish companies. The abductive approach was, therefore, suitable for this study, since the theory and the empirical data were compared throughout the study as iterations were made.

### 2.2.2 Quantitative and Qualitative Approach

Quantitative and qualitative approaches differ from the type of data that is collected and how this data is analysed (Höst et al., 2006). The quantitative approach is used to quantify a problem and analyse it with the help of statistical and numerical methods. In order to have statistically reliable results, the research approach requires a large sample population. This, in addition to the approach's tendency to focus on certain variables, affects the breadth of the research as the variables are studied in isolation. This creates a narrow focus on the investigated topic, while qualitative research has a holistic approach where the collected data is words and visual images (Denscombe, 2017).

As the qualitative approach investigates a topic from a holistic approach it was considered to be most suitable for this study. In order to understand how Swedish companies act on the Japanese market, the approach gave a broad understanding and the continuous iterations narrowed down the focus as new knowledge arose. The lack of specific theory for Swedish companies in Japan was also a restraining factor for doing a quantitative research, as there was no or little direction of which variables would be interesting to study.

## 2.3 Research Strategy

The research strategy is the “*general plan of how the researcher will go about answering the research questions*” (Saunders et al., 2009a). According to Yin (2014), there are five major research methods in which the research strategy is embodied; experiments, surveys, archival analyses, histories and case studies. As case studies aim to investigate a contemporary phenomenon within its real-world context and require no control over events (Yin, 2014), the authors found this research strategy to be a suitable research method for this study. Since the method also benefits from guidance from theory in the data collection (Yin, 2014), it is suitable with the chosen abductive approach. The strength of the research method lies in the capability of using several points of information, such as interviews, documents and observations (Yin, 2014).

The case study strategy has been criticised for not being rigorous enough and for making generalisations of single cases (Yin, 2014). In order to meet this critique, this study will follow systematic procedures, which will be presented under research design and obtain several cases as a foundation for possible generalisations.

## 2.4 Research Design

The research design is a plan that guides the researcher from beginning to end; from a set of questions to be answered to the actual answers (Yin, 2014). It helps the researcher create a plan of which activities need to be done in order to reach correct conclusions, such as what data is relevant, where and how to collect it and how it should be analysed (Philliber, Schwab, & Samsloss, 1980). The purpose is to avoid situations where gathered information does not address the initial research question (Yin, 2014).

Presented below, in Figure 2.1, is a brief overview of this study’s research design, adapted from Yin (2014). Each step will be further explained through-out this chapter.

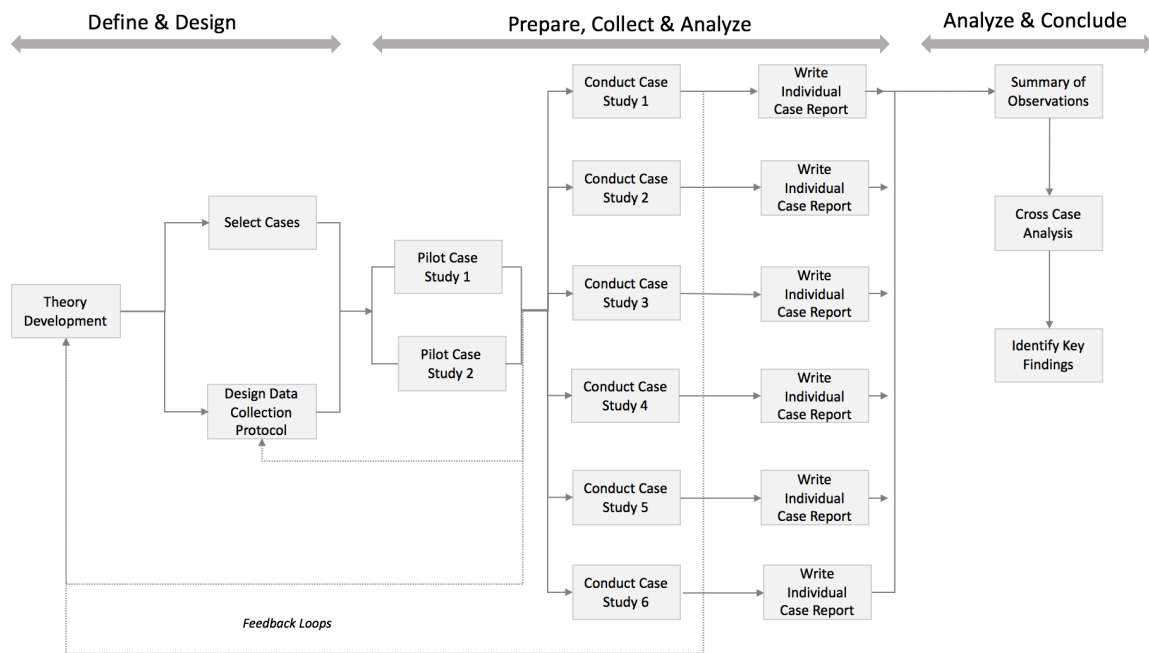


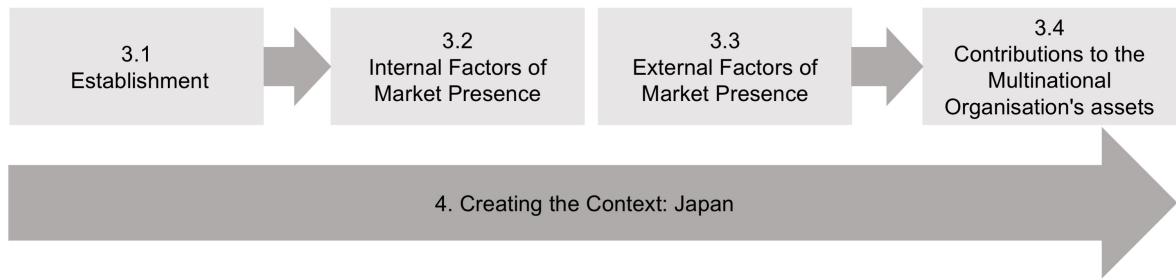
Figure 2.1: The Research Design of the study, adapted from Yin (2014)

## 2.4.1 Define & Design

In the initial part of the process, theory was developed, cases were selected and a data collection protocol was designed to set an initial direction of the project. Since the study was abductive, the literature study was developed somewhat simultaneously with the data collection, visually demonstrated as “*Feedback Loops*” in Figure 2.1.

### Theory Development

The initial step of this research was to do an extensive literature study, which according to Yin (2014) is of great importance for the researcher to get an understanding of what is being studied. The theory was divided into three major research areas deduced from the research questions; *Establishment*, *Market Presence* and *Contributions to the Multinational Organisation’s Assets* which represent the research questions’ structure. Market Presence was further divided into *Internal Factors of Market Presence* and *External Factors of Market Presence* due to the complexity of the research area. These overarching areas were chosen to reflect a company’s presence and lifetime on a market. Figure 2.2, demonstrates the structure of the theoretical framework involving the three different research areas as they are put in relation to each other and to the context of Japan.



**Figure 2.2:** Theory Breakdown

The section *Establishment* refers to historical events whilst the section of *Internal Factors of Market Presence*, *External Factors of Market Presence* and *Contributions to the Multinational Organisation's Assets* focuses on dynamic events occurring during the presence. The areas of market presence are presented in order to describe how a company adjusts internally and externally to fit in a new context. Finally, theory regarding how a presence on a new market can contribute to the MNO internationally is presented. The aim of the theory section was to construct it in such manner that it can be utilised when researching the relationship between any two countries where a foreign company is active in another country. To provide the context of Japan into this particular study, a context chapter about Japan is introduced to describe how different aspects of Japan as a country may affect the different research areas.

The presented theoretical background is of great relevance to this study as it provides a foundation for analysis of the collected data. Theory has been collected from various resources such as data bases provided by the Lund University such as LUB Search and Business Retriever as well as Google Scholar. Furthermore, relevant course literature from courses mandatory in the program Industrial Engineering and Management have been reviewed.

## Case Selection

A multiple case study was conducted in order to make correct generalisations of Swedish companies' presence on the Japanese market. As Yin (2014) argues, a multiple case study aims to generalise from findings while a single case study is suitable for critical cases, where a case has a strategic importance to the general problem. Additionally, Yin (2014) states that the multiple case study is preferable as the single case study needs stronger justification of the chosen unit.

In order to get a holistic perspective of Swedish companies in Japan, the cases were selected to represent the variety of industries of the present companies and their length of presence. As described in *1.1 Background*, the majority of Swedish companies in Japan have sales and marketing as a main activity (92%) and a small part has production (6%). Furthermore, *Life Science*, *Materials & Manufacturing* and *Retail* are the most common industries. In order to represent the currently active population, the following case companies were chosen:

	<i>Year of Establishment</i>	<i>Main Activity</i>	<i>Industry</i>
<i>Modelon</i>	2014	Sales	Software Solutions
<i>Axis Communications</i>	1994	Sales	Information Technology
<i>Vitrolife</i>	2009	Sales	Medical Technology
<i>BabyBjörn</i>	2011	Sales	Retail
<i>IKEA</i>	2002	Sales	Retail
<i>Höganäs</i>	1956	Supply & Process Materials	Manufacturing

**Table 2.1:** Selection of case companies based on year of establishment as a Swedish organisation, main activity and industry.

The year of establishment is counted from entering the Japanese market with or as a Swedish actor and this data is collected from each case interview. The information regarding the companies' main activities and industry is taken from Swedish Chamber of Commerce and Industry in Japan (2014). The presented case companies, except Modelon, are members of the Swedish Chambers of Commerce and Industry in Japan (SCCJ). Therefore, the information presented in table 2.1 about Modelon was retrieved during the interview. The majority of the case companies were contacted with the help from Martin Koos, General Manager at SCCJ, and appointments were booked prior to arrival in Japan. Contact with Vitrolife was provided by personal contacts.

## Design Data Collection Protocol

In order to increase the reliability of the study, a data collection protocol was created, including an overview of the case study, data collection procedures and interview questions, as suggested by Yin (2014). The protocol guided the researchers through the data collection of each case. The data collection protocol can be found in Appendix A.

### 2.4.2 Prepare, Collect & Analyse

During the second step of the process, pilot studies were held in order to prepare for the actual case studies where the empirical data was collected.

#### Pilot Studies

The purpose of a pilot case study is to refine the data collection plan and the literature review. It is more formative than a pre-test as it can help develop relevant questions and alter the

research strategy. (Yin, 2014)

Yin (2014) suggests three criteria for selecting a pilot case study: convenience, access and geographic proximity. The chosen pilot case study companies were representatives from Vitrolife and Axis, who have experience with their respective companies' establishment on the Japanese market, which was of great convenience. As the pilot interviewees are based in Sweden, the criteria of geographic proximity was met. And lastly, access to these interviewees was given through personal contacts.

The pilot studies were conducted in Sweden by phone and in person during the theory development phase. The studies provided guidance regarding important areas of research in the theory development and helped refine the data collection protocol.

## Conduct Case Studies

### Interviews

Interviews with representatives from each company were held in Japan. Five of the six interviews were made in person and one of them was made by phone. Interviews as one of the data collection methods were chosen since Yin (2014) states that interviews are one of the most important sources of evidence for case studies. The method's strengths are insightfulness, as it provides explanation and personal views, and the fact that it targets the case topic directly. Unfortunately, interviews can be biased and reflexivity may occur, a mutual and subtle influence from both the interviewee and the interviewer that will colour the interview material (Yin, 2014). As Yin (2014) further explains, reflexivity can be overcome by the fact that the interviewers are aware of it. Furthermore, the authors put an effort in asking unbiased questions and having no set expectations of a desired answer.

<i>Company</i>	<i>Interview</i>	<i>Position</i>	<i>Length</i>	<i>Media</i>	<i>Complementary Questions by E-Mail</i>	<i>Date</i>
<i>Modelon</i>	Johan Andreasson	Chief Product Officer and Co-Founder of Modelon	1h 45 min	By Skype	No	24th of September
<i>Axis Communications</i>	Hiroshi Ochiai Yoshiko Someya Mats Friberg	Regional Technical Director North Asia, Axis Communications K.K. Human Resources Manager, Axis Communications K.K. Product Specialist Thermal Network Cameras, Axis Communications	2 h 2 min	In Person	No	26th of September
	Marcus Hedenskog	Representative Director, Vitrolife K.K	1 h 18 min	In Person	Yes	1st of October
<i>BabyBjörn</i>	Makoto Fukai	Representative Director/ Sales Director of Asia, BabyBjörn K.K.	2 h 4 min	In Person	No	4th of October
<i>IKEA</i>	Elin Åhlund	Human Resources Manager, IKEA Japan K.K.	1 h 2 min	In Person	Yes	9th of October
	Maria Thunqvist	Product Developer at Free Range, IKEA of Sweden	36 min	By Skype	No	17th of October
<i>Höganäs</i>	Carl-Gustav Eklund	Representative Director / President, Höganäs K.K.	1 h 24 min	In Person	Yes	11th of October

**Table 2.2:** List of Conducted Interviews

### Documents

As several points of information is one of the strengths of case studies, internal documents, such as annual reports and articles, were used as an additional and secondary source of information. According to Yin (2014) documents are usually used to confirm information given for other sources, such as interviews, and if the found information is contradictory the topic needs to be further investigated.



## Write Individual Case Reports

As the case studies were conducted, individual case reports were written, in order for the authors to reminisce and the readers to understand which data was gathered from each case. The case reports are organised according to the research areas. Complementary questions were sent in those cases where the interview time was scarce. When the interviewee did not possess enough information regarding a specific topic, other people at the company were contacted. The information stated in each case report was later sent to the respondents to approve.

### 2.4.3 Analyse & Conclude

The analysis of this study was divided into two different parts; Summary of Observations and Cross-Case Analysis. The foundation of the analysis was derived from the theory and context developed in the initial step.

#### Summary of Observations

In a *Summary of Observations*, each case was individually observed; important areas were highlighted and observations were defined and classified according to the theoretical framework. The criteria of the classifications was based on the theoretical definitions presented in Chapter 3. Miles, Huberman, and Saldaña (2014) argue that unique patterns may emerge for each case before doing a cross-case analysis. Additionally, secondary sources, including annual reports and published articles, was used for the purpose described above.

#### Cross-Case Analysis

Having the theoretical and contextual frameworks, empirical data and summary of observations as a foundation, the authors examined the presence and absence of patterns amongst the several cases. Miles et al. (2014) state that this form of analysis enables the authors to look at the data from divergent perspectives and go beyond the initial impression. In this study, the tactic of finding similarities and differences between cases regarding the different research areas, respectively, was chosen, as suggested by Miles et al. (2014).

## 2.5 Quality of Research Design

According to Saunders et al. (2009a), researchers need to pay attention to the validity and reliability when conducting research in order to decrease the possibility of deducing the

wrong answers. Yin (2014) present four test that are used to ensure quality of research: *Construct validity*, *Internal validity*, *External validity* and *Reliability*.

*Construct validity* refers to creating disciplined operational measures intended to minimise the researcher's subjective judgment, a common mistake when conducting case study research (Yin, 2014). According to Yin (2014), a tactic to ensure construct validity is to use multiple sources of evidence in the data collection phase. In this research, this tactic was used as data was collected from both interviews and secondary sources as well as through an extensive literature study. *Internal validity* is mainly a concern for case study research when deductions are made too prompt without regarding the whole picture (Yin, 2014). As internal validity is mainly a concern for explanatory and causal studies (Yin, 2014), the analysis of this research was extensive to ensure that not too hasty conclusions were made. *External validity* deals with the problem of knowing if a study's conclusions and findings can be generalised beyond the current study. The initial research question can affect the preference of seeking for generalisations as it encourages the researcher to collect a certain type of data to answer the question (Yin, 2014). In this study, the research questions were broadly defined in order to cover an extensive area and was through iterative processes narrowed down in order to collect suitable data.

The objective of doing a reliable study is that if the research is made again, using the exact same methods and procedures, the findings and conclusions are the same as the previous research's. Reliability strives to minimise errors and bias in the study (Yin, 2014). It can be obtained by extensively documenting the procedures of the study and if using interviews as data collection, letting the interviewees confirm the compiled documents of the interviews in order to secure that the information has been correctly understood (Höst et al., 2006). The two latter activities has been used in order to ensure reliability in this study, and are further discussed under 8.5.2 *Reflections of Trustworthiness and reliability*.



## Chapter 3

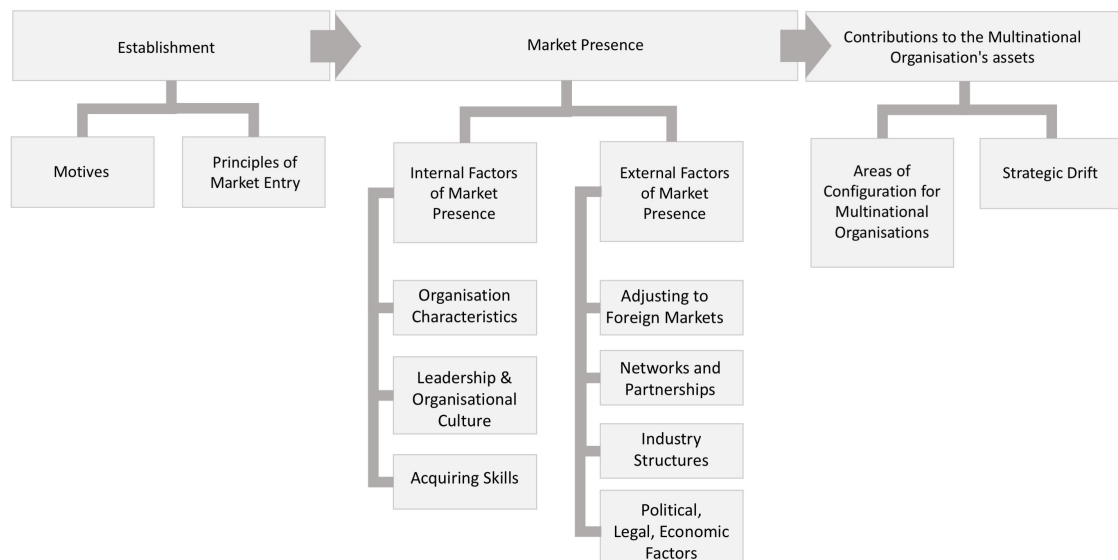
# Theory

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*In this segment, reviewed literature and theoretical frameworks relevant for the purpose of this study are described. The segment is subdivided into three areas; Establishment, Market Presence and Contributions to the Multinational Organisation's assets, covering theory and framework of the respective research questions.*

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Presented in Figure 3.1, is a summary of how the theoretical areas are connected and chosen to be organised in this study.



**Figure 3.1:** Summary of Theory

## 3.1 Establishment

### 3.1.1 Motives for Entering Foreign Markets

Dunning (2003) introduces four motives for FDI resulting in four different strategies for gaining access to assets or acquiring competitive advantages: *resource seeking*, *market seeking*, *efficiency seeking* or *knowledge seeking*. Each of these strategies will determine the extent of engagement in international business activities (Dunning, 2003). Franco et. al. (2010) have modified Dunning's categories by focusing on the logical reasoning of MNOs, resulting in three motives for FDI; *Market seeking motives*, *Resource seeking motives* and *Non-marketable asset seeking motives*. Market seeking motives refer to exploiting foreign markets, either in the host country or from an "export-platform". Resource seeking motives refer to gaining access to resources such as low-cost labour, skilled labour or natural resources. Non-marketable asset seeking motives refer to activities involving acquisitions of assets which cannot be directly transferred to the company through traditional market transactions. These assets are characterised as only being able to be exploited by being present in the host country or at the location where they are created. Such assets are local capabilities, technological knowledge, spillovers or access to firms organisational tacit capabilities. Furthermore, better connections can be made with customers and suppliers (Franco, Rentocchini, & Marzetti, 2010).

### 3.1.2 Principles of Market Entry

Choosing an appropriate entry strategy can determine the success of an international company in a new market. The choice depends on several different factors, such as desired control of home office and certain demands on the new market. The most common entry strategies are: *Basic Export Operations*, *Wholly Owned subsidiary*, *Mergers & Acquisitions*, *Alliances & Joint Ventures*, *Licensing Agreements* and *Franchising*. (Luthans & Doh, 2008)

#### Export Operations

Exporting goods can be made either by finding a distributor, which is suitable if no active involvement of the home office is of great importance. It can also be done by opening a sales office, with private warehouses and transportation equipment but without making direct investments in manufacturing facilities. Export operations provide easy access to new markets as it often requires a minimal investment. However, it is often a transitional phase. As a company continues to do international business, it will get more involved in terms of investments. (Luthans & Doh, 2008)

## Wholly Owned Subsidiary

A wholly owned subsidiary is an overseas operation that is fully controlled and owned by the company. This strategy is chosen when total control is wanted and when there is a belief that efficiency will be superior than with a partner. Although profits can be higher, communication and shared visions can be clearer thanks to the sole ownership, the entry strategy creates a higher risk due to large investments in one area and can also lead to low national integration. (Luthans & Doh, 2008)

## Mergers or Acquisitions

A merger or an acquisition is a strategy involving cross-border purchase or exchange of equity with two or more companies. Although this strategy provides quick expansion and gain of market shares, cultural differences and time constraints regarding timing can inhibit the advantages. (Luthans & Doh, 2008)

## Alliances & Joint Ventures

An alliance is a type of relationship between companies which can be either permanent or temporary. A joint venture is a type of alliance where the involved parties own or control a business jointly. This entry strategy has become popular over the recent years as a result of the many benefits for the involved parties. Some of them are; efficiency improvements, access to local knowledge and overcoming local competition. Up front, careful analysis needs to be undertaken to ensure that the desired market is suitable for the company and that the involved parties agree and understand their responsibilities. (Luthans & Doh, 2008)

## Licensing Agreements

A license is a form of agreement that allows the licensee to use a patent, trademark or information in exchange for a fee to the licensor and can often be limited to a geographical location or by time. The agreement can often be beneficial when entering new markets as it can elude the entry costs for the licensor if direct investments in the country are required by the government or similar. One of the disadvantages with this entry strategy is that the licensee may develop a similar product if satisfied with it. (Luthans & Doh, 2008)

## Franchising

Franchising is a business agreement where one party allows another to do business using its trademark, products and methods in return for a fee; usually up-front and a share of the revenue. The method can be considered beneficial for both parties as it provides a new

revenue stream for the franchisor and a concept of products or services that can be easily brought to market for the franchisee. (Luthans & Doh, 2008)

## 3.2 Internal Factors of Market Presence

### 3.2.1 Organisation Characteristics

Organisations can be described as open social systems that are influenced by managers, by their environment and by spontaneous factors (Thomas & Peterson, 2015). The organisation's characteristics of the headquarters are usually applied at international subsidiaries as well, creating extensions of the domestic operations. This might cause challenges regarding alignment between overseas subsidiaries and local customs and culture. Thus, many MNOs have been reconsidering their organisational approaches to face international business activities. Various factors will influence the shape of overseas subsidiaries such as the overall strategy, employee attitudes, local conditions (Luthans & Doh, 2008), how the international operations affect the home office and how the organisation's international operations have developed over time. Macro-environmental aspects including national differences and political, legal and social principles of a society will also shape the organisation (Thomas & Peterson, 2015). Together, these factors will determine certain organisation characteristics or structures of MNOs (Luthans & Doh, 2008) (Thomas & Peterson, 2015).

The characteristics of an organisation can also be determined by its design. *Formalisation, Specialisation and Centralisation* are three dimensions which can explain the design of an organisation (Luthans & Doh, 2008):

#### Formalisation

Formalisation explains the utilisation of defined structures and systems in decision making, communication and controlling systems (Luthans & Doh, 2008). Thomas and Peterson (2015) describes formalisation as to which degree rules and procedures govern organisation activities. The extent of formalisation vary for different countries and determine the characteristics of the organisation's daily functions. Formalisation can be described as subjective and objective. Objective formalisation is measured through the number of substantial work documents such as organisational charts, number of documents given to an employee, written job-description or policies. Subjective formalisation is measured through the extent of use of culturally induced values in getting work done, how unspecific or vague goals are defined or to what extent the use of informal controls are (Luthans & Doh, 2008).

## Specialisation

Specialisation explains how well-defined a delegation of a task is (Luthans & Doh, 2008). Thomas and Peterson (2015) describes it as the complexity of an organisation by degrees of differentiation.

Horizontal specialisation refers to the number of different types of jobs in an organisation. It often occurs when employees are given functional assignments, where the extent of their work exclusively involves that function. A high extent of horizontal specialisation develops personnel with functional expertise (Luthans & Doh, 2008). Vertical specialisation refers to the number of existing levels in the hierarchy (Thomas & Peterson, 2015). A hierarchical structure is defined as a structure where managers report exclusively to a manager one level higher in the decision order. On the contrary, an organisation is flat when each manager is in charge of their specific activity, reports directly to the CEO with no middle managers involved (Milton & Artur, 2002). Almost every organisation has a hierarchy structure to some extent, based on position, role and function (Ingram, 2006). Vertical Specialisation often occurs when work is assigned to a whole department, where the employees in that department are collectively responsible for the achievement of the task. Although individuals of departments are collectively responsible, vertical specialisation is also characterised by a strong hierarchical organisational structure. Employees higher up in the vertical structure often have a higher status than the ones further below (Luthans & Doh, 2008). Spatial specialisation or differentiation refers to what extent the geographical disperse of physical facilities and personnel is. The different types of specialisations will determine the complexity of an organisation, indicating increasing challenges for managers (Thomas & Peterson, 2015).

## Centralisation

In a centralised organisation, important management decisions are made at the top of the order (Luthans & Doh, 2008) or decisions are concentrated at a single point in the organisation (Thomas & Peterson, 2015). On the contrary, decentralisation occurs when decisions are delegated further down in the organisation, involving lower-level employees. MNOs usually chose between centralised and decentralised management structures depending on the local situation in the host country. Decentralised authority structures promote creativity and personal responsibility, while a more centralised approach promotes organisational control (Luthans & Doh, 2008). Size may also influence the degree of centralisation together with national organisational preferences (Thomas & Peterson, 2015), which is further discussed under ” *Relationship Between Organisation and Culture*”.



