Destination India

A Minor Field Study on how Swedish companies can facilitate their establishment in India
ABSTRACT

We are about to, or already have, entered the Asian century meaning that this huge continent is going to play a key role in the world’s economy in the future. New vibrant markets provide all kinds of business opportunities for companies around the world. There is no time being a passive player, standing beside and watch. One of these emerging markets is India with a fast growing economy, huge middle class population a large pool of qualified manpower. Although, the Indian market shows many opportunities and possibilities, one must not forget the challenges that follow. India is the land of contrasts due to differences in culture, language and traditions. This diversity also affects the Indian business environment, which makes it complex and hard to manage. Therefore, listening to and use the experiences other Swedish companies have had when establishing in India may be a crucial factor for success when entering the market. This discussion concludes in the following question; how can Swedish companies simplify and facilitate their establishment in India?

The main purpose of our study is to investigate the experiences Swedish companies have had when establishing in the India market. Moreover, the purpose aims at identifying differences in culture, business behaviour and negotiating techniques between Sweden and India. Finally, we will suggest concrete guidelines for Swedish companies, in order to simplify their establishment in India.

With a hermeneutic scientific starting point, this study aims at creating comprehension and interpretation of the theory and the empirical material. Since the theories are studied in order to be related and compared to the empirical material, the study has a deductive approach. Moreover, the study has a qualitative method in order to get deeper knowledge and a greater understanding about the subject. The data has been gathered through interviews, analysed and correlated to the theory in order to finally, in the conclusions, give guidelines to Swedish companies that are about to establish at the Indian market.

The theoretical framework consists of the three major blocks International Business, Culture and Business Behaviour. The reason for choosing these theory blocks is their relevance for our research question and the purpose of our study. International Business is more an introduction to companies going abroad and to our study, while we have chosen to dedicate an own block to both culture and business behaviour due to their impact on doing business in a foreign environment. Furthermore, a separate chapter about India as a country, market and business environment is presented. The empirical material has been gathered through nine interviews conducted at Swedish companies established in India, and five e-interviews with Swedish persons involved in the establishment process. The companies participating in our study are located in four different Indian cities; New Delhi, Mumbai, Pune and Bangalore. The respondents are either CEO or Managing Director.

Due to the different locations, years of operating, business areas and the establishment form, the companies have had different experiences when establishing in India. Some of the conclusions are that a Swedish business model in an organisation with only Indian employees is a successful solution to facilitate the cooperation between the parent company and the Indian office but also to get the local knowledge needed. Moreover, patience, openness and transparency are key success factors in Indo-Swede collaborations.
So many people have contributed to this project, all enriching the outcome of the thesis. We are grateful to all of you!

First of all we want to thank SIDA for giving us a Minor Field Study scholarship and the opportunity to write our master thesis in India. This scholarship made it possible for us to spend eight weeks in India and be a part of its culture and business environment. These experiences have both enriched the research and given us unforgettable memories.

Our tutors, Dr. Sikander Kahn at Stockholms University and Dr. Irfan Rizvi at the Institute for Integrated Learning in Management, have been supportive and guided us through this project with valuable input and feedback. We would like to express our gratitude to both of you!

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<td>Bombay Stock Exchange</td>
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<tr>
<td>CII</td>
<td>Confederation of Indian Industries</td>
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<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
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<td>FIPB</td>
<td>Foreign Investment Promotion Board</td>
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<td>IBEF</td>
<td>India Brand Equity Foundation</td>
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<td>NSE</td>
<td>National Stock Exchange</td>
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<td>RBI</td>
<td>Reserve Bank of India</td>
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<td>RoC</td>
<td>Register of Companies</td>
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<td>SCB</td>
<td>Statistiska Central Byrå (Statistics Sweden)</td>
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<tr>
<td>SIBC</td>
<td>Sweden India Business Council</td>
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<tr>
<td>SIDA</td>
<td>Swedish International Development Cooperation Agency</td>
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<tr>
<td>SME</td>
<td>Small Medium Enterprise</td>
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<tr>
<td>STC</td>
<td>Swedish Trade Council</td>
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<td>WTO</td>
<td>World Trade Organisation</td>
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1. INTRODUCTION

This initial chapter will give you as a reader the background of the study and the subject chosen for the thesis. Further, the problem discussion that underlies the research question as well as the main purpose, limitations, and the outline of the thesis will be presented.

1.1 Background

In the international and global world of today, companies are constantly looking past country boarders in order to find new opportunities. Countries, companies, institutions, and people are working as well as competing against each other within an independent, global network. No matter what size, almost every company is affected by the economic interdependence, as a result of the increasing globalisation.¹

A hot topic of today is Asia and how this continent is becoming a key player in the world’s economy in the future. The world is changing and Western companies must realise the Asian markets impact on the global business life, there is no time being a passive player, standing beside and watch. In order to stay competitive and compete globally, one has to take action now! According to the consultancy firm AT Kearney’s global retail development index, Asia with a large 40 % of the top 20 markets has surpassed Eastern Europe as the dominant region for global retail expansion.² We are entering the Asian century and China and India are leading the way.

Judging by current trends, India will be one of the major drivers of world economic growth and a heavyweight in regional and global politics. The population will emerge from poverty and become an even bigger market of consumers and a vast, skilled workforce.³ In 1991 the Indian government carried out several reforms in order to make India a global economic power. Changes were made in order to open up the system, attract foreign investors, and to reduce the bureaucracy. Thus major political reforms have facilitated the business life and made the Indian market more attractive for foreign companies and investors.⁴ Since then the mean yearly economic growth has been six percent. Today, India is among the fastest growing economies in the world, and provides a huge and diverse market with both challenges and opportunities. The economic growth has for example created a fast growing middleclass population of approximately 265 million people, which is to be seen as a huge opportunity for companies entering the Indian market.⁵

The question is not whether Swedish companies should go to India or not, it is rather about how to do it. According to Marcus Wallenberg, Chairman of the Board at SEB, the Swedish business life has to cooperate and work with India in the future due to the opportunities and

² Times of India (2006).
⁴ Project India (2005), India; Yes, yes no problem? p. 16.
⁵ Evalueserve, Indo-Swedish business collaboration 2005, p. 3.
possibilities that the Indian market offers. Moreover, the Swedish Minister of Infrastructure, Ulrika Messing, emphasises the importance of preserving and developing the political contacts with India since the country will become a key player in the world economy in the future.\textsuperscript{6} The top level of the Swedish business world has the same opinion, India is exploding! The Swedish business paper Veckans Affärer, was for example arranging an Indian seminar, the 16\textsuperscript{th} of May 2006, due to the enormous interest for India and its market.

Important to keep in mind is that even though the Indian market shows many opportunities and possibilities, one must not forget the challenges foreign companies will face when establishing in this emerging market. India is the land of contrasts and is to be seen as a continent rather than a country. The culture, languages and traditions will vary completely depending on your location in this enormous country. Due to this diversity, India still appears to most Europeans as an incomprehensive culture, something that discourages companies from starting up in India. According to SCB, Statistics Sweden, fresh numbers show that the Swedish export to India has decreased with 16 % the last quarter of 2005.\textsuperscript{7} To overcome these boundaries, a deep knowledge and a good understanding of how things work in a specific state or city, is crucial when establishing somewhere in the Indian market.

\subsection*{1.2 Problem discussion}

When entering a new market, executives have to adjust the firm’s business strategies. They need to figure out how the market works in the host environment, and understand how the emerging market differs from the home market, both in terms of economy and culture. Even though India is an open market it still shows a wide complexity that is hard to manage for foreigners.\textsuperscript{8}

Before an establishment it is crucial to gain knowledge and deep understanding about the new foreign market. We argue that an establishment of this kind involves two major parts. Obviously, one needs to understand the formal process, consisting of several approvals and licences needed to enter and operate, but it is as important to understand the differences in culture and business behaviour between the home and host country environment. Dissimilarities in communication, time perspective and negotiating techniques are often the sources of problem. Ignoring these differences creates stereotypes and cultural misunderstandings that will complicate and make the establishment harder or even impossible.

As mentioned earlier, India is the land of contrasts due to differences in culture, language and traditions. This diversity also affects the Indian business environment, which makes it complex and hard to manage. Therefore, a good understanding of how things work in a specific state or city is crucial when establishing as a foreign company somewhere in the Indian market. Listen to and use the experiences that other Swedish companies have had when establishing in India may be a crucial factor for success when entering this huge market full of opportunities.

\begin{itemize}
  \item \textsuperscript{6} Myrsten (2005).
  \item \textsuperscript{7} Östberg (2006), p. 14f.
  \item \textsuperscript{8} Khanna et al (2005).
\end{itemize}
1.2.1 Research question

The problem discussion ends in the question to be answered by our study:

*How can Swedish companies simplify and facilitate their establishment in India?*

1.3 Purpose

The main purpose of our study is to investigate the experiences Swedish companies have had when establishing at the Indian market. Moreover, the purpose aims at identifying differences in culture, business behaviour and negotiating techniques between Sweden and India. Finally, we will suggest concrete guidelines for Swedish companies in order to simplify the establishment process in India.

1.4 Minor Field Study

In order to conduct this study we have received a scholarship from the Swedish International Development Cooperation Agency (SIDA), a governmental authority that is a part of The Ministry of Foreign Affairs. The scholarship includes a Minor Field Study-program with the purpose to give Swedish students the opportunity to gain knowledge from developing countries by doing researches. We spent eight weeks in India, traveling around the country in order to collect the empirical material presented in this study. Our stay in India has given us a greater understanding of the Indian culture and business environment, something that have enriched the thesis.

1.5 Limitations

The different locations of the companies that have participated and contributed to the empirical material for this field study have been limited to four Indian cities; New Delhi, Mumbai, Pune and Bangalore. Due to India’s diversity in both geography and culture it would not have been possible for us to visit any further cities. A broader research would have required more time and resources than given for this study.

Moreover, limitations concerning the sample have been done due to nature of our research question. Many of the Swedish companies in India have been operating in the country for more than 50 years, which is not suitable for this study since it aims at investigating the establishment process, something that has to be relatively accurate in order to give relevant answers. This criterion together with the fact that the number of Swedish companies operating in the four cities chosen is not that many have limited the amount of interviewed companies to nine.

Furthermore, the block, International Business, in our theoretical framework is more of an introduction to our study and to companies going abroad. Therefore, this part will not be examined in detail and only serve as a background, although this theoretical block involves wide literature and studies.
1.6 Outline

The outline of the thesis is divided into 10 chapters. In the first chapter, the perspective will be broad in order to get a good understanding of the subject and research question defined. As proceeding, the perspective will narrow to the research question and the purpose of the thesis.

In chapter 2, *Methodology*, the scientific approaches, research methods chosen and how the thesis has been carried out step by step will be presented.

In chapter 3, *Theoretical framework*, three major theory blocks will be presented; International Business, Culture, and Business Behaviour. Theories and models chosen within these three areas will be explained and used in order to create a broad base of knowledge concerning the subject of the thesis.

The fourth chapter, *India*, will provide a presentation of the country. Except from general facts about the country, its political-, economical-, and educational system will be presented, as well as a discussion of the Indian business environment.

In chapter 5, *Empirical material*, the empirical input that has been carried out through the conducted interviews at the nine companies, will be presented.

In chapter 6, *Analysis*, the empirical material, together with the theories chosen, will be discussed and analysed. The nine companies’ experiences will be compared with theories and models presented in the theoretical framework; International Business, Culture, and Business Behaviour, and the facts in Chapter 4, India.

In the seventh chapter, *Conclusions*, main thoughts and conclusions drawn from the analysis will be provided. The structure will be comparable to concrete guidelines that will give advice to Swedish companies that are about to establish in India.

Chapter 8, *Final discussion*, will broaden up the perspective and put the research question in a larger context and how the study can contribute to further studies.

In Chapter 10, *Methodology criticism*, we will discuss the thesis reliability, validity and whether it can be generalised.

*Figure 1.1 Outline of the thesis.*
2. METHODOLOGY

A scientific methodology is a system of explicit rules and procedures, it provides the foundation for conducting research and evaluating claims for knowledge. In this chapter we will clarify the different scientific approaches and research methods, and how we have used them in our study. Moreover, we will present how the research has been carried out, step by step. The purpose of this chapter is to facilitate the further reading and to give the reader an overview of our work.

2.1 Scientific approaches

In this part we will present scientific approaches within the field of social science; the positivistic and hermeneutic approach, and the inductive and deductive approach. Furthermore, we will discuss the two different research methods, the qualitative and the quantitative method. By taking our thesis as a starting point we will clarify these approaches and research methods and discuss how they have influenced and affected our work.

2.1.1 The positivistic and hermeneutic approach

Within the field of the social science there are mainly two approaches of how to conduct a scientific research and how to find out the truth; the positivistic and the hermeneutic approach.

The positivistic school focuses on rationality and facts; it is often referred to the science of nature such as physics and mathematics. The positivistic approach states that the only authentic knowledge is the scientific knowledge, meaning that observations and logic are methods to be used in order to draw general conclusions of the studied object. Moreover, this philosophy claims that data should be verified, confirmed, or falsified by the empirical observation of reality. This involves the belief that science rests on specific results that are not connected to the personality and social position of the investigator. Therefore, this approach is appropriate when measuring quantitative rather than qualitative data.