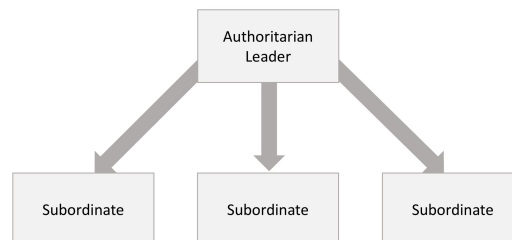
## 3.2.2 Leadership & Organisational Culture

### Leadership

Leadership is defined as "The process of influencing people to direct their efforts toward the achievement of a particular goal" (Luthans & Doh, 2008, p. 431). Relatively few studies have been made to research and compare leadership globally, though the subject is acknowledged to be very important in international management. Despite this, two comparative areas have been identified to describe international leadership: philosophical backgrounds and leadership approaches. Since the philosophical background entails a leader's attitude to a subordinate and is very specific from person to person, only the leadership approaches will be presented considering the scope and purpose of this thesis. The three identified different leadership: *Authoritarian*, *Paternalistic* and *Participative*. (Luthans & Doh, 2008)

#### **Authoritarian Leadership**

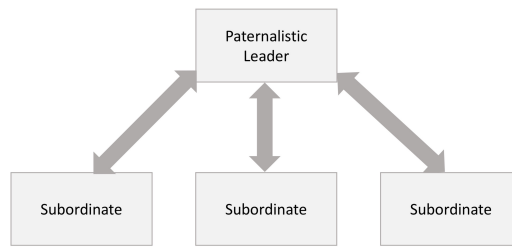
The authoritarian leadership approach has a work-centred behaviour where the main goal is to accomplish tasks. The approach typically involves a one-way communication from the leader to the subordinates, as demonstrated in Figure 3.2. Additionally, the leader tends to not involve with the subordinates as decisions are made higher up in the hierarchy which can cause a lack of relationships. This distance results in leaders focusing on the accomplishment of the assignments. (Luthans & Doh, 2008)



**Figure 3.2:** Communication patterns common for Authoritarian Leadership (Luthans & Doh, 2008, p.436)

#### **Paternalistic Leadership**

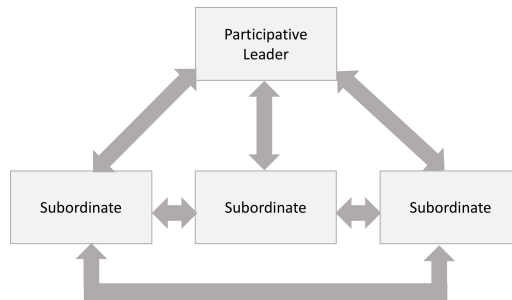
The focus of a paternalistic leader lies on both work and the well-being of the employees. The leader expects the subordinates to work hard and in exchange, they are given guaranteed employment and safety. As the needs of the subordinates are somewhat fulfilled they tend to show loyalty and compliance to their leader. The communication differs from the authoritarian approach as there is a continuous exchange of information and influences between leader and subordinate, as demonstrated in Figure 3.3. (Luthans & Doh, 2008)



**Figure 3.3:** *Communication patterns common for Paternalistic Leadership (Luthans & Doh, 2008, p.436)*

### **Participative Leadership**

The participative leadership approach is a combination of both work- and people-centred approaches. The subordinates are encouraged to take an active role and take control over their work. The responsibility is often decentralised and communication is exchanged between leader and subordinates to subordinates, as demonstrated in Figure 3.4. Employees with this leader tend to be more creative and innovative. (Luthans & Doh, 2008)



**Figure 3.4:** *Communication patterns common for Participative Leadership (Luthans & Doh, 2008, p.436)*

## **Organisational Culture**

The organisational culture can be defined as the values and beliefs an individual has (Lok & Crawford, 2004) and brings to work, which influence how things are done and the ways of thinking (Triguero-Sánchez, Peña-Vinces, & Guillen, 2018). Furthermore, it enables individuals to understand their role in the organisation (Luthans & Doh, 2008). As the values and beliefs are in turn a reflection of the national culture (Lok & Crawford, 2004), organisations operating in various nations must understand and adjust expectations, values and standards to national cultural differences (Johnson, Whittington, & Scholes, 2015).

### **Dimensions of National Culture**

Geert Hofstede studied different values among IBM-workers in 50 nations through surveys and discovered four common problem areas; *Social inequality and relations to authority,*

*Relations between the individual and the group, Conception of what is male and female and Handling of insecurity and ambiguity.* These four areas constitute different dimensions of culture and affect the values of the society's members. One nation's aspect of a cultural dimension can thereby be compared to another. The research was conducted in the 1970s and validated again in 2010. The original surveys and replicate studies are included in the result. Every nation was given an index score based on the result of the study. The indexes can be used to compare expectations of cultural behaviour relative other (Hofstede, Hofstede, & Minkov, 2011). The indexes within the dimensions are defined below:

- *The Power Distance Index* describes to what extent lower ranked subordinates in organisations accept the unequal distribution of power. It describes relations to authority and handling of inequality. In countries with a low Power Distance Index, management is not seen as autocratic; decisions made with consultation are preferred. On the contrary, in countries with a high Power Distance Index, employees are often afraid of expressing opinions that do not align with managers. In these countries, many prefer managers who make decisions without consultation (Hofstede et al., 2011).

- *The Individualism Index* describes the perception of the individuals and groups. Individualism characterise societies with weaker bonds to other individuals apart from the closest family. Collectivism, on the contrary, characterise societies with strong cohesiveness and loyalty. (Hofstede et al., 2011)

- *The Masculinity Index* describes if a nation's society is more masculine or feminine. Hofstede (2011) describes the masculine society as a society where emotional gender roles are clearly separated. Men are expected to be tough and to focus on material success while women are expected to be modest and care for life quality. Low masculinity index is characterised by overlapping gender roles. (Hofstede et al., 2011)

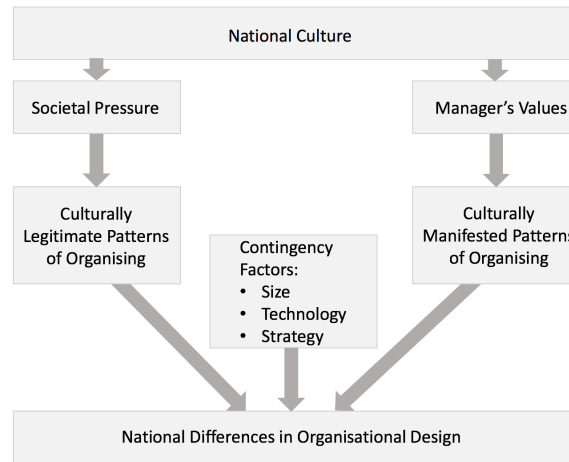
- *The Uncertainty Avoidance Index* is described as the extent to which people in a particular culture feel threatened by insecurity or unfamiliar situations. The feeling can be expressed by nervousness, stress and a need for predictability. (Hofstede et al., 2011)

### **Relationship Between Organisation Design and Culture**

According to Thomas and Peterson (2015), there are two mechanisms by which national culture influences the organisation design; as a manifestation of the manager's values and as societal pressure. The first aspect relates to the manager's value orientation which can express itself as subconscious decisions regarding the organisation design that feels "correct" for the individual. Societal pressure is a result of what is seen as appropriate regarding organisation structure. These pressures come from societal institutions such as legal, social and political sources. However, these are affected by the countries' culture as they evolve together. (Thomas & Peterson, 2015)

Figure 3.5 seeks to show graphically how the national culture affects the similarities and differences that occur in organisational design for firms in different countries. It also takes into account the contextual factors; size, technology and strategy. These factors have through research been proved to create similarities in organisation design regardless of culture. According to Pugh and Hickson (1976) countries seem to respond to these factors in similar ways. For example, larger firms tend to be more formalised and hierarchical. These studies

have mainly been of Western European countries but the result is supported by research done in Middle and Far east (Thomas & Peterson, 2015).



**Figure 3.5:** Cultural Influence on Organisational Design (Thomas & Peterson, 2015, p.192)

### 3.2.3 Acquiring Skills

#### Acquiring the Right Skills

Translating company goals into workforce needs, linking people of an organisation to profits and managing talent is essential for business performance (Farley, 2005). When implementing strategies in practice, an organisation will need to evaluate the strategy’s feasibility. One cornerstone of feasibility is to assure that the organisation possesses the right skills or if they are absent, know how to acquire them. When appropriate skills are acquired, organisations will need to integrate and transform these personal skills into organisational capabilities. To assure an interplay between strategy and structure, it is also necessary to design an organisation to fit the personnel present, and enable organisational knowledge absorption. Additionally, the personnel needs to fit with the existing cultural system. The selection of appropriate personnel is complex and influence the cultural conformity (Johnson, Whittington, Scholes, Angwin, & Regnér, 2017).

#### Growing Talents

Talent attraction has increasingly become a local issue. Much of the development of local talent depends on national decision makers (INSTEAD, Adecco Group, & Human Capital Leadership Institute, 2015). Porter (1990) argues that a nation’s capability to create beneficial factor conditions, where one of them is a skilled population, is influencing organisation’s competitiveness nationally and abroad. Factors contributing to develop, attract and

recruit talents involve country economics, educational systems and leadership among others (INSTEAD et al., 2015). Joint knowledge productions through university and company collaborations are essential for adapting to complex and dynamic markets and improving the competencies of both parties (Herrera-Reyes, Méndez, & Carmenado, 2015). Organisations can grow their pool of talents through openness by removing barriers which otherwise could exclude certain groups of people such as women, underprivileged or the elderly. Talents can also be grown through continuous education, apprenticeships and training. Global mobility of national talents has proven to be beneficial for domestic talent growth (INSTEAD et al., 2015).

## Attracting Talents

Corporations have used company branding for many years to market work opportunities to talented recruits. Recently, cities are branding themselves for the same purpose (INSTEAD et al., 2015). Corporate partnership programs with career services are increasing at universities where the research of academic science is of value for companies. This allows corporate headhunting to be outsourced to some extent to university career centres. Coincidentally, corporations have direct access to influence the career paths of university talents (Davis & Binder, 2016). The shift toward potential employees wanting both financial and non-financial benefits instead of solely monetary incentives has become more evident. In addition to high-pay, office location and offering quality of life (Human Resource Management International Digest, 2016), the quality of management practice has also shown to be influencing the ability to attract talents. Considered important elements of management practices are managements professionalism regarding promotions based on merits, rather than friendship, and employee development. Professional and personal development is highly valued by younger generations (INSTEAD et al., 2015). Additionally, innovative product portfolios and innovative organisational cultures have been shown to appear more attractive to potential employees (Sommer, Heidenreich, & Handrich, 2017). Attracting international talents has also shown to be contributing to a nation's talent pool (INSTEAD et al., 2015). Furthermore, offering work-life balance can attract female talents as they are increasingly becoming strongly represented in many work forces and need to combine family duties with work (Human Resource Management International Digest, 2016).

## 3.3 External Factors of Market Presence

### 3.3.1 Adjusting to Foreign Markets

Customers in different countries prefer different products and services due to values, attitudes, cultures, standards (Johnson et al., 2017), and have different local buying-power and economic conditions (Best, 2013). In order to address local needs, operations within the company need to be adapted, referred to as *Local Responsiveness* (Johnson et al., 2017).

Subsidiaries on foreign markets may face disadvantages, compared to domestic companies, due to unfamiliarity with local politics, economics and culture (Buckley & Casson, 2016). This lack of knowledge may lengthen the respond to fast-changing customer needs because local behaviours and cultures are hard to understand (Yildiz & Fey, 2012). The headquarters' knowledge and capabilities may help the subsidiary be responsive to local needs thanks to knowledge transfer. This enhances the subsidiary's ability to innovate by giving the opportunity to combine different and synergistic resources (Michailova & Zhan, 2015). However, it is of importance that the headquarters understand the subsidiary's activities and needs because an ignorance may affect the flexibility of the subsidiary which in turn may decrease the local responsiveness (Conroy & Collings, 2016).

A fundamental issue when creating an international strategy is to balance pressures for global integration and local responsiveness. Global integration encourages firms to become more efficient by coordinating operations on a global scale which may ensure high quality and cut costs, by for example standardisation and economy of scale. The dilemma of balancing these pressures is often called the "*global-local dilemma*". Some product and service markets appear similar in different countries, such as televisions, whilst other seem national-specific. (Johnson et al., 2017)

## Adapting Brands

Brand recognition can be an enabler for entering a new market. However, some foreign markets provide unique challenges for enterers. When trying to enter foreign markets, managers must be prepared to adjust their business model and brand to suit distinct foreign cultures and societies. The business model in foreign markets needs to be adjustable when learning new cultural and local demands as a consequence of being present on that market. It is important to think global, having an internationalisation strategy, but consider local conditions, as previously mentioned as the "*Global-local dilemma*". For brand adjustments, this means that strong brands should keep its core values and identity, but adjust its message to individual foreign markets. Internally, the local considerations involve adapting business practices and employment training. (Best, 2013)

Just as a commercial brand has an image, a location's brand can also be associated with positive values in similar ways. Many successful commercial brands are originated from places or countries which also have a strong brand. In order for a commercial brand to be associated with the brand equity of its origin, an association between the country and the product needs to exist in the consumer's mind. To boost export, tourism, inward investments, talent attractiveness among other benefits, countries can actively brand themselves in the global marketplace. Furthermore, international marketers are starting to realise the additional equity that can be leveraged through their country of origin. (Anholt, 2004)

### 3.3.2 Networks and Partnerships

Edgren and Skärvad (2014) define network organisations as different forms of independent companies aiming to generate increasing competitive advantage. In contrast to vertical integrated companies, which are characterised by operating value chain activities independently within the company, network organisations are coherent through continuous negotiations of arrangements and contracts between involving companies. (Edgren & Skärvad, 2014)

#### Managing Relations with Alliance Networks

Motivating factors for initiating international strategic alliances are often fast entry, faster pay-back time by reason of shared investment costs, access to complementary capabilities and know-hows such as technology and patents or blocking competition (Luthans & Doh, 2008). Organisations involved in an alliance are influenced by its collective success, and the alliance needs to form a collective strategy to gain a collaborative advantage against other alliances (Johnson et al., 2017). Simultaneously, organisations in an alliance have their own agenda. An organisation's own record of innovations can entail an advantageous status and a prestigious position in network clusters, which in turn also attracts other actors' interest (Teece, Asta Pundziene, & José-Antonio Belso-Martínez, 2016). The dynamics and outcomes of network activities may differ depending on how positions, expectations, taken roles and intentions interplay (Anderson, Havila, Andersen, & Halinen, 1998). How well an alliance is developed, depends on the ability to negotiate, since both competitive and collaborative business activities are affected by the collaboration (Luthans & Doh, 2008).

Comparability factors such as the national culture of the partner company, organisational structure and culture and company experience, are also important to acquire for network success (Thomas & Peterson, 2015). A common motive for MNOs entering networks is acquiring local knowledge in foreign markets. This type of knowledge often requires domestic experience, which can be attained through partnerships and alliances, rather than an independently operating multinational subsidiary (Luthans & Doh, 2008). Managing alliance partners from different nations entail fundamental challenges of cultural differences. These differences can create uncertainties and misunderstandings. Differences in uncertainty avoidance and in long-term orientation have been proved to have a negative impact on survival, creating incentives to firms choosing to enter a foreign market through wholly owned subsidiary rather than through alliances. Critical variables for alliance success or failure are task selection criteria and partner selection, involving defining scope and limits. Preparation for future termination of the alliance can also determine its success (Luthans & Doh, 2008).

#### Intended & Unintended Networks

According to Welch and Welch (1996), networking can be both intended and unintended. Intended networks are connections, relationships and collaborations where the initiation of these was decided actively. Unintended networks and relationships are bound to occur when

a company acts in a foreign market. The connections are created and developed in unanticipated ways. According to Welch and Welch (1996) unintended networks can be *unseen*. An unseen network can, e.g., be a part of another connection's network.

### 3.3.3 Industry Structures

Industry structure can be described as the operations and relationships between companies active in the same industry sector. The most used method to analyse an industry and its competitiveness is *Porter's Five Forces*. Since industry type and industry life-cycle have a major influence on an industry's attractiveness, these two areas need to be taken into account before using Porter's tool. The three basic industry types are; *Monopoly*, an industry with just one firm and no competitive rivalry, *Oligopoly*, a few large firms dominate the industry which entails low rivalry and high barriers of entry and *Perfectly competitive industries* (Johnson et al., 2017). The industry life cycle can be divided into three stages. Initially, called the *Exploratory stage*, uncertainties are high and market volume is low. In the second stage, *Growth stage*, the market output is growing, the amount of market entries decrease and the offered products are more refined. Finally, the *Mature stage*; growth slows, new entries decrease even more and market shares are stabilised (Klepper, 1997).

#### Porter's Five Forces

The model of *Porter's Five Forces* aims to reveal the sources of competition and explain how competitive forces in an organisation's surrounding will shape its strategy. The model presents five fundamental forces of competition, which are presented below. The accumulated power of the five forces determines the intensity of the competition in the specific industry the organisation is positioned in. The intensity will thus determine the profit potential of an industry. (Porter, 1997)

##### **Threat of New Entrants**

New entrants can pose a threat if they bring extensive resources or experience from other industries. The significance of the threat is determined by the barriers of entry and expected retaliation from existent competitors. Six major barriers of entry are considered: *Economies of scale* may obstruct new entrants from entering the market due to cost disadvantages. *Product differentiation* refers to new entrants having to pursue customers to overcome loyalty to already strong brands of existent competition. *Capital requirements* may eliminate some potential entrants if there is a requirement to invest in certain resources or initial expenditures for entry. *Cost disadvantages independent of size* can create a barrier for new entrants as existent competition may have gained efficiency and cost reduction thanks to market experience. Furthermore, *Access to distribution channels* and *Government policy* may obstruct entry for new entrants. (Porter, 1997).

##### **Buyer Power**

Customers can have the power to demand lower prices, higher quality or better service, which consequently can reduce profits. A group of buyers can form a threat if large volumes



of a certain product are bought if substitutes are easily comparable, if there exists a high price sensitivity or if the offered value of the product is not considered significant. (Porter, 1997)

### **Threat of Substitution**

Substitutes set a limitation of possible price charges of an industry's products or services, since the incentives to switch will be higher if there is a price comparison with substitutes. Higher quality or other differentiation may lower the threat. (Porter, 1997)

### **Supplier Power**

Suppliers can cause a threat when having significant bargain power on other actors of the industry by raising prices or reducing the quality of goods or services, which also can reduce profits. Suppliers are powerful if they are few and dominate the supply of the market and have unique offerings. Furthermore, the supplier power increases if the switching cost is high for the buying company or if the supplier is integrated into the business. (Porter, 1997)

### **Competitive Rivalry**

The threat of existing competitors can result in price competition or demanding marketing efforts, which can reduce profits. The threats are high if there exist several organisations equal in size and power, if the growth of the overall industry is slow if the offerings are easily compared and switching costs are low, if fixed costs are high or if exit barriers are high. (Porter, 1997)

## **3.3.4 Political, Legal and Economic Factors**

The PESTEL framework provides an overview when analysing the macro-environment of an organisation, which will influence the organisational strategy. The framework presents six important macro-environment factors: Political, Economic, Social, Technological, Ecological and Legal. They are both market and non-market oriented and are often interrelated (Johnson et al., 2017). For the purpose of this study, *Political*, *Economic*, and *Legal* factors will be considered.

### **Political Factors**

This element emphasises the importance of political factors in the macro-environment. Both the role of the state and civil society organisations are needed to be identified. The state often partakes the role of an important economic actor, where some industries experience various degrees of direct state involvement. Civil society organisations represent organisations prone to raise political issues such as lobbying, campaigning or raising attention on various media. (Johnson et al., 2017)

## Legal Factors

Legal rules and regulations can both restrain business and create new opportunities. Strategies considering legal aspects are for example influencing government actors to affect regulations and taxation. Legal factors in the PESTEL framework are somewhat overlapping the political factors. (Johnson et al., 2017)

## Economic Factors

The element of economic factors emphasise the importance of organisations to understand different market effects of the overall economy. Factors needed to be taken into consideration are, among others: currency exchange rates, interest rates, economic growth rates worldwide and economic cycles. Managers should be attentive to the organisations current cyclic point and turning points. (Johnson et al., 2017)

## 3.4 Contributions to the Multinational Organisation's Assets

With more intense global competition, headquarters are increasingly expecting their foreign subsidiaries to actively acquire and develop new knowledge to transfer back to the headquarters (Jeong, Chae, & Park, 2017). Learning and network development are stressed outcomes of being active on a new market, however, sales and other market results also contribute to the multinational organisation (Welch & Welch, 1996). The ability to absorb the knowledge is a critical component contributing to the organisation's innovation capability, and is called *Absorptive Capacity* (Cohen & Levinthal, 2000). These outcomes can, in turn, create a strategic foundation which affects the company's strategic flexibility and strategic planning which in turn may affect future internalisation processes (Welch & Welch, 1996) and the outcomes may be used on other markets as well (Jeong et al., 2017). However, organisations need the ability to recognise the value of new information in order to assimilate it properly and apply it for future references (Cohen & Levinthal, 2000). For the organisation to understand the absorbed knowledge correctly and to be able to make use of it properly; absorptive capacity may require a foundation of prior experience and related knowledge (Davenport, Campbell-Hunt, & Solomon, 2003). Threshold resources and capabilities are especially needed for technological knowledge to be absorbed throughout the organisation. Additionally, geographical proximity enables a steady flow of information between local actors (Teece et al., 2016). Teece et al. (2016) also argue that a so-called *ego effect*, where an actor who has had a history of excellent previous performances have fewer incitements to seek information from other parties, hinders innovation. Furthermore, language barriers can be common in MNOs. Removing language barriers in foreign subsidiaries can enhance knowledge transfer. This enables inter-unit knowledge transfer which can enhance the absorptive capacity of the MNO (Peltokorpi, 2017).

### 3.4.1 Areas of Configuration for Multinational Organisations

Bartlett and Ghosal (1998) have categorised MNOs based on three different areas of configuration. Each of these types of MNOs might be suitable in different contexts (Thomas & Peterson, 2015). While establishing activities abroad, organisations will face dilemmas and objective trade-offs when managing efficiency, responsiveness and knowledge simultaneously. They arise from how companies try to configure their assets and capabilities, assign roles of overseas operations and develop and diffuse knowledge abroad. Thus, organisations with *Multinational*, *Global* and *International* characteristics will face strategic trade-offs in some of the areas of configuration seen in Table 3.1. Notwithstanding, *Transnational organisations* seek to achieve international competitiveness and acknowledge the importance of achieving local responsiveness as a tool for flexibility in international activities. This understanding supply managers with a different set of decision criteria, where trade-offs of objectives can be avoided.

<i>Organisational Characteristics</i>	<i>Multinational</i>	<i>Global</i>	<i>International</i>	<i>Transnational</i>
<i>Configuration of Assets and Capabilities</i>	Decentralised and nationally self sufficient	Centralised and globally scaled	Sources of core competencies centralised, others decentralised	Dispersed, interdependent and specialised
<i>Role of Overseas Operations</i>	Sensing and exploiting local opportunities	Implementing parent company strategies	Adapting and leveraging parent company core competencies	Differentiated contributions by national units to integrated worldwide operations
<i>Development and Diffusion of Knowledge</i>	Knowledge development and retained within each unit	Knowledge developed and retained at the centre	Knowledge developed at the centre and transferred to overseas units	Knowledge developed jointly and shared worldwide

**Table 3.1:** *Organisational Characteristics (Bartlett, C. A., & Ghoshal, S., 1998, p.75)*

### 3.4.2 Strategic Drift

Strategic drift occurs when strategies are developed based on historical and cultural influences but fail to keep up with the changing environment (Johnson et al., 2017). The phenomenon helps to understand why companies tend to stagnate in their development of strategy and performance (Johnson et al., 2017), due to increasing costs, a decline in innovation and market adaption as well as unchanged management (Sammut-Bonnici, 2014). Since changes in the external environment are hard to see and understand the significance of, strategic drift is hard to notice once undergoing it but easy to see in hindsight. Furthermore,

investing time and money in a strategy may increase the reluctance to change path in the short term. This is enhanced by organisational identities and powerful people used to old strategies. (Johnson et al., 2017)

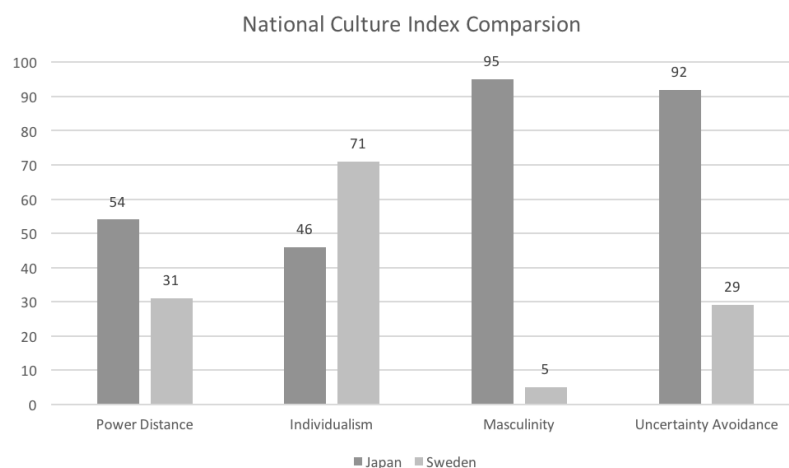


## Setting the Context: Japan

*This segment aims to describe relevant contextual areas of this study, in order to provide an understanding of the surroundings Swedish companies put themselves in when entering the Japanese market.*

### 4.1 National Cultural Differences - Sweden & Japan

As described in 3.2.2 *Leadership & Organisational Culture*, the Hofstede index presents four dimensions of culture; *Power Distance*, *Individualism*, *Masculinity* and *Uncertainty Avoidance*. Presented in Figure 4.1 is an index comparison between Japan and Sweden.



**Figure 4.1:** National culture index comparison between Japan and Sweden, Hofstede et al. (2011)

The *Power Distance* in Japan is larger than in Sweden. However, needed to be taken into consideration is Japan's intermediate score of 54, indicating that the power distance not noticeably high in either country. Regarding *Individualism*, Sweden has a higher index than

Japan, which shows a tendency to weaker connections amongst individuals. There is a significant difference between the *Masculinity Index* and the *Uncertainty Avoidance* in Japan versus Sweden. Japan is, with its high score of 95, perceived as one of the most masculine societies in the world and with its high score of uncertainty avoidance (92) considered as one of the more uncertainty avoiding countries. The masculinity of the Japanese society shapes competition between groups and the drive for excellence among employees while the uncertainty avoidance induces a risk aversion, increased detail-orientation and punctuality. On the contrary, Sweden with its low masculinity index is considered a feminine society implying that conflicts are resolved by compromise and consensus. Furthermore, in regard to Swedish low uncertainty avoidance, flexibility is tolerated and precision does not come naturally. (Hofstede Insights, 2018)

## 4.2 The Japanese Employment Market

The Japanese employment market has been undergoing an extensive transformation over the past 50 years (Diamond, 2018). In 2017, the highest job availability was reached in 44 years as the number of jobs has increased with economic growth, while the available labour force has been decreasing. The jobs-to-applicants ratio reached 1.50 while the unemployment rate dropped to 2.8 %. Meanwhile, the rate of women in the workforce is increasing and companies are also encouraging elderly people to start working again (Suzuki, 2018).

The employment market is divided into two types of employment. The first one being the regular, stable type with employment security up until retirement. It is more common among large to medium-sized companies and organisations. The second one being the non-standard type including part-time workers, temporary employment and small-firm employees. The non-standard sector has grown, causing changes in the employment market (Diamond, 2018). To secure workforce, some companies prefer to raise wages for part-time workers rather than hiring regular workers, considering the risk of uncertainties regarding their economic outlook (Suzuki, 2018). As Japan is facing a shrinking work-age population, the Japanese Prime Minister Shinzo Abe announced in 2013, that an increasing amount of women would be encouraged to work. Noticeably, the female workforce has increased (Hamada, 2018) and the number of women with non-standard contracts has increased with age from 2007 to 2012, while women with regular contracts have decreased with increased age. Simultaneously, 80% of men between 25-59 years old have regular employment (Statistics Japan, 2012). Today, approximately 60% of women working are having non-regular employment, and have with such contracts, little chance of having a steep career path. In 2016, women with non-standard contracts earned approximately half of the wages of regular male workers (Hamada, 2018), and the average wages for female standard-workers were approximately 73% (Gender Equality Bureau Cabinet Office, 2018). Japanese women often have to take care of the household, and therefore face difficulties achieving work-life balance, which is especially relevant when having regular full-time employment (Inoue, Nishikitani, & Tsurugano, 2016). For similar reasons, Ono and Odaki (2011) also argues that the long-term employment system favours men.

## 4.2.1 Japanese Perspective on Work and Family

The post-war era has shaped the norms that are still present in Japan today. The family structure consists of genus-specific heteronormative roles with a clear allocation of duties; the male has the role of a working provider, and the female has the role of a housewife. The man is expected to focus on engagement at his workplace and is preferably hired at a middle-sized to large organisation. The man engages in his family and to society by being loyal to his workplace, where he spends the majority of his time. In return, the family can expect the man's employer to take care of them, by bringing social and economic security. Being employed at a well-established company provides the safety of predictability. The choice of employer is thereby important since it will subsequently determine the future lifestyle conditions of the family. (Hagström & Moberg, 2015)

Women's work experiences are considered important for social maturity, and women have similar expectations on high educational performance. However, the expectations of women differ during employment. Women are expected to work for a limited period of time to earn money, gain social status and experience before they marry, have children and adopt the role of a housewife. The role of a housewife is respected and obtains the same status as a profession, without an income. Therefore, married women's economic and social status is dependent on the husband's profession (Hagström & Moberg, 2015). Women often resign when they marry, which is experienced in Nordic Subsidiaries as well (Peltokorpi, 2006). However, they can sometimes start working again, often as a part-time worker, when the children are older (Hagström & Moberg, 2015).

A growing doubtfulness towards the societal system and normative genus roles have caused changing adjustments. Fewer people are getting married and the average age for marriage is increasing. Many women want to continue having a meaningful career and economic independence. Similarly, a growing number of men want both a sense of security in the job market and be able to spend more time on personal interests. The Japanese society is characterised by deep societal structures; consequently, cultural changes are slow. Many are postponing marriage and childbirth instead of demanding more equal conditions on the job market. (Hagström & Moberg, 2015)

## 4.3 Japanese Organisations

### 4.3.1 Organisation Characteristics

Japanese organisations are highly influenced by verticality, revealed in the order of power and ranking in organisations. The primary determinants of vertical hierarchy in organisational behaviour are age, gender and collectivism (Peltokorpi, 2006). In terms of formalisation, Japanese organisations tend to work extensively with administrative activities. However, also often communicate face-to-face and perform informal controls in the organisation. In terms of specialisation, Japanese organisations tend to be vertically specialised, with sev-



eral management levels. Departments are often differentiated where job routines are highly utilised. Continuously, in terms of centralisation, authority of decisions are not delegated through the organisation. However, lower-level management is usually involved in decisions made under strict controls (Luthans & Doh, 2008).

### 4.3.2 The Japanese Workplace

Employers often recruit directly from universities and provide excessive opportunities for the employee to receive continuous education, work experience (Hagström & Moberg, 2015) and acquire company-specific knowledge (Ono & Odaki, 2011). There exist small possibilities to affect the work assignments provided. However, good work morale will be rewarded with promotions and more advanced tasks. Thus, career advancements come from long devotion for the workplace, on the contrary to switching workplaces (Hagström & Moberg, 2015). Furthermore, the employment system in Japan still assumes long-term commitment. Since the corporate pension increases with respect to tenure, these aspects are considered to be a top reason why workers do not switch workplaces in Japan (Ono & Odaki, 2011). Working overtime when needed is implicit, as well as after-works with the manager (Hagström & Moberg, 2015). Promotions based on age and tenure, are in many cases expected rather than promotions exclusively based on skills and competencies. Japanese companies tend to make a clear distinction between male and female professions and can recruit selectively (Peltokorpi, 2006). Companies favouring male candidates in Japan are also described by Murakami (2018). Additionally, direct expression of ideas from younger employees to high-level management is considered a violation of vertical order. Japanese organisational behaviour is highly shaped by avoiding social embarrassment. Thus, younger employees need to share ideas with senior employees to pass it along the hierarchy to not break social harmony (Peltokorpi, 2006).

Nordic expatriates have sometimes faced difficulties managing the Japanese workplace. Japanese cultural beliefs impact assumptions of organisational responsibilities and can sometimes exceed the official power held by expatriate managers (Peltokorpi, 2006). Performance related reward systems in Nordic subsidiaries have been noticed to face considerable resistance, while senior-based reward systems have continued to be well-accepted (Peltokorpi, 2011). Younger expatriate managers often experience confusion among older Japanese male subordinates. Peltokorpi (2006) express that Nordic expatriates' initial power struggle at subsidiaries in Japan can depend on several factors; expatriates' eagerness to change without proper organisational behaviour knowledge, Japanese managers may feel that their career advancement is threatened by Nordic expatriates and Japanese management not accepting expatriates' legitimacy of power. Nordic preferences of lack of organisational hierarchy structure reflect their desire for transparency and open interaction with subordinates. Expatriates perceive strong verticality in Japanese organisations as having a negative impact on the behaviour in the organisation (Peltokorpi, 2006).

## 4.4 Employment in Foreign Organisations

The current strategy for foreign organisations in Japan to secure high-quality labour force consists of mid-career intakes from other companies. This accounts for 74% of the labour force in foreign companies, a considerably higher proportion compared to domestic companies. Furthermore, the attachment to an employer is high and the firm-specific knowledge decreases the transferability of possible recruits. As foreign firms are more likely to offer short-term employment contracts and are considered exposed to market risk in a higher extent compared to domestic firms, they have the reputation of low employment security, and this is the reason for low trust amongst Japanese workers. To compensate for these traits, foreign firms offer higher wages which operate as a risk premium. (Ono & Odaki, 2011)

In spite of this, foreign firms are more popular among women. Because the long-term contracts generally are not available for women, well-educated women tend to seek career opportunities at foreign firms. Additionally, women in foreign firms earn in average higher wages than women in Japanese companies (Ono & Odaki, 2011). Furthermore, Nordic subsidiaries, are increasingly relying on female employment and are increasing female recruitment, by reason of plenty of skilled female graduates who can be employed with a lower salary than males. Furthermore, some career-minded females prefer foreign companies over Japanese gender segmenting companies. However, many women are not being accepted as superior managers by male colleagues, even in Nordic subsidiaries. (Peltokorpi, 2006).

## 4.5 Doing Business in Japan

Japan is considered a highly traditional country where emphasis is put on loyalty and politeness (Enterprise Ireland, 2013). Personal relationships are regarded as highly important and often require companies to be located throughout Japan in order to be close to customers. Additionally, a good corporate image is important in order for Japanese actors being willing to establish long-term relationships. Long-term commitment is often vital due to the strong competition and so is after-sales services, quality and delivery (Matsuo, 1989).

### 4.5.1 Keiretsu: Corporate structures in Japan

There are several definitions of the corporate structure in Japan named *Keiretsu*. It is described as a group of firms with intertwined involvements. Keiretsus are very large entities, structured by ten to hundreds of companies, and have an extensive cross-holding of equity, mainly with larger banks. The first Keiretsu was formed in the 1950s as a result of the government's incentives to industrial growth, such as tax incentives, subsidies and protection from foreign competition. Considering the latter aspect and the long relationships, Keiretsu has been identified to be one of the reasons for the closed nature of the Japanese market and the high entry barriers for foreign companies. (Thomas & Peterson, 2015)

There are two different forms of Keiretsu; horizontal and vertical. In horizontal Keiretsu, also called bank-centered, each firm has a strong relationship with a bank. These Keiretsus often work on long-term projects together which often are highly profitable and financially impossible for individual firms to undertake. Foreign companies cannot take advantage of these partnerships because of antitrust laws. The vertical Keiretsu, also called supplier Keiretsu, are formed by large manufacturers contracting with suppliers for exclusive relationships. The long-term relationship results in lower transaction costs as the firms evolve together. The vertical Keiretsus are often a part of horizontal ones. (Thomas & Peterson, 2015)

There are indications that the corporate structure of Keiretsu is dissolving, especially in the car industry. Mainly due to globalisation as car manufacturers are seeking to cut costs by procuring from emerging markets. (Matous & Todo, 2015)

## 4.5.2 The Japanese Consumer

As the world's second-largest retail market, the Japanese market offers both opportunities and difficulties for companies wishing to be active on it. For decades, the Japanese consumer has behaved differently compared to the western consumer, which has made it difficult for foreign companies to comprehend. The willingness to pay for quality and availability has differentiated the Japanese customer from the Western, whose main interest is low-cost products and online-retailers (Salsberg, 2010). However, according to Salsberg (2010) there is a fundamental shift in Japanese consumer behaviour as they are now reducing costs and re-examining the tendency to pay for accessibility. Additionally, Haak and Haak (2008) emphasise this shift, stating that the proportion of price-concerned consumers are increasing while the importance of quality still exists. The authors argue that loyalty towards cheap products increases with quality, thus, a good price-quality ratio is important for Japanese consumers Haak and Haak (2008). Forces that have caused these changes in behaviour are according to Salsberg (2010) the last two decades' economic downturn which has increased the uncertainty of the consumers and a new generation with different attitudes. The new generation has different demands than the previous ones since they did not experience the economic boom in Japan and grew up in a more difficult economic climate (Salsberg, 2010).

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*In this segment, the six cases constituting the data collection of this study are introduced. Each case is presented purely with the interviewee or interviewees perspective and followed by a Summary of Observations, including secondary sources and observations defined in terms of the theoretical framework.*

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## 5.1 Case 1 - Modelon

### 5.1.1 Background

Modelon was established in 2005 (Modelon, 2018) and the headquarters is located in Lund, Sweden (Bloomberg, 2018). The company provides a range of software solutions, training, support and consulting services within modelling, simulation and optimisation to organisations using model-based simulation tools (Modelon, 2018). They have around 80 employees internationally whereof five are located at the office in Tokyo, Japan. The yearly revenue for Modelon corporate group is 100 MSEK whereas about 100 million Yen ( $\approx 8$  MSEK) comes from the Japanese office<sup>1</sup>.

*All the information stated below is retrieved from the interview with: Johan Andreasson, Chief Product Officer and Co-Founder of Modelon, telephone interview the 24th of September 2018, if not stated otherwise.*

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<sup>1</sup> Johan Andreasson, Chief Product Officer and Co-Founder of Modelon, telephone interview the 24th of September 2018

## 5.1.2 Establishment

Modelon's motive for entering the Japanese market was to come closer to the customers they had at the time, leverage their expertise and establish direct customer contact. The need to be physically present on the market to retain and obtain customers, was identified. Additionally, the company recognised an opportunity to leverage their Japanese presence as a strength when entering the Chinese market.

Modelon opened a wholly owned subsidiary in Tokyo, Japan, in 2014. One of the Swedish co-founders developed the office for three years together with the General Manager who now has the responsibility of the office. He was chosen considering his 20 years experience of the Japanese market and strong profile involving competence and valuable networks. During the initial phase, the local office had daily communication with the headquarters. The entry strategy was chosen in order to grow trust with customers, build credibility and to prove their long-term intentions on the Japanese market. Opening a subsidiary as a foreign company was considered relatively easy although it required hard work since a company is not considered established on the Japanese market prior to five years of presence. However, having a strong brand within their area of expertise and being known within their industry prior to the establishment was considered an advantage for Modelon. The bureaucracy in Japan made it difficult in some aspects, such as bureaucracy involving the banking system.

## 5.1.3 Internal Factors of Market Presence

### Organisation Characteristics

The subsidiary in Japan has two departments; Product Sales and Service. These reflect Modelon's international business model. Additionally, they are currently creating a sales department which will have direct contact with the global sales channel. The office currently has five employees and is highly autonomous.

Modelon has the same types of role descriptions, with similar responsibilities, globally. Some policies are influenced by Swedish standards. Nonetheless, there also exists specific policies which reflect local factors, such as the number of vacation days. The office is small with mostly informal control systems and procedures.

Traditionally, Japanese employees are used to more detailed job descriptions, however, recruits applying for jobs at Modelon are generally not looking for traditional Japanese organisations as their workplace, which partially decreases the need for detailed task descriptions. Modelon encourages creative problem-solving skills and aims for their employees to work and collaborate in teams. The office has a flat horizontal design where the subordinates report directly to the General Manager, which is the only manager at the office. The General Manager, therefore, makes the majority of the decisions. Employees also obtain some responsibility regarding customers and projects. This is the standard organisational design for Modelon globally.

## Leadership & Organisational Culture

Leaders at Modelon's Japanese office possess domain knowledge in combination with management responsibilities. Focus often lies on technical aspects of a product and confidence regarding the technical solutions is somewhat regarded as important. Additionally, strengthening the team for the future is in focus. High quality and documentation is demanded by customers and is, therefore, actions the leaders take into account.

The organisational culture at Modelon in Japan is influenced by Japanese and Swedish national culture and the corporate culture of Modelon. Influences from the Japanese national culture include the importance of quality, demanded by Japanese customers. Furthermore, there exists an expectation of acting in alignment with detailed task descriptions. Aspects of the Swedish national culture have been incorporated at the local office, such as having ongoing discussions where the focus lies more on "why" rather than "how" and "what". The tradition of "Fika" has also been positively absorbed as it creates an easily understood ritual that the Japanese employees can accept. It gives an opportunity to have relaxed conversations amongst employees which would be less acceptable to have in the office otherwise. Additionally, the corporate culture, a global hybrid affected by all the national cultures of the countries Modelon is active in, and the Swedish leader's values were aimed to be incorporated in the Japanese office's organisational culture. It is considered important to be physically present in order to implement a certain culture.

## Acquiring Skills

Considering their business model, Modelon is in need of a highly technical, English speaking workforce with the ability to work creatively. People with good English skills can be more difficult to find in comparison to other countries. It is considered difficult to find new graduates who possess the needed knowledge. Thus, the company is mostly acquiring people with work experience.

Modelon is struggling to find new employees. Initially, it was more difficult to find employees in Japan compared to other sites where Modelon have had a longer presence. Recently, it has been easier to find employees. Observations have been made that traditionally, some Japanese recruits have had a tendency to appreciate working for large, stable and older Japanese companies. Small or young companies can be considered exposed to the risk of being unknown to many people and especially among older generations. In some cases, the family can be involved in the decision of employment, as it may affect the social status which is sometimes considered to be obtained when working at a large Japanese firm. Modelon, being relatively small in Japan, young, and foreign therefore has to leverage other advantages to show its attractiveness. Modelon attracts skills by offering a dynamic work environment and differentiated policies influenced from Swedish standards; work-life balance and more gender equal working conditions. Women are of big interest for the company since a mix of backgrounds and experience generally improves the team and enlarges the supply pool as they constitute 10% of Japanese engineering students. The mentioned conditions may help attract them. Additionally, the location of the office in central Tokyo, at the Swedish Embassy, is a strategic choice in order to increase brand awareness and credibility. Modelon

is engaging with local universities, having guest lectures to build a long-term brand recognition, which they are noticing is starting to pay off. Industry actors are also starting to show interest in working at Modelon.

## 5.1.4 External Factors of Market Presence

### Adjusting to Foreign Markets

Modelon has not altered their products specifically to the Japanese market demands. However, the delivery has been adjusted to Japanese customs regarding quality, delivery, communication and documentation, and these adjustments have been incorporated internationally within the company. Japanese customers are considered to generally expect a rigorously tested product upon delivery, to a larger extent than in Western Societies, and as more emphasis is put on personal relationships, personal delivery is also expected. The brand of Modelon is not perceived any differently within their industry in Japan compared to other countries but the offerings, especially in Japan, are considered as expert-products.

### Networks & Partnerships

Modelon, much like other companies, uses open innovation and standards in their offerings to promote collaboration and growing eco-systems. In such environments, actors offering tool vendors are often partners in some areas and competitors in others. Modelon chooses to retain a friendly business relationship, by delivering technical offerings and taking the initiative to open up for a collaborative development. A collaborative network, initiated by Modelon in Japan, has positioned them favourably by them being seen as the lead actor of the technology the network possesses. The network and technology induce credibility to Modelon which endorses their brand image. The effects of this type of network in Japan is considered large. Considering Modelon has initiated and impelled the network in a Swedish manner, it has opened up for collaborations and communication but also given the company the lead role. In Modelon's case, Japanese actors were more passive and cautious towards initiating these specific network relationships. This different network approach has led to favourable brand perceptions of Modelon within their industry. Cultural differences and language barriers are considered to possibly create unfavourable conditions for creating network relationships in Japan.

Modelon has many business relationships in Japan. They can mainly be categorised into; *Customers* which Modelon sells directly to through their core business, *Trading Companies* which sometimes act as a reseller and are often appointed by the customer as the buyer of Modelon's products and *Partners* from Modelon's global eco-system and their subsidiaries in Japan. The business relationships are managed based on Modelon's values and visions and with a certain amount of freedom based on trust in their business developers.

## Industry Structure

Modelon mainly has international competitors with representatives in Japan. However, they do not consider themselves exposed to any significant threat of competition in Japan, by reason of them offering highly complex and competent products. There may exist a threat of substitution to some extent depending on the offering, even if Modelon in many cases offer unique products. Subcontractors, distributors or customers may have a certain process for buying or selling products, which can require Modelon to adjust. This is somewhat dependent on the size of the actor. A large Japanese company can have certain reseller they always buy from, and Modelon may have to go through their channels. However, these adjustments do not have a significant impact or bargain power on Modelon's business in Japan.

## Legal, Political and Economical Aspects

No legal or political hindrances or benefits are experienced in the Japanese market. For Modelon's product offerings, they are in general not facing any difficulties with these aspects. The financial systems may be considered as conservative for a foreign company. It took, e.g., Modelon two years to be given a company credit card.

### 5.1.5 Contributions to the Multinational Organisation's Assets

The Japanese office is highly autonomous and domestic decisions are made locally, while larger investment decisions are made from the headquarters. The capabilities at the Japanese office are similar to the rest of the corporate group of Modelon. The local office provides valuable networks and knowledge about the Japanese and Chinese market. The knowledge Modelon has obtained from being active on the Japanese market is shared internationally through multi-country collaborative projects. It has also helped them develop their offerings worldwide. Although the headquarters are able to absorb knowledge from the local office thanks to continuous visits and regular communication, there is more knowledge to extract from the market and customers. Today they have intermediaries at customer offices who provide information and knowledge that help develop Modelon's product.

The initial motive and long-term goal, to be close to customers, has not changed for Modelon nor has their strategy for being present on the Japanese market. In hindsight, some tactical decisions could have been marginally different, although these were changed over time. One of the initial tactics was to sell other firm's products, whilst growing their own portfolio, in order to increase volume. Due to changes in international business relationships, Modelon instead decided to sell only their own products and services. The Japanese presence has opened a door to the Japanese market and has been a requirement to fulfil the initial goal.



## 5.1.6 Summary of Observations

### Establishment

Modelon's motive for establishment in Japan resembles non-marketable asset seeking motives by reason of the wanted proximity to customers and using Japan as a platform to access the Chinese market, aspects which can only be obtained by a physical presence on the market.

The strategy of opening a wholly owned subsidiary was chosen in order to best fit Modelon's intentions to be close to customers and to show credibility. The risks involved with opening an office was decreased by having existing customers and a strong brand within their niche industry. Furthermore, bureaucracy seems to have aggravated daily business.

### Market Presence

The organisation has a low degree of objective formalisation and some degree of subjective formalisation, with informal control system and procedures. The flat horizontal design was chosen based on Modelon's preferences and size, rather than local factors. The organisation seems to have a high horizontal specialisation, with their need for technical expertise and vaguely detailed assignments. The organisation also seems to have a more centralised design which could be a consequence of the single manager structure.

With the given information in this case regarding leadership, the leadership approach cannot be categorised in a proper manner. However, the focus can be regarded as people-oriented, by means of strengthening the team for the future.

The organisational culture at Modelon in Japan seems to be coloured by a combination of both the national cultures, the corporate culture and the leaders' values. The power distance at the office may be considered high due to the centralised structure. The detailed descriptions may also give an indication of a high masculinity index as it can be described as a strive for excellence. Given the fact that the tradition of "*Fika*" gives the opportunity to have a relaxed conversation not commonly accepted at the office, may give an indication of a high uncertainty avoidance.

Modelon has been struggling to find suitable employees despite actively growing and attracting talents through university collaborations and offering Swedish-influenced work conditions, significantly different than Japanese. This could be caused by the competitive labour market in Japan and the lack of awareness of Modelon. As a result of their within-industry brand reputation, they have managed to employ workforce from their network.

The local responsiveness of Modelon in Japan can be considered high as their solutions are adapted to customer's specific needs, the responsiveness is within their business model. Furthermore, the deliveries have been customised to Japanese customers' demands regarding personal delivery and quality reassurance.

Their motives for entering a network appears to be access to complementary capabilities and know-how. The office has entered both intended and unintended networks in Japan, through customers' networks. Modelon's relationships are considered collaborative to a higher extent. Not adjusting to Japanese network customs and taking an initiating network approach, has for Modelon been showed to entail network and brand benefits.

Modelon in Japan is active in a perfectly competitive industry. However, the competitive threat, from new entrants and possible substitution, is considered low for their complex offerings. Furthermore, even if some subcontractors and customers require adjustments, the buyer power is considered low as it does not have a significant impact on Modelon.

The macro environment has not significantly affected how Modelon is active in the Japanese market. Some conservative structures seem to be somewhat troublesome.

## Contributions to the Multinational Organisation's Assets

The corporate group of Modelon seems to have organisational characteristics similar to a Transnational organisation. The Japanese office has contributed to the firm assets with its networks in Japan and to China. With unique Japanese customer preferences, the office has developed a particular knowledge of how to deliver projects which are shared within the whole company. The knowledge is easily shared internationally, which suggests a high absorptive capacity and may be facilitated by the highly technically oriented English speaking employees. The Japanese office's absorptive capacity of market knowledge is relatively high on account of their networks and local knowledge of customer demands. However, it is expressed that more knowledge is considered to be available in the market, although not fully absorbed, which gives an indication for a lower absorptive capacity.

The initial motives for establishment is consistent with current market motives. However, Modelon is still a young company with relatively few years of presence on the Japanese market which was already considered as one of their most important markets in 2014 (Modelon AB, 2015). Modelon has somewhat experienced a strategic drift as they have made adjustments to their business model.

## 5.2 Case 2 - Axis Communications

### 5.2.1 Background

Axis Communications (henceforth: Axis) was founded in 1984 and has its headquarters in Lund, Sweden (Axis Communications, 2018b). The company mainly offers network cameras but also video encoders (Axis Communications, 2018a). Axis has 2,865 employees internationally (Axis Communications, 2018b), whereof 38 are located in the office in Tokyo,

Japan<sup>2</sup>.

*All the information stated below is retrieved from the interview with: Hiroshi Ochiai, Regional Technical Director North Asia & Yoshiko Someya, Human Resources Manager & Mats Friberg, Product Specialist Thermal Network Cameras, Axis Communications K.K., in person interview, the 26th of September 2018, if not stated otherwise.*

## 5.2.2 Establishment

Axis' motive for entering the Japanese market was to seize the business opportunity of Japan's technological advancement regarding printers and leverage it in order to expand abroad. Furthermore, the reputation of Japan being technologically advanced was also considered as an asset to empower Axis globally.

Axis opened a wholly owned subsidiary in Tokyo, Japan, in 1994. Prior to the official opening, an office space was rented and two Japanese employees were hired. The founders of Axis visited Japan regularly in order to grow their network. Thanks to the confidence gained from successfully establishing relationships with local firms, the official office was opened. Support was given from the headquarters as the founders and managers visited regularly. Additionally, the Swedish Embassy provided assistance. The establishment approach was chosen to eliminate as much risk as possible because of uncertainties and limited resources. The founders' connections with local firms were considered as the first important step to expand business from there. The encountered difficulties were the lack of brand awareness of Axis as well as the awareness of Swedish products. The local office tried to combine their Swedish heritage while acting as a local Japanese company and focus on the technological aspects of the product. Furthermore, doing OEM (Original Equipment Manufacturer) was considered to reduced the brand awareness issue.

## 5.2.3 Internal Factors of Market Presence

### Organisation Characteristics

The subsidiary in Japan is a sales office with six functional divisional departments; Sales, Marketing, Technical, Business Development, Finance & Operations, and Human Resources. The office currently has 38 employees and belongs to Axis' global sales team in North Asia.

Japanese standard employment policies govern the organisation, which are considered not too strict nor too easy. Axis has formal, regular control procedures such as weekly update reports, compliance reports, and internal audits. They do not consider themselves document-

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<sup>2</sup> Yoshiko Someya, Human Resources Manager, Axis Communications K.K., in person interview, the 26th of September 2018

ing extensively, but information is shared in both formal and informal ways through meetings and conversations rather than with detailed documents.

Tasks are usually vaguely described and trust is given to employees. The aim is to act and manage the organisation according to Axis' core values and keywords. Every employee mostly has individual tasks, responsibilities and KPI's (Key Performance Index). However, team efforts are highly valued. The organisation is vertical, where reporting is forwarded one level of management at a time. This structure is decided by North Asian schemes. Considering the size of the office, it is a hierarchical organisation to some extent. However, the aim is to have a flat organisational design, where everyone is encouraged to speak freely. Decisions are made through discussions and consensus and responsibility are distributed in a decentralised manner, which is considered to be a Swedish way of decision making.

## Leadership & Organisational Culture

A typical leader at Axis in Japan is people-oriented and actively listens to subordinates. Leaders and subordinates speak freely with each other but the leader still has to show some authority in order to lead the team towards a specific direction. Even though the goal is to finish a task, the emphasis is put on the process. The corporate core values of Axis has affected how leaders work, which is considered to differentiate Axis' leader approach from traditional Japanese, which is perceived as more aggressive.

The organisational culture at Axis in Japan is mainly coloured by the corporate culture and values, which are regularly emphasised. The core values are perceived to have similarities with both the Japanese and Swedish national culture which in general are considered similar. The only perceived differences are in the detail orientation and punctuality, common in Japanese mentality. The Japanese culture also affects how the employees work regarding quality and delivery to the customer. The Swedish culture has naturally been accepted in the firm, through the core values of Axis. The tradition of "*Fika*" was introduced on the Human Resources Manager's initiative and has been warmly welcomed. Every Wednesday at 15.00 there is a "*Fika*" for the whole office and it creates a natural environment for conversation. The structure of the office is perceived to fit with Japanese mentality as it is not too flat nor too deep and have five subordinates per manager. Furthermore, the small size is considered to increase the importance of teamwork. For example, the commission is based on the team effort and not individual work.



*Figure 5.1: Fika at Axis, Wednesday 15.00*

## Acquiring Skills

The Japanese office aims to hire personnel with industry experience to reduce the risk of knowledge deficiency for the position. English is a needed skill at most departments for communicating at Axis internationally. If certain skills are not possessed, they do want to see a willingness to learn in order to match the organisational culture.

Considering the currently low unemployment rate in Japan, Axis finds it hard to find the right personnel by reason of three major factors; the competition on the labour market, the need for experienced personnel and the need for a cultural fit. Even if a candidate has excellent work experience, the character may not fit with the organisation. The office uses a recruitment agent to hire personnel. However, with current employment market conditions, they are hiring through employee referral as well. Axis' recruitment process follows an international standard containing several steps, making it time-consuming. Generally, recruiting processes in Japan are more rapid, which have caused some candidate drop-outs.