The other school, hermeneutics, may be described as the approach based on interpretation and understanding through empirical means. This approach addresses the ways in which an interpreter may come to the broadest understanding of the creator and his relation to the audiences within the constraints of culture and history. Due to these discussed factors, we find the hermeneutic philosophy being the most appropriate for our study. The purpose of interpretation would in our case be to increase the possibility of understanding the differences in culture, business behaviour, and negotiating techniques in Sweden and India. Thus we will

10 Gilje & Grimen (1992), p. 64ff.
be able to understand how to facilitate the establishment process for Swedish companies in India.

The hermeneutic process consists of four different steps; interpretation, understanding, pre-understanding and explanation. Due to our prior knowledge and experiences within the field of our study and other areas, our pre-understanding will be subjective and therefore also affect our understanding, interpretation and explanation. To reduce this effect it is important to be aware of the context of the problem since it is easy to do an incorrect interpretation when interpreting others’ situation on the basis of your own.12

2.1.2 Inductive and deductive approach

There are two different ways of approaching a scientific area when doing a field study; the inductive or deductive approach. The starting point for the deductive approach is to gain knowledge within the field of interest by studying already existing theories, models and confirmed premises. The next step is to see how the theories relates to the reality and finally draw new conclusions. The inductive approach, on the other hand, starts by gathering information through observing reality in order to create and develop new theories within the area.13

We have used a deductive approach in our study, meaning that by studying different theoretical parts we have gain a greater understanding and knowledge within the area and also been able to see the problem from new angles. From this theoretical base we have designed the interview guides that we used in order to gather the empirical material. The theoretical framework combined with the empirical input has broadened our understanding of the subject and research problem, and thus we have been able to draw conclusions and guidelines.

2.1.3 Qualitative and quantitative research method

Another important criterion to consider when doing a research is which research method to use; qualitative or quantitative method. The qualitative method focuses on getting a deeper knowledge and a greater understanding about a certain subject or area. This method also gives a deeper understanding of the research question and the possibility to get a holistic perspective, meaning that the investigator is able to see the whole picture.14 The quantitative method focuses on standardization and structure, it is about precision within the observation, and therefore the studied object has to be measured and quantified. When using the quantitative method statistical surveys and figures are of great importance in order to draw general conclusions from a specific material, while interviews and participation are more suitable methods in a qualitative research.15

Decisive for our choice of method is the research question and the purpose of our study. Since our study aims at investigating the experiences Swedish companies have had when establishing in India, we argue that our study requires a qualitative method.16 As general conclusions based on generalisation and standardization is not of interest for our thesis, the

14 Stoltz & Willman (2005), 060226.
15 Andersen, H (red) (1994) p. 70.
qualitative method is the most appropriate one, which also aligns with the hermeneutic scientific approach. Due to the complex and unclear characteristics of our subject, interviews are the most appropriate way of gathering the empirical material. By conducting interviews we can avoid indistinctness and get a better understanding of problem areas. Thus we are able to go through the empirical material thoroughly and analyse complex questions and therefore also get a deeper understanding of the subject. A qualitative method enables a dialogue between the investigator and the studied phenomenon and due to this fact each individual participant has the possibility to express their experiences from their point of view.\textsuperscript{17} Significant when using a qualitative method is that the interpretation is not to be seen as a free opinion or a project of a personal idea on the empirical material, however our interpretations have been influenced by the theoretical framework used in the thesis.\textsuperscript{18}

2.2 Procedure

In this part we will describe the journey we went through writing this thesis. Step by step we will explain how we systematically have been working in order to answer the research question and fulfil the purpose of our study. During the feasibility study we obtained already existing theories and knowledge within the area. Furthermore, we will present the sample criteria, and how we gathered and managed the empirical material. Methods and techniques for collecting data will be discussed and evaluated. Finally, we will discuss how we have analysed the empirical material together with the theory chosen and then been able to draw conclusions and create guidelines for future Swedish companies that are going to establish in the Indian market.

2.2.1 Feasibility study

In order to gain knowledge about the field of our study, already existing theories and models have been studied. An enclosure of the theories and models needed for the research has been made in order to create interview guides for the empirical part of the survey. Below a presentation of the secondary and primary data that have been used for this thesis is presented.

\textit{Secondary data}

Significant for secondary data is that it contains already existing data or information. Even though this data is not specific for our survey, one finds many advantages using it. We have, for example, been enabled to search through a wider range of materials covering larger areas and longer time periods. By studying the historical context and comparing the past and future we got a broader understanding of the subject.\textsuperscript{19} The literatures that have been used are mainly to be found in the theoretical framework that constitutes the basis of the empirical survey. The written literature we have collected and used are to be considered as highly scientific, due to the different authors’ high degrees of expertise in the area. India is a vast country known for its diversity and variety, and which make it difficult to generalise Indians’ behaviour and way of being. Therefore, the literature concerning cross-cultural behaviour, Gesteland, Nixon, Stahl, Trompenaars, should be read carefully and with certain criticism since this kind of literature is mainly subjective, meaning that it is based on the author’s personal experiences.

\textsuperscript{17} Andersen, H (red) (1994), p 71.
If the reader, however, has this in mind when reading these parts, we argue that this literature provide many interesting aspects and enriches the research.

Other secondary data that have been used for our study is printed matters such as documentation and publications from the Swedish Trade Council (STC) in India, the Indian Brand Equity Foundation (IBEF), Confederation of the Indian Industry (CII), and the Swedish and Indian Embassies in Delhi and Stockholm. We have also used scientific articles from the database Business Source Premier and business reports from the Indian research company Evalueserve.

Primary data
The primary data is the information that the investigator employ for testing specific hypothesis in order to answer the research question and to fulfil the purpose of the survey. The primary data collected for this thesis consists of interviews that were done during our stay in India. The material we used to conduct these interviews has been generated through the theoretical framework. By studying the three theoretical areas; international business, culture and business behaviour, suitable questions were formulated in order to collect the empirical material needed to answer our research question. Moreover, the results from the interview with Mr. Johansson at STC will be presented in the India chapter, and not with the rest of the empirical material, since the questions asked primarily concern information about the Indian business environment.

Moreover, our six weeks stay in India has enriched our understanding of the country and its culture. Participating and experiencing the Indian business life and culture, has given us a deep knowledge and a lot of input to this thesis, even though these experiences in many ways are subjective.

2.2.2 Sample
The different sample criteria that will be discussed are the following:

- Years of operating in India.
- Locations for establishment.
- Business areas and operating modes.
- Establishment forms.
- The respondents.

Years of operating in India
The empirical material includes interviews at nine Swedish companies that are all already established in India. The time these companies have operated in India range from 1 to 12 years. One of the companies, Höganäs, has been established since 1987, but we argue that its establishment process enriches and is of interest for the survey. The reason for not having companies that have been established for more than 12 years is that the establishment process should be relatively accurate. One may argue that 12 years is a too long time period, but since the number of Swedish establishments in India is not that many, this consideration concerning time was necessary in order to reach a minimum of companies participating in the study. By covering a time period of 12 years we have been able to see how the Indian reforms, which

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started in 1991, have facilitated the establishment process for Swedish companies in India, but also the challenges that still remain. We think that this solution, in the end, enhances the thesis.

**Location for establishment**
The companies chosen for our sample are located in the four Indian cities Pune, Mumbai, New Delhi, and Bangalore. The reason for choosing these cities is that they all are well developed and industrialised. New Delhi is the capital of India and the main economic hub of the country, Mumbai is the capital of the Maharashtra region and considered as the country’s financial hub. Pune, a nearby city to Mumbai, has for many years attracted investment in most industry sectors. Bangalore, the capital of the Karnataka region in the South of India, is seen as one of the leading centres for IT and technical research and development. Moreover, these cities are to be seen as popular places for Swedish establishments, looking to the past, with a wide geographical spread in India.

**Business areas and operating modes**
The nine companies varies in operating mode in India, from trading (e.g. exporting, importing), to licensing, to manufacturing. The sample includes industrial companies, IT software and solutions companies and consultancy companies. Thus these different operating modes and type of business affects the form of establishment. Liaison office, branch office, wholly owned subsidiary and joint venture are the different collaborations that the sample contains.

After receiving a list of Swedish companies established in India, we arranged them according to our criteria and an inquiry about interviews was sent via email to approximately 20 companies. We sent the inquiry to the CEO or Managing Director at the Indian office, in which we presented ourselves, the research question and the purpose of our study. Interested companies contacted us and we decided a time and place in India for the interview. By interviewing persons on a higher position within the company we argue that the answers have given us a broad perspective of each company’s establishment process.

We argue that the variety in the sample of our study is an advantage for the thesis. Due to the complex character of international business an establishment in a cross-boarder market will never follow only one structure. In addition, we are not generalising or making statistics from the given results. Therefore, we argue that the sample chosen has only given us a broader understanding due to the different input and experience, which only enriches the thesis.

**2.2.2.1 Sampling and non-sampling errors**
As it is almost impossible to investigate all sampling units in a population, the essential problem for any sample is that the sample has to be as representative as possible from the given population. A sample is considered to be representative when the sample units are used for the survey results similar to those that would be obtained if the entire population had been used. The concept of sampling error is central to sampling theory and to determine the size

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21 Evalueserve (2005), Indo-Swedish business collaboration, p. 5.
22 List from Swedish Trade Council in India, 060220.
23 List from Swedish Trade Council in India, 060220.
of the sample. It is one of the statistical measures that indicate how closely the sample result reflects the true values of a parameter.\textsuperscript{25}

Even if the sampling error is small, there are other sources of error, such as non-sampling errors. The most common non-sampling error, when doing a survey, is non-response error. This kind of error is defined as an observation missing, for reasons such as refusal to be interviewed, an individual’s absence from work or misplaced forms. The portion of non respondents depends on factors such as the nature of the population, the data collection method, the questions that are asked, and the skill of the interviewer.\textsuperscript{26} In order to avoid suspiciousness from the interviewed person it is important to explain and clarify the purpose and the narrower topic of the study.\textsuperscript{27} Moreover, it is important to ensure that there are “no wrong answers”. The respondent must feel free to express his or her point of view. If the respondents get the feeling that certain answers are expected from the interviewer, his or her answers may be misleading or false.\textsuperscript{28}

\textit{Our sampling errors}

The sampling error that may occur in this study mainly concerns the companies participating in the survey. One may argue that the companies that allowed interviews and welcomed us have had a very successful establishment process and therefore are willing to share their experiences; a failure is seldom something you are proud of.

Due to the fact that all the interviews have been conducted in English and neither the interviewer nor the respondents have English as their native language, misunderstandings and misconceptions may have occurred during the interviews. Since always the two of us were present during the interviews this kind of error is more controlled.

\textbf{2.2.3 Data collection}

A researcher can in general choose from among three different methods of gathering data with surveys: mail questionnaires, personal interviews and telephone interviews. These kinds of methods are suitable for investigating phenomena that the researcher can either reconstruct through people’s experiences or observe directly.\textsuperscript{29}

\textbf{2.2.3.1 Interviews}

The interviews conducted for this thesis involves both personal face-to-face interviews and e-interviews. The personal interview is a face-to-face, interpersonal role situation. When using personal interviews as a method to collect data, the investigator has a clear aim or purpose with the questions. The difference between a conversation and an interview is that in an interview the interviewer controls the procedure of the dialogue in a certain way by asking the respondent already designed questions within a specific area. In a conversation on the other hand, the relationship between the two parts is more equal.\textsuperscript{30} The interview method chosen for this survey is a combination of schedule-structured interviews and in-depth interviews. A

\textsuperscript{25} Frankfort-Nachmias & Nachmias (2000), p.178
\textsuperscript{26} Frankfort-Nachmias & Nachmias (2000), p. 182f.
\textsuperscript{27} Hansagi & Allebeck (1994), p. 81.
\textsuperscript{28} Hansagi & Allebeck (1994), p. 85.
\textsuperscript{30} Lantz (1993), p. 11f.
schedule-structures interview means that the number and the wording of the questions are identical for all of the respondents. Important when using this structure, is that the interviewer make sure that the variations among the responses exists because of the actual differences among the respondents and not because of variations among the interviews.31 In-depth interviews involve open-ended questions asked by the researcher to an individual were the interviewer uses a topic guide but do not rely on a set of structured question. These interviews are dialogues similar to group discussions, but usually one person is interviewed at a time. The in-depth interviews are ideal for investigating personal, sensitive and confident information. The theoretical framework underlies the creation of the questions designed to elicit answers pertinent to the research question.32

When conducting interviews, there are some principles that are to be considered. First of all, the interviewer has to make clear that he or she is very interested, understanding and will listen through the whole interview. The respondent must feel that the interaction with the interviewer is pleasant and satisfying. Secondly, the subject has to be relevant and interesting for the respondent, if not it will be hard to finish the interview. Finally, the interviewer must correct potential misconceptions and explain the purpose of the research in order to decrease suspicions the respondent may have.33

This survey contains nine face-to-face interviews with either the CEO or the Managing Director at Swedish companies that are established in India, eight of the respondents are Indians and one of them is French. The interviews lasted between 60 and 120 minutes and started with a presentation of ourselves and a quick brief about our study. After conducting the interviews we asked all the respondents if they wanted to be anonymous since the thesis is a public document. In order to give both the Indian and Swedish perspective of the companies’ establishment processes we have also tried to contact some of the Swedish persons who were involved in the processes. Unfortunately, none of the Swedish persons involved are located in India, and because of the limited time and resources we have not been able to meet all of them in person. Therefore, five e-interviews, based on the interview guide, have been sent to these persons in order to collect their experiences and opinions. The e-interview questionnaire is a short version of the interview guide used at the face-to-face interviews. In each email, instructions of how to fill in the questionnaire were given to the respondent.