Certain aspects attract talents to the Japanese office such as; an attractive office, attractive company culture, pioneering technology status, international work environment, the understanding of the product offering and a long market presence with 20 years of experience in Japan, the latter having increased the brand awareness. Nonetheless, personnel with individual sales commission goals who prefer a dynamic work environment, may not fit with the team spirit and consensus communication at Axis. The requirement of English skills might dismay some applicants. Axis globally work actively with diversity; the office in Japan has a high gender diversity where 16 of the 38 employees are women and the average age is around 40 years. Currently, they do not have any internships nor university collaborations. However, internal training, education and knowledge sharing is performed regularly.

## 5.2.4 External Factors of Market Presence

### Adjusting to Foreign Market

Axis in Japan has not altered their products to the Japanese market. However, as the market evolves and several new competitors are emerging, the company has globally taken an initiative to gradually adapt their offering by switching from product to solution offerings. As the market in Japan is developing faster than other, this change has already started. The local office has adapted to Japanese customs regarding quality and delivery to the customer. However, Axis has global policies and guidelines for how to operate the business. Where flexibility exists, the office in Japan tries to adapt these to the local conditions, such as customer contact. If the flexibility does not exist in a certain matter, discussions emerge between Axis and the customer in order to find a suitable solution, or the headquarters will be contacted to provide support.

The image of Axis is aimed to be consistent worldwide as a high-quality and innovative brand, which the people of the office in Japan hope is consistent with the brand image in Japan.

### Networks & Partnerships

Axis sell their products through distributors, who are selling to system integrators and resellers, and finally, the system integrators and resellers sell the products to the end customer.

Axis in Japan have a business relationship with a large distributor and is working actively to support the system integrators and resellers, whom they are calling partners. The business relationship can be described as close with a partnership program as a company guideline. Axis' headquarters have close, cooperative R&D relationships with several manufacturers and suppliers in Japan. However, the relationships are managed from the headquarters and only one employee at the Japanese office is handling the administrative contractor arrangements. Although Axis retains several close partners in Japan, it is considered time-consuming to build business relationships in order to gain benefits and create loyalty, an important aspect for Axis. They are trying to establish a cooperative eco-system of various partners, as the business model is developing towards this approach. Additionally, with the new solution offering, several new partners are required in order for Axis provide solution services to customers. Axis is trying to keep their loyal partners but needs to establish new relationships as well. Competition, the shift of selling products to service offerings and finding a good fit for both parties when entering new partnerships are considered as difficulties with the partner relationships.

Swedish companies may experience difficulties when establishing themselves on the Japanese market or any conservative market. Thus, finding a good partner locally may be important. Swedish and Japanese business preferences are not considered to be very different, as both value quality and style. Such collaborations have worked well in the past and are considered

to work well in the future.

## Industry Structures

Axis' industry in Japan is considered growing, emerging to become mature, depending on the product offering. Sales and revenue are still increasing each year and new domestic and Chinese competitors are entering the market. The power structure has changed since Axis' establishment. Initially, the distributors and partners had more control and the company was forced to adapt. Nowadays, the office tries to possess supply chain power. However, big distributors may choose to represent other brands, which is recognised as a risk. However, this is considered as an important power balance. The Japanese office is continuously observing market trends; how competitors are acting and if there are any new solutions or regulations that may appear. These aspects are taken into consideration and acted upon when appropriate. Locally, the Japanese office additionally listens to partner and customer demands in order to identify market trends.

## Legal, Political and Economical Aspects

Axis has been able to adapt to local conditions and regulations by being present in Japan for over 20 years. In general, regulations are not seen as an obstacle for selling offerings. New products require new certificates which are costly and time-consuming to obtain. Thus, this is a factor taken into consideration when deciding to launch new products. The local regulation process in Japan is unique. They have local customs which the headquarters may not always be familiar with in detail, which may result in product launches taking more time than initially expected.

### 5.2.5 Contributions to the Multinational Organisation's Assets

The Japanese office has an influential role in the international organisation, as the international organisation's mindset is "*Act as one*". However, on a day-to-day basis, the Japanese office essentially works independently. The core competencies of Axis are networking technology and corporate networking culture. The Japanese office also possess this networking culture, and expertise within retail sales, considering the Japanese market having a strong retail segment, and knowledge about Japanese quality preferences. The Japanese customer's expectations have elevated the bar for what is seen as high quality within Axis internationally, affecting the offerings worldwide, and the knowledge regarding the retail market has been shared internationally. The knowledge transfer between the local office in Japan and the headquarters is considered effective. Axis work actively with knowledge sharing through training, workshops and regular gatherings, especially within similar functions internationally. The openness and the Swedish concept of "*lyhördhet*" (translation: perceptiveness) in the corporate culture enables the local office to regularly share insights and knowledge, which the headquarters listens to. Axis in Japan consecutively absorbs knowledge from part-

ner preferences and customers. The market knowledge transfer is somewhat hindered by Axis' business model as they do not sell nor communicate with the end customer. Their business model may not reveal all the information that could be absorbed from the end customer.

The Japanese initial motive for establishment to leverage the print service market is no longer relevant, considering the irrelevancy of the industry. However, their initial motive to be present on a well-known technologically advanced market is still relevant today. The Regional Technical Director believes that Japan still is perceived as technologically advanced worldwide. The initial strategy when establishing in Japan has not changed over time. Their business activities are still based on competence, innovation, and people. However, their product offerings have continuously changed over time to adapt to market trends and diversity.

## 5.2.6 Summary of Observations

### Establishment

Axis' motive for establishment in Japan can be considered as non-marketable asset seeking due to intentions of leveraging technical advancements for reputation. Furthermore, the Japanese market's high level of technology has also made the market attractive due to reasons of high sales potential, as indicated by the annual report from 2000 (Axis AB, 2001), which indicates a market-seeking motive. By initially opening a smaller sales office and using it as a transitional stage, risks associated with uncertainties and limited resources were minimised. Furthermore, the confidence gained through establishing a network transcended the associated risk of high initial investments. The active involvement from the headquarters seems to have been of great support for the local office and may be a result of the stated strategic importance of the Japanese market (Axis AB, 2004). Furthermore, the market was the third biggest for Axis in 2014 (Axis Communications AB, 2016). The risk of low national integration seems to have been mitigated through hiring a full Japanese workforce. The focus was initially on OEM business to overcome the difficulties of brand awareness and was still a substantial part of the business in 2002 (Axis AB, 2003).

### Market Presence

Even if the office's main activity is sales, it has well-developed departments needed to operate its business activities. The many standard policies and formal control systems suggest a higher degree of formalisation. Although, the interviewees do not believe they document to a higher extent and stress the importance of working according to the company values. Thus, this suggests a mix of objective and subjective formalisation. The organisation proposedly has a vertical specialisation. Even if the Japanese office aims for a flat organisational design, they are a part of a large global organisation, which is considered to require some extent of hierarchy. Notwithstanding, the decision delegation suggests a decentralised structure.



The leadership approach at Axis in Japan resembles a participative approach as the communication is open and subordinates are seemingly encouraged to take an active part of their work. Additionally, both work- and people- centred approach seems to be present at the office. The leadership style seems to be induced from the corporate core values.

The culture at Axis in Japan seems strongly coloured by the core values of the corporate the group which in turn may be influenced by Swedish values due to Axis being Swedish. This can somewhat be indicated as the low power distance; by means of the decentralised structure, making decisions with consensus and the participative leadership approach. The influences of the Swedish national culture appears to have been very successful through the effective use of the corporate core values. Detail-orientation and punctuality may indicate a high uncertainty avoidance and is similar to Japanese standards. The structure is considered aligned with Japanese mentality but also being affected by the size of the firm.

Axis seems to actively work towards acquiring the appropriate skills needed for the organisation and ensuring its fit with the cultural system. However, there are several difficulties perceived with the current employment market. The extensive recruitment process seems in some aspects less efficient in comparison to Japanese standards. Axis seems to attract talent through management practices, product offering, industry status, and office attributes. The office does not do anything, in particular, to grow talent on the employment market. However, they are growing talent internally. and are adopting global initiatives of office diversity. Employee development appears to impacts how a company grow and attracts talents.

The local responsiveness is to some extent inhibited by international policies and guidelines. However, the Japanese office has somewhat adjusted these to local conditions and have adjusted their offer to market trends. This is in addition to the headquarters' support for dilemmas regarding guidelines, increases the local responsiveness somewhat. Today, the brand of Axis is not altered to fit the Japanese market even though the brand awareness difficulties during establishment was overcome with OEM.

Established networks seem to have been an important asset for Axis before entering the Japanese market. The main motives for initiating collaborations appear to be accessing complementary capabilities and know-hows. The majority of Axis's partnership seems to be intended. As many print-companies had their headquarters in Japan, Axis' relationship with these actors were of great importance for the company globally (Axis AB, 2003). The growing eco-network approach suggests Axis becoming a more network-oriented organisation. Thus, Axis also seems to be dependent on their network. However, the strategic relationships with R&D actors are handled from the headquarters. The annual report of 2000 mentions the start of strategic partnerships on the Japanese market (Axis AB, 2001). Clearly defined scopes and guidelines seem to exist for their business relationships. Networks, in general, seem to be perceived as an important asset when entering and being present on the Japanese, or other conservative markets, suggesting implications for future Swedish establishments in Japan. It also suggests that national differences exist between these markets and that they are substantial.

The industries Axis is active in are perfect competitive industries and in a growing alternatively maturing phase, depending on the offering. Japan is considered a mature market for network videos which has helped Axis strengthen their position on the market (Axis Com-

munications AB, 2015). The threat of new entrants is seemingly high due to the domestic and Chinese actors. Being attentive for possible substitutions may indicate a high threat of substitutions. The buyer power is considered balanced between Axis and distributors, but larger distributors are in some cases the deciding party.

The Political, Legal and Economic environment does not seem scientifically affect Axis in Japan. However, although the weak economic situation in Japan during the 1990s was disadvantageous, Axis managed to strengthen their position on the market (Axis AB, 2003).

## Contributions to the Multinational Organisation's Assets

The Axis corporate group seem to have similarities with mainly Global organisational characteristics but International characteristics for *Configuration of assets and capabilities*. Since the headquarters handles the strategic partnerships in Japan, an indication for knowledge being developed and retained at the centre exist. The Japanese subsidiary has contributed to Axis globally with expertise knowledge by reason of the structure and preferences of the Japanese market. The absorptive capacity at the headquarters appears to be high. The absorptive capacity from the market to the Japanese subsidiary seems to be relatively high as the business model seems to create barriers. However, it can be considered high by the fact that there are almost exclusively Japanese people working at the office and their attentiveness to market trends.

The initial motive is still considered to exist although the technology seeking interests are now managed from the headquarters. Although it is considered that a strategic drift has not occurred, product offerings have been altered since establishment and are still adapted to market trends.

Annual reports from 2016 and 2017 as well as interim reports from 2018, do not include strategic statements on the Japanese market presence (Axis Communications AB, 2017)(Axis Communications AB, 2018c)(Axis Communications AB, 2018b)(Axis Communications AB, 2018a).

## 5.3 Case 3 - Vitrolife

### 5.3.1 Background

Vitrolife was founded in 1994 (Vitrolife, 2018a) and their headquarters is located in Gothenburg, Sweden (Vitrolife, 2018b). The company offers several high quality products and services for assisted reproduction, IVF (In Vitro Fertilization) (Vitrolife, 2018a). Vitrolife has 370 employees internationally (Vitrolife, 2018a) whereof 15 work at the Japanese office. The yearly revenue for Vitrolife corporate group is 1 BSEK and the region Japan-Pacific

stands for approximately 17%<sup>3</sup>.

*All the information stated below is retrieved from the interview with: Marcus Hedenskog, Representative Director Vitrolife K.K., in person interview the 1st of October 2018, if not stated otherwise.*

### 5.3.2 Establishment

Vitrolife's motives for entering the Japanese market were to gain market shares. The Japanese market was considered attractive as it had great future growth forecasts and had together with China the biggest perceived potential for growth globally.

Vitrolife initially entered the Japanese market by exporting their products through a distributor. This initial approach was chosen as it was considered a high risk to enter the market alone partly due to Vitrolife not being global at the time<sup>4</sup>. The decision of opening a wholly owned subsidiary in 2009 was taken as a result of dissatisfaction with the distributor's sales growth and market share and the belief that Vitrolife solely could handle the business better. Cooperating with partners and joint ventures was associated with loss of control and focus, thereby less profitable long term<sup>5</sup>. Two employees were hired, one of them being the current Representative Director, with extensive experience and knowledge of the Japanese market. The distributor's activities were phased out during one year as Vitrolife's local office initiated their sales activities simultaneously. The office was during the first three years located in the Swedish Embassy's building where aid regarding administrative work was provided.

One of the considered facilitators when establishing Vitrolife in Japan was that the local office was given the freedom to work independently to fulfil Japanese market demands in the best, considered way. The headquarters' brief involvement was mainly based on their lack of knowledge regarding the Japanese market but they were still able to provide support when needed. Difficulties were mainly considered regarding finding a suitable workforce. This was partially overcome by hiring from personal networks and connections.

### 5.3.3 Internal Factors of Market Presence

#### Organisation Characteristics

The subsidiary in Japan has four departments; Sales, Services, Marketing and Administration. The need for technical service initiated the technical department. Two years ago, the

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<sup>3</sup> Marcus Hedenskog, Representative Director Vitrolife K.K. , in person interview the 1st of October 2018

<sup>4</sup> Marcus Hedenskog, Representative Director Vitrolife K.K., Complementary Questions, answers retrieved on the 16th of October 2018

<sup>5</sup> Marcus Hedenskog, Representative Director Vitrolife K.K., Complementary Questions, answers retrieved on the 16th of October 2018

Japanese office saw the need for increased marketing material, which initiated the marketing department. The office currently has fifteen employees and is highly autonomous.

The growth of the office has entailed a greater need for written rules and manuals. The office has a company handbook including, among others, areas involving rules of overtime and office behaviour guidelines. Formal internal revisions are performed regularly. There also exist a corporate manual declaring at which level of authority a decision is allowed to be made. However, many other control systems and reporting systems which are implemented at the headquarters are not used at the Japanese office, by reason of language barriers and significant size differences between the two offices.

Generally, the Representative Director tries to vaguely define tasks to subordinates to encourage creativity and initiatives. However, as many Japanese employees are used to detailed task descriptions and are not used nor comfortable with vague descriptions, the Representative Director may have to delegate in more detail than preferred. In turn, the Japanese managers may have to increase their degree of detailed descriptions to their subordinates. Employees work individually to a high degree but share knowledge with other employees. The Japanese office has a traditional vertical structure, where reporting is forwarded one level at the time. The reason for this structure is that the office still has a relatively small amount of employees and that matrix structures, which is the structure of the headquarters, are less common in Japan. The authority to make decisions is delegated between managers and the Representative Director. Each manager's scope of responsibility is decided depending on their experience and the number of employees they are responsible for.

## Leadership & Organisational Culture

The leadership approach at Vitrolife in Japan varies between functions. A typical leader at the sales department has a less formal approach and is more motivating than a typical leader at the service department, where more structured distribution of work and instructions are demanded. The focus mainly lies on how much effort was put on an assignment rather than the result. The leader is expected to possess great knowledge and to have seniority. As a result, the relationship between a leader and subordinate is considered direct and formal; the subordinate does not question the leader and does not come with suggestions. The communication is formal, to some extent similar to the formal communication used with customers.

The organisational culture at Vitrolife is influenced by Japanese and Swedish national culture but also the Representative Director's own values. As he has been at the company since the establishment, he has made a mark on the culture and which employees are chosen. The intention is to behave less formal than at a traditional Japanese organisation. However, compared to Swedish companies they may be considered as more formal and detail-oriented which may be the result of having a fully Japanese workforce, even though it is not considered stereotypical Japanese. The Swedish culture has influenced the company by employees being able to talk freely with each other and the importance of gender-equality has also coloured the organisation.

The Japanese and Swedish national cultures are considered to have several similarities; such

as being less aggressive and more cautious. However, Swedish people tend to talk in more direct terms compared to Japanese, and the cultural dimension of masculinity is more strongly manifested in the Japanese national culture. Furthermore, perceived expectations and values are different at the local office compared to the rest of the international business. Employees at the Japanese office tend to value the importance of instructions and communication being highly detailed and accurately presented whilst other offices may value the substance as more important and not the presentation of it. In addition to this, the Japanese office has higher expectations of the quality of the deliveries, including the appearance of the delivery box. If this does not fulfil a certain standard they are returned to the headquarters, a decision the headquarters are having trouble understanding. These cultural differences have caused misunderstandings internationally.

## Acquiring Skills

As a sales organisation, Vitrolife is in need of highly skilled sales people with knowledge of the product's technology. Vitrolife also requires good English skills for the employees to be able to participate in international training and information sharing.

Considering the low unemployment rate in Japan, Vitrolife finds it hard to find the right personnel by reason of three major factors; the requirement of personnel with a university degree, assuring that the employee has the right skills as expressed during the recruitment process and matching them with the organisational culture. However, Vitrolife includes female employees and managers. As Vitrolife is perceived as a small and relatively new company in the Japanese employment market, it is more difficult to attract new employees. It is perceived as a higher risk to choose a small, unknown company with short term presence on the Japanese market, even if the company globally have had a long term presence. As a result, the current employees are not fully representative of a stereotypical Japanese employee as people with a non-stereotypical type of personal work preferences are drawn to an international and smaller company. These barriers can be overcome when recruiting through internal networks and employee referral. They are today also hiring through clients, although with client endorsement, and also through a recruitment agency.

Certain aspects attract talents to the Japanese office such as; work-life balance, industry growth and positive associations with the product offering. Nonetheless, some recruits may not want to work with such products due to their ethical beliefs. Vitrolife is not involved in creating any talent, nor branding themselves towards the employment market. However, one of the motives for the sponsorship of the Sweden-Japan 150 years of diplomatic relations event, was to increase the employment brand awareness. Furthermore, Vitrolife would like to work more actively with branding towards potential recruits in the future.

## 5.3.4 External Factors of Market Presence

### Adjusting to Foreign Markets

Vitrolife in Japan has adapted their product offering to fit the Japanese market demand despite the company offering their product portfolio globally in order to make the business model financially supportable and benefit from economies of scale. Adjustments of current products have been made to meet the Japanese demand, such as smaller physical size of bottles and quality of delivery. Nonetheless, no special products have yet been produced to only be sold in Japan, although it is a future intention. Adjustments to Japanese customs regarding highly detailed communication has been made. The brand of Vitrolife is globally considered as a premium brand with high quality products.

### Networks & Partnerships

Vitrolife collaborate with sub-distributors in Japan. The relationships have a transactional character. The company has currently not joint any alliances. However, they are investigating the opportunity to establish collaborations with certain actors in the future. The motive for expanding their collaborations is to increase market coverage and sales. Considering Vitrolife's relatively few business relationships in Japan, they are highly independent of their network. The foreseen potential with future company collaborations is; the potential to extend their research to new customers. The Representative Director believes that networks can be propitious. However, networks can also limit the freedom to operate.

### Industry Structure

Vitrolife sells their products to private IVF clinics and university hospitals, which account for around 600 clinics in Japan. As fewer people are born in Japan, the knowledge and demand to undergo IVF-treatment has increased over time and has made the market for IVF grow. The competitiveness in the industry is increasing as more competitors are entering the market, both Japanese and international. Some of the more simple products Vitrolife offer can easily be substituted with those of the competitor's although this is harder for the more complex and unique products.

### Legal, Political and Economical Aspects

The regulatory framework for some of Vitrolife's products is currently underdeveloped which causes uncertainty for the company. Their different products are defined as medical devices or research instruments in Japan, the former being subject to regulatory approvals<sup>6</sup>. The

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<sup>6</sup> Marcus Hedenskog, Representative Director Vitrolife K.K., Complementary Questions, answers retrieved on the 16th of October 2018

economy of Japan is considered stable and as the total market is large it is considered important for global companies.

### 5.3.5 Contributions to the Multinational Organisation's Assets

The Japan office represents a large part of the sales globally which gives the office international importance. Vitrolife in Japan also has a strategic purpose of its presence by competing against Japanese competitors, who also operate internationally, and providing a better understanding of the Asian market. Vitrolife's core competencies are industrial expertise, services, precision, and rapidity. Many of these competencies are also represented in the Japan office. However, in some cases advanced support from the headquarters may be needed and the Japan office does not possess any unique expertise used internationally. Nonetheless, the Japanese market provides important inputs for new knowledge about the industry, market and customer demands which is continuously reported back to the headquarters and is used as input in research and strategic planning shared globally. The absorption capacity from the market is rather high and contains a great amount of knowledge since their customers have high technical competence and are quality driven. Nevertheless, there is room for improvement from the headquarters. Language barriers, cultural differences and ways of communicating has limited the transmission of knowledge. However, as the Japanese market importance has increased for Vitrolife as a company, the headquarters' engagement has increased and visits are more regular.

The primary motive is still to sell products but other motives have also emerged, such as keeping local competitors out from the global market and gaining knowledge. The strategy for being present on the Japanese market has changed over time. The initial strategy of gaining market shares has shifted toward gaining knowledge and market insight.

### 5.3.6 Summary of Observations

#### Establishment

Vitrolife's initial motive for establishment in Japan can be considered as a market-seeking motive and Japan was during the time considered one of the most important markets in Asia (Vitrolife, 2010).

Entering the Japanese market with a distributor due to high risk and lack of knowledge, was of transitional character. The wholly owned subsidiary was opened because of the increased want of control and because efficiency was considered to be higher than with a partner. Furthermore, Vitrolife (2009) state in their annual report that the motive for opening their wholly owned subsidiary was to enable faster growth, strengthen their market position and increase their availability and customer service, which was considered vital for the Japanese market. The purpose of the subsidiary was also to be able to educate customers to ensure the correct use of their products (Vitrolife, 2010). The opening of the subsidiary was an action

considered aligning Vitrolife's strategy of opening wholly owned offices to have full control key markets. The high initial sales were viewed as joyful (Vitrolife, 2009).

Risks of low national integration and low local knowledge seem to have been overcome by hiring local employees. Local responsiveness was considered high thanks to the Representative Director's freedom to run the business best suitable for the Japanese market. International competitors were present in Japan during the establishment (Vitrolife, 2010).

## Market Presence

The organisational expansion suggests that Vitrolife's market presence is evolving. The many official rules, regulations and control systems suggest a high degree of objective formalisation. The different office design, in comparison with the headquarters, is based on size, Japanese work culture and headquarter directives. The organisation seems to have a vertical specialisation to some extent. The desire for specified task descriptions appears to be stronger among lower level subordinates in the organisation. However, the national work culture also seems to impel a high degree of specialisation in the organisation. The organisation also appears to have a high degree of centralisation. Vitrolife's organisational design seems to have evolved with the organisation's growth.

The overall leadership approach at Vitrolife at Japan resembles an authoritarian style when considering the expectancy of seniority and knowledge, the formal relationship and centralised structure. However, the focus on effort rather than results gives an indication of a less work-oriented approach and the motivational role the leaders at the sales department have may prove an influence of a participative leadership approach.

The organisational culture at Vitrolife appears to be mainly influenced by the Representative Director's values, which may be influenced by Swedish culture due to his heritage, and the Japanese national culture. The power distance can be considered relatively high due to the communication between leader and subordinate being formal and employees not questioning the leader. However, as the employees are encouraged to talk freely to each other a somewhat lower power distance is argued for. As the Japanese employees are described to communicate indirectly and the detail-orientation is high, indications of a high uncertainty avoidance exists. A distinct masculine culture may indicate a high masculinity index. The Representative Director's values seem to have coloured the organisation's structure due to means of the employees chosen.

Vitrolife seems to actively work towards acquiring the appropriate skills needed for the organisation and ensuring its fit with the cultural system. The employment market is considered scarce. Typical Japanese employment preferences seem to be working at a larger Japanese company with a long history in Japan, which is significantly different from Vitrolife's profile. A short history of market presence in Japan could be associated with an unwanted risk of uncertainty among potential employees. This problem may be overcome through network recruitment. Vitrolife attracts talents through offering the quality of life and with their product offering. No efforts seem to be made to grow talent.



The local responsiveness of Vitrolife may be considered high even if the intention of Vitrolife is to leverage economies of scale internationally which indicates a global-local dilemma for the company. The brand awareness is similar globally.

Vitrolife seems to have a high degree of independence and is not considered a network organisation. Their motives for entering their networks appears to be access to complementary capabilities and industry know-hows, through sharing knowledge and expanding markets. Limited freedom through extensive network collaborations with collective agendas was an emphasised disadvantage. Vitrolife's networks seem to be intended.

Vitrolife is considered active in a perfectly competitive market and their industry seems to be in a growing phase. The threat of substitution is considered high for less complex products, the increasing amount competitors indicate a high competitive rivalry and new entrants on the market indicate a high threat of new entrants. Demographic challenges seem to benefit Vitrolife's industry.

The lack of regulatory frameworks regarding IVF products cause uncertainties and has not yet demonstrated opportunities nor restraints. The stability of the Japanese market is beneficial for Vitrolife.

## Contributions to the Multinational Organisation's Assets

The corporate group of Vitrolife seems to have organisational characteristics similar to a mix between an International and a Transnational organisation due to the contributions of Vitrolife's presence in Japan has benefited the company internationally through knowledge of the Asian market and product inputs. The market knowledge absorption at the local office in Japan seems to be high as a consequence of speaking the same language and understanding of the local culture amongst the employees. However, the headquarters' absorptive capacity has been rather limited even though this has improved thanks to their increased interest in the Japanese market.

The motives have expanded from selling products to also gain knowledge and compete with competitors. This indicates that the motives have gone from solely market seeking to also be non-marketable asset seeking. Due to the changed motives, strategic adjustments have been made.

The three latest annual reports do not include any strategic announcements about the Japanese market presence. (Vitrolife, 2017) (Vitrolife, 2018b) (Vitrolife, 2018a)

## 5.4 Case 4 - BabyBjörn

### 5.4.1 Background

BabyBjörn is a family-owned business established in 1961 with headquarters in Stockholm, Sweden (BabyBjörn, 2018a). The company offers products for infants, such as baby carriers and baby bouncers (BabyBjörn, 2018b). BabyBjörn has 127 employees globally<sup>7</sup> whereof five are located at the Japanese office. The revenue for BabyBjörn globally is 650 MSEK where the Japan subsidiary stands for around 117 MSEK<sup>8</sup>.

*All the information stated below is retrieved from the interview with: Makoto Fukai, Representative Director/ Sales Director of Asia BabyBjörn K.K., in person interview the 4th of October 2018, if not stated otherwise.*

### 5.4.2 Establishment

BabyBjörn's motive for entering the Japanese market was to seize the business opportunity of the increased popularity for baby bouncers in Japan. Additionally, the motive has been to exploit the market and sell BabyBjörn's products.