2.2.3.2 Loss of information during interviews

To loose information or data when interviewing is very common since it is hard to ask questions, listen and take notes at the same time. A solution to reduce this kind of error is to record and transcript the interviews.34 One major disadvantage with this method is that it is very time consuming, and therefore we have chosen not to use it. Due to the fact that both of us have been present during the interviews, and that we before each interview planned who was asking the questions and who was taking notes, we have been able to handle this problem very well. After each interview, we discussed and summarised it together and due to this structured procedure we argue that the loss of information has decreased significantly.

2.2.4 Empirical material

The empirical results conducted through interviews are presented as a summary and not one by one. Interested readers may find all interviews in the appendices. The presentation follows the same structure as the theory and interview guide, with three major blocks; International Business, Culture and Business Behaviour. In each part within these blocks the companies will be presented in an alphabetic order and summarised in a table. In the last two blocks, Culture and Business Behaviour, we have separated the Indian and Swedish respondents’ answers in order to illustrate the differences between the two countries.

2.2.5 Analysis and conclusions

In order to analyse the empirical material we have compared it with the theories and models from the theoretical framework as well as the facts in the India chapter. Again, we follow the same structure as in the theory, interviews and empirical material; International Business, Culture and Business Behaviour.

The conclusions presented are formulated as concrete action-oriented advices functioning as guidelines for Swedish companies that want to establish at the Indian market in the future. The purpose of these guidelines is to facilitate and simplify their future establishments.

2.2.6 Final discussion and methodology criticism

In a final discussion the research question will be put in a broader and discussed from a wider perspective. Furthermore, we will discuss how the research can contribute to further research. This chapter is followed by a discussion concerning the methodology chosen for the thesis. The reliability, validity, and to what extent the results can be generalised are presented.
3. THEORY

In this chapter we will present the theoretical framework that constitutes the base of our thesis. Due to the complexity and width of our subject we have studied three major blocks; International Business, Culture and Business Behaviour. This structure will be followed through the whole thesis in order to facilitate for you as a reader.

Figure 3.1 The theoretical framework.

The theoretical framework consists of the three major blocks International Business, Culture and Business Behaviour, a structure that will pervade the rest of the thesis. Since the thesis concerns the Indian business environment, all three blocks are shaped and adjusted to India and only the relevant parts for our study will be presented. The blocks are closely connected to each other and are therefore constantly interacting. The reason for choosing these theory blocks is their relevance for our research question and the purpose of our study. International Business is more an introduction to companies going abroad and to our study, while we have chosen to dedicate an own block to both culture and business behaviour due to its impact on doing business in a foreign environment.

3.1 International Business

International business involves profit related activities across the national boarders, and the business environment is shaped by different constellations in the world which the international manager has to cope with.\textsuperscript{35} International management is the process within international business, which aims at

\textsuperscript{35} Deresky (2000), p. 5.
developing strategies, designing, operating systems, and working with people around the world in order to keep and develop competitive advantages.36

Globalisation – Since the world is becoming more and more borderless, the globalisation is increasing very fast. Countries, companies, institutions, and people are working as well as competing against each other within an independent, global network. No matter what size, almost every company is affected by the economic interdependence, as a result of the increasing globalisation. In order to grow and stay competitive, competent international managers, skilled in doing business in other countries with people from other cultures is crucial.37

Information technology – The opportunities given by the information technology have during the last ten years changed the nature of the international manager’s job totally. Due to the high speed and easy information transmission, the geographic barriers are becoming less relevant. Video- and telephone conferences are for example facilitating instant consultation and decision making across borders.38

The contingency role of the international manager – Whatever size or nature of the company, an increasing number of managers are going to deal with international assignments and meet a daily interaction with international companies in the future. To increase the ability of handling such situations, a greater understanding of the international business environment is needed. Each environment contains of a different set of factors which are crucial to understand in order to succeed, but the international manager will also face other problems related to the complexity of operating in a host country environment. Except from the host-home country interdependence and the local competition, the international manager must understand and be able to manage differences in politico-legal, economic and technological systems, but also differences in culture and social life. An international manager needs to manage these different functions in an open system where the operating and external environment integrates.39

3.1.1 Establishment process

When a company decides to get involved in international business, it has to consider how to select a target market and the entry mode to that is most appropriate for the specific service or product.40 The methods used to select markets and strategies differ widely among companies, from highly sophisticated attempts to enter the new market to decisions based on more intuitive judgements of someone in the company.41

According to Ellis & Williams, a market entry model basically contains of four different steps that are interrelated to each other and should be constantly repeated and adjusted as the process continues.42 Due to the subject and research question of this thesis some parts of the model will be explained more intensely than others, although each step of the model is of great importance and has to be carefully investigated. Altogether, the planning of the actual

establishment process involves four steps; market screening, choice of entry mode, implementation of the entry mode strategy chosen, and business performance.43

![Figure 3.2 The inter-relationship between the elements of the market entry model.](image)

### 3.1.1.1 Market screening and selection

This first step includes screening of the potential host markets political and economical risks, and the cultural diversity that the company may face when operating in this new market. Additionally, product match, size of market, expected growth, extent of competition and scale of entry has to be considered.45

Before entering a cross-boarder market it is crucial to understand this new and unknown environment, and being aware of the risks and opportunities the company may face when operating there. Many interrelated factors, such as political, economical, technological and social or cultural factors, will influence the international manager’s job and thus also the success of the company.46 In order to investigate the new market and studying these crucial factors a PEST-analysis is appropriate. Politico-legal, economic, technological and social issues in the host country environment are being explored and the company will be more prepared when finally entering the new market.47

### Politico-legal

This factor involves any governmental action or political event in the host country that may affect the company. In unstable areas, where the risk of war and terrorism is high, the business environment may change over a day. Foreign companies may for example be forced to sell some of their assets for a low compensation or having agreements declared as not guilty any more.48 This factor also involves the regulatory environment in the host country, which the international manager has to deal with in order to maintain long-term relationships in the local area. When operating in another country the company will comply with the host country’s

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43 The original version of the model is created by Root (1987).
legal system. The major international legal systems are often divided into the Civil Law, the Common Law, and different Religious Laws. Each system has its own heritage which is a reflection of the country’s culture, religion and traditions. Therefore, the different local laws and the court system are crucial to understand in order to facilitate the operating in the host country and to avoid uncomfortable situations concerning legal matters.49

Furthermore, Contract Law is an important issue in international business. Both the Civil Law and Common Law systems enforce contracts when doing business, although they use different means to resolve disputes. In Civil Law the contract reflects promises without specific details while in the Common Law, the details must be written in the contract to be enforced. In many Asian countries the contract tends to be in the relationship between two business partners, and the way to ensure the reliability is to care for the relationship. By neglecting Contract Law a company may, for example, be left with an agent who does not perform as expected and with local laws that make it impossible to dismiss him or her.50

**Economic**

The stage of development is one of the most important factors concerning the economical environment, since economic stability and growth have great impact on the business. The Foreign Direct Investment Policies (FDI) expressed by the government tends to determine the business climate and its attractiveness to foreign companies.51

Furthermore, the host country’s tax system is in many ways crucial to understand before establishing in a new market. Except from comparing the corporate taxation rate between the home and host country, many countries give economical privileges to foreign companies in order to attract them to start up in their country, which can be determining for choosing a specific location. These kinds of privileges are for example foreign tax credits, tax holidays, and taxation of corporate profits.52

When studying the politico-legal and economic systems in the host environment, the level of governmental involvement is significant. The degree of involvement varies a lot among countries and has a great impact on the managerial practices.

**Social**

The first part of this factor focuses on the lifestyle in the host country and how changes in the social environment will affect consumers purchasing power, preferences etc. Due to the fast improving communication technology the world is becoming smaller in the sense of availability of other markets throughout internet and telephones. According to Ellis & Williams, lifestyle trends should be considered as an important trigger for companies to go abroad and explore new markets and segments.53

The second part of the social factor focuses on the understanding of the host country’s culture and how it will affect work and organisational processes. A lack of cultural sensibility has too often affected international managers in a negative way. By understanding the diversity among culture, a manager may for example distinguish the reason why an employee acts as he

or she does. Due to the great importance of the cultural part of the social factor and its significance for this thesis, it will be explored more deeply in chapter 3.2.

**Technological**

Today, the technology has been a more important tool for companies worldwide and new and innovative technology often represents a key competitive advantage. By operating in an area where the technological innovations constantly increase, a company may take advantages of this and enjoy technological benefits such as cooperation in R&D and integrated management knowledge.

Moreover, international managers should consider the perception of quality in the host country. For many products, customers are not looking for low cost at the expense of quality, and therefore low cost can be an insufficient competitive base if it means poor productivity and mediocre quality.

3.1.1.2 Choice of entry mode

This part of the establishment process may have been initially considered as a part of the market selection process since it has strong correlation with the desired scale of entry. Ellis & Williams discuss six different factors that have an influence on the decision concerning entry mode. The different alternatives for the mode of entry range from export to investment, and a company has to consider which mode that has the most appropriate set of factors that can be combined with the needs and objectives of the firm.

- **Degree of control** – using an agent or distributor for sales in cross-boarder markets limits an organisation’s degree of control. For larger sales volumes and greater control, an organisation may use a direct branch or subsidiary to distribute the sales.
- **Resource availability and extent of commitment** – an organisation’s vision and commitment may affect the choice of entry mode. Investment entry modes tend to require a higher level of capital investments than exporting and contractual modes. Moreover, limited managerial resources, such as time, may not be available. One should be aware of that some entry modes are more time consuming than others.
- **Degree of risk** – some companies are more risk averse and tend to have a more conservative view upon international establishment, while others think that it is time to make a new major commitment and that it is worth the risk.
- **Speed** – competitors may increase their market share and therefore the company is forced to react in order to gain advantages and keep up with its rivals.
- **Opportunities available** – a lack of suitable partners in the host country or governmental restrictions that force foreign companies to have a local partner may impede the entry on a market.
- **Expected return** – The objectives of entering a new market will evidently have great impact on the mode selected. A major presence in the new market may require an

investment entry mode while for example modest and limited sales only require indirect exporting.⁵⁸

The different entry modes available when entering a cross-boarder market are presented in the table below.

<table>
<thead>
<tr>
<th>Classification of entry modes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Export entry modes</strong> - The company’s products are produced outside the country where the sales take place.</td>
</tr>
<tr>
<td><em>Indirect exporting</em> – use middlemen who are located in the company’s own national market, and are responsible for all exporting business.</td>
</tr>
<tr>
<td><em>Direct exporting</em> – does not use home country-middlemen but may use host country-middlemen. This exporting alternative can be divided into two groups: (1) direct agent/distributor exporting, whereas host country-middlemen are responsible for the marketing of the exported goods, and (2) direct branch/subsidiary, whereas the company uses its own sales organisation in the host country market.</td>
</tr>
<tr>
<td><strong>Contractual entry modes</strong> - These entry modes involves transfer of knowledge, understanding, and skills. Contractual entry modes are always non-equity associations between an international company and a legal entity in the in a foreign country.</td>
</tr>
<tr>
<td><em>Licensing</em> – the company transfers, for a defined period, the right to use its commercial/industrial property (e.g. technology, knowledge, and patent) to a foreign entity in return for some kind of compensation (e.g. royalty).</td>
</tr>
<tr>
<td><em>Franchising</em> – gives the foreign entity the right to use a business format in the foreign market in return for payment.</td>
</tr>
<tr>
<td><em>Other</em> – technical agreements, service contracts, contract manufacture and co-production agreements.</td>
</tr>
<tr>
<td><strong>Investment entry modes</strong> - These entry modes involve ownership of the production in the host country, based on some form of equity investment.</td>
</tr>
<tr>
<td><em>Independent venture</em> – the production facilities and outlets are fully owned and controlled of the company entering the host market. Either a company develops or builds new facilities; either it takes over an already existing operator in the host country.</td>
</tr>
<tr>
<td><em>Joint venture</em> – is a shared ownership and control of the overseas facilities or outlets with one or more local partners.</td>
</tr>
</tbody>
</table>

*Figure 3.3 Classification of entry modes.*⁵⁹

### 3.1.1.3 Implementation of a chosen strategy

This part of the establishment process focuses on five key functional areas that have to be worked out in order to suit the entry strategy chosen. All the five areas are strongly connected to an organisation’s dynamics; beliefs, values, core competences, power structures etc, and if they are all integrated in the entry strategy the whole organisation will be more committed to its international business.⁶⁰

- **Marketing** – this functional area requires an effective matching of the company’s products and services in order to match the entry strategy.
- **Human resources** – the people is a central element, and a company has to ensure that people on all levels are committed to the strategy chosen. Management structure,

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reporting systems, recruitment of employees, necessary training and skills are some example of crucial factors.