BabyBjörn initially entered the Japanese market by using an exclusive distributor more than 20 years ago<sup>9</sup>. Even though the relationship with the distributor was good, the headquarters did not recognise them to be sufficiently offensive on the Japanese market<sup>10</sup>. In 2011, BabyBjörn changed their business model and decided to open a wholly owned subsidiary in Japan which gave the headquarters an increasing control of the business. However, the sole ownership of the subsidiary did in turn also increase the market risk<sup>11</sup>. As the distributor had invested money to strengthen the brand of BabyBjörn on the Japanese market, the headquarters were required to buy the goodwill. The Representative Director was chosen due to his skills and network within the baby industry and the Japanese workforce was transferred from the distributor. The new office was initially located at the Swedish Embassy in Tokyo and support was provided by the headquarters by regular visits.

Difficulties were encountered regarding the much stricter safety standards in Japan compared to those in Europe and this required the headquarters to develop their products to pass the

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<sup>7</sup> Lars Wennerström, Sales and Marketing Coordinator, Asia & Pacific at BabyBjörn AB, mail correspondence the 21st of November 2018

<sup>8</sup> Makoto Fukai, Representative Director/ Sales Director of Asia Babybjörn K. K., in person interview the 4th of October 2018

<sup>9</sup> Lars Wennerström, Sales and Marketing Coordinator, Asia & Pacific at BabyBjörn AB, mail correspondence the 19th of October 2018

<sup>10</sup> Lars Wennerström, Sales and Marketing Coordinator, Asia & Pacific at BabyBjörn AB, mail correspondence the 19th of October 2018

<sup>11</sup> Lars Wennerström, Sales and Marketing Coordinator, Asia & Pacific at BabyBjörn AB, mail correspondence the 19th of October 2018

requirements. The Swedish image has been an advantage as traits such as style and richness associated with Sweden have been leveraged through BabyBjörn's own brand.

### 5.4.3 Internal Factors of Market Presence

#### Organisation Characteristics

The subsidiary in Japan has three departments; Sales, Marketing and Customer Service. Other business activities such as accounting, warehousing, and logistics are outsourced. The office currently has five employees. They sell directly to resellers and to end-customers through their e-shop.

The office has an informal atmosphere, where information is shared openly. There are official job-descriptions available and the overall policy is prioritising family time. The office has a shared schedule creating flexibility by having somewhat self-decided working hours where employees can cover for each other during vacations, by reading each other work descriptions and daily reports. This enables employees to spend their whole paid vacation, which is a strict rule. Every employee writes a short report of daily accomplishments sent into the Representative Manager by e-mail or by mobile texts. The office also uses an ERP system which is used at the logistic partner and re-sellers as well. The documentation and organisational design of the Japanese office are unique within BabyBjörn internationally. The Representative Manager wants an information-sharing atmosphere to be able to respond to customer complaints and insights quickly.

The office has yearly target goals, delegated to each employee who set their own individual sub-targets, personally evaluating and controlling their own work process. Thus, the Representative Manager does not delegate any specific tasks to the subordinates. The office has a flat, horizontal design where each employee has a specific functional task and their own individual responsibility, reporting directly to the Representative Manager. The Representative Manager has to approve all the decisions being made. However, the employees, obtaining a higher degree of functional specialisation, formulate the majority of decisions being made.

#### Leadership & Organisational Culture

A typical leader at BabyBjörn in Japan is friendly, frank and informal. Due to the flatness of the organisation and the individual responsibilities, no leader is considered needed, which is perceived as significantly different from Japanese customs. The approach is people-oriented and the focus lies on how the employee's work and their motivations. The communication between the leader and subordinate is informal.

The organisational culture at Babybjörn in Japan is influenced by the corporate culture which was, during the establishment phase, shared by the founder himself to the office. Today, every

employee talks freely with each other, provide feedback and the team have the resemblance of a family. The Japanese national culture has affected the expectations of how much every employee work, which is reflected in the long working hours and a hard working attitude. However, the organisational culture at BabyBjörn is considered in most aspects different from common Japanese companies, as those companies have stricter and more formal cultures. The Swedish national culture is considered as influencing the office by every employee being encouraged to take all paid vacation days and prioritise family which is partly enabled by flexible working hours.

## Acquiring Skills

The most important skills needed at BabyBjörn are English skills, professionalism and a character that fits with the organisational culture. One specific skill needed at BabyBjörn is motherhood experience. Mothers at the office are able to provide good customer services to new parents.

BabyBjörn has not perceived any difficulties regarding the supply of potential recruits or finding the right skills to the office. However, they have only recruited one new member to the office since its establishment, which was a mother needed for customer service. Thus, they have little experience of recruiting.

Certain aspects attract talents for the Japanese office such as; their products, their industry, flexible work hours and the substantial amount of vacation days. The product offering attracts women to a higher extent. Both men and women are considered potential employees and they currently have an equal gender ratio at the office. The brand awareness is already strong in Japan although they do not actively brand themselves towards the employment market. However, the company size can be perceived as a negative aspect for many potential employees. BabyBjörn is not involved in any particular activity to grow talents on the Japanese employment market, partially by reasons of lack of resources.

## 5.4.4 External Factors of Market Presence

### Adjusting to Foreign Markets

BabyBjörn in Japan has adjusted their product portfolio and products to the Japanese market demand. The hot and humid weather conditions have resulted in a demand for breathing fabrics, such as mesh, and marketing material have been shot to represent these conditions. Backside baby carrying was also requested and is now offered internationally. Additionally, BabyBjörn has had to adapt to the strict safety standards, which has been incorporated internationally, and to the business culture in Japan which requires fast shipments. The marketing material for their products and instruction manuals have also been altered to Japanese preferences as Japanese people are considered to like instructions through pictures to a larger extent rather than in writing. Therefore, the instruction manual for their baby carrier is made

as a Manga comic book, as seen in Figure 5.2 and Figure 5.3

The brand of Babybjörn is recognised as a high-end brand in Japan and most users are upper middle class, which is considered being similar in Sweden.



**Figure 5.2:** BabyBjörn has altered their marketing material to fit the Japanese market demand



**Figure 5.3:** The instruction manual for BabyBjörn's baby bouncer is made as a Manga comic book.

## Networks & Partnerships

BabyBjörn has a set of partners who perform their outsourced business activities. They can sometimes collaborate with other Swedish companies within the baby industry through the Swedish Embassy. Other actors have tried to initiate collaborations with BabyBjörn. However, they do not need any additional partnerships with their current business model.

BabyBjörn's business relationships are collaborative and somewhat integrated, where some partners use the same data and ordering systems. The integrated data systems make it more

difficult to exit a partnership. Nonetheless, with headquarters directives, BabyBjörn must design partnership contracts where the business partner can easily be replaced or an agreement can be adjusted. The headquarters also review partnership contracts which are made in Japan. These type of contracts are not common in Japan but in Sweden. No other specific partnership rules or regulations are applied. The benefits perceived when being part of networks are; large volumes lowering prices and short-notice batch flexibility enabled by favourable partnerships. The system integration also eases the partnership. There are no perceived difficulties with the network partnerships.

It is considered important for Swedish companies to have a network when establishing themselves on the Japanese market. The Representative Manager possessed a beneficial network within the baby industry before BabyBjörn opened an office in Japan, which was seen as an important asset at the headquarters.

## Industry Structure

BabyBjörn's market is in a mature phase. Sales figures have not grown the last two years to the same extent as previous years. The second-hand market is growing in Japan due to sustainable mindsets. As BabyBjörn has high-quality products, their products have a high demand on the second-hand market. Additionally, the demographic changes have an effect on BabyBjörn's business. As there are fewer children born there are fewer parents in need of their products. There are several competitors on the market and recently, international competitors have entered. BabyBjörn has different competitors depending on product offering, but have a 10-15% share of the market and are the second biggest baby carrier in Japan. The products are sold through two different distribution channels; e-commerce and wholesale. BabyBjörn set the prices themselves and therefore the prices in store and online are the same. The support from the headquarters gives BabyBjörn a bigger power towards distributors.

## Legal, Political and Economical Aspects

The Japanese market for baby products has numerous strict standards. Some are more strict than in Sweden. Brand copying, especially from Chinese actors, are problematic for BabyBjörn. However, the laws and regulations regarding brand copying are similar internationally. The shrinking market, as a consequence of the decreasing population growth rate, is disadvantageous. Nonetheless, this is somewhat a political problem BabyBjörn has difficulties changing. The economy in Japan is currently good. Considering, BabyBjörn being a high-end brand, the relatively high income wages in Japan are beneficial. However, they are considered higher in Sweden.

## 5.4.5 Contributions to the Multinational Organisation's Assets

The Japanese market is bigger than the Swedish market. Consequently, the office contributes with important sales revenues. By reason of their high share of sales, the Japanese office is more independent than other subsidiaries. The core competencies at the Japan office are the consumer responsiveness and understanding. The brand reputation in the Japanese market is also an important asset. Due to the high turn-over of customers, BabyBjörn is continuously receiving new input from customers and record every complaint which is always sent to the headquarters through a reporting system. The Representative Director personally tries to remove barriers of knowledge transfer from customers and try to contact them personally to receive input. Additionally, they have exhibitions in order to talk to end-users, test prototypes and do house visits in Japan. As the headquarters is constantly interested in improving their products to ensure safety, they take these complaints and requests very seriously. The office has contributed to the headquarters with the ERP system solution and consumer insights regarding demand and behaviour, and knowledge is regularly reported. Furthermore, the successful shift from the distributor model to wholly owned subsidiary inspired the headquarters to use the same model on other markets, such as South Korea, Hong Kong, the US, and China<sup>12</sup>.

The initial motive was to exploit the Japanese market and it still is today. The Japanese market has grown of importance for the headquarters as it is a source for product input. Additionally, Japan is the next biggest market for BabyBjörn and demonstrate stable results<sup>13</sup>. Furthermore, the experience of being in Japan has been beneficial for entering new markets in Asia.

The strategy for how to operate on the Japanese market has changed over time. In 2011, internet sales stood for 80% of the sales. Nevertheless, to avoid online price wars and damaging the high end brand, the focus was shifted to the physical stores. Nowadays, new products are introduced firstly at the physical store to later be sold online as well. In 2018, sales online and in-store are of equal size. The demographic changes in the market are, as mentioned, affecting BabyBjörn's growth. In order to keep the profitability, the prices have increased and it is important for BabyBjörn to maintain a good relationship with customers and keep their brand reputation.

## 5.4.6 Summary of Observations

### Establishment

BabyBjörn's motive for entering the Japanese market could be considered a market seeking motive due to intended exploitation. The initial export operations with the exclusive distrib-

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<sup>12</sup> Lars Wennerström, Sales and Marketing Coordinator, Asia & Pacific at BabyBjörn AB, mail correspondence the 19th of October 2018

<sup>13</sup> Lars Wennerström, Sales and Marketing Coordinator, Asia & Pacific at BabyBjörn AB, mail correspondence the 19th of October 2018

utor were of transitional character. The decision of opening a wholly owned subsidiary was mainly associated with wanting more control and the associated risks seem to have been reduced by transferring existing personnel, with knowledge of BabyBjörn's products and their market in Japan. The extensive support and responsiveness from the headquarters seem to have helped them be responsive to local needs and requirements. Positive associations with Sweden also appears to have been beneficial.

## Market Presence

The organisation of the Japanese office focuses on core activities. The office seems to have a somewhat high degree of objective formalisation with extensive policies, descriptions, and documentation. However, the documentation can be considered informal and simple which, in combination with the informal atmosphere and individual controls, proposes a subjective formalisation as well. The organisation has a horizontal design. However, the lack of need for functional expertise and the vague task delegations implies a low degree of specialisation. Even though the representative manager takes the majority of decisions, suggesting a centralised design, lower level employees are highly involved which indicates a decentralised design. This is strengthened by the fact that responsibility is highly distributed.

The leadership approach at BabyBjörn in Japan can be considered participative due to the open relationship between leader and subordinate and the decentralised structure.

The corporate culture of BabyBjörn, which has influences of the Swedish national culture, appears to have strongly influenced the local office. The traits from the Japanese culture, such as working long hours, may be contradictory to the traits from the Swedish culture encouraging family priorities and taking all vacation days. The power distance can be considered low due to the participative leadership approach and the consultative decision-making process. Similarly, the individualism appears to be low as the aim is to work "*as a family*"<sup>14</sup>. The organisation seems to be structured accordingly due to the representative director's values and the corporate culture's orientation.

BabyBjörn seems to be designing the organisation and work environment to fit the personnel present. The transparency of daily reporting seems to be contributing to transferring skills to organisational capabilities. Their supply of potential employees on the market is considered high. The reason for this perception might be the specific need for mothers for the one position needed hiring or the lack of recruitment experience. BabyBjörn attracts talents through offering a quality of life, management practice and product offering. However, their brand and high-wages are not used for attraction.

BabyBjörn's local responsiveness in Japan may be considered high. Although the products have not been developed to solely fit the Japanese market, the headquarters have provided great support to help the local office adapt. Furthermore, the Japanese office's local knowledge and efforts to receive inputs from customers may have given them the benefit to quickly respond and understand customer needs. The brand of BabyBjörn seems to leverage the

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<sup>14</sup> Makoto Fukai, Representative Director/ Sales Director of Asia Babybjörn K. K., in person interview the 4th of October 2018



Swedish brand.

BabyBjörn appears to have the characteristics of a network organisation. They have integrated and collaborative partnerships, which suggests closeness. However, their freedom to switch partners easily, considering their relationship with outsourced actors, suggests a more transactional partnership and independence. BabyBjörn's motivations for their network partnerships seems to be efficient collaboration and industry know-hows. The Representative Director's existing network seems to have entailed network benefits from establishment. Contractual exit plans may contribute to the mitigation of network difficulties. All their networks are intended.

Babybjörn's industry is in a mature phase and can be compared to a perfectly competitive market. The many competitors, together with the decreasing amount of customers, indicates a high competitive rivalry. However, some rivalry seems to have been mitigated through multi-channel sales. The increased international competition indicates a high threat of entrants and the possible threat of substitution, which is addressed to some extent by offering high quality. The buyer power is considered low.

The political climate regarding the demographic trends seems to currently be disadvantageous. The stricter standards in Japan appears to be challenging but not a threat. Laws and regulations involving brand copying are not significantly affecting BabyBjörn's business specifically in Japan. The economic climate is considered beneficial as the Free Trade Agreement will lower the customs duty (Phillips, 2018).

## Contributions to the Multinational Organisation's Assets

The corporate group of BabyBjörn seems to have organisational characteristics similar to a Transnational organisation. Although the characteristics seem to be International regarding their *Configuration of assets and capabilities*. The Japanese office has contributed to the company internationally which seems to be a result of Japan's substantial role for the whole organisation, standing for 69% of the total revenue in Asia (Phillips, 2018) and the headquarters' high absorptive capacity. Lars Wennerström, confirms in an interview in Dagens Industri how the high expectations of quality and execution from the Japanese consumers help BabyBjörn elevate their offerings internationally (Phillips, 2018). The local office likewise has a high absorptive capacity for acquiring knowledge from the Japanese market. The possible knowledge-barriers are associated with the lack of end-consumer contact. However, this is overcome by house visits, product testing, and in-house customer support.

The motive for being active in Japan has changed from a solely market-seeking motive to an inclusion of non-marketable seeking motives; knowledge and product development input. A strategic drift has occurred as the strategy has been adapted to keep a high-end brand recognition through adapting their distribution channels.

## 5.5 Case 5 - IKEA

### 5.5.1 Background

IKEA was founded in 1943 (IKEA Foundation, 2017) with headquarters in Älmhult, Sweden<sup>15</sup> and offers functional home furniture to affordable prices for the many. IKEA has approximately 149,000 employees (IKEA, 2018) whereof 3,400 are located in Japan. 155 people are employed at the service office in Tokyo, Japan<sup>16</sup>. The revenue of IKEA Group is 34,1 billion EUR worldwide, whereof 74 billion JPY ( $\approx$  575 million EUR) comes from the Japan business<sup>17</sup>.

*All the information stated below is retrieved from the interview with: Elin Åhlund, Human Resources Manager, IKEA Japan K.K., in person interview the 9th of October 2018, if not stated otherwise.*

### 5.5.2 Establishment

IKEA's motive for entering the Japanese market was to expand internationally as they strive to be globally present and did take into consideration that the Japanese market is one of the largest economies in the world.<sup>18</sup>

In 1974, IKEA entered the Japanese market through a joint venture with a Japanese actor. Conflicts of interest emerged and the cooperation ceased in 1986. The few years on the Japanese market revealed that Japan was not yet ready for knock-down furniture and that the interest in home furnishing was low. In 2002, IKEA tried a second time and opened a wholly owned subsidiary. Thorough market research was conducted and the current franchising model, which was not yet implemented during the first try, was used. A director with experience of opening companies on the Japanese market was chosen. Extensive support was given from the headquarters through regular visits.<sup>19</sup>

Cultural differences between the local workforce and expats were expected and encountered but overcome by the help of a well prepared management team. Furthermore, hiring approximately 500 employees for each new store and attracting Japanese employees through the strong corporate culture of IKEA was considered a challenge. However, this was overcome

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<sup>15</sup> Maria Thunqvist, Product Developer at Free Range at IKEA of Sweden, mail correspondence 6th of December 2018

<sup>16</sup> Elin Åhlund, Human Resources Manager, IKEA Japan K.K., complementary answers 17th of October 2018

<sup>17</sup> Elin Åhlund, Human Resources Manager, IKEA Japan K.K., complementary answers 17th of October 2018

<sup>18</sup> Maria Thunqvist, Product Developer at Free Range at IKEA of Sweden, phone interview 17th of October 2018

<sup>19</sup> Maria Thunqvist, Product Developer at Free Range at IKEA of Sweden, phone interview 17th of October 2018

by hiring bilingual middle management to work as a communicative bridge to share IKEA's strong corporate culture with Japanese co-workers. The high work ethic among Japanese co-workers was beneficial and became a facilitator for IKEA in Japan.<sup>20</sup>

### 5.5.3 Internal Factors of Market Presence

#### Organisation Characteristics

The subsidiary has nine department stores in Japan, whereof four are located in Tokyo. The organisation includes the country retail manager with her deputy manager and six other departments; Sales, Communication and Interior Design, Human Resources, Business and Navigation, Customer Relations and Marketing. They also have a 24-hour web-service. These departments are similar for IKEA internationally.

The organisation is to some extent governed differently in Japan compared to how IKEA choose to govern their subsidiaries in general. Japanese laws entail certain rules and regulations involving control through audits, reports and external control visits. Internally, IKEA aims towards giving the personnel their own responsibility to control their individual work. However, the Japanese law has influenced how rules and regulations control the organisation, especially in areas involving finance, human relations, and food sales.

The organisation has a horizontal design where everyone has their own responsibility and obtain individual leadership to finalise target goals. This approach is IKEA's own and it is significantly different compared to other Japanese organisations where there exists great authority in management levels. The reporting structure does obtain formal middle management reporting levels before reaching the board, creating some extent of hierarchy. The subsidiary has both areas of deep specialisation and several functions creating both width and depth in the organisation. Even though one person is accountable for a project, there also exists officially announced contributors as well. This design is similar for all IKEA offices internationally. Strategic decisions are made within the board. However, the decisions that are being made there, have been processed by involved employees before delivering them to the board. Decision processes are significantly faster in Japan.

#### Leadership & Organisational Culture

A typical leader at IKEA in Japan tends to be prestigeless, down-to-earth, value-oriented and aim to develop the subordinates' capabilities, although focus also lies on business. The relationship between leader and subordinate is open and the communication is simple. The leaders strive to avoid bureaucratic language and intend to explain complex matters in a simpler way. The ambition is to encourage everyone to express their opinion.

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<sup>20</sup> Maria Thunqvist, Product Developer at Free Range at IKEA of Sweden, phone interview 17th of October 2018

The organisational culture at IKEA in Japan has incorporated the values shared at IKEA globally, such as working as a team and sharing responsibility. However, there are certain aspects where they adjust their work differently in Japan compared to other offices, such as the number of working hours and perceived quality. Japanese employees tend to work longer hours due to higher detail-orientation which in turn increases the perceived quality. Unlike IKEA's stance, where the amount of time is not recognised as the driving factor nor is the level of detail considered as always needed. Additionally, they avoid losing face and showing emotional expression, as it can create concern amongst Japanese employees. Furthermore, co-workers patiently await a response from Japanese employees as they may require longer response-time compared to Swedish co-workers. Swedish national culture is used to encourage a flat structure, where every employee get their own coffee from the coffee room and the office has an open layout. IKEA has also enhanced the Swedish approach to child care by hosting a daycare for coworkers' children on the premises of the Tokyo-Bay (Funabashi) store. The purpose was to enable Japanese mothers to continue working at IKEA after having children<sup>21</sup>. Although national culture affects the organisational culture in Japan, they aim to encourage IKEA's culture as people tend to be drawn to the company for this reason.

## Acquiring Skills

IKEA divides competence into three different categories of equal importance; *Knowledge*, *Motivation* and *Capabilities*. *Knowledge* involves how much knowledge of pure facts and expertise an employee possesses, *Motivation* involves employee work motivations and *Capabilities* involves what capabilities an employee has in order to perform their task. In Japan, *Knowledge* is considered significantly more important than the other two categories, especially considering leaders. IKEA focuses on acquiring competence with high *motivation* and *capabilities*. Areas of competencies needed at the office are; language skills, digital knowledge, data analytics, and deep social media experience. The supply of potential employees in Japan is perceived as scarce. IKEA finds it difficult to find the right personnel by reason of two major factors; the scarcity of personnel who has both deep competence and also shares IKEA's core values and finding individuals who will thrive and develop at IKEA. Positions involving expert knowledge suffer tough competition on the employment market. These factors in combination with an aging society may be causing the short supply.

IKEA is attracting talent through branding their Swedish values, equality values, work-life balance and pioneering for societal changes, which are aspects that are believed to be even more attractive in the future. Other attractive employment conditions at IKEA are; employee development, human-centred leadership, and global work possibilities. All types of societal groups are considered at IKEA. Potential employees in Japan may not want to choose IKEA as their employer by reason of the wages, IKEA's suburban office and the relatively short working hours. They currently have internship programs at stores, university collaborations and are performing guest lectures to grow talent.

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<sup>21</sup> Maria Thunqvist, Product Developer at Free Range at IKEA of Sweden, phone interview 17th of October 2018

## 5.5.4 External Factors of Market Presence

### Adjusting to Foreign Markets

IKEA has adjusted their offer to the Japanese market by offering a product portfolio for small living spaces and are opening an in-city store in 2020 to fulfil the needs on the market. 60% of the offered products are global whereof the rest of them are adjusted to local needs. The design and layout of the stores are international standards as well as several product offerings. However, the strict safety standards in Japan required IKEA to adjust the height of their packages. Complying to strict laws and standards in Japan could benefit IKEA internationally in a few cases, such as improved packaging<sup>22</sup>. Even though the Japanese market withholds great potential for IKEA, as home furnishing has a small share of the total market, IKEA has not yet fully understood the market and their Japanese consumers' demands. The market is dispersed between rural and urban areas, as there exists a higher demand for service and buying experience in urban citizens. In addition to this, Japanese consumers are increasingly using digital resources to purchase items and require the possibility to have the items shipped home. As mentioned above, house visits and research about Japanese consumers are conducted in order to understand the market need.

The brand of IKEA in Japan is perceived as positive and leverages the awareness of Sweden's national brand. The quality of IKEA's offerings is yet not perceived as high enough, by Japanese consumers, compared to domestic competitors. The brand is perceived differently in Japan, whereas in Sweden, the long presence has made IKEA a publicly loved treasure which people connect to. This is the aim for the Japanese market as well. As IKEA's prices are higher in Japan relative to wages, compared to Sweden, the brand is not considered as "for the many" as it is in Sweden.

### Networks & Partnerships

IKEA Japan cooperates with some other actors, however, they are a highly individual company. In Japan, cooperation exists with the Swedish Embassy, the Swedish Chamber of Commerce and Industry in Japan (SCCJ) and Business Sweden, through exhibitions and sponsorship. The business relationships can be described as close. There are mutually perceived benefits for both IKEA and the Swedish Embassy when cooperating to promote Sweden as a concept and the national brand. The cooperation is regulated by to what extent IKEA believes it is beneficial for them to sponsor events. IKEA is not dependent on their network in Japan. However, they do appreciate the benefits it entails. The perceived benefits are; the positive brand enforcement. IKEA does not experience any significant difficulties with their network. For IKEA, it is not significantly important to take part in a business network, considering their global presence, rather than being close to the customer. During the establishment, IKEA was more dependent on the Embassy and SCCJ.

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<sup>22</sup> Maria Thunqvist, Product Developer at Free Range at IKEA of Sweden, phone interview 17th of October 2018

Smaller Swedish companies may be more dependent on networks to establish themselves on the Japanese market.

## Industry Structure

The home furnishing industry in Japan is growing as people are putting more effort into interior design, however, it is still relatively small. There are several competitors, mainly domestic, which are believed to have a positive influence on the market as they together with IKEA increases the awareness of home furnishing. No significant substitutes, customer or supplier threats are perceived by IKEA.

## Legal, Political and Economical Aspects

Legal aspects that are affecting IKEA's business are through Japanese legislation regarding reporting and strict follow-ups. The economic climate in Japan is somewhat different than in Sweden, where IKEA has remarked that the average lower wages in Japan, disregarding Tokyo, in combination with IKEA's prices prevents them from fulfilling their vision of creating a better life for the many people.

### 5.5.5 Contributions to the Multinational Organisation's Assets

The Japanese organisation is seen internationally as odd, visionary and brave. However, they are still dependent on the IKEA concept and therefore communicate frequently with the headquarters. They have the perception of IKEA as a family and enjoy the support. Nonetheless, many decisions are made in Japan. IKEA's core competence internationally is home furnishing. The Japanese office somewhat possesses this competence. However, the market in Japan is less matured and IKEA Japan has not yet fully understood the customers' needs. Thus, they can therefore not fully deliver their value offering of solving everyday home furnishing problems, in Japan. Several studies from the headquarters and home visits in Japan have been conducted to better understand the consumer and absorb more knowledge. All knowledge is shared internationally. IKEA Japan is not specialised in any particular capability. However, they are partially specialised in small space living since it is their consumers' demand. The plans to open IKEA city stores will be tested in Tokyo which develops new knowledge shared with IKEA globally. As Tokyo is one of the world's mega-cities, it is also recognised to have the largest potential for this type of concept. However, barriers of knowledge transfer exist and are correlated with the many levels of the organisation where there lies an importance of retaining knowledge in every employee and level. Considering the low unemployment rate, desired knowledge acquirement through new employees is difficult to obtain, which can obstruct knowledge transfer. The products are developed in Älmhult, Sweden, and sold globally. No products are developed for any specific market, including Japan. Therefore, it is considered important to be humble regarding the fact that some new products do not fit the Japanese market but could fit others.

The motive for being active on the Japanese market is still the same; to have a global presence. The initial strategy is not considered to have changed, except the product portfolio.