- **Operations** – this function will focus on ensuring that there is output available for sales in the international market. A company may for example be prepared to meet local specification on international sales.

- **Logistics** – this function is strongly connected to the company’s supply chain management; e.g. transportation, distribution, and support systems; e.g. management information systems, systems of payment. A country’s infrastructure is to the highest degree affecting the company’s logistics and should be carefully explored before entering the new market.

- **Finance** – this function is naturally initially considered since a new establishment request some kind of capital. How the international operation should be funded, budgets, and foreign currency translations in order to fit the organisation’s original reporting currency are some examples.\(^{61}\)

Naturally, each detail within a function has to be adjusted to the new markets conditions. These kinds of activities often create challenges for companies when entering a new market, and in order to handle and solve these challenges many companies search for third-party assistance. This assistance can for example be a direct agent or a joint venture partner who have the local knowledge and expertise, and thereby the new situation may be easier to manage for the company.\(^{62}\)

When studying each functional area and the work and planning it requires, one will understand how vast and complex international business actually is. Entering a cross-border market is difficult and demanding and therefore it requires a lot of understanding and expertise in order to be successful.\(^{63}\)

### 3.1.1.4 Business performance

Once an international entry mode strategy has been implemented, it is time to focus on the actual business performance. Corporate aspirations and actual achieved outcomes have to be correlated. For a company entering a cross-boarder market for the first time, some adjustments and correction in the entry mode strategy will be done, which is very natural due to the steep learning curve a company face in the beginning.\(^{64}\) As time goes by, the company hopefully grow and is able to extend its business to new markets or concentrate on the existing one. Important is that the organisation constantly learns and reviews its strategies.\(^{65}\) As mentioned in the beginning the four steps of the model should be integrated and strongly correlated to each other in order to reach a successful establishment. When working with an establishment process one has to be flexible and open for constant changes and adjustments of the originally worked out strategies since one never knows exactly what to expect.

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\(^{63}\) Ellis & Williams (1995), p. 245.

\(^{64}\) Ellis & Williams (1995), p. 246f.

3.1.2 Summary of international business

Internal or external factors may trigger a company to leave the national focus and seek for new challenging markets. Due to the increasing globalisation, technological innovations, and workforce diversity companies of today act in a more global and complex environment. This new situation requests a manager that is able to manage differences in the politico-legal, economic and technological systems, but also in the culture and social life. Moreover, an establishment in a cross-boarder market requires a deep understanding and respect for the nature of international business. The planning of the actual establishment process involves four steps; screening, choice of entry mode, implementation of the entry mode strategy chosen, and business performance. Wide and deep investigations have to be done before the establishment, where a PEST-analysis (the politico-legal, economic, technological, and social systems) will cover all the essential parts of the potential market.

3.2 Culture

The world is full of confrontations between people, groups, and nations who think, feel, and act differently. At the same time these people, groups, and nations need to cooperate due to common problems that do not stop at national or regional boarders. These problems can for example concern ecological, economical, military or meteorological developments. In order to understand this kind of cooperation and bring out workable solutions, it is crucial to understand the ways people think, feel and act.66

This part of the theoretical framework aims at explaining two different sides of culture; national culture and organisational culture. To do this an introduction and definition of culture is presented.

3.2.1 Definition of culture

The definitions of culture are many and they all focus on both different and similar parts of culture. One definition that we find very expressive is Hofstede’s explanation: “culture is the collective programming of the mind which distinguishes the members of one group or category from another”67. Moreover, Hofstede argues that culture must be distinguished from human nature on one hand and individual personality on the other, although exactly where the boarder should be drawn is a never-ending discussion among social scientists.68

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69 Hofstede (1994), p. 6
Human nature is what all human beings, no matter background, have in common. This level concerns the operating level, meaning that it determines one’s physical and basic psychological functions. Noteworthy is that these feeling always are modified by culture, that is how one reacts, handle and express fear, joy, sadness etc. is very much influenced by the culture one belongs to. The personal level, on the other hand, is a unique set up of personal mental programs that are not shared with anyone else, even on this level, culture or collective programming affects the personal experiences.70

Layers of culture
Trompenaars illustrates culture as an onion with different layers, and “to understand it you have to unpeel it layer by layer”71.

The outer layer consists of explicit culture involving concrete symbols and product such as the verbal language, food, buildings, markets, agriculture, fashion and art. The middle layer involves norms and values that make a deeper reflection of the explicit culture. Norms are the mutual sense that a group has of what is “right and wrong”, which can be expressed in written laws or more informal social control. Values, on the other hand, determine what is “good and bad”, and are therefore closely related to ideals shared by a group.

![Figure 3.5 A model of culture.](image)

The norms give us a feeling of “this is how I normally behave”, while the values give us a feeling of “this is how I aspire or desire to behave”. It is not rare though, that the norms differ from the values. When the norms reflect the values in a certain culture, it can be seen as relatively stable, while a greater difference will create a more turbulent society. In the core of the onion, assumptions about existence are to be found. The core tells us about how people react upon nature. Therefore, it is important to go back to human existence, how people once upon a time strived for their existence, in order to understand their assumptions. Since people have developed in different geographically regions, they also have formed a different set of assumptions. An Indian person’s assumptions will differ greatly compared to a Scandinavian person’s assumptions due to their different experiences in nature and climate.73

To sum it up, culture is nothing else than people organising themselves in order to solve problems and meet challenges.74 This does not mean that all people within the same culture have an identical set of artefacts, norms, values and assumptions. The spread is wider even though it has a pattern around an average. The average or most predictable will be what we call stereotypes for a specific country.75

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3.2.2 National culture

During the mid 1950’s two Americans, Inkeles and Levinson, published a survey where they suggested four issues that constitute a common base of problems, recognised worldwide, and that are affecting the functioning of societies, individuals and groups.\textsuperscript{76} Twenty years later, the organisational anthropologist Geert Hofstede, made a famous study at IBM where he identified differences in national value systems. The four issues discussed by Inkeles and Levinson underlie Hofstede’s four dimensions:

1. Power distance (from small to large).
2. Individualism versus Collectivism.
3. Masculinity versus Femininity.
4. Uncertainty avoidance (from weak to strong).\textsuperscript{77}

3.2.2.1 Power distance

The first dimension, power distance, includes questions resembling to if employees are afraid, if the manager’s leadership style is autocratic or paternatic, and the employees’ preferences of how they want their work environment to be like. In countries where the employees are not seen as very afraid of their leader since the leadership is not very autocratic or paternatic, employees often express a preference for a consultive style, meaning that their boss consults with his/her subordinates before making a decision. In countries on the opposite side of the scale, employees express preferences of having a boss who decides autocratically rather than consultive.\textsuperscript{78}

The power distance index tells us about the dependency relationships in a country. In countries where the power distance is small, the subordinates’ dependence to their manager is limited and an aim for consultation is seen. The emotional distance between the two parts is relatively small, meaning that the subordinates do not hesitate to approach and contradict their managers.\textsuperscript{79} In large power distance countries, on the other hand, the employees’ dependence to their managers is much bigger. The employees express either a preference of such dependence or reject it totally, also expressed as counter-dependence, meaning that there is a dependency but with a negative sign. In these countries the emotional distance is greater, and the employees seldom approach their managers.\textsuperscript{80}

\textsuperscript{76} Hofstede (1994), p. 13.
\textsuperscript{77} Hofstede (1994), p. 13f.
\textsuperscript{78} Hofstede (1994), p. 27.
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Figure 3.6 Power Distance index.

To sum it up, power distance can be defined as a measure whether people in a country accept the existence of an unequal distribution of power or not.\(^{82}\)

### 3.2.2.2 Individualism versus collectivism

This second dimension explores whether people’s interest for the group is higher than their interest for the individual. When the group is of higher interest, the society has a collectivistic approach, while when it is the other way around the society is rather individualistic. When talking about individualism in a society the ties between the people are loose, and everyone has to take care of them self.\(^{83}\)

When Hofstede made his survey at IBM, different questions became significant for the two bipolar, individualism and collectivism. Indications for individualism were recognised when the respondents talked about areas like personal time (balance between work and private life), freedom to adopt an own approach to the job, and a challenging job. For the opposite pole, collectivism, the answers focused on areas like the opportunity of getting training, physical conditions (working environment) and the possibility of using skills when working.\(^{84}\) One can see that the welfare of the nation, in general, has a great effect on whether the country is individualistic or collectivistic. Rich countries, with the US on top, are more individualistic, while poor countries like Guatemala is more collectivistic.\(^{85}\)

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\(^{81}\) Hofstede (1994), p. 27.

\(^{82}\) Hofstede (1994), p. 28.

\(^{83}\) Hofstede (1994), p. 50.

\(^{84}\) Hofstede (1994), p. 51f.

In a workplace, in an individualistic culture, the employees are seen as “economic men”, meaning that they are expected to handle in a way that always optimizes the firm’s profit. In a collectivistic culture a person is never recruited as an individual but as a part of a smaller group. The employee will act according to the interest of this group even though this interest does not fit the individual interest, for example relatives that may share the earnings.87

The individualism and collectivism dimension has always been important in international business, especially in negotiating between rich and poor countries. It has been a reason for misunderstandings between countries and organisations many times in the past and will probably continue to create misunderstandings.88

### 3.2.2.3 Masculinity versus Femininity

The masculine pole of this dimension, is characterised by competitiveness and by “being tough”. When people are looking for high earnings, recognition when doing a good job, opportunity to advancement, and a challenging work they indicate an masculine behaviour. The opposite pole, the feminine behaviour, is more characterized by a concern for relationships and the living environment. Cooperation and employment security are also characteristics attached to femininity.89

The contrast between these two kinds of behaviour can also be seen in a workplace when a conflict arises. In a masculinity culture the conflict is often solved by a good fight; “let the best man win”, while employees in a femininity culture would solve the conflict by

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86 Hofstede (2003).
compromising and negotiating. Moreover, the masculinity behaviour would say: “live in order to work”, while the femininity behaviour would say: “work in order to live”.90

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Figure 3.8 The masculinity versus femininity index.91

3.2.2.4 Uncertainty avoidance

This dimension explores weather the people in a society are afraid of, or feel threatened by unknown situations. This feeling may be expressed through stress or a need of written or unwritten rules.92 The term anxiety, taken from psychology, means worrying about what may happen, and this level differs greatly among countries.93 Anxious cultures also tend to be expressive cultures, were people talk with their hands, it is accepted to raise one’s voice, and to show emotions, etc. These people are often seen as busy, aggressive, emotional and active, while weak uncertainty avoidance people give the impression of being quiet, easy-going, controlled and lazy. An explanation for this could be that it is not accepted to express feelings and emotions as much as in expressive cultures.94

In countries where the uncertainty avoidance is high, people tend to change employer less frequently than in countries with weak uncertainty avoidance.95 As mentioned before, laws and rules, written or unwritten, are methods of handling uncertainty. In uncertainty avoiding countries, companies use many formal laws and informal rules in order to explain the rights and duties of an employer and an employee. People express a need for formal structure, and laws and rules will fill this emotional need, even though some rules might be ineffective.96

3.2.3 Organisational culture

The culture of companies has been a popular subject among managers, consultants, and academics, the last years. Many define it as the informal part of the organisation, involving common norms, values, symbols, and artefacts shared by the people in the organisation. There is no standard definition but many would say that the concept of cultural is:

- **Holistic** – the whole is more than the sum of its parts, meaning that the organisation is more than each individual employee.
- **Historically determined** – reflecting the history of the organisation.
- **Related to anthropology studies** – rituals, symbols, and artefacts.
- **Socially constructed** – created and preserved by the group of people belonging to the organisation.
- **Soft.**
- **Difficult to change.**

Even though national culture and corporate culture should not be mixed up, differences among national cultures may help determining the corporate culture. Corporate or organisational culture is not only shaped by technology and markets, but also by the leaders’ and employees’ cultural preferences. The differences are mainly shown in the company’s structure, which involves relationships, hierarchal systems and the employees’ general view of the firm’s goal, purpose, and destiny.

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97 Hofstede (2003), 115.
Exactly how national culture affects organisational culture is not yet determine. What researchers have seen though, is that organisations in theocratic countries, which unite politics, religion and culture, tend to be more influenced by the national culture. In secular countries, which separate politics from religion, national culture has less impact or takes another form on the organisational culture.  

3.2.3.1 Types of organisational cultures

Trompenaars presents four different types of corporate culture, which vary in how they think and learn, how they change and how to motivate them, and how they reward and resolve conflicts. Important to remember is that this is a simplified stereotyping way of analysing organisations. In reality organisations are much more complex and differ widely within the nations.

The family culture – this organisational culture emphasises personal face-to-face relationships. It has an authority structure and has a hierarchal system which is similar with a parent-child relationship. This kind of power structure often results in a corporate culture where the leader is seen as a parent who knows better than his or her subordinates. This organisational culture tends to be intimate rather than threatening and is seen in nations that have been industrialised relatively late. France, Belgium, Spain, India, Japan and South Korea are some examples.

The Eiffel Tower culture – this is a classic bureaucratic structure which relies on coordination through hierarchy and carefully planning in order to reach its goals. Characteristic for the Eiffel Tower culture is that it has replaced the individual human being with a social role. The status a person has in the organisation is only related to the function of her role, not her personal attributes. Organisational changes are often met by resistance since they will revolutionize the known and established corporate culture. Examples of this kind of organisational culture are to be found in Germany, Denmark and the Netherlands.

The guided missile culture – this culture is impersonal and task-oriented and differs from the family and Eiffel Tower cultures since it is more open and democratic. Project teams or groups work strictly after a strategic plan in order to reach the target. Experts often work together in a group without any superiors as in the Eiffel Tower culture or emotional bands as in the family culture. US, Canada and UK are a few examples on where the guided missile culture exists.

The incubator culture – this culture differs a lot from the other three cultures since it tries to eliminate all organisational structure and culture. The culture is egalitarian, personal, and shows a high degree of creativity, which is often used in knowledge and highly scientific industries, such as software development firms. Companies in Silicon Valley in California and some Swedish companies in the automobile manufacturing business have adopted and implemented this kind of organisational culture.

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100 Francesco & Gold (2005), p. 256.
101 Trompenaars (1999), p. 75.
103 Trompenaars (1999), p. 78f.
105 Trompenaars (1999), p. 84f.
These four types of organisational structure are ideal types, in reality most companies contain a mixture of all four and one will obviously find different kinds of organisational cultures in the same country. But despite from this fact, one will usually find one type more dominant than the others within an organisation.106

3.2.3.2 Managing organisational culture

Can leaders manage organisational culture? The discussions regarding this question are still accurate and widely debated. Some theorists argue that the organisational culture is not able to explore and systematically lead while other argue that a central role of an organisational leader is to create, manage and when necessary destroy the corporate culture.107

Regardless of what opinion one agree with, a manager has the possibility to affect some parts of the corporate culture. The first example of this is that a manager can control the organisational members by selecting new entrants after specific criteria, such as a certain level of education, ethnicity, age, and gender. Moreover, a leader can use training programmes in order to communicate a philosophy of the firm, and thereby create a new socialisation of the members. Additionally, a leader can via symbols and artefacts, such as dress codes and the office interior, or rituals and ceremonies change the meaning of work for the employees. A strict dress code may give signals that work is serious and professional.108

To summarize, organisational leaders have the possibility to affect many parts of the organisational culture by using different kinds of techniques. Most important though, is to use these techniques in order to form a culture to be flexible, open-minded, and changeable organisation. Thus this will also facilitate the usage of the different techniques.109

Managing organisational culture in cross-cultural situations

All managers on a leadership level must understand the meaning of leadership. Different cultures may imply different types of leadership styles; a style that is totally accepted in country A may be rejected in country B. In a cross-culture situation a manager can either impose a leadership style on its subordinates or adapting the leadership style to the culture. In situations where the culture differs a lot it may even be more appropriate to recruit a local manager than a manager from the headquarters. Despite which solution a company may chose it is important to choose a leader with the right managerial skills. A transformational or charismatic leadership style is preferable in cross-culture situations, but unfortunately this kind of leader is too often hard to find.110

3.2.4 Summary culture

The definitions and concepts of culture are many and they all involve a high degree of complexity and diversity. Culture can be seen on different levels in our environment, and in this thesis we have focused on the national and organisational levels of culture. Each level is to be seen separately but at the same time as integrated into each other. Hofstede’s four dimensions give us a picture of how the members from different nations in organisations react

110 Francesco & Gold (2005), p. 231.
and behave differently in some typically organisational situations. Moreover, the subject of organisational culture has been a more and more popular subject due to its impact on an organisation’s performance and success. Different types of organisational culture create different organisational structures that all have to be managed differently. Concerning the leadership in cross-cultural situations a manager has to be very careful when implementing a leadership style since the subordinates in the host country may have totally different leadership preferences than the subordinates in the home country. A deep knowledge and understanding of the national as well as the corporate culture, is crucial when entering a cross-boarder market.

3.3 Business Behaviour

The business environment of today is strongly affected by the globalisation and many companies act easily on the international arena where international structures and processes are used. But in this global environment a company will always come to a point where national values, attitudes, traditions, customs, and ideologies produce distinctive differences in organisational structures, cultures and dynamics. In order to be successful at an international level, one has to understand the different effects of these functions and how they affect the ways of doing business.111

In this, third part of the theoretical framework we will present different aspects of business behaviour, which may differ to a large extent among nations and therefore have an immense impact on a company’s international business. In order to understand business behaviour we will initially go through the elements of communication. Secondly, theory within cross-culture business behaviour will be presented, and finally we will discuss the fundamentals of negotiations.

3.3.1 Cross-culture communication

In order to describe and clarify the complex concept of cross-culture communication, we will start by identifying the term communication. Francesco & Gold defines communication as: “the process of transmitting thoughts or ideas from one person to another”112. Samovar & Porter extend this definition a little further by saying that communication involves different elements, both verbal and nonverbal, and defines it as; “whenever meaning is attributed to behaviour or the residue of behaviour.”113

3.3.1.1 Seven components of communication

Embedded in Samovar & Porters the definition of communication there are seven components, which usually operate most instantaneously and simultaneously: the source, encoding, the message, the channel, the receiver, decoding and feedback. The constituents of communication are some of the many links that bind human beings to each other, and thus these components are found in every culture.114

111 Francesco & Gold (2005), p. 4.
112 Francesco & Gold (2005), p. 70.
1. **The source** is a person who has a need to communicate; this need can either be conscious (asking someone for directions to avoid getting lost) or unconscious (automatically smiling at someone for ego recognition). Thus, communication is the sharing of thoughts and feelings with varying degrees of intention to affect the behaviour of another person.

2. **Encoding** is used since feelings and ideas cannot be shared directly, we must use symbolic reorientations. When encoding we select and arrange verbal and nonverbal symbols according to our rule of grammar and syntax.

3. Encoding produces a *message*, which is a set of verbal or nonverbal symbols. The difference between a message and an encoding process is that the message is external to the source while encoding goes on inside the source. The message, a representation of the internal state, must pass on from one individual to another.

4. **The channel** is the mean by which a message is moved from one person (the source) to another (the receiver). The primary channels are sound and sight, and the degree to which an individual prefers one channel to another is often determined by his or her culture.

5. After a message has been generated and moved along by a channel, it must encounter a *receiver*. The receiver may be the one to whom the sender intended to send the message, or people who, for some reason, came into contact with the message.

6. **Decoding** is about information processing, which permits the receiver to attach meaning to the source’s behaviour. Although all individuals decode, individual and cultural backgrounds largely determine the meaning they give to the outside world.

7. **Feedback** is the information generated by the receiver back to the source and allows the source to make qualitative judgements about the communication while it is taking place. Feedback is yet another one of those components that, together with all forms of communication, is modified by the culture.115

### 3.3.1.2 Communication across boarders

“Cross-culture communication is communication between people whose perceptions and symbol systems are distinct enough to alter the communication event”.116

When people from different cultures meet, problems frequently occur as a result of misunderstandings. One of the biggest problems is that when we are trying to understand another culture, or a message, we study it from the perspective of our own culture, and therefore our observations and conclusions are coloured by our own orientation.

**The elements of cross-cultural communication**

There are different factors that have an influence on communication. These factors are called socio cultural elements, which involves the perception, the verbal process, and the nonverbal process. All three embrace a wide range of human activity and have a great impact on the communication between people from different cultures. To study the different aspects of culture may therefore help and serve as a guide in communication behaviour.117

1. **Perception** is the process by which an individual selects, evaluates, and organises stimuli from the external world. In other words, perception is an internal process

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whereby we convert the physical world into meaningful internal experiences. We
experience the world not as it is, but as it comes to us through our sensory receptors.
Much of what is called perception has its roots in biology since the act of bringing the
outside world to our consciousness involves most of our nerve system. There are two
significant claims that have been made for perception. First, people behave as they do
because of the way in which they perceive the world. Second, people learn these
perceptions, and the behaviour they produce, is a part of people’s cultural experiences.

2. **Verbal process** refers to how we talk to each other and the internal activities of
thinking. Our language is closely related to our culture since the language is an
organised and learned symbol system used to represent the experiences within a
geographical or cultural community. Culture both teaches us the symbol (dog) and
what the symbol stands for (a furry animal). Moreover, the mental process of problem
solving in a community also influences the cross-cultural communication between
people. An interaction between two parties, with two completely different ways of
solving a problem, would probably result in misunderstanding and communication
problems.

3. **Nonverbal processes, which involve** the process of using our actions in order to
communicate, are universal even though the meaning of actions differs among
cultures. Thus it is also crucial to understand the nonverbal communication when
interacting with people from different cultures. Three significant elements are to be
recognised within the nonverbal communication: our bodily behaviour, our concept of
time, and our use of space.\(^\text{118}\)

When communicating across boarders the meaning of a message from one culture changes
when subjected to the repertoires of social reality, communicative behaviours, and meanings
of another culture.\(^\text{119}\) When a message leaves the culture in which it is encoded, it carries the
source’s intended content. When the message reaches the interpreting culture, the content is
being modified, meaning that it is subjected to the repertories of social reality, communicative
behaviour, and meanings of the new culture.\(^\text{120}\) Interesting and important to keep in mind is
that this kind of communication can occur in situations ranging from interactions between
people with extreme cultural differences, but also in the interaction between people who are
members of the same dominant culture. Even personality and individual preferences affects
our interpretation of a message. Cross-cultural communication can best be understood as
communication affected by cultural variability in social perception. Learning about and
understanding the cultural factors that are objects of variation is the best way to resolve the
difficulties in communication that perceptual variability causes. By developing an honest and
sincere desire to communicate successfully across cultural boundaries, one will overcome
these problems easier.\(^\text{121}\)

When two cultures are similar to each other the message between the two parts does not
change to the same extent as when two parts from completely different cultures tries to
communicate.\(^\text{122}\) According to Samovar & Porter, Asian and Western cultures differ most
since there in these two groups are the greatest variations among cultural factors. Physical
appearance, religion, philosophy, economic systems, social attitudes, language, heritage, basic

concepts of ourselves and the universe, and the degree of technical development vary greatly among these two cultures.\textsuperscript{123}

3.3.1.3 Summary communication

Communication is an extremely important part of doing business, and especially in global business. Due to differences in culture, perception and experiences between the sender and the receiver, the communication process gets more complicated than if the sender and receiver are from the same country. By understanding the cultural framework of the other part helps a lot but is not enough. One has to study specific details in the other culture and learn about the type of communication they use, for example verbal and nonverbal styles. The better you know and understand the person that you want to communicate with, the more likely it is to avoid misunderstandings.\textsuperscript{124}

3.3.2 Cross-cultural business behaviour

When understanding the complexity of cross-cultural communication, it is easy to understand that operating globally often results in frustrations and misunderstandings. According to Gesteland, there are two basic rules when it comes to customs and practices in international business. The first one is that the seller is expected to adapt to the buyer and the second one is that the visitor is expected to adapt to local customs. Even though these rules are basic they are a good starting point when doing business abroad.\textsuperscript{125}

Cross-culture business behaviour can be divided into four different dimensions; deal-focused versus relationship-focused, informal versus formal cultures, rigid-times versus fluid-time cultures and expressed versus reserved cultures. These different dimensions will be explained in order to give you as a reader a broader understanding in how business behaviour around the world differs.\textsuperscript{126}

3.3.2.1 Deal-focused versus relationship-focused

Deal-focused (DF) societies are fundamentally task-oriented while relationship-focused (RF) societies are more people-oriented. The majority of the world’s markets are relationship-oriented, meaning that business people get things done through intricate networks consisting of personal contacts. Moreover, RF people are not comfortable doing business with strangers, especially not with strangers who also happens to be foreigners. These people prefer to deal with family, friends and persons who know them, people that they trust. The DF people, on the other hand, normally make direct contact with the person he or she wishes to talk to and are relatively open to deal with strangers. The first step to approach a potential customer or partner depends greatly on whether the organisation operates in a DF or RF culture.\textsuperscript{127} When individuals from a RF culture want to approach someone they do not know, they will talk to the “right” person who will introduce them. Thus, a third-party introduction bridges the relationship gap between to the person or organisation that they wish to talk to. The ideal introducer is often a high-status person known to both parties. Moreover, it is more important

\textsuperscript{124} Francesco & Gold (2005), p. 80f.
\textsuperscript{125} Gesteland (1999), p. 15.
\textsuperscript{126} Gesteland (1999), p. 19.
\textsuperscript{127} Gesteland (1999), p. 19.
and preferable to have an established relationship with the person you are doing business with in RF cultures, while in DF cultures you can usually get down to business after just a few minutes small talk. Due to the relationship building process in RF cultures, business negotiations often last longer in RF than in DF cultures.\textsuperscript{128}