*Figure 5.4: Swedish meatballs with mashed potatoes and edamame beans served at IKEA Tokyo-Bay (Funabashi)*

## 5.5.6 Summary of Observations

### Establishment

The motive for IKEA to enter the Japanese market can be considered as market seeking by reason of it being a part of an expansion strategy globally. Additionally, according to Peter List, previous President and CEO of IKEA Japan K.K.; Great benefits for doing business in Japan are; the fact that Japan has the third largest GDP in the world and is the second biggest retail market in the world (Japan External Trade Organization, 2015), which confirms the market seeking motive. The initial attempt to enter the Japanese market through a joint venture failed due to conflicts of interest and insufficient market research, common risks associated with this entry strategy. Tommy Kullberg, previous President and CEO of IKEA

Japan K.K., confirmed that the failure was due to IKEA not being ready for the demanding Japanese customer and they, in turn, were not ready for IKEA's offering (Ryderstedt, 2006). Instead, using a global franchise model and conducting thorough market research, proved to be more successful, even though Japanese competitors expressed their uncertainties if IKEA truly had understood the Japanese consumer (Wijers-Hasegawa, 2006).

Cultural differences were considered disadvantageous and adapting the corporate culture was considered difficult. However, the Japanese work ethics was considered beneficial.

## Market Presence

The degree of formal controls, rules, and regulations is somewhat high, suggesting a semi-high degree of objective formalisation. The local conditions seem to have affected their degree of formalisation. However, IKEA is also strongly governed through culturally induced values and individual leadership, suggesting a high degree of subjective formalisation. The functional expertise suggests a horizontal specialisation, even if some management levels do exist considering the size of IKEA. The many functional expertises suggests a high degree of specialisations, while the vaguely defined delegation of tasks suggests a somewhat less specialisation. The delegation of sub-decisions in combination with the specific delegations of responsibility in projects indicates a decentralised design.

The leadership approach at IKEA in Japan resembles a participative approach due to the subordinates having an active role and being able to communicate freely with their leader. Additionally, the leader's approach seems to be work- and people-centred.

The organisational culture at IKEA in Japan is coloured by the corporate culture but is additionally influenced by the Japanese employees, as they have values and customs they bring to work such as detail orientation and high work ethics. The Swedish culture is leveraged to encourage flat structures and gives an indication of a low power distance, which seems to have influenced their decentralised structure. Similarly, not showing emotions to avoid discomfort amongst Japanese co-workers indicates a high uncertainty avoidance. Having daycare services at the local office may indicate a low masculinity index as it can be seen as an activity to not encourage gender-roles.

IKEA seems to emphasise the acquirement of personnel that seeks and want the current organisational culture. The current employment market appears to aggravate the recruitment of needed skills. The authors have observed that IKEA also have many Swedish people in the office contributing to a larger supply of potential talent. They are attracting talents through offering a quality of life, equality and management practices. They appear to actively brand and leverage their already strong brand image and the values associated with it towards the consumer market, rather than towards the employment market. However, university collaborations are considered contributing to their talent attraction. IKEA is actively growing talent on the employment market.

The local responsiveness of IKEA in Japan could be considered relatively high as they are altering their portfolio and adjusting to trends. However, they are only adapting 40% of their



offer and are seemingly not understanding the market fully, indicating a low absorptive capacity. Nonetheless, several actions to fulfil the Japanese market demand have been made such as facilitating home-deliveries, offering smaller sofa sizes and Japanese chopsticks, the latter which has been incorporated internationally (Japan External Trade Organization, 2015). Furthermore, the adjustment was observed by the authors as the traditional IKEA meal, Swedish meatballs and mashed potatoes, was being served at the department store in Tokyo-Bay (Funabashi) with added edamame beans, as presented in Figure 5.4 (The authors' observations, 091018). Although the in-city stores are an international initiative, the fast moving pace on the Japanese market has required IKEA to respond to market changes, which increases their local responsiveness. An understanding of the local market is gained through research and house visits. This was considered crucial during establishment (Wijers-Hasegawa, 2006). Differences in brand recognition exist and are unintentional due to price differences although value has been added thanks to the Swedish brand.

IKEA Japan has a high degree of independence and resembles a vertically integrated organisation. IKEA's motives for collaborating with the Swedish embassy, Business Sweden and SCCJ are; access complementary capabilities, with mutual brand benefits and collective success. Their independence and few collaborations could entail unseen unintended networks, through these actors own networks.

IKEA seems to be active in a perfectly competitive and growing industry. None of the threats presented in the Porter's Five Forces Framework are significantly affecting IKEA's strategy. However, the threat of competition is welcomed for industry growth as it increases the interest in furniture in Japan (Wijers-Hasegawa, 2006).

Japanese legislation seems to affect how IKEA has shaped their product standards and internal control and regulations in Japan. The economic aspects of the macro-environment have significantly affected IKEA's perceived offering and presence in Japan.

## Contributions to the Multinational Organisation's Assets

The corporate group IKEA seem to have organisational characteristics mainly similar to a Global organisation, although they are also considered Transitional regarding *Development and diffusion of knowledge*. IKEA's presence in Japan appears to contribute with a test market and knowledge of future market structures for the sake of the markets advanced development. This knowledge is leveraged internationally. As IKEA in Japan is experiencing difficulties with understanding their customers, the absorptive capacity is considered limited which is also enhanced by the difficulties of acquiring new knowledge through new employees. However, they are taking precautions and actions to lower the barriers of knowledge transfer. The knowledge the Japanese office possess is shared in a proper manner but the size of the company is presumed to decrease the absorption.

The sales were high during the establishment phase, as Japanese consumers like shopping at new store openings and limited edition offers<sup>23</sup>. Even Ingvar Kamprad visited the local

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<sup>23</sup> Maria Thunqvist, Product Developer at Free Range at IKEA of Sweden, phone interview 17th of October 2018

office to express his delight for the success (Sweden Japan Foundation, 2006). However, as IKEA has been present on the market for a longer period of time, the high sales figures have not been sustained<sup>24</sup>.

The initial market seeking motive for IKEA to be active in Japan is considered to not have changed during their presence. However, as they gain knowledge from the Japanese market considering the in-city stores, one can argue for additional non-marketable asset seeking motives. No strategic drift seems to have occurred.

## 5.6 Case 6 - Höganäs

### 5.6.1 Background

Höganäs was founded in 1797 and has its headquarters in Cary, North Carolina (Höganäs AB, 2018). They offer iron and metal powders used in various industry areas such as automotive, aerospace, mining and environmental among others. The company has 2,300 employees globally whereof 40 are located in Japan<sup>25</sup>. The yearly revenue for Höganäs 2017 was 8,223 MSEK (Höganäs AB, 2018) where Japan stood for 10%<sup>26</sup>.

*All the information stated below is retrieved from the interview with: Carl-Gustav Eklund, Representative Director / President, Höganäs Japan K.K., in person interview the 11th of October 2018, if not stated otherwise.*

### 5.6.2 Establishment

Höganäs's motive for entering the Japanese market was to leverage the great potential of the Japanese market, especially within the automotive industry. During that time, the market was rather small but quickly started growing.

Höganäs entered the Japanese market in 1956 with the help of Gadelius, a Swedish trading company with both a sales organisation and technical capabilities. Höganäs sold their products through this actor and received access to the Japanese market and network. The approach was perceived as common for Swedish companies at the time and considered beneficial to avoid high initial investment costs, to gain access to market and receive support. In 1984, Höganäs and Gadelius created a joint venture where they had equal shares. Ten years later, in 1994, the company became a wholly owned subsidiary by Höganäs. Personnel was

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<sup>24</sup> Maria Thunqvist, Product Developer at Free Range at IKEA of Sweden, phone interview 17th of October 2018

<sup>25</sup> Carl-Gustav Eklund, Representative Director / President Höganäs Japan K.K. in person interview the 11th of October 2018

<sup>26</sup> Carl-Gustav Eklund, Representative Director / President Höganäs Japan K.K. in person interview the 11th of October 2018

transferred from the previous joint venture and Höganäs hired their own employees, mainly Japanese, who could provide their customers with technical support and local capabilities. Since Japan has always been a prioritised market for Höganäs, the communication with the headquarters has been frequent.

Difficulties were encountered in the 1960s to 1970s as Japanese actors started entering the market and Höganäs noticed a loss in market shares. This was identified as a result of not being able to show the same level of trustworthiness as their new competitors. On basis of this, in 1987, a factory was established in Saitama, 100km outside of Tokyo, to increase their credibility and trustworthiness; showing their long-term commitment to Japan. The cooperation with Gadelius was considered beneficial as Höganäs did not experience any language or cultural difficulties.

### 5.6.3 Internal Factors of Market Presence

#### Organisation Characteristics

The subsidiary in Japan has five different departments: Sales, Supply Chain Management, Technical Development, Production and Finance. These departments represent a complete self sufficient company needed for operations in Japan. As some Japanese companies are having trouble handling overseas invoices and also require 100% accurate delivery, having these departments in Japan is of importance.

Global corporate rules, regulations and guidelines govern the organisation. Höganäs also has a global software business system to fully identify and control every transaction being made. Processes and internal controls are well-described. The tasks of the main roles are well defined in general and clearly specified for what range an employee can act. Additionally, Höganäs globally define who has the authority to perform a certain action. The varying functions require employees to work in teams to complement each other with the technical expertise needed.

The organisational design is horizontal and based on function and capabilities. This design is partly shaped by the Representative Director's own preferences to encourage transparency and open communication. However, to adjust to business activities and managing departments, it also needs a certain extent of verticality. The organisational design is more flat and transparent in Japan in comparison to other offices. Reporting is informal with direct communication regardless of employee title. Responsibility is also delegated as much as possible. Decisions are made by the employees actually working with the matter, considering they obtain the most relevant knowledge. However, every decision is made based on a conclusion from discussions involving several parties.

## Leadership & Organisational Culture

A typical leader at Höganäs in Japan has, through the corporate view of leadership, the aim to respect and believe in every employee and motivate them to realise their full potential. The approach is considered work-oriented but the leader aims at being a coach that gives freedom and stimulate people to work in their own way. Höganäs recognise that the personnel is their biggest asset and for this reason they need to be appreciated for their work. The relationship between leader and subordinate is built on respect, with formal communication, such as using work titles which is common in Japan. A Japanese leader is expected to have deep knowledge.

The organisational culture at the Japanese office is based on Höganäs's corporate culture. Swedish values are prominent and put in a Japanese context and the aim is to create a balance. Only letting the Swedish culture affect the Japanese office is considered to cause a dilemma for the employees regarding which behaviour is accepted in the office and with customers. As a result, Japanese cultural traits such as high quality, detail orientation, on time deliveries and formal communication, affects the local office. Transparency and openness at the office exist, resulting in good communication flows and encouragement of employees to take initiative over their own work. Much of the culture and transparency of the office is shaped by Eklund himself as he wants every employee to be able to talk to each other without going through hierarchies.

## Acquiring Skills

Höganäs in Japan requires local knowledge, engineers with advanced technical expertise and both Japanese and English skills. It is important to be able to speak English to communicate directly throughout the corporate group. Höganäs usually recruit mid-career employees. Recruitment is made through referrals, which is seen as a strong point by reason of personal commitment, and through recruitment agencies.

The perceived difficulty regarding the employment market is the scarcity. Höganäs aim for recruiting from all types of social groups and would like to hire more female employees. However, female engineers, salespersons and production workers are scarce in Japan. Other areas of expertise, such as supply chain management, have less scarcity of females. However, being a Swedish company, compared to other nationalities, is associated with positive values. There are also other success stories in Japan enhancing the perception of Swedish companies, such as the presence of IKEA and Electrolux. The Nobel prize is also well known and enhances a positive image of Sweden. The reasons for why employees would not choose Höganäs as their employer in Japan could be that they are a fairly small company with a flat organisational design, implying that a steep career climb is not a certain career path. Bigger Japanese companies have a more distinct steep career path.

Höganäs attracts new talent by; company values, through their industry expertise, the product, work-life balance and encouraging vacations. Taking a vacation has previously been difficult for employees, as they feel the need to continuously maintain their work. Now, the office has made sure that other employees have the capabilities to step in for co-workers, en-

abling them to go on a vacation. Höganäs aims for increasing their brand awareness through social media and promoting new products. However, they only recruit one or two employees per year. The wages are market-oriented and therefore not actively attracting new employees. Höganäs is not involved in growing any talent on the Japanese employment market. However, they offer internships in Japan for foreign interns. It is a mutual learning experience for both the intern and the office, aiming for growing talent within the company.

## 5.6.4 External Factors of Market Presence

### Adjusting to Foreign Markets

Höganäs has to a certain extent adjusted their offering to the demand on the market by customising their metal powder to customer requirements. The basic metal powder is the same but is alloyed to create different functionalities according to requirements. Höganäs balance being global and local by showing a global presence to assure customers that they can provide support overseas but also having local competencies in Japanese, quality and knowledge. The demand for overseas support from Höganäs's customers is increasing. The brand of Höganäs is within its niche industry considered to have very high quality, as a result of their history and long term presence on the Japanese market. The brand recognition does not differ significantly from in Sweden, although the brand in Sweden also is associated with their previous product assortment; ceramics.

### Networks & Partnerships

Höganäs in Japan want to have a key role in their industrial network and they currently have a board member seat at their industrial association. The aim is to show that they are an important actor in the industry and to show engagement. Considering the technical nature of the industry, it is important to share written publications within the cluster to present a deep technical expertise. There also exists an internet network with approximately 60 000 engineers in Japan in different industries, where Höganäs are advertising themselves and connecting to potential recruits and customers. This range of connections would not be possible without this internet based network.

Höganäs's relationship with these actors is usually close with clear contractual agreements and guidelines. Within Höganäs's main business areas, they are dependent on their network and they do receive loyal support from their customers.

The benefits perceived from their network participation are direct contact, partner relationships with mutual gains and product development, global credibility and clear instructions. The built trust also contributes to the partnership overseas. Perceived difficulties are the time and resources needed to create new networks, especially in new businesses.

Swedish companies in Japan are considered to need partners when establishing themselves

on the Japanese market. However, it can take some time to build these. Other Swedish companies in Japan and SCCJ can be utilised as a stepping stone with their already established networks. They should not be afraid to ask for help.

## Industry Structure

Höganäs's main industry is the automotive industry, which is currently in a mature phase. However, Höganäs also delivers products to industries currently in a growing phase such as Electro Magnetic applications, 3D printing and Surface Coating business. Their competitors in Japan are mainly domestic, as the customers require local technical knowledge, services and JIT deliveries.

The Japanese market is significantly larger in comparison to the Swedish market. Thus, the Japanese market is more equally compared with the European market. The supplier and distribution power in Japan is stronger compared to Europe in overall terms, by reason of the Japanese market demanding higher technical standards and more specialised products, causing the suppliers possessing this competence to obtain industry power to some extent. As Höganäs serves as a material supplier, they have obtained significant supplier power. They do not perceive any significant threat from Local suppliers in Japan. Höganäs is also experiencing an increasing threat of substitution on the market for their main products, causing them to continuously develop their own products. Chinese actors producing low-cost materials and leveraging the benefit of economies of scale in their home market are increasingly becoming a substitutional threat.

## Legal, Political and Economical Aspects

Few of Höganäs's imported products are regulated and the EPA (The free trade agreement between EU and Japan) will relieve an increased part of their imported products from custom duties. There are currently no perceived difficulties regarding the financial climate in Japan. However, Höganäs's customers in Japan export a significant part of their production and are therefore exposed to currency fluctuations and international trade regulations.

### 5.6.5 Contributions to the Multinational Organisation's Assets

The Japanese organisation has an important role in the international organisation, as their automotive market is one of the biggest in the world and the sales generated are a significant part of Höganäs income. The subsidiary is highly autonomous with independent responsibilities, considering they do not want to wait for clearance from the headquarters. Nonetheless, the office is a part of the global team providing global services. Since the Japanese automotive industry is large, it is of great importance for Höganäs to be close to Japanese customers, and following them overseas grows the business globally. Höganäs can thereby follow the technology development, see new trends, and share this knowledge with the headquarters.

The core competencies of Höganäs globally are; knowing the product well and being a market leader in the industry with strong technical and R&D competencies in combination with good local knowledge. The Japanese office has highly technical competencies and works closely with the customers' R&D departments. They have a sense of high quality and unique local knowledge. By fulfilling the customer requirements and receiving valuable feedback from customers, Höganäs can develop their products and assure that they have highly qualitative offerings. Knowledge is well shared globally through direct communication and internal networks. Absorbing knowledge from the market is perceived as rather difficult regarding new products as they do not have the manpower, networks and experience to understand how the new market operates. Furthermore, since Höganäs is prominent within their niche industry, they can be considered too proud when learning new product's markets. The absorption of knowledge at the headquarters is good thanks to regular communication but as a new generation is entering the organisation it is important to build the trust and relationships to create new knowledge transfers.

The motives for being active in Japan has not changed over time as the Japanese automotive industry is still large. Höganäs is still focusing on being close to Japanese customers although they are now also focusing on following their development internationally, which has created new business opportunities.

The initial strategy for being on the Japanese market has changed over time as Höganäs entered with a pioneering position facing little competition, which today has grown strong from both Japanese and Chinese competitors. As customers are increasingly demanding a deeper understanding of both their production processes and of the perceived value of the product, Höganäs has adapted their strategy accordingly.

## 5.6.6 Summary of Observations

### Establishment

The motive of entering the Japanese market due to its potential in the automotive industry can be considered as both a market seeking and a non-marketable asset seeking motive. Using Gadelius as solely an exporting party was of transitional character and was later developed to a joint venture. This strategy was common during the time and was perceived beneficial to mitigate risk and gain knowledge. Not being able to prove enough trustworthiness and credibility towards customers caused a decrease in revenue although this was later overcome by opening a mixing plant. After years of collaboration, a wholly owned subsidiary was opened. Perceived benefits was the support from Gadelius and knowledge they possessed. The fact that Höganäs entered the Japanese market over 60 years ago needs to be taken into account since the global market and its communication possibilities have improved.

## Market Presence

The departments constituting a self-sufficient organisation at the local office are considered necessary to operate properly, indicating adjustments to national factors. The organisation has a high degree of objective formalisation, considering the many rules, guidelines and defined processes. However, informal communication suggests some degree of subjective formalisation as well. The need for expert knowledge and the flat horizontal design indicates a high degree of specialisation, even if the surroundings and the size require some extent of verticality. The organisation seems to have a decentralised design.

The leadership approach at Höganäs can be described as paternalistic as the well-being of the subordinates is in focus by trying to show appreciation of their work and motivating them to work as preferred. However, they considered themselves having a somewhat work-oriented approach. The formal yet transparent communication with a certain level of respect seems similar to paternalistic leadership communication. However, influences of a participative approach exist as employees are encouraged to take an active role.

Both Swedish and Japanese national cultures are prominent at the local office. Swedish values have been induced from the corporate culture and the Representative Director's values which seem to be the result of the decentralised structure at the office. A low power distance seems to exist due to the open communication. The stressed openness at the office can be confirmed by the authors as the Representative Director wanted to have the door open during the interview. The Japanese cultural traits, such as the high detail orientation, may give an indication to a high uncertainty avoidance.

Höganäs seems to assure that the skills needed in the organisation also fit the current organisational structure and culture. However, they also seem to form the organisational environment to fit with the wanted personnel. Active branding and positive values associated with Swedish companies facilitate the recruitment. The offering of a quality of life, management practice and the product offering are also considered attracting employees. Höganäs is growing talent through global mobility. Sharing knowledge through industry networks may indirectly contribute to the growth of talents on the market.

The local responsiveness of Höganäs is considered high due to having partially customer-specific products and having a local mixing plant. Demands from Japanese customers have been met by having local knowledge and competencies as well as having a global presence to provide support and meet the requirements of Japanese customers.

Höganäs have the characteristics of a vertically integrated organisation. Their motives of entering network collaborations are foremost to communicate importance and engagement through having a lead role in the network, but also accessing complementary capabilities and industry know-hows. The balance between being collaborative and staying competitive with the individual company agenda seems to be manifested through Höganäs's relationship to their network. The majority of their networks seems intended.

Höganäs's main industry is in a mature phase. However, they are also operating in industries of growing character. The supplier power of Höganäs in Japan is considered high as Höganäs offer a specialised product. Chinese actors which leverage economies of scale cre-



ate a threat of new entrants and substitution and also increases the competitive rivalry on the market.

Höganäs's market presence in Japan seems to not be significantly affected by political and legal regulations. On the contrary, the legal climate may become even more beneficial. They also appear to be fully aware of the effect of the financial climate, both national and international, have on their business.

## Contributions to the Multinational Organisation's Assets

The corporate group of Höganäs seems to have organisational characteristics mainly similar to a Transnational organisation due to the contributions of knowledge of new trends and technical development of the automotive industry which is of great importance for Höganäs and new customers internationally. However, regarding *Configuration of Assets and Capabilities* the corporate group resembles an International organisation. Furthermore, Japanese customers generate substantial revenue and create opportunities for business internationally. The Asian subsidiaries are considered to bring customers closer which in turn increases Höganäs ability to support them (HÖGANÄS AB (publ) Corporate Communication, 2007). The absorptive capacity within the automotive industry is considered high due to close customer contact and the understanding of the importance of the Japanese market for the company globally. However, the absorptive capacity for newer industries is considered low due to barriers of limited resources and attitude. Absorptive capacity at the headquarters is considered high thanks to regular communication and good relationships, although these need to be maintained.

The motive for being active on the Japanese market is still a combination of market and non-marketable seeking. The strategy, however, has been adjusted to handle the increasing competitive rivalry on the market.

## 5.7 Summary of Results

	<i>Modelon</i>	Axis Communications	<i>Vitrolife</i>	<i>BabyBjörn</i>	<i>IKEA</i>	<i>Höganäs</i>
<i>Motive for Establishment</i>	Non-marketable asset seeking	Non-marketable asset & Market seeking	Market Seeking	Market Seeking	Market Seeking	Non-marketable asset & Market seeking
<i>Market Entry Strategy</i>	1. Wholly Owned Subsidiary	1. Wholly Owned Subsidiary	1. Distributor 2. Wholly Owned Subsidiary	1. Distributor 2. Wholly Owned Subsidiary	1. Joint Venture 2. Franchise	1. Distributor 2. Joint Venture 3. Wholly Owned Subsidiary

*Table 5.1: Summary of Data Collection: Establishment*

	<i>Modelon</i>	<i>Axis Communications</i>	<i>Vtrolife</i>	<i>BabyBjörn</i>	<i>IKEA</i>	<i>Höganäs</i>
<b>Organisation Characteristics</b>						
<i>Degree and Type of Formalisation</i>	Semi-High, Subjective	High, Objective & Semi-Subjective	High, Objective	Intermediate, Objective & Semi-Subjective	High, Semi-Objective & Subjective	High, Objective
<i>Degree, and type of Specialisation</i>	High, Horizontal	High, Vertical	High, Vertical	Low, Horizontal	Semi-High, Horizontal	High, Horizontal /Semi-Vertical
<i>Degree of Centralisation</i>	High	Low	High	Intermediate	Low	Low
<i>Operates Autonomously</i>	Yes	No	Yes	No	No	Yes
<b>Leadership &amp; Organisational Culture</b>						
<i>Leadership Approach</i>	-	Participative	Authoritarian /Participative	Participative	Participative	Paternalistic /Participative
<i>Influences from Corporate Culture</i>	Yes	Yes	No	Yes	Yes	Somewhat
<i>Power Distance</i>	High	Low	Intermediate	Low	Low	Low
<i>Uncertainty Avoidance</i>	High	High	High	-	High	High
<i>Masculinity</i>	High	-	High	-	Low	-
<b>Acquiring Skills</b>						
<i>Needed Skills</i>	Technical Expertise, English	Industry Experience, English	Technical & Sales Expertise, English	Motherhood Experience, English	Marketing & Data Analytics Expertise, Multilingual	Technical Expertise, Local Knowledge, Multilingual
<i>Considered Important for Strategic Feasibility</i>	Fit With the Business Model	Cultural Fit, MNO Communication	Cultural Fit, Assuring the Right Skills, MNO Communications	Cultural Fit	Cultural Fit, Employee Development	MNO Communication
<i>Growing Talents</i>	Yes	No	No	No	Yes	Yes
<i>Attracting Talents Through:</i>	Brand, Work-Life Balance, Equality	Brand, Organisational Culture, Product & Industry, International Career	Work-Life Balance, Product	Brand, Work-Life Balance, Product & Industry, Management Practice	Swedish Brand, Work-Life Balance, Equality, Societal Pioneers, International Career	Swedish Brand, Work-Life Balance, Product & Industry, Management Practice

**Table 5.2: Summary of Data Collection: Internal Factors of Market Presence**

	<i>Modelon</i>	<i>Axis Communications</i>	<i>Vitrolife</i>	<i>BabyBjörn</i>	<i>IKEA</i>	<i>Höganäs</i>
<b><i>Adjusting to Foreign Markets</i></b>						
<i>Local Responsiveness</i>	High	Limited	High	High	Limited	High
<i>Adaption of Brand</i>	No	No	No	No	No	No
<b><i>Leadership &amp; Organisational Culture</i></b>						
<i>Characteristics of a Network Organisation</i>	Yes	Yes	No	Yes	No	No
<i>Type of Network Relationship</i>	Collaborative	Collaborative	Transactional	Transactional & Somewhat Collaborative	Transactional & Somewhat Collaborative	Collaborative
<i>Motives for Entering Networks</i>	Complementary Capabilities & Know-Hows	Complementary Capabilities & Know-Hows	Complementary Capabilities & Know-Hows	Efficient Collaboration, Complementary Capabilities & Know-Hows	Complementary Capabilities & Know-Hows	Complementary Capabilities & Know-Hows, Network Status
<i>Unintended Networks</i>	Yes	No	No	No	Yes	No
<b><i>Industry Structure</i></b>						
<i>Industry Types</i>	Perfectly Competitive	Perfectly Competitive	Perfectly Competitive	Perfectly Competitive	Perfectly Competitive	Perfectly Competitive
<i>Industry Lifecycle</i>	-	Growing /Mature	Growing	Mature	Growing	Growing /Mature
<i>Threat of New Entrants</i>	-	High, Mainly Chinese Actors	Increasing	High, International Competitors	Low	High
<i>Threat of Substitutions</i>	Low for Complex Products	High	High for Less Complex Products	High	Low	High, Mainly Chinese Actors
<i>Competitive Rivalry</i>	Low	High	High	High	High	High
<i>Buyer Power</i>	Low	Balanced	-	Low	Low	-
<i>Supplier Power</i>	-	-	-	-	Low	High
<b><i>Political, Economic &amp; Legal Aspects</i></b>						
<i>Political</i>	Not Affected	Not Affected	-	Somewhat Disadvantageous	-	Not Affected
<i>Economic</i>	Somewhat Disadvantageous	Not Affected	Somewhat Advantageous	Advantageous	Somewhat Disadvantageous	Somewhat Affected
<i>Legal</i>	Not Affected	Not Affected	Somewhat Disadvantageous	Stricter	Somewhat Disadvantageous	Advantageous

**Table 5.3: Summary of Data Collection: External Factors of Market Presence**

	<i>Modelon</i>	<i>Axis Communications</i>	<i>Vitrolife</i>	<i>BabyBjörn</i>	<i>IKEA</i>	<i>Höganäs</i>
<i>MNO Characteristics</i>	Transnational	Global /International	Transnational /International	Transnational /International	Global /Transnational	Transnational /International
<i>Absorptive Capacity at The Office</i>	Relatively High	Relatively High	High	High	Limited	High, however limited for new products
<i>Absorptive Capacity at The Headquarters</i>	High	High	Relatively High	High	Limited	High
<i>Changed Motives</i>	No	No	Yes	Yes	Yes	No
<i>Contributions</i>	Networks in Japan and China, Delivery of Products, Quality	Market Knowledge, Quality	Knowledge, Product Input, Quality of Delivery, Knowledge of the Asian Market	Product Input & Knowledge, ERP Systems, Success of Market Principle, Quality	Knowledge, Test Market, Quality	Create Business Internationally, Knowledge, Quality
<i>Strategic Drift</i>	Yes, Changed Business Model	Yes, Changed Offerings	Yes, Due to Changed Motives	Yes, Changed Distribution Model	No	Yes, due to New Industry Structures

**Table 5.4:** Summary of Data Collection: Contributions to the Multinational Organisation's assets



## Chapter 6

# Analysis

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*This segment is initiated with an introduction to a set of background variables for the cases. These variables combined with the theoretical framework will then be utilised to perform an extensive cross-case analysis identifying patterns within each research area, further presented.*

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### 6.1 Background Variables

The background variables are known prior to the performance of the analysis. They are presented in order for the authors to identify patterns possibly correlated with these. The variable *Years since establishment* is counted from the company's establishment of a Swedish governed business activity in Japan. The *Size Classification* is divided into small offices: 1-20 employees, medium-sized offices: 21-60 employees and large offices: > 60 employees. The *% of Global Revenue* is calculated by dividing the offices' revenue with the multinational organisation's global revenue.