Furthermore, RF and DF business cultures differ in the way they communicate. DF oriented business people tend to value direct, frank, and a straightforward language, while the RF counterpart often favour a more indirect, subtle, and roundabout style. For DF business people the priority is to be clearly understood. They say what they mean and mean what they say. On the opposite, RF business people give top priority to maintain harmony and promote a smooth interpersonal relationship. To do that RF business people carefully watch what they say and do in order to avoid embarrassing situations or offending other people. These differences in communicating easily result in conflicts, DF business people can for example be suspicious and think that the indirectness is designed to confuse or mislead them, while silence for some RF negotiators simply means no.\textsuperscript{129}

Conflicts arise when DF people are trying to do business with people from RF markets. Many RF people find DF people pushy, aggressive and offensively blunt. In return the DF often considers the RF counterparts dilatory, vague and inscrutable.\textsuperscript{130}

\subsection*{3.3.2.2 Informal versus formal cultures}

This dimension focuses on differences in organisational structures, if there is a hierarchal organisation with many levels or if they tend to be more flat. Formal cultures tend to be organised in steep hierarchies that reflect major differences in status and power. In the contrary, informal cultures value more egalitarian organisations with smaller differences in status and power.\textsuperscript{131}

Problems often occur when people with relatively egalitarian cultures cross paths with people from formal cultures with more hierarchical societies. High-status people from hierarchical societies are often offended by informalities, in the same way as the status-consciousness of formal people may offend the egalitarian sensibilities of informal people.\textsuperscript{132}

\subsection*{3.3.2.3 Rigid-times versus fluid-time cultures}

People from different parts of the world have different ways of relating to time and scheduling. Rigid-time societies worship the clock and venture their Filofaxes while fluid societies are more relaxed about time and scheduling.\textsuperscript{133}

In some cultures you may show up ten minutes late without feeling obliged to apologise, while in other cultures the person waiting will leave after ten minutes. People from a fluid-time culture may be late for a meeting because they had to help a friend or family member to solve a problem, while rigid-time people may be offended by this since being on time is a way

\begin{thebibliography}{99}
\bibitem{128} Gesteland (1999), p. 28.
\bibitem{129} Gesteland (1999), p. 33ff.
\bibitem{130} Gesteland (1999), p. 16.
\bibitem{131} Gesteland (1999), p. 43ff.
\bibitem{132} Gesteland (1999), p. 16.
\bibitem{133} Gesteland (1999), p. 16.
\end{thebibliography}
of showing respect. Conflict easily arises when people from rigid-time cultures often regard the fluid-time persons as lazy, undisciplined and rude while people from fluid-time cultures often regard the former as arrogant martinets enslave by arbitrary deadlines.

3.3.2.4 Expressed versus reserved cultures

This dimension focuses on problems that may arise due to differences in communication. People from different cultures use and interpret signals and body language differently which can lead to devastating misunderstandings. Fortunately, we can learn the highlights of another culture’s nonverbal language quicker than its verbal language.

There are mainly three different types of interpersonal communication: verbally, paraverbally (which refers to how loudly we speak and the meaning of silence), and nonverbally (which involves the body language). People from expressive cultures often speak loud, use a lot of hand gestures and facial expressions, while people from reserved cultures are more calm and soft-spoken. They often see expressive persons as strange or angry. Furthermore, expressive people regard interruptions as a normal part of the conversation, while reserved people find it extremely rude.

3.3.2.5 Summary cross-cultural business behaviour

People from different nations and cultures are doing business differently, which affects the relationships both within and outside the organisation. Discrepancy in the verbal and non verbal (body language) have a great impact on how a person reacts and interprets the other counterpart in a business relationship. Furthermore, the dissimilarities in cultures have an effect on how people look upon and value time. These kinds of differences influence the organisational structure of an organisation, for example how power and hierarchy is handled.

3.3.3 Negotiating

In all types of situations, people and organisations negotiate in order to resolve disputes or make decisions. In business, negotiations appear almost daily and are therefore an important issue to all companies. In this part we will present the fundamentals of negotiation, and what effect a global position has on the negotiation process.

3.3.3.1 Definition

Negotiation is the process of mutual agreement that resolves a dispute or makes decisions, but it should not be confused with arguing. An argument is normally a contest to determine who is right and who is wrong, which is very different from persuasion, which is more aligned with negotiation since it results in the other part changing his or her mind.

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Objectives of negotiation
There can be various objectives and goals for the outcome of a negotiation, but there are three objectives that are essential to all negotiation; you need to understand the differences in viewpoints, engage in interdependent decision-making, and build commitment to a mutual option of action.140

1. Understanding differences. Both parties must identify the points of difference between them. Many negotiations begin over one set of issues, only to discover that their interests actually are aligned. A starting point when trying to understand the differences is to ask the question; what is this conflict about? Since people’s definition of a specific situation is individual, the answer is seldom identical between the two parties.

2. Making interdependent decisions. A person can only make an interdependent decision when no one else has to agree to it. In other words, an interdependent decision must be aligned with the other party’s decision. A problem with this objective is that the relationship often calls for interdependent decision-making but the situation does not.

3. Building joint commitment. Negotiators are not supposed to be forced to accept an outcome of a negotiation, and the outcome should be a commitment by both parties to a joint decision. Normally, negotiators stick to the agreement because of the commitment they have with the other party, and it is the process of each individual negotiation that determines whether there is a low or high commitment.141

The phases of negotiations
Trying to understand what negotiations really means is difficult since negotiation are complex processes. By dividing the process into different components, it may be easier to understand. Figure 3.10 shows seven phases of negotiations and how they affect each other.

<table>
<thead>
<tr>
<th>Phase 1</th>
<th>Phase 2</th>
<th>Phase 3</th>
<th>Phase 4</th>
<th>Phase 5</th>
<th>Phase 6</th>
<th>Phase 7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preparation</td>
<td>Relationship building</td>
<td>Information gathering</td>
<td>Information using</td>
<td>Bidding</td>
<td>Closing the deal</td>
<td>Implementing the alignment</td>
</tr>
</tbody>
</table>

Figure 3.10 The phases of a negotiation.142

Phase 1: preparation
In the first phase, preparation needs to be done thoroughly. This is where the manager decides what is important and gives a plan or strategy of how to get there. Preparation involves thinking ahead, go through the three general objectives, study the situation, and figure out potential difficulties. The degree of preparation desirable depends on the specific situation,

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generally formal negotiations require more preparation, whereas negotiations with strong relationship partners require less.\textsuperscript{143}

**Phase 2; relationship building**
In the second phase, the relationship needed to do the negotiations, is built. Negotiations always take form within a relationship. If the interaction starts off with bidding, the relationship will quickly become tense, and therefore it will be difficult to transform the relationship into something more conductive than solving mutual business problems. Thus, it is very important to start off in a good way, and put energy in the relationship building. A good relationship is one that puts both parties at the same side of the table.\textsuperscript{144}

**Phase 3; information gathering**
Negotiations involve information processing by both parties. In the third phase it is time to get specific information, which must come directly from the other party. Information gathering is important in order to decide whether an agreement is feasible or not, and in order to see whether the other part has something to offer that can be of interest. The relationship between the parties is likely to have an enormous impact on the ability to gather information. That is, relationship building sets the stage for information gathering. If a bad relationship has been formed, the other part will hesitate to show the information necessary to come to a good solution. If there is high trust between the parties, on the other hand, the other party will feel more comfortable disclosing information due to less fear of being exploited.\textsuperscript{145}

**Phase 4; information using**
Information gathering is a vitally important phase of the negotiation because it involves learning about the other party’s needs. The next phase, information using, involves persuading the other party to agree to your proposed solution. If you have gained knowledge about the other party’s needs, you can easily figure out outcomes that are acceptable to him or her. Here it is important to propose something that meets your needs, but also show how it meets the other party’s needs.\textsuperscript{146}

**Phase 5; bidding**
The bidding process is where the parties discuss alternative outcomes and mutually decides on one of them. At its best, bidding involves fine adjustments to a general course that will meet both parties’ needs. At its worst, bidding is a struggle over which party that will make the greater sacrifice in order to reach a solution. Again, different relationships create different implications for what is acceptable in the bidding process.\textsuperscript{147}

**Phase 6; closing the deal**
After having reached an outcome that is mutually agreed by both parties, it is time to close the deal. The main objective in closing a deal is to build commitment to the agreement. Without commitment, they may not honour the agreement when implementing it. Anxiety often arises, after closing a deal, in terms of second thoughts or having the feeling of being deceived. Thus,

\textsuperscript{143} Greenhalgh (2001), p. 164f.
\textsuperscript{144} Greenhalgh (2001), p. 177ff.
\textsuperscript{146} Greenhalgh (2001), p. 197f.
\textsuperscript{147} Greenhalgh (2001), p. 198ff.
it is important to make the other part feel good about the solution of the negotiation, and put effort on relationship and commitment building.\textsuperscript{148}

Phase 7; implementing the agreement
The negotiation is rarely over and done with when the parties have agreed on the terms, the parties will also have to do what they actually agreed to do. Thus, the negotiation is not complete until the agreement has been put into affect. If the process has been good, the negotiators are more likely to follow the deal. If the negotiation has been bad, on the other hand, the negotiators have little personal commitment to making reality of the deal.\textsuperscript{149}

3.3.3.2 Negotiating globally

Fundamental to all negotiations are the circumstances in which people negotiate and the types of agreement they are trying to reach, and when the two parties have different cultural background, the negotiation process gets even more complicated. Being from different countries and culture often means having different values, norms, interests, and business behaviour. Figure 3.12 illustrates how interest, priorities, and strategies from different cultures affect negotiation.\textsuperscript{150}

When two parties meet in a global negotiation, they both bring culture with their interests and priorities to the table that underlies their positions as negotiators. Negotiators from one culture that expects the preferences to be compatible cannot understand why the view of a negotiator from another culture differs from its own. Problems often occur when one of the parties are trying to get the other party to adopt his or her view of the situation, rather than searching for difference and terms that can constitute the base of a mutual decision. The fit between the

\textsuperscript{149} Greenhalgh (2001), p. 218.
\textsuperscript{150} Brett (2001), p. 7.
\textsuperscript{151} Brett (2001), p. 7.
negotiators’ priorities and interests decides whether the agreement will be mutual and integrative or not. 152

**How culture affects negotiation strategies**

Culture may also affect the strategies that the negotiators use, for example the way they go about negotiating, whether they confront directly or indirectly, their motivations, and the way they use information and influence. Three widely studied objects: the values of individualism versus collectivism, the egalitarian versus the hierarchy, and the low- versus high-context norm for communication, are related to the variability in negotiation strategies across cultures.153

- **Individualism versus collectivism.** This cultural value distinguishes between cultures that place individuals’ needs above collective needs, and cultures that place the need of the collective above the needs of individuals. Members of individualist and collectivist cultures may differ in many ways, even when negotiating. The unwillingness of confronting directly in a negotiation often comes from the collective societies. Negotiators’ motivational needs may also stem from these cultural values, individualist cultures emphasises self-interest while collectivist emphasises collective interests.

- **Egalitarianism versus hierarchy.** This cultural value distinguishes hierarchical cultures, which emphasise differentiated social status from egalitarian cultures which do not. Members of egalitarian cultures confront directly while members of hierarchical cultures confront by using their influence. For persons from hierarchical cultures, a direct confrontation may imply lack of respect. Negotiators from hierarchical and egalitarian cultures may also use influence rather different, especially since their views of power in negotiations are different. In egalitarian cultures, power is transitory and situational, while power is long-term and general in hierarchical cultures.

- **Low-context versus high-context communications.** People in low-context cultures prefer to communicate directly so that the meaning is on the surface of the message. People in high-context cultures prefer to communicate indirectly so that the meaning is embedded in the context of the message and must be understood. In negotiations, both confrontational and information-sharing behaviours can be influenced by this cultural value. Low-context cultures can often feel ignored by the indirect confrontation and communication by high-context cultures, and as a result conflicts easily arises.154

According to Brett, good cross-cultural negotiators proceed slowly, and are testing if their assumptions about their strategy will be effective in different situations. Moreover, they are willing to adjust their use of negotiating strategy to achieve their goals. Being an excellent cross-culture negotiator means understanding the nuances of negotiation strategy as it differs in different contexts.155

3.3.3.3 Negotiating in Asia

The cultural complexity of Asia makes defining negotiation in this continent very challenging. The differences in negotiating that characterises Asia from West are many, ranging from culture and religion to business behaviour. Asian negotiators are known to be good and tough, and therefore it is important to have information about their business behaviour before doing business there. To understand the differences in the main elements of negotiations; the people, the process, and the content, is essential in order to be a good negotiator in Asia.156

The people

- **Relationship.** The people in Asia are more relationship based than in Western countries. One of the first challenges one will face when negotiating with an Asian counterpart is the importance of relationships, both over and above contracts. First, it is difficult to get what you want without knowing the right people. This, on the other hand, leads to the process of getting in contact with these people, and know how to influence them in order to get what you want. Second, difficulties often occur when situations change and the reality differ from the contract. While Western negotiators argue that something is in the contract and must therefore be followed, Asian negotiators argue that the contractual terms always are negotiable.