	<i>Modelon</i>	<i>Axis Communications</i>	<i>Vitrolife</i>	<i>BabyBjörn</i>	<i>IKEA</i>	<i>Höganäs</i>
<i>Years since Est.</i>	4 years	24 years	10 years	7 years	16 years	60 years
<i>% of Global Revenue</i>	8%	-	<17%	18%	2%	10%
<i>Nr. of Employees</i>	5	38	15	5	155	40
<i>Size Classification</i>	S	M	S	S	L	M
<i>Nr. of Employees Globally</i>	80	2,865	370	127	150,000	2,300
<i>Business Model</i>	B2B	B2B	B2B	B2C	B2C	B2B

**Table 6.1:** Background Variables

## 6.2 Cross-Case Analysis

### 6.2.1 Establishment

	<i>Modelon</i>	<i>Axis Communications</i>	<i>Vitrolife</i>	<i>BabyBjörn</i>	<i>IKEA</i>	<i>Höganäs</i>
<i>Motive for Establishment</i>	Non-marketable asset seeking	Non-marketable asset & Market seeking	Market Seeking	Market Seeking	Market Seeking	Non-marketable asset & Market seeking
<i>Market Entry Strategy</i>	1. Wholly Owned Subsidiary	1. Wholly Owned Subsidiary	1. Distributor 2. Wholly Owned Subsidiary	1. Distributor 2. Wholly Owned Subsidiary	1. Joint Venture 2. Franchise	1. Distributor 2. Joint Venture 3. Wholly Owned Subsidiary

**Table 6.2:** Summary of Data for the Cross-Case Analysis: Establishment

The initial motives for establishment in Japan seem to be mainly market seeking. Nonetheless, there exist indications for non-marketable asset seeking motives as well, such as physical proximity to customers and enhancing the company's reputation through the perception of Japan's technical advancement. These are motives which can only be obtained by being physically present in Japan. For two of the case-companies both market seeking and non-marketable asset seeking motives exist due to the ambiguity of a market's potential and how technical advancement can be leveraged.

The market entry principle has shifted amongst the cases. However, all case-companies now have wholly owned subsidiaries, although IKEA work according to their global franchise model. As stated by Luthans and Doh (2008), risks associated with opening a wholly owned subsidiary is low national integration and high investment costs. These risks were mitigated differently amongst the case-companies. Two of the case-companies started with a wholly owned subsidiary and both had extensive networks prior to establishment. Three case-companies entered the market with a distributor and used this as a transitional phase, as mentioned common by Luthans and Doh (2008). Two out of these later shifted their business to a wholly owned subsidiary due to the belief that market growth would be better if handled solely. Höganäs created a joint venture with the Swedish distributor, giving an example of a different strategy. However, their early market entry needs to be taken into account.

The risk of low national integration seems to have been minimised among all the case-companies by hiring Japanese workforce and choosing representative directors that, if not Japanese, possess great knowledge and experience of the Japanese market. Several case-companies have expressed why a specific representative manager was chosen which may indicate a high perceived importance of having experience and knowledge of the Japanese market.

Having a sales office is considered as an export operation by Luthans and Doh (2008). However, in this study, even though the offices have a main focus on sales and investments in manufacturing facilities have not been made, they are in this study perceived as wholly owned subsidiaries. They are perceived this way due to the extensive organisations they possess, the close relationships the majority has with their respective headquarters and the value they add to the offerings through adaption and customer contact. Furthermore, the extensive contribution the Japanese operations contribute to the global revenue gives an indication of the

importance of the subsidiary's role in the MNO. Hence, the labelling in *Market Outlook - Japan 2018* by Business Sweden (2018a) of Swedish companies' main activities in Japan as "Sales and Marketing" does not describe the complexity of the organisations.

Both Höganäs and IKEA accessed the Japanese market at different points of their establishment phase through joint ventures. Höganäs entered the market with a Swedish actor and IKEA with a Japanese. According to Luthans and Doh (2008), there are several benefits connected to this market entry principle, however, the outcome of these case companies' strategies was different. Höganäs had a good relationship with Gadelius and entered a joint venture together while IKEA, on the other hand, had to cease their collaboration due to conflicts. Additionally, the Japanese market was not ready for IKEA's products and IKEA did not fully recognise the specific market demand. This strengthens Luthans and Doh (2008) notion of the great importance of careful market analysis prior to establishment and the involved parties understanding their terms of collaboration.

Both Modelon and Höganäs mentioned the importance of making long-term commitments to the Japanese market in order to increase credibility, such as opening a wholly owned subsidiary for Modelon and a mixing plant for Höganäs. This is in line with the statement of Matsuo (1989) regarding the importance of long-term commitments, especially to face the competition of domestic companies.

The Swedish Embassy seems to have had great importance for the majority of the case-companies. Several mentioned support from the embassy as well as initially renting office space.

## 6.2.2 Internal Factors of Market Presence

### Organisation Characteristics

	<i>Modelon</i>	<i>Axis Communications</i>	<i>Vitrolife</i>	<i>BabyBjörn</i>	<i>IKEA</i>	<i>Höganäs</i>
<i>Type of Formalisation</i>	Subjective	Objective & Semi-Subjective	Objective	Objective & Semi-Subjective	Semi-Objective & Subjective	Objective
<i>Degree, and type of Specialisation</i>	High, Horizontal	High, Vertical	High, Vertical	Low, Horizontal	Semi-High, Horizontal	High, Horizontal/Semi-Vertical
<i>Degree of Centralisation</i>	High	Low	High	Intermediate	Low	Low
<i>Operates Autonomously</i>	Yes	No	Yes	No	No	Yes

**Table 6.3:** Summary of Data for the Cross-Case Analysis: Organisation Characteristics

The majority of the case-companies have an objectively formalised organisation design to a higher extent, except for the case of Modelon and IKEA. Modelon's low degree of objective formalisation may be affected by their small office size and short history on the Japanese market. Many of the case-companies, described as formalised according to Luthans and Doh (2008) and Thomas and Peterson (2015), have also expressed that policies and handbooks governing the organisation, often are developed at the headquarters and applied for



the whole MNO. This suggests that the degree of formalisation can be correlated with how the MNO choose to govern their subsidiaries. However, the majority of the case-companies have also emphasised that the subsidiary is highly autonomous with an extensive range of departments needed to be able to fully serve customers. Many of the case-companies have a somewhat high degree of subjective formalisation as well, implying that the organisations are also governed by cultural values, which is strongly noticed at IKEA. Additionally, both Modelon and Vitrolife have chosen to express how generally, Japanese employees want more detailed tasks. Additionally, this preference may have caused some of the organisations to be more formalised than intended. The fact that two of the case-companies have chosen to describe this preference gives an indication of the matter being important to understand in this context.

The majority of the case-companies describe themselves as having or wanting a horizontal organisational design. However, several of them also describe that the size of the organisation in Japan, or the size of the MNO, entails a certain degree of verticality. Many are considered to have a high degree of either horizontal or vertical specialisation. Some of the case-companies have also described that Japanese organisations often are formal and vertical to a higher extent relative Swedish organisations, which is somewhat consistent with descriptions of Japanese organisations by Peltokorpi (2006).

Smaller offices appear to have a centralised decision structure to a higher extent. However, this pattern may appear as a consequence of the single top manager having the complete managerial authority in the decision-making process. There seems to be no significant correlation between an organisation being horizontal nor what degree of formalisation the organisation obtains, and to what degree an organisation has chosen a centralised structure.

Only Modelon and IKEA have mentioned that they have implemented the organisational characteristics of the headquarters' standards on their Japanese subsidiary to different extents, as mentioned common by Luthans and Doh (2008). These two companies also have a high degree of subjective formalisation. On the contrary, BabyBjörn, Vitrolife and Höganäs have an organisation in Japan which is significantly different from their headquarters'. Some case-companies have mentioned that local customs and culture have affected how they shape their organisational characteristics, which is consistent with Luthans and Doh (2008). The degree of hierarchy has in some cases been adjusted to overseas customs. Macro-environmental aspects have helped shaped the organisational characteristics, which is mentioned common by Thomas and Peterson (2015), and was observed in the case of IKEA.

## Leadership & Organisational Culture

	<i>Modelon</i>	<i>Axis Communications</i>	<i>Vitrolife</i>	<i>BabyBjörn</i>	<i>IKEA</i>	<i>Höganäs</i>
<i>Leadership Approach</i>	-	Participative	Authoritarian /Participative	Participative	Participative	Paternalistic /Participative
<i>Influences from Corporate Culture</i>	Yes	Yes	No	Yes	Yes	Somewhat
<i>Power Distance</i>	High	Low	Intermediate	Low	Low	Low
<i>Uncertainty Avoidance</i>	High	High	High	-	High	High
<i>Masculinity</i>	High	-	High	-	Low	-

**Table 6.4:** Summary of Data for the Cross-Case Analysis: Leadership & Organisational Culture

The majority of the case-companies have a participative leadership approach mainly due to leaders and subordinates communicating freely and subordinates being encouraged to take an active role. One of the case-companies indicated an authoritarian approach, although in combination with a people-oriented focus, which argue for a less authoritarian approach. Finally, one case-company seems to have a partially paternalistic leadership approach. None of the leadership approaches to the case-companies seem to emerge any obvious patterns connected to the background variables. However, other variables may have coloured the leadership approach, such as personal preferences or strong corporate values. The participative leadership approach is present at the companies with decentralised structures proving a correlation.

Formal communication is expressed as present between leaders and subordinates at Vitrolife and Höganäs. Additionally, these companies mention that there is an expectancy of leaders to possess great knowledge and seniority. This may indicate a pattern of formal communication being present when leaders are considered possessing these traits. Furthermore, the power distance at Vitrolife is considered high which also may explain this phenomenon.

The organisational culture at the Japanese offices has in four cases been expressed as coloured by the corporate culture. None of the background variables seem to explain why. However, when considering the autonomy of the two other case companies, Höganäs and Vitrolife, a pattern may exist between the autonomy of the office and to what extent the corporate culture has coloured it. In these two cases, the leader's values and the national cultures of both Sweden och Japan seem to be more prominent than the corporate culture. This may indicate that when autonomous, influences from other values and cultures other than the corporate, colour the organisation to a larger extent. In Modelon's case, both autonomy and influences from the corporate culture exist which decreases the credibility of this pattern. However, one of the Swedish founders was active at the office for three out of four years of presence, proving that although autonomous the corporate culture could have been shared through the founder. Furthermore, needed to be taken into account is that the corporate culture of Swedish companies often has influences from Sweden's national culture. Additionally, two of the case-companies expressed the Swedish tradition of *Fika* as being warmly welcomed at

the Japanese office indicating an openness for the Swedish culture. The majority of the case-companies have also expressed how customers' demands have affected the organisational culture at the office. This indicates that surrounding factors also affect the organisational culture.

The power distance was considered low in the majority of the case companies. When comparing the power distance revealed in this study with the national culture indices by Hofstede et al. (2011), Figure 4.1, an indication may be given that the Swedish national culture has affected the power structures in these four case companies, considering the power distance being lower in Sweden compared to Japan. However, even if Sweden's index is lower, Japan's power index is still considered intermediate, which may question to which extent the Swedish influences regarding the power distance. The high power distance at Modelon and Vitrolife seem to have a correlation with the centralised structure.

A high uncertainty avoidance was observed at the majority of the case-companies, expressed as high detail orientation and punctuality. When comparing the results with the national indices of uncertainty avoidance, Japan is demonstrating much higher uncertainty avoidance (92) compared to Sweden (30). As the difference between the indexes is prominent and Japan's index is considerably high, one can argue that the Japanese culture has coloured the culture at the offices. Aspects which can be connected to the masculinity index were only seen at three of the case-companies and do not create enough foundation for analysis.

## Acquiring Skills

	<i>Modelon</i>	<i>Axis Communications</i>	<i>Vitrolife</i>	<i>BabyBjörn</i>	<i>IKEA</i>	<i>Höganäs</i>
<i>Needed Skills</i>	Technical Expertise, English	Industry Experience, English	Technical & Sales Expertise, English	Motherhood Experience, English	Marketing & Data Analytics Expertise, Multilingual	Technical Expertise, Local Knowledge, Multilingual
<i>Considered Important for Strategic Feasibility</i>	Fit With the Business Model,	Cultural Fit, MNO Communication	Cultural Fit, Assuring the Right Skills, MNO Communication	Cultural Fit	Cultural fit, Employee Development	MNO Communication
<i>Growing Talents</i>	Yes	No	No	No	Yes	Yes
<i>Attracting Talents Through:</i>	Brand, Work-Life Balance, Equality	Brand, Organisational Culture, Product & Industry, International Career	Work-Life Balance, Product	Brand, Work-Life Balance, Product & Industry, Management Practice	Swedish Brand, Work-Life Balance, Equality, Societal Pioneers, International Career	Swedish Brand, Work-Life Balance, Product & Industry, Management Practice

**Table 6.5:** Summary of Data for the Cross-Case Analysis: Acquiring Skills

The majority of the case-companies perceive the employment market as highly scarce, which is consistent with Suzuki's (2018) description. Several case-companies also expressed that they are acquiring mid-career employees or require market experience. Thus, as Hagström and Moberg (2015) and Ono and Odaki (2011) describes several incentives for not switching workplaces in Japan, these incentives may be a contributing factor for the experienced

recruitment difficulties. However, Ono and Odaki (2011) also describe that mid-career intakes is a common strategy on the Japanese employment market for foreign organisations. The current situation can aggravate the recruitment of the right skills needed for strategic feasibility and many stress the complexity of finding the appropriate personnel, which is in line with statements from Johnson et al. (2017). The smaller case-companies have expressed fewer difficulties with recruiting personnel which could be explained by their few vacancies to fill. The majority have communicated that recruiting personnel with advanced expertise is difficult especially in combination with other skills. Several have also expressed that finding personnel with good English skills is often challenging, and can in combination with other advanced skills significantly decrease the pool of potential recruits on the market. Nonetheless, English is seen as a strategic skill to enable communication and knowledge transfer throughout the MNO. Many case-companies stress the importance of their human capital as an asset, linking them to business performance, in line with statements from Farley (2005). The case of Axis and BabyBjörn manifests Farley's (2005) elaboration of the strategic importance of linking people of an organisation to profits and translating company goals to workforce needs, through personal KPI's or personal goals derived from company goals.

Several case-companies have expressed their concern of the cultural fit with new recruits, and that potential employees have been denied employment due to a misalignment with the organisation's culture. This indicates that the organisational culture is highly valued and that it is prioritised during the recruitment process. However, these requests also seem to significantly aggravate the speed of the process and narrow down the supply of potential talent.

Modelon and IKEA are the only cases-companies actively growing talents on the Japanese employment market, mainly through university lectures. These visits are likely performed by other reasons as well, such as creating brand awareness and attracting talents. However, Höganäs grows talent through global mobility and the other case-companies grow talents internally. All of the case-companies try to include all social groups into their considered pool of recruits, consistent with (INSTEAD et al., 2015).

All of the case-companies use or leverage their brand in some way to attract new talent. A majority brand themselves actively towards the employment market. Axis and BabyBjörn solely leverage their existing brand on the employment market. Additionally, IKEA and Höganäs also try to associate their brand with the Swedish brand and positive values associated with it, which is consistent with statements from Anholt (2004). Several of the cases attract talents through product and market-related aspects, such as industry growth or market share, somewhat consistent with Sommer et al. (2017). However, this seems to be correlated with the perceived success of the company in Japan. The majority of the case-companies have mentioned aspects of attracting talents that are somewhat associated with Swedish standards such as; work-life balance, gender equality and many vacation days. Attracting talents through management practices such as employee development and professionalism have been mentioned in some cases, which is in line with INSTEAD et al. (2015). The desire to recruit more female employees, and the actions taken to enable this, expressed by the majority of case-companies, is consistent with statements from Human Resource Management International Digest (2016). None of the case-companies seem to have chosen to attract talents through high wages. No specific reasons were mentioned to explain why this was the case. These results differ from what Ono and Odaki (2011) have described.

Modelon and Vitrolife have chosen to describe the traditional preferences of Japanese employees; who often are risk averse and prefer to work at large, well-known, preferably Japanese, companies with a long market presence in Japan. This seems to be more likely to be socially accepted by family and a safe choice for long-term employment. These descriptions are consistent with Hagström and Moberg (2015) and with Ono and Odaki (2011). Axis and Höganäs have also described the Japanese work preferences of a steep career path. The fact that these cases-companies have chosen to describe these preferences gives an indication of the matter being important to understand in this context.

### 6.2.3 External Factors of Market Presence

#### Adjusting to Foreign Markets

	<i>Modelon</i>	<i>Axis Communications</i>	<i>Vitrolife</i>	<i>BabyBjörn</i>	<i>IKEA</i>	<i>Höganäs</i>
<i>Local Responsiveness</i>	High	Limited	High	High	Limited	High
<i>Adaption of Brand</i>	No	No	No	No	No	No

**Table 6.6:** Summary of Data for the Cross-Case Analysis: Adjusting to Foreign Markets

The local responsiveness is considered relatively high for the majority of the case-companies as they give indications of responding to market trends and altering the products or product portfolio according to market input. Both Axis and IKEA expressed difficulties regarding their adaption to the Japanese market, indicating a slightly limited local responsiveness compared to the other case-companies. Axis is to some extent limited by international guidelines regarding customer relationships but is despite this responding to local trends, mainly thanks to the headquarters's flexibility and understanding, as mentioned important by Conroy and Collings (2016), in order to adapt locally. The case of IKEA argue for a relatively low local responsiveness as they consider themselves to not fully understand the Japanese market, and products are developed for international sales. Both these case companies are large globally which may give an indication of the MNO's size affecting to which extent a company can adapt. IKEA has, however, adapted their products to the stricter safety standards in Japan, which later has been incorporated internationally. This is also the case for BabyBjörn. As both companies are active within the retail industry and have a B2C business model, a pattern for adapting to stricter safety standards for companies with this business model is identified.

All the case-companies have local employees which may to a larger extent than foreigners be able to understand the Japanese market and emerging trends. According to Buckley and Casson (2016), this may otherwise be problematic for subsidiaries on foreign markets.

The case-companies having a B2B business model, have all mentioned an adaption regarding quality, appearance, and delivery. Additionally, the demand for highly qualitative goods and

delivery together with stricter safety standards have in many cases helped the MNO develop themselves internationally, for companies with B2B as well as B2C business models. The statements by Salsberg (2010) of Japanese customers being willing to pay more for high quality, unlike in Western societies, gives an indication of why these case-companies have had to adapt their offering to fit this demand. The high demand for quality and delivery is also mentioned by Matsuo (1989). IKEA have mentioned that their quality is not considered high enough by their customers, confirming Haak and Haak (2008) statement regarding the importance of quality even for low price products for Japanese consumers.

Although Matsuo's article is from 1989, the information gained in this study can strengthen the statements regarding the importance of quality, delivery, and long-term commitment, and show their accuracy now almost 30 years later. Furthermore, this, in turn, strengthens Hagström & Moberg's (2015) statement of Japan's deep societal structures and slow cultural changes.

None of the case companies have intentionally changed the perception of their brand on the Japanese market, even if Best (2013) mention this as a possibility to adapt locally. However, brand awareness seems to have been an advantage when entering the Japanese market, as the case for Modelon demonstrates, which is consistent with Best (2013) arguing for brand recognition to be an enabler when entering a new market. In line with this, Axis demonstrates the opposite; having low brand awareness was disadvantageous and required OEM business to overcome the barriers. Furthermore, several case companies mentioned a leveraged use of Sweden's national brand to improve their brand perception, as in line with theory by Anholt (2004).

## Networks & Partnerships

	<i>Modelon</i>	<i>Axis Communications</i>	<i>Vitrolife</i>	<i>BabyBjörn</i>	<i>IKEA</i>	<i>Höganäs</i>
<i>Character of a Network Organisation</i>	Yes	Yes	No	Yes	No	No
<i>Type of Relationship</i>	Collaborative	Collaborative	Transactional	Transactional & Somewhat Collaborative	Transactional & Somewhat Collaborative	Collaborative
<i>Motives for Entering Networks</i>	Accessing Complementary Capabilities & Know-Hows	Accessing Complementary Capabilities & Know-Hows	Accessing Complementary Capabilities & Know-Hows	Efficient Collaboration & Know-Hows	Accessing Complementary Capabilities & Know-Hows	Accessing Complementary Capabilities & Know-Hows, Network Status
<i>Unintended Networks</i>	Yes	No	No	No	Yes	No

**Table 6.7:** Summary of Data for the Cross-Case Analysis: Networks & Partnerships

All of the case-companies have mentioned that the motives for entering network collaborations where, among others, to obtain complementary capabilities and know-hows, as suggested by Luthans and Doh (2008). These are industry-specific motives that do not have to necessarily be correlated with local customs through networks but is rather correlated with the company's business model. Additionally, companies having a B2B business model, have to a higher extent described their relationships as collaborative or as partnerships, while

companies having a B2C business model have a higher extent of transactional relationships. These different types of relationships suggest a pattern of the business model being correlated with the chosen network relationships rather than local factors. Some cases have specific guidelines and scopes for network relationships. This factor does not appear to be a critical variable for network success, as suggested by Luthans and Doh (2008).

Höganäs's and Modelon's perceived benefits for network collaborations are partially prestige. However, the reaped benefits of Modelon's collaborations were somewhat unintended, and a result of cultural differences in this aspect, while Höganäs intentionally leverage the gained prestige. Höganäs's case is consistent with the findings of Teece et al. (2016) considering gained prestige through networks. Both case-companies acknowledge Japanese as one of their strategic markets and both are highly technical companies. Thus, these factors may be correlated with the benefits of prestige. Axis and Höganäs highlight the dilemma of wanting collective success through their network but also having their own agenda, explained similarly by Johnson et al. (2017) and Luthans and Doh (2008). Vitrolife has also emphasised this dilemma.

Unintended networks were discovered in a few cases and were associated with the local factors in Japan. In these cases, the reason for the unintended networks seem to be twofold; Japanese customers requiring sales or communication through other actors they have cooperated with and the networks gained through other actors involved with the Swedish Embassy, SCCJ or Business Sweden. They had both seen and unseen characteristics, according to Welch and Welch (1996).

Most of the parameters describing the networks were affected by aspects of the case-companies' overall industry, rather than local or cultural aspects. However, the unintended networks seem to have emerged from local factors. Additionally, the beneficial status Modelon leveraged from their network by initiating collaborations according to their business model was partially possible by reasons of cultural differences.

## Industry Structure

	<i>Modelon</i>	<i>Axis Communications</i>	<i>Vitrolife</i>	<i>BabyBjörn</i>	<i>IKEA</i>	<i>Höganäs</i>
<i>Industry Types</i>	Perfectly Competitive	Perfectly Competitive	Perfectly Competitive	Perfectly Competitive	Perfectly Competitive	Perfectly Competitive
<i>Industry Lifecycle</i>	-	Growing / Mature	Growing	Mature	Growing	Growing / Mature
<i>Threat of New Entrants</i>	-	High, Chinese actors mainly	Increasing	High, international competitors	Low	High
<i>Threat of Substitution</i>	Low for complex products	High	High for less complex products	High	Low	High, Chinese actors mainly
<i>Competitive Rivalry</i>	Low	High	High	High	High	High
<i>Buyer Power</i>	Low	Balanced	-	Low	Low	-
<i>Supplier Power</i>	-	-	-	-	Low	High

**Table 6.8:** Summary of Data for the Cross-Case Analysis: Industry Structure

All case-companies are considered to be active in perfectly competitive markets. The closed nature of the Japanese market and the corporate structure of *Keiretsu*, described by Thomas and Peterson (2015), has therefore not been identified as an obstacle for the case-companies. However, one can argue that the case-companies seek the industries where these structures do not exist and where they have the possibility to compete with their offer.

Half of the case-companies perceive their market, for the main part of their products, as being in a mature phase. These case-companies have been active on the Japanese market for the longest, including BabyBjörn when considering their presence with their distributor. Chinese actors have been mentioned as creating a high threat of substitution and a threat of new entrants. The described competitive rivalry in mature markets is confirmed by Porter (1997).

Porter (1997) argues that the threat of substitution may be lowered for more complex products which are revealed in the case of Modelon and Vitrolife. However, Höganäs suffer a threat of substitution for their main products which can be considered complex.

The buyer power is considered rather low alternatively balanced for the majority of the case-companies. Furthermore, a majority of the case-companies have not put emphasis on discussing the power of suppliers, hence not considered significantly important to analyse.



## Political, Economic and Legal Aspects

	<i>Modelon</i>	<i>Axis Communications</i>	<i>Vitrolife</i>	<i>BabyBjörn</i>	<i>IKEA</i>	<i>Höganäs</i>
<i>Political</i>	Not Affected	Not Affected	-	Somewhat Disadvantageous	-	Not Affected
<i>Economic</i>	Somewhat Disadvantageous	Not Affected	Somewhat Advantageous	Advantageous	Somewhat Disadvantageous	Somewhat Affected
<i>Legal</i>	Not Affected	Not Affected	Somewhat Disadvantageous	Stricter	Somewhat Disadvantageous	Advantageous

**Table 6.9:** Summary of Data for the Cross-Case Analysis: Political, Economic and Legal Aspects

The low unemployment rate affects the supply of potential employees for five case-companies where more advanced or expert skills are needed. The demographic changes of a decreasing rate of childbirths have shown to affect the business for two of the case-companies which have products directly connected to babies and childbirth.

Four cases perceived the Japanese regulations as disadvantageous by being more strict, different or causing uncertainties for the business. The strict regulations have in some cases been advantageous as well when companies have learned to adapt their products. As the case-companies perceive the Japanese regulations as disadvantageous for different reasons, no pattern is identified for why these four cases have this perception in common.

The perception of the overall economy in Japan is varying. BabyBjörn has a premium offer and considers the wages in Japan high. However, IKEA is targeting "the many people", and they are considering the wages relatively low in comparison to Sweden which affects how their prices are perceived. This indicates that depending on the offer and target market, the span of wages in Japan can be perceived as different compared to Sweden. Höganäs is the only case who specifically have expressed their exposure to the fluctuations of the currency Yen.