- **Individualists versus collectivists.** Another difference between people from the two cultures is that Western people are individualists, while Eastern people are collectivists. In Asia, people tend to define themselves in terms of the group that they are associated to, for example their company. This involves their decision-making process, to many Western people’s frustration, in the way that everyone in the group has to be consulted before making a decision. Generally, Westerns have a more individualistic approach and see themselves as unique. Due to these differences negotiations tend to be longer in Asia than in West, and have less obvious outcomes. Moreover, Asian negotiators are affected by gender bias (mostly in favour of males) and the respect to hierarchy and status.

- **Multicultural.** Asia is multicultural, multiracial, and multilingual. In terms of negotiations, this means that Asians are more aware of the importance of differences when negotiating. Two benefits of being comfortable with diversity are the tendency of being better at reading body language, and knowing how to make the counterpart feeling more comfortable in negotiation situations. Moreover, it is good to know that is that Asians often consider promises made during the negotiation as being made to the individuals who negotiate, not to their organisation.

- **Importance of family.** In Asia people tend not wanting to go outside their network. In other words, they want to benefit from people within their network and prefer doing business with people whom they have long-term relationships with, for example family. Another important factor in Asia is age, and since respect for elders is essential, it can be expected that older family member have an impact on negotiations.157

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156 Nixon (2005), p. 3.
The process

- **Bargain.** A big difference between Asia and Western, when it comes to the process of negotiating, is the bargaining. In Asia people grow up in price-variable markets and bargain is a part of their culture, hence they learn the art of bargain but also that it pays. In some Western societies, on the other hand, bargain is not sophisticated and is not seen as professional.

- **Risk.** Negotiating in India can be a risky business. The main risks include: financial risk (will I ever get paid?), security risk (they shot the last guy who was trying to collect money here), health risk (SARS, bird flu, stomach flu etc.), and absentee risk. Absentee is the risk of not doing business in India, the risk of missing the fastest-growing market in the world and all the opportunities that follows. The financial, security, and healthy risks may hinder risk-aversive organisations and people from doing business in Asia.

- **Owner-managed companies.** Large companies in Asia tend to be more closely held and have less distinction between the owner and the manager, compared to Western companies. Family business is very common among Asian companies and thus negotiations are tougher due to both close relationship and the fact that it is their own money they are discussing.

- **Black, white and grey.** Another difference that is typical of Asian negotiators is that they tend to see things in grey, and not black or white as Western people often do. For example when a Western negotiator says: “either we stop now or we go ahead all the way”, Asians tend to look for a solution that lies between these extremes.

- **Legal issues.** There is a major variety in legal, financial and governmental frameworks throughout Asia. Each country and region has its individual government and rules, while Western countries tend to be more homogenous in this matter. Thus, it is important to investigate and examine all the legal challenges before entering a negotiation process in Asia.\(^{158}\)

The content

- **Conflict avoidance.** Asian cultures are known for conflict avoidance which is a behaviour that has a major impact on negotiations since discussions of problems often are avoided.

- **Prices are subject to negotiations.** As mentioned earlier, Asians grow up in price-variable markets and have therefore developed a skill for bargaining. When applying this skill into business, they can be quite tough negotiators, and are often putting the price in the centre of the negotiation.

- **Volume is significant.** Almost every country in Asia has a huge domestic population which causes many challenges in terms of macroeconomics development, but huge population also creates significant opportunities for business that get it right. Since the volume is significant, Asian negotiators are tougher because the parties recognise that each concession can have a big impact on the outcome.

- **No safety net.** Western countries have had a longer period of peace and economic stability than Asian countries. The Asian people’s wealth has risen and fallen over the years, and there is no safety net similar to Western markets. This has resulted in a short-term focus that has forced the Asians to be harder negotiators.

- **Multiple currencies.** Western generally uses the dollar or the euro, while Asia has the rupee, yuan, won, yen, baht etc. Thus, Asians are very well oriented in currency

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\(^{158}\) Nixon (2005), p. 9ff.
speculation and exchange rates, and often includes currency as an issue for negotiation.\textsuperscript{159}

These differences between Asians and Western people are important to have in mind when negotiating in Asia. When it comes to negotiations, people born and raised in Asia are better prepared to negotiate compared to people born and raised outside Asia.\textsuperscript{160}

**Successful negotiators in Asia**

In “Mastering Business in Asia”, Nixon gives some characteristics that are common for successful negotiators. We have modified these characteristics to advices that are important to consider when doing negotiating in India. These characteristics are based on four categories; strategic, timing, action-oriented and relationship-oriented tips, which form the word STAR.\textsuperscript{161}

### Strategic
- Carefully choose words and actions that enhance the desired outcome.
- Take the time to clarify what the focus is and why, and thereby eliminating any doubt within the team before staring the negotiation.
- To know that it is only by helping others that you can help yourself, and thus have goals that tend to enrich more people than just your team.

### Timing
- Be well prepared before the negotiation.
- Carefully choose the right moments to act.
- Be alert and try to see when to engage with the other part.

### Action-oriented
- Be proactive rather than reactive and try to change the course of action instead of allowing fate to determine.
- Constantly try to do something about the desired outcomes.

### Relationship focused
- Manage relationships carefully.
- Focus on influencing the people whose cooperation is needed in order to achieve the goals.
- Work effectively to build relationship in networks and identify who is influencing whom.\textsuperscript{162}

### 3.3.3.4 Summary of negotiations

Negotiation is the process of mutual agreement that resolve disputes or makes decisions. The main three objectives that are essential to all negotiations are that you need to: 1) understand the differences in viewpoints, 2) engage in interdependent decision-making, and 3) build commitment to a mutual option of action. When these goals are listed you can start the negotiation process. Moreover, there are seven steps or phases in actual the negotiation

\textsuperscript{159} Nixon (2005), p. 13ff.
\textsuperscript{160} Nixon (2005), p. 19.
\textsuperscript{161} Nixon (2005), p. 22.
\textsuperscript{162} Nixon (2005), p. 22f.
process; preparation, relationship building, information gathering, information using, bidding, closing the deal, implementation. These steps are important to consider and follow, as well as understand how they really affect each other.

The differences in negotiating that characterises Asia from West are many, ranging from culture and religion to business behaviour. Generally, Asian negotiators are known to be good and tough, and therefore it is important to have information about their business behaviour and to be well prepared before doing business there.\textsuperscript{163}

To conclude the part about negotiations, we will use Nixon’s model for successful negotiators. It consists of five basic attributes of a successful negotiator, no matter if it is a global or local negotiation. Successful negotiators should be able to combine outstanding skills in the following areas:

\begin{center}
\textit{Figure 3.12 Five attributes of successful negotiators.}\textsuperscript{164}
\end{center}

\begin{itemize}
  \item Manage \textbf{communication} effectively
  \item Use \textbf{tactics} strategically
  \item Control \textbf{information} wisely
  \item Understand \textbf{people} fully
  \item Facilitate \textbf{situations} productively
\end{itemize}

\textsuperscript{163} Nixon (2005), p. 23.
4. INDIA

In this chapter we will present general information about India as a country, the political, the economic, and the educational system. Moreover, we will discuss the Indian business environment with a focus on the three states where our survey has taken place. Finally, the formal steps of a foreign establishment process in India will be presented.

4.1 General background of India

India should not be seen as a country, rather as a continent with its over one billion population consisting of a variety of groups of people, religions and languages. These groups differ among each other as much as the European countries differ from each other. Comparing a North Indian with a South Indian is, for example, like comparing a Swede with a Turkish person. India is vast due to other factors as well; the rural area in contrast with the urban area is one example. One will find extremely poor villages on the country side, nomads in the Rajasthan’s desert and a fast growing middle class in the cities.\(^{165}\)

With increasing global integration and exposure, the Indian society is undergoing a prominent change, impacted by Western customs and life styles.\(^{166}\) Moreover, the Indian industry embraces traditional craftsmen as well as nuclear plants and own space programs.\(^{167}\) The figure below gives short facts about India, followed by a map over the country.

<table>
<thead>
<tr>
<th>Population:</th>
<th>1,095,351,995</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population growth:</td>
<td>1.38%</td>
</tr>
<tr>
<td>Land area:</td>
<td>3,287,590 sq km (land and water)</td>
</tr>
<tr>
<td>Capital:</td>
<td>New Delhi</td>
</tr>
<tr>
<td>Government type:</td>
<td>Federal republic with 28 states</td>
</tr>
<tr>
<td>Languages:</td>
<td>Hindi is the national language spoken by 30% of the people. 14 other official languages: Bengali, Telugu, Marathi, Tamil, Urdu, Gujarati, Malayalam, Kannada, Oriya, Punjabi, Assamese, Kashmiri, Sindhi, and Sanskrit. English is not an official language but the most important language for national, political, and commercial communication;</td>
</tr>
<tr>
<td>Religions:</td>
<td>Hindu 80.5%, Muslim 13.4%, Christian 2.3%, Sikh 1.9%, other 1.8% and unspecified 0.1%</td>
</tr>
</tbody>
</table>

\(^{166}\) Ernst & Young, Doing business in India 2006, p. 4.
\(^{168}\) CIA fact book.
4.1.1 The colonialism

India's history is intimately tied to its geography. It is a meeting ground between the East and the West, and has always been an invader's paradise, and the Europe-India relationship can be traced far back in the history.\textsuperscript{169} The modern European colonialism started in the late 1490s with the Portuguese Vasco da Gama and continued until India’s independency from Britain in 1947. Exactly one year after the independency, the pacifist and leader Mahatma Gandhi was assassinated by a Hindu fanatic, something that created a lot of chaos in the country. Although India's political climate remains conflict-ridden, the country has attained apparent stability in the last years.\textsuperscript{170} The opinion whether the British over 300 years presence in India has been positive or negative is still a hot topic. No matter what, Britain’s colonialism has affected India in several ways ranging from culture, language, education, and legal system.\textsuperscript{171}

4.1.2 Population

India has a population of approximately 1.091 billion and is forecast to be the most populous nation by 2045. The cities with more than five million habitants is; greater Mumbai (16.4 million), Kolkata (13.2 million), New Delhi (12.8 million), Chennai (6.4 million), Bangalore (5.7 million), and Hyderabad (5.5 million).\textsuperscript{172} The population shows a great diversity in language, religion, and culture. Hindi is the national language, and the primary tongue of 30% of the population. Additionally, there are 14 officially languages recognised in the Indian

\textsuperscript{169} Geographia (2006), India.
\textsuperscript{170} Geographia (2006), India.
\textsuperscript{171} Ståhl (2003), p. 32.
\textsuperscript{172} Ernst & Young, Doing business in India 2006, p. 2.
Even though English is not an official language, it is the major business and commercial language as well as the communication language between the central government and the local governments.\textsuperscript{174}

The majority of the population, 80.5\%, are Hindus, and the second largest group is the Muslims (13.4\%), followed by Christians (2.3\%), and Sikhs (1.9\%).\textsuperscript{175}

\subsection*{4.1.3 Education}

The Indian education system follows a three level system left from the British; schools, colleges, post graduate technical institutes and professional educational institutes.

\begin{enumerate}
  \item \textit{Schools} – divided into primary, secondary and upper secondary education.
  \item \textit{Colleges} – divided into higher secondary and undergraduate education in technical and non-technical fields.
  \item \textit{Post graduate technical and professional educational institutes} – fields in pure science, engineering science, medicine, information technologies, business management, law, art, architecture, fashion and technology.\textsuperscript{176}
\end{enumerate}

India has over one million schools, around 9200 colleges (post graduates and graduates) in general fields, 4600 colleges (post graduates and graduates) in professional fields, and around 300 universities and institutions of national importance. Most universities and colleges are public and do not require any fee, but since 1991 more and more professional or private schools in management, engineering, and medicine, have been established. Over three million students graduate every year from the professional institutions, and constantly add the large pool of the country’s educated work force. The Indian Institute of Technologies (IIT) and the Indian Institute for Management (IIM), both governmental, are considered to be the best institutions and have a worldwide reputation. Having a degree from these schools guarantees a well paid job after graduation.\textsuperscript{177}

The educational languages in the schools (primary, secondary and upper secondary education) are English and the local language. From college and up, English is the only educational language.