The majority of the cases seems to be aware and affected of these macro-environmental factors as implied by Johnson et al. (2017).

## 6.2.4 Contributions to the Multinational Organisation's assets

	<i>Modelon</i>	<i>Axis Communications</i>	<i>Vitrolife</i>	<i>BabyBjörn</i>	<i>IKEA</i>	<i>Höganäs</i>
<i>MNO Characteristics</i>	Transnational	Global /International	Transnational /International	Transnational /International	Global /Transnational	Transnational /International
<i>Absorptive Capacity at The Office</i>	Relatively High	Relatively High	High	High	Limited	High, however limited for new products
<i>Absorptive Capacity at The Headquarters</i>	High	High	Relatively High	High	Limited	High
<i>Changed Motives</i>	No	No	Yes	Yes	Yes	No
<i>Contributions</i>	Networks in Japan and China, Delivery of Products, Quality	Market Knowledge, Quality	Knowledge, Product Input, Quality of Delivery, Knowledge of the Asian Market	Product Input & Knowledge, ERP Systems, Success of Market Principle, Quality	Knowledge, Test Market, Quality	Create Business Internationally, Knowledge, Quality
<i>Strategic Drift</i>	Yes, Changed Business Model	Yes, Changed Offerings	Yes, Due to Changed Motives	Yes, Changed Distribution Model	No	Yes, due to New Industry Structures

**Table 6.10:** Summary of Data for the Cross-Case Analysis: Contributions to the Multinational Organisation's assets

The majority of the case-companies' MNO have characteristics of transnational organisations, however mostly in combination with global or international characteristics. The basis of their transnational characteristics are mainly connected to the *Development and Diffusion of Knowledge* and *Role of Overseas Operations* which is extensive in Japan and contributes to the MNO's assets. Regarding *Configurations of assets and capabilities*, the majority of the case-companies have given indications of an international organisation, which may be due to them having the official function of a sales office in the MNO where core-competencies may not be needed.

The capacity of the case-companies to absorb knowledge from the market is considered relatively high. Facilitators that have been mentioned are; customer contact and local employees, which decrease language and cultural differences, aspects common to create barriers for the absorption according to Peltokorpi (2017). For the majority of the case-companies, the absorptive capacity of the headquarters can be considered high. Vitrolife expressed a limited absorptive capacity when the headquarters considered the importance of the business in Japan as limited. However, both the headquarters' interest and engagement increased with the office's gained importance. Similarly, BabyBjörn expressed the headquarters' high absorptive capacity due to the high importance of the office's business. This may give an indication for absorptive capacity to be correlated with the perceived importance of the local office. The limited absorptive capacity of the corporate group of IKEA can, therefore, be a result of IKEA in Japan only contributing to 2% of the revenue globally. Additionally, IKEA's corporate group is the only MNO resembling a global organisation regarding the *Configuration of Assets and Capabilities* whilst the majority of the other case companies are

similar to a transnational organisation. This may indicate a less absorptive capacity for these centralised characteristics. Additionally, the large size of IKEA's corporate group and the robustness of their business model may hinder the absorptive capacity and could make them less adaptive.

As mentioned by Davenport et al. (2003), a foundation of knowledge may be required to be able to absorb knowledge which the majority of the case-companies' local offices seem to possess within their industry. They have all expressed that they possess extensive knowledge within their industry, enhancing the absorptive capacity. Furthermore, the *ego effect* mentioned by Teece et al. (2016) is seen in the case of Höganäs which in turn seems to lower their absorptive capacity.

Even though the motives for initially entering the Japanese market mainly were market seeking, a presence on the Japanese market seems to have evolved the motives to include non-marketable asset seeking motives. The case-companies which expressed solely market seeking motives for establishment have all added the knowledge gained from the market as a new motive. Business Sweden (2018a) have also described the Japanese market as possessing knowledge in production know-how and R&D capabilities. In line with this, half of the case-companies have expressed the benefits of product input from the Japanese market and expressed its advancement regarding trends and market structures as beneficial. This input has in all cases contributed to the organisations internationally, which according to Cohen and Levinthal (2000) is crucial to increase the organisation's innovation capability. Three of the case-companies have additionally mentioned the gained knowledge from the Japanese market to be leveraged in other Asian countries. Furthermore, two case companies have gained customers internationally as a result of the Japanese presence.

Adjustments from the initial strategies seem to have occurred for the majority of the case-companies. However, it was difficult to determine if these are strategic drifts. Furthermore, no obvious pattern can be distinguished as the strategic changes are very different from each other.

## Chapter 7

# Discussion

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*In this section, the analysed results will be discussed in relation to the research questions. Areas of importance are identified and discussed relative to other research areas. Furthermore, the patterns discovered in the analysis will be discussed.*

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The initial motives for entering the Japanese market were to a large extent market-seeking. However, the motives seem to have evolved during the market presence as the understanding of the market and its potential grows. Thus, by being able to absorb the knowledge and leveraging its benefits, the motives have evolved from solely market seeking to include non-marketable asset seeking.

The establishment process seems to be continuous as the type of market principle in many cases has evolved over time. However, the majority now has wholly owned subsidiaries. Some phases have been regarded as transitional, such as starting with a distributor. The companies using wholly owned subsidiaries as an initial market entry strategy gained confidence through extensive networks prior to establishment. Therefore, the most prominent pattern of Swedish companies' establishment in Japan is the cautiousness in the initial activities as they seem to be performed in order to mitigate risks associated with entering the Japanese market, such as high initial investment costs and not understanding the market demand. The latter risk also seems to have been mitigated by using a Representative Director that, if not Japanese, possess knowledge and experience of the Japanese market.

One of the most prominent areas needed to be managed extensively on the Japanese market was found to be the acquirement of skills. As the Japanese employment market is perceived as scarce, companies are managing the lack of available skills by differentiating themselves, to different extents, towards the employment market and leveraging the Swedish brand. The perceived stereotypical Japanese preferences are to some extent not aligned with the characteristics of Swedish companies. Thus, in combination with the competition on the employment market, strict requirement of advanced skills and the importance of a cultural fit, managing this area seems to be complex and of great importance.

The high importance of cultural fit when acquiring skills indicates that the organisational culture is highly valued and is actively managed by Swedish companies in Japan. The fact

that many potential and competent recruits have been rejected employment by reason of not sharing the values of the corporate culture, indicates that the culture may be significantly different from Japanese standards. As many Swedish companies seem to work actively with preserving the organisational culture through enabling open information flows, lack of hierarchy, actively working with gender equality and incorporating Swedish traditions, the characteristics of the organisations are affected by cultural values. However, Japanese national cultural traits such as high quality, punctuality, and detail orientation are inevitably affecting the organisational culture and thereby characteristics through employee values and customer interaction.

It is evident that Swedish companies often need to adapt to meet the Japanese market demand. This seems to be managed by adjusting operational activities in many different ways according to customer demands such as customer contact, increased quality, the precision of delivery and offerings. However, strategic adjustments are also managed partly by the Japanese office through actively seeking knowledge by e.g. doing house visits and using Japan as a test market. This input is further managed through the headquarters by developing offerings internationally based on Japanese customer preferences. These adjustments do in turn contribute to the knowledge development of the multinational organisation. As trends on the Japanese market are seemingly valuable to absorb, Swedish companies are managing the absorptive capacity through enabling national integration by hiring Japanese workforce, who may have a better understanding of the market, and through trying to lower language barriers with English requirements.

There seem to be traits of Swedish companies actively managing their networks in Japan and some cases of local adjustment are identified. However, the networks in Japan are mostly managed according to business models or overall industry standards.

The patterns revealed from the different research areas of Swedish companies' Japanese market presence are of different virtue. Acquiring skills and adjusting to market demands are the most prominent areas in need of management in Japan. The organisational culture and characteristics are also identified as important areas of management. However, these areas are difficult to manage in isolation as they are to a large extent indirectly managed through other areas of market presence, such as the acquirement of skills, the interaction with the Japanese market and industry. The organisational culture and characteristics are also influenced by areas that cannot be fully managed such as the Swedish and Japanese national culture. Thus, organisational culture and characteristics are highly influenced by their surrounding environment and thereby, complex to control.

## Chapter 8

# Conclusions

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*In this segment, the conclusions of the research will be presented. The research questions will be answered and the theoretical and practical implications will be presented. Furthermore, the fulfilment of purpose will be reviewed and areas of further research will be suggested.*

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### 8.1 Summary of Conclusions

The aim of this thesis was to describe Swedish companies in Japan through their establishment, market presence and contribution to the multinational organisation's assets. The study found that many Swedish companies in Japan establish themselves with market-seeking motives. However, as they evolve with their market presence, they also obtain non-marketable asset seeking motives. The majority established themselves through transitional phases or by taking risk averse actions, and do currently manage wholly owned subsidiaries. Acquiring skills was often found to be difficult and important to manage and efforts to adapt to market demands was of great importance. However, organisation characteristics and culture were managed to a limited extent. Networks and partnerships were mostly managed according to overall industry standards, rather than local factors. Furthermore, the study also found that the Japanese market offers valuable insights, applicable to several markets internationally. The results of this study implicate that being active on the Japanese market can provide valuable opportunities for Swedish companies, when the market is understood and the identified areas of difficulty of their market presence are assessed.

## 8.2 Answering the Research Questions

RQ 1: What are the different motives for Swedish companies to establish themselves in Japan?

The initial motives identified as most prominent are market seeking whilst cases of non-marketable asset seeking motives also exist. However, these have evolved during the market presence to include non-marketable asset seeking motives due to the knowledge available on the Japanese market.

RQ 2: How have Swedish companies established themselves in Japan?

The market entry strategy identified as most prominent is opening a wholly owned subsidiary. However, there are several indications that the establishment has evolved over time and that companies are wishing to gain confidence and mitigating risk by initially using a distributor or creating an extensive network prior to opening the wholly owned subsidiary. Furthermore, choosing representative directors with knowledge of the Japanese market and employing Japanese workforce is common.

RQ 3: How have Swedish companies managed to sustain a presence on the Japanese market?

Swedish companies have managed to sustain a market presence on the Japanese market by adapting their internal factors and adjusting to external factors, some more than others. The most prominent areas identified as difficult to manage are the employment market and the market demands in Japan. Networks and partnerships were mostly managed according to their overall industry standards. The organisational culture and characteristics are influenced by several parameters and are complex to control and have therefore been managed to a limited extent.

The managed areas will be further developed and described through the answers of sub-questions.

### RQ 3.1: What are the organisation characteristics of Swedish companies in Japan?

The most prominent characteristics are; a high degree of formalisation and a considerably high degree of specialisation. Smaller offices have a tendency of a higher degree of centralisation while larger offices a higher degree of decentralisation.

The Swedish organisations in Japan are seemingly well developed in order to operate autonomously on a daily basis.

### RQ 3.2: How is the leadership and organisational culture of Swedish companies in Japan formed?

The most outstanding leadership approach is participative. This is mainly induced by the corporate culture. The leader's values are in turn additionally influenced by Swedish and Japanese cultural traits.

The organisational culture of Swedish companies in Japan seem to be outstandingly coloured by the corporate culture, and thus indirectly Swedish values. However, not as strongly for autonomous offices. Additionally, the culture is influenced by the leader's values and the employee's preferences. However, Japanese cultural traits inevitably influence the organisational culture as well as a result of being active and interacting with the Japanese market. As culture is dynamic and a constitution of the behaviour of the personnel of the organisation, Swedish companies seem to actively work with preserving the culture through acquiring the right personnel.

### RQ 3.3: How are Swedish companies perceiving and managing the Japanese employment market?

The employment market was found to be perceived as scarce. Recruits with expert competence and English skills are noticeably important to acquire in order to enable knowledge transfer and strategic feasibility. However, they are prominently also the most difficult to acquire.

The employment market is mostly managed by attracting skills through differentiated work attributes and promotion of the company brand or Swedish values. Growing talents on the employment market has not been identified as common in the study.



### RQ 3.4: How does Swedish companies meet the Japanese market demand?

Swedish companies are meeting Japanese market demand by responding to market trends and input, altering their product portfolio and adjusting products internationally. Furthermore, companies with B2B business models are seemingly meeting customer demand by improving the quality of the offered products and delivery. Companies with B2C business models, on the other hand, often alter their products to stricter safety standards.

No prominent pattern of adapting the brand to serve the Japanese market has been identified. However, associations with the Swedish national brand is leveraged.

### RQ 3.5: How does Swedish companies manage Japanese networks and partnerships?

The most prominent motives for entering networks were accessing complementary capabilities and know-hows. Companies with B2C business models, are to a larger extent having transactional relationships, while companies with B2B business models are to a larger extent having collaborative relationships. However, these network relationships are managed mainly according to business models or overall industry standards, rather than local factors. Additionally, scopes of the relationships are mostly managed through MNO guidelines and contractual agreements.

### RQ 4: How has the market presence in Japan contributed to the Swedish company?

The Japanese market presence has contributed to the MNO's assets in several ways; input to international product development, leveraging the knowledge gained from being active on an advanced market regarding trends and by leveraging the ability gained from responding to customer demand by means of quality and delivery. Additionally, the knowledge has noticeably been perceived to be beneficial in other Asian countries and the market presence has furthermore helped Swedish companies to acquire customers internationally. These contributions have been enabled through the high absorptive capacity at the local offices and the headquarters.

## 8.3 Implications

### 8.3.1 Theoretical Implications

As the theory regarding Swedish companies active in Japan is limited, this thesis seeks to broaden the knowledge for Swedish business activities in Japan within the research areas creating a channel between theory and practice. The practical knowledge gathered from the conducted interviews may also strengthen the theoretical concepts or problematise them in the context of Sweden and Japan. This may, in turn, give implications for theory regarding business activities in foreign countries.

Furthermore, the chosen method of data collection can provide a qualitative description of the Swedish and Japanese interaction which contributes to theory.

The model of Thomas and Peterson (2015) "*Cultural Influences of Organisational Design*" proved to be rather limited when analysing the influential factors of culture on the organisation's structure. The cultural environment for foreign subsidiaries demonstrated a tendency to be more complex and not only being affected by the national culture where the subsidiary is located, but also by corporate culture and the headquarters' national culture, hence affecting the structure of the organisation. The model can therefore not compromise all the influential factors for subsidiaries on new markets.

### 8.3.2 Practical Implications

The Japanese market seems to obtain great potential for Swedish companies to explore. There are certain aspects that managers should consider when entering the Japanese market.

Wholly owned subsidiaries seem to be the most common choice of market entry principal for Swedish companies by reason of gained efficiency and control and to show long-term commitment. During establishment, business networks, Japanese employees, knowledgeable representative directors and other resources that will enhance market knowledge and facilitate national integration.

The structure of the organisation will be affected by Swedish and Japanese preferences, as well as preferences by managers and MNOs. The organisational culture is also affected by these factors. However, when leaving the office to operate autonomously, the organisational culture seems to be shaped by the local factors to a higher extent.

The employment market in Japan is currently scarce and can in many cases aggravate the acquirement of strategic skills. Offering differentiated benefits of employment on the market and obtaining a brand recognition was identified as facilitating the acquirement. In order to differentiate their employment market position, companies need to understand the traditional

preferences of Japanese employees.

Japanese customers have a higher demand regarding the quality of the product and the delivery, but also regarding punctuality. Companies with a B2B business model, should consider adjusting their level of quality and punctuality when delivering offers on the Japanese market. Companies with a B2C business model should be attentive of the product standard regulations on the Japanese market and consider that the retail segment in Japan is substantial. The institutional climate in Japan may also be perceived as bureaucratic in comparison to what is common in Sweden.

The Japanese market also possesses valuable knowledge regarding advancements of trends and market structures, customer preferences, quality standards, retail and technology which can be absorbed and applied on other markets, if understood correctly.

Practical details valuable for managers found in this study are:

- English skills in combination with other skills needed when recruiting are found to be scarce.
- Even when offering vacation days, employees can still find it hard to actually leave their work task to take a vacation.
- The preference of Japanese customers wanting instructions explained in pictures or manga have been brought up to attention in this study. This matter can be, if relevant, further attended by Swedish actors in Japan.
- The wrapping or packaging of the product is also considered needing a flawless appearance in order for the product to be perceived of having high quality.
- The tradition of "*fika*" seems to have been warmly welcomed and appreciated by Japanese employees.

## 8.4 Fulfilment of Purpose

The purpose of this thesis was to identify patterns of, and describe, how Swedish companies in Japan have chosen to establish themselves, how they have managed to sustain a market presence and if the presence in return has contributed to the Swedish company. The purpose has been fulfilled by defining a set of research areas describing these domains, derived from theoretical descriptions and areas of interest from the problem discussion. Further, a data collection and an extensive analysis were made in order to identify patterns and describe Swedish companies in Japan through the chosen research areas.

## 8.5 Further Reflections

### 8.5.1 Reflections on Methodology

The chosen methodology for this study was an exploratory and iterative research approach. The data collection was made through case studies and validated through secondary sources, in order to gain insights into how the organisations in Japan operate. This method was chosen to obtain a holistic view of Swedish companies in Japan, which has been sufficient in order to answer the research questions and fulfil the purpose of the study. However, the authors are well aware of the interviewees' subjective perspectives which entail a risk of biased data. One cannot discard the fact that the interviewees may have responded to the interview questions to favour their own image and the idea of the Japanese office's importance in the multinational organisation. In many cases, the authors have noticed such tendencies, and the risk of biased information has been mitigated through an extensive data collection protocol and validation.

Furthermore, the process of interpreting the observations of the cases involved expressing them according to the theoretical framework. By doing this, details of the interviews might have been missed or rejected, that may have caused the description of the case to be slightly different. However, as relevant details are carefully preserved and as the cases from the companies perspectives are presented in the study as well, this risk is not regarded as significant. Choosing interviews as a source of data for this study has proven to be useful to capture the stories and perspectives of the different case-companies. However, the authors have limited experience in conducting interviews with the purpose of the information being used as data in academic purpose. This was sought to be overcome by documenting thoroughly as mentioned above.

### 8.5.2 Reflections on Trustworthiness and Reliability

The reliability of the research has been ensured by thoroughly documenting the chosen process of the thesis. Individual case reports were written directly following each interview, to decrease the influences from other sources. Furthermore, recordings of the interviews were used together with extensive interview notes to build the reports. Each interviewee later confirmed the information stated in the case report to ensure that it was accurately understood. However, even if extensive actions were taken in order to ensure the reliability, it is not certain that the same findings and conclusions will be found if the same study will be conducted over again. This due to the dynamics of market presence, both regarding the market itself and how the Swedish companies choose to be active and constantly evolve. Additionally, since the interviewees often obtained different positions at the case-companies, their knowledge and expertise concerning the different research areas may be misrepresented.

## 8.6 Suggestions for Further Research

Within the scope of the thesis, the exploratory approach did not create room for assessing the case-companies actions rather documenting and describing them. For future research, assessment of activities would be valuable in order to determine a "Best Practice" for entering and being active on the Japanese market. Furthermore, the selection of companies was made to provide a holistic picture of the Swedish companies active in Japan today. However, within the scope of the thesis, only six companies were interviewed which limited the possibility to make generalisations for specific industries. Therefore, focusing on a specific industry in future research would be interesting in order to be able to describe industry-specific patterns and in turn determine a "Best Practice" by industry.

The research area *Leadership & Organisational Culture* proved to be interesting due to several influential factors and could be an interesting area for further research. However, in order to create a larger depth within this area of knowledge, a different method of gathering the data, involving the employees, would be advised such as observing behaviour at the office. Information gathered from observations could describe these areas to a larger extent considering the lack of subjectivity.

Theory regarding companies' branding on the employment market was well discussed and so was the theory regarding a nation's brand. However, the interplay between these areas is not extensively developed and would be an area worth researching.

## Appendix A

XX stands for the company interviewed.

# Questionnaire - Swedish Companies in Japan - XX

## Interview Overview

<b>Introduction</b>	<b>1</b>
<b>Establishment</b>	<b>1</b>
<b>Market Presence</b>	<b>2</b>
Internal Factors	2
Organisational Characteristics	2
Leadership	2
Organisation Culture	3
Competence	3
External Factors	3
Adjusting to the Japanese market	3
Networks & Alliances	4
Industry Structure	4
Legal, Political, Economical	4
<b>Market Presence Outcome</b>	<b>4</b>
<b>Final Questions</b>	<b>5</b>

## 1. Introduction

- a. Introduction
  - i. The interviewers
  - ii. The project
  - iii. Purpose of the interview
  - iv. The interview process
    1. Confidentiality
- b. Can we record the interview?
- c. Can you please describe XX in Japan today?
  - i. Year of establishment in Japan?
  - ii. Revenue, globally and Japan?
  - iii. Amount of employees, globally and in Japan?
- d. Would you please introduce yourselves and your time at XX?

## 2. Establishment

- a. How did XX get established in Japan?
  - i. Why this approach?
- b. What were the motives to get established in Japan?
  - i. Why this motive?
  - ii. Why Japan?
- c. How was the communication with the Swedish headquarters during this time?
- d. Did you experience anything particularly difficult when establishing in Japan as a Swedish company?
- e. Did you experience anything particularly easy when establishing in Japan as a Swedish company?
- f. How has XX evolved from establishment to today?

## 3. Market Presence

- a. Internal Factors
  - i. *Organisational Characteristics*
    1. What departments do you have at XX in Japan?
      - a. Why these?
    2. Can you describe to what extent rules and regulations govern/control your organization?
      - a. Example: formulated policies, rules, specific job descriptions OR implicit rules, regulations and job descriptions.
    3. Can you describe XX's control systems and procedures?
      - a. Example: formal or informal control procedures, lack of controls
    4. How well defined is the delegation of a task?
      - a. Example: Defined in detail och vaguely defined?
    5. Do you work mostly in teams/projects or individually where each employee has individual responsibility?
    6. Do you have a more horizontal or vertical organisation?



- a. Example: Many different types of functional specialisations and/or many existing manager levels in the hierarchy
  - b. How is the reporting structure shaped?
  - c. How is the distribution of responsibility?
    - i. Example: A whole department has the responsibility, the responsibility is distributed amongst functions or the highest manager has the responsibility.
  - d. Is this design specific for XX in Japan or an international standard?
7. To what extent do you believe you have a hierarchical organisation structure?
  8. Can you please describe how decisions are made?
    - a. Are important decisions made in high levels exclusively or is it distributed further down in the organisation?
      - i. Example: Centralised or decentralised
    - b. Why?
  9. What role does the Japanese office have in the international organisation?
    - a. Is XX in Japan autonomous or dependant on the head quarters in Sweden?
    - b. What are the core competencies of XX internationally?
      - i. To what extent do you have them in the Japanese office?
      - ii. Is the Japanese office specialised in a particular area?
    - c. Is there any new knowledge developed at the Japanese office?
      - i. To what extent does knowledge flow internationally from/to the office in Japan?
        1. Example: Is knowledge developed and retained in the Japanese office or developed at the Japanese office and shared internationally

*ii. Leadership*

1. Can you describe a leader at XX?
  - a. Can you please describe the leader's approach?
    - i. Example: Highest priority is to get the task done or the people at the project
  - b. How is the relationship between leader and subordinate?
2. Can you describe the communication between a leader and subordinate?
3. Do you have both Swedish and Japanese leaders at XX in Japan?
  - a. Do you experience any difference between Swedish and Japanese leadership at XX in Japan?

*iii. Organisation Culture*

1. Can you describe the organisation culture at XX in Japan?
2. Do you perceive differences in values and expectations of work when comparing the Japanese office with the Swedish headquarters?

3. To what extent do you think that the **Japanese** culture and values affect how you work at XX in Japan?
4. To what extent do you think that the **Swedish** culture and values affect how you work at XX in Japan?
5. Do you think that the Japanese national culture has affected how the structure in the Japanese office looks like?
  - a. Examples: Strong authority, the importance of loyalty, gender roles etc.
6. Do you believe that there are qualities with the Swedish culture that works well in Japan?

*iv. Competence*

1. Which competencies do you need at XX in Japan?
  - a. Example: salesmen, engineers, multilingual
2. How do you perceive the supply of competent labour force in Japan?
3. How do you manage to recruit the right competence?
  - a. Are there certain **difficulties** finding the right competence?
  - b. Are there certain aspects that are **easier** when finding the right competence?
  - c. Which social groups are included in your supply of labour force?
    - i. Example: Women, men, age, graduates, mid-senior level etc.
4. Are you in any way involved in growing talent on the Japanese market?
  - a. Example: Internships, university collaborations, continuous education of employees
5. How do you attract new competencies?
  - a. Do you use your brand to market XX towards potential recruits in Japan?
  - b. Are there any other ways you attract potential recruits in Japan?
    - i. Example: wages, contractual agreements
6. What do you think is the reason for some people to not choose to work at XX in Japan?

b. External Factors

*i. Adjusting to the Japanese market*

1. Can you please describe the Japanese market for your product?
  - a. Have you had to adjust your offer to fulfill the demand on the market?
  - b. As an international company, to what extent have you had to balance being global and responding to local needs in Japan?
2. How is the brand of XX perceived on the market?
  - a. Do you believe that there is a difference between the perception of the brand in Sweden and in Japan?
    - i. If yes, is this intentional?

1. If yes, why?

*ii. Networks & Alliances*

1. Does XX collaborate closely with other companies, actors or networks on the Japanese market?
  - a. Example: supplier, distributors, distribution channels, alliances, business partners
  - b. If so, why?
  - c. If so, how did the relationship start?
2. What type of business relationship do you have with these actors?
  - a. Do you have specific scopes, limits or guidelines?
3. To what extent are you dependent on your network?
4. What **benefits** have you perceived from being a part of a network or alliance?
5. What **difficulties** do you face with being a part of a network or alliance?
6. How important do you believe it is to have a network or alliance on the Japanese market as a Swedish company?
7. Have XX formulated a future strategy for exiting the network in any way?

*iii. Industry Structure*

1. Would you describe XX's industry as in an introduction, growing, mature or declining phase?
1. How is the competitive situation for XX's products on the Japanese market?
  - a. Do you have mainly domestic or international competitors?
2. Do you perceive any differences in supplier and distribution power in Japan compared to Sweden?
3. Do you perceive any substitutions for XX's product on the Japanese market?

*iv. Legal, Political, Economical*

1. Do you perceive any legal or political obstacles that have made XX's work in Japan easy or hard?
  - a. Example: Laws, certificates, import/export regulations
2. Do you perceive any benefits or difficulties regarding the financial climate in Japan for XX?

#### 4. Firm Asset Contribution

- a. What do you perceive as the asset contributions for the company as a whole to have XX in Japan?
  - i. To what extent do you believe that you are able to absorb the knowledge that exists on the Japanese market?
  - ii. To what extent do you believe that the knowledge XX in Japan possesses is absorbed by the head quarters?
  - iii. Do you perceive any obstacles in the knowledge transfer?

- b. Has your initial strategy when you established XX in Japan changed over time?
  - i. Why?
  - ii. Have your initial motives for being present in Japan changed?

## 5. Final Questions

- a. Is there anything you would like to add that we haven't discussed?
- b. May we contact you if we have any further questions?
- c. Do you have any public documents we can access?
  - i. Example: annual reports, policies or other information about the company
- d. Information about the result
  - i. We will send our interview notes within a few days for you to approve



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