A number of governmental initiatives have been taken in order to improve the quality of the educational system, efforts that are mainly made to mainstream the less privileged in the society.\textsuperscript{178} Recently, a constitutional change was made in order to give free and compulsory education to all children till the age of 14. Today the literacy level in the country reaches 59\%, but is constantly growing\textsuperscript{179}. The National Literacy Mission aims at reaching the goal of a literacy level of 75\% by 2007.\textsuperscript{180}

\begin{footnotesize}
\begin{enumerate}
  \item\textsuperscript{173} CIA fact book (2006).
  \item\textsuperscript{174} Ernst & Young, Doing business in India 2006, p. 2.
  \item\textsuperscript{175} CIA fact book (2006).
  \item\textsuperscript{176} Ernst & Young, Doing business in India 2006, p. 3.
  \item\textsuperscript{177} Ernst & Young, Doing business in India 2006, p. 3.
  \item\textsuperscript{178} Ernst & Young, Doing business in India 2006, p. 3.
  \item\textsuperscript{179} IBEF (2006), Sustainable developments.
  \item\textsuperscript{180} CIA fact book (2006).
  \item\textsuperscript{179} Ernst & Young, Doing business in India 2006, p. 3.
\end{enumerate}
\end{footnotesize}
4.2 The Indian Business environment

4.2.1 The Indian market

Due to the rapid economic growth over the last few years, India has become a huge consumer market that attracts many foreign companies. Urbanisation and an increasing use of electronic media have given rise to a change in lifestyle and consumption attitudes among people. The urban population has undergone some big socio-economic changes such as a higher level of education, more women working, rising disposal income, and an exposure to a Western lifestyle. Due to these changes a demand for quality products and services, entertainment and convenient food is growing over the country. Moreover, the industrial market is a big and diverse market with different types of products for industrial consumption.\(^{181}\)

The major market segments that one will recognise at the Indian market are telecom and IT, vehicles, engineering, biotech and chemicals, and textile industry. Additionally, India is also well known for its outsourcing industry.\(^{182}\) From an economic activity point, India can be classified into four regional zones. These zones have been hubs for different kinds of industries. The Southern and Western states stand for over 50 % of the hi-tech production and research in the country.\(^{183}\)

**Northern India**

This is the main economic and political hub with the capital New Delhi in the centre. Moreover, this part of the country has a good infrastructure support, a wide consumer base and the nearby cities, Gurgaon and Noida, offers export zones and technology parks. The Northern regions mostly attract software services, automotive, retail and real-estate sectors.\(^{184}\)

**Eastern India**

Kolkata is the main economic hub with a huge well educated middle class. This region offers a large quantity of mineral resources but lack of infrastructure.\(^{185}\)

**Western India**

The two states Gujarat and Maharashtra are highly industrialised and have well developed infrastructure; well developed roads, ports, and power, make these regions to the primary destinations for foreign investments. Mumbai is the capital city of Maharashtra and is an economic hub with an important port. Pune, south east of Mumbai, has for many years attract industry sectors.\(^{186}\)

**Southern India**

The states Karnataka and Andhra Pradesh are hubs for telecom and IT business and have a well developed infrastructure for this. Bangalore, the capital city of Karnataka, is the leading

\(^{181}\) Ernst & Young, Doing business in India 2006, p. 12f.
\(^{182}\) Project India (2005), India; Yes, yes no problem? p. 25ff.
\(^{183}\) Evalueserve, Indo-Swedish business collaboration, p. 4.
\(^{184}\) Evalueserve, Indo-Swedish business collaboration, p. 5.
\(^{185}\) Evalueserve, Indo-Swedish business collaboration, p. 5.
\(^{186}\) Evalueserve, Indo-Swedish business collaboration, p. 5.
centre for IT and technical research and development. Hyderabad, the capital city of Andhra Pradesh, is a hub for biotechnology and IT.  

4.2.2 Economic system

Due to the economic reforms that started in 1991, de-licensing and deregulation in most industries has taken place. Reduced tariffs and limitations for foreign trade and the local governments aim at attracting investment in their state, have opened up for foreign investment in the country. The Indian economy is growing fast with a GDP growing record in 2003-2004 with 8.5 %, and 6.9 % 2004-2005. The principal sectors contributing to the growth are the industry and service sectors. India is forecast to be the third largest economy, after China and the US, in the world by the year of 2050.

The Indian financial system is regulated and supervised by the country’s central bank, Reserve Bank of India (RBI), with its purpose:

“...to regulate the issue of Bank Notes and keeping reserves with a view to securing monetary stability in India and generally to operate the currency and credit system of country to its advantages.”

Moreover, RBI formulates, implements, and monitors the monetary policy of the country, manage the country’s foreign exchange reserves, and act as a banker to the central and local governments. The country’s inflation, based on the wholesale price index, was 5.4 % in 2003-2004 and 6.4 % in 2004-2005. The rates are market-determined and have shown a downward trend over the last years.

4.2.3 Politico-legal system

India is a sovereign, socialist, secular, democratic republic that consists of 28 states and six union territories. Each state is administered by a state government, while the central government is in charge of the overall administration of the country. The union are administrated by representatives nominated by the government. However, the central government in India has greater power in relation to its states, and has adopted a British parliamentary system. Thus, India follows a parliamentary form of government. Even though the president is the head of the republic, the real power is held by the Prime Minister who is the elected representative of the people.

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187 Evalueserve, Indo-Swedish business collaboration, p. 5.
188 Ernst & Young, Doing business in India 2006, p. 10f.
189 RBI (2006), Scripts.
190 Ernst & Young, Doing business in India 2006, p. 8.
191 Ernst & Young, Doing business in India 2006, p. 12.
192 Ernst & Young, Doing business in India 2006, p. 7.
193 Ernst & Young, Doing business in India 2006, p. 7.
The state government in each state handles all the local issues, such as the business environment in their state, the infrastructure, their own affairs, etc. When it comes to policy reforms and the development of the infrastructure, the government, both at the central and state level have been working together in order to make India more investment friendly. But there is also a competition among the different state governments in order to make their state most investment friendly for both domestic and international companies. Thus, each state has its own strengths for a potential investor. The states are on a three-point agenda:195

- Providing basic infrastructure and encourage private sector participation in infrastructure provision.
- Providing policy stability to business by encouraging investment and growth.
- Creating employment opportunities by developing the services sector.

India's independent judicial system began under the British, and its concepts and procedures resemble those of Anglo-Saxon countries. The Supreme Court consists of a chief justice and 25 other justices, all appointed by the president on the advice of the prime minister. The Supreme Court is the main juridical authority, below are the High Courts which head the juridical system in each state. Under each High Court there is a hierarchy of subordinate courts.196

Furthermore, a company has many rights when establishing in India. The legal system is very modern and harmonised due to the British heritage. The system is the same all over India, but some taxes differ among the states.197 In January 2005, India accepted a new patent law, compatible with WTO:s guidelines for protection concerning patent. “The Patents Act 2005” gives better protection for the rights of ownership in India.198

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194 Ernst & Young, Doing business in India 2006, p. 7.
195 IBEF (2006), States.
196 Ernst & Young, Doing business in India 2006, p. 8.
197 Interview with Mr. Johansson, STC, 060420.
4.2.4 Three states of interest for Swedish establishments

Below, a presentation of the states and cities in which we have conducted our survey will follow. New Delhi is located in Delhi, Mumbai and Pune are located in Maharashtra, and Bangalore is located in Karnataka.

Delhi and New Delhi

Delhi is located in the North/Central part of India and became a state in 1993. The capital, New Delhi, is located in the middle of India’s geographically smallest state. 199 The state and city is a transportation hub and a trade centre with manufactures in electronics, automobile parts, engineering products, and electrical appliances. 200

<table>
<thead>
<tr>
<th>Facts about Delhi</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population: 13.7 million</td>
</tr>
<tr>
<td>Area: 1483 sq km</td>
</tr>
<tr>
<td>Capital: New Delhi</td>
</tr>
<tr>
<td>Main language: Hindi, English, Punjabi</td>
</tr>
</tbody>
</table>

Figure 4.4 Short facts about Delhi. 201

In order to attract new companies establishing in the state, the government of Delhi offers different incentive Loans, guidance for entrepreneurs and the Delhi State Industrial Development Corporation (DSIDC), are some examples of the support given to investors. 202

Maharashtra

The state was formed in 1960 and is the second most populous in India. There is a series of ports along the coast of the Arabian Sea that has attracted many companies. Parallel to the cost, the mountains of Western Ghats are following the state. 203 Maharashtra's economy is the largest among all states in the country. It is a leading industrial state accounting for 20% of the country's investment, 17% of Foreign Direct Investment and 40% of exports.

<table>
<thead>
<tr>
<th>Facts about Maharashtra</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population: 96.8 million</td>
</tr>
<tr>
<td>Area: 307 690 sq km</td>
</tr>
<tr>
<td>Capital: Mumbai</td>
</tr>
<tr>
<td>Main language: Marathi</td>
</tr>
</tbody>
</table>

Figure 4.5 Short facts about Maharashtra. 204

The main industries in the state include chemicals, petrochemicals, oil & gas, engineering, automobiles and textiles. The availability of oil & gas from Bombay High oil fields has encouraged the large scale development of chemicals and petrochemicals industry in the state. The state also accounts for 40 per cent of the country's pharmaceuticals output. 205

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199 Delhi Education (2006), Facts.
200 Infoplease (2006), world.
201 Delhi Education (2006), Facts.
203 IBEF (2006), States.
204 IBEF (2006), States.
205 IBEF (2006), States.
Mumbai
The main capital of Maharashtra is Mumbai which is the principal financial services centre of India.206 The top financial institution and the Reserve Bank of India (RBI) are located in Mumbai, and the city has the two largest stock exchanges; the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE), controlling over 95% of the volume in the Indian equities market.207 Mumbai is a big city which accounts for about one percent of the total population in India, and the per capita income is more than three times as big as the one for the whole country.208 When it comes to foreign collaborations, engineering and service are the biggest industries.

Pune
Pune, located east of Mumbai, is famous for its number of Swedish engineering companies in the industry sector, such as Atlas Copco, Alfa Laval, Tetra Pak and SKF. The city has a street called Sveanagar which means “The Swedish Street” were all these big and famous companies are located. The city is administered by the Pune Municipal Corporation. Its boundaries extend over four hundred square kilometres and it has a population of close to four million. Thus, Pune city has been developed into a Pune metropolitan area, just equal in area to that of Greater Mumbai.209

Karnataka
Karnataka is India's eighth largest state, both in terms of area and population. The State has problems with the infrastructure due to its fast economic growth. Inorder to solve this, the state has done large investments in several big projects that are in progress to upgrade the its existing infrastructure. Karnataka is focused on improving its investment climate. It has been proactive in inviting the private sector and was among the first to invite private investment in the education sector.210

<table>
<thead>
<tr>
<th>Facts about Karnataka:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population:</td>
</tr>
<tr>
<td>Area:</td>
</tr>
<tr>
<td>Capital:</td>
</tr>
<tr>
<td>Main language:</td>
</tr>
</tbody>
</table>

Figure 4.6 Short facts about Maharashtra.211

Karnataka is India’s largest producer of gold (90% of India’s production) and the sole producer of felsites. It is one of the leading producers of limestone and iron-ore in the country (producing 30 million tonnes per annum). Moreover, the state has the highest share in IT exports and the highest number of biotech companies in the country.212

Bangalore
The main capital of Karnataka is Bangalore, located 914 meters above sea level, and thus it has a mild climate. The city is a major industrial and transportation area of South India. It is the economically centre of India’s high-technology sector, including computer,

207 IBEF (2006), States.
208 Bombay First (2006), Tables.
210 IBEF (2006), States.
211 IBEF (2006), States.
212 IBEF (2006), States.
biotechnology, and aircraft industries as well as international telecommunications services. The city is also an important Indian design centre.213

4.2.5 Foreign establishment in India

The possible entry modes when entering the Indian market are, according to STC, liaison office, branch office, project office, wholly own subsidiary and joint venture. Each entry mode involves different levels of engagement. Below, a presentation of the five entry modes is presented.

4.2.5.1 Level of engagement in India

Liaison office – Liaison offices are not allowed to carry out any commercial, trading, or industrial activities, neither are they allowed to earn any income in India. A liaison office can promote its business interest, spread awareness of its products, and act as a communication channel between itself and various Indian companies. The time for registering is approximately 4-6 weeks.214

Branch office – Being a Branch office you are allowed to trade with goods, provide services, carry out research work, and promote collaborations, but are not allowed to earn any money. A Branch office is not a legal body, it operates under the Swedish laws. The time for registering is approximately 4-6 weeks.215

Project office – Project offices are used when establishing a business presence in India for a limited period of time. This kind of office has the limited purpose of executing a specific project. The time for registering a Project office is approximately 4-6 weeks.216

Wholly Owned Subsidiary – A wholly owned subsidiary can be set up either as a private limited company (requiring a minimum capital of INR 100 000) or as a public limited company (requiring a minimum capital of INR 500 000).217

Joint Venture – A joint venture is a partnership between an Indian and a foreign company and operates under the same rules as a wholly owned subsidiary.218

4.2.5.2 The formal process step by step

According to Mr. Johansson at the Swedish Trade Council in New Delhi, the formal establishment of a foreign start up in India involves three major steps:

1. Foreign Investment Promotion Board (FIPB) – This board is chaired by the Ministry of Finance (MoF) and specifically set up for expediting the approval process for foreign investments219.

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213 IBEF (2006), States.
219 Ernst & Young, Doing Business in India 2006, p. 61.
2. **Register of Companies (RoC)** – The first errand concerns registration of the company name.

3. **Register of Companies (RoC)** – The company is formed in the state where it has its physical address. ²²⁰

For a Liaison or Branch Office an approval from the Reserve Bank of India (RBI) is needed instead of from FIPB. Additionally, standardized documentation, a Swedish register approval, and a board decision are other things needed. These documents have to be stamped in India and be sent back to Sweden for a stamp by the Foreign Ministry, a procedure that is very time consuming. Moreover, Mr. Johansson argues that the time it takes to get the different approvals and registrations differ among the states. In Southern India it goes fast, in Northern it is acceptable while in the Eastern part it often takes a lot of time. ²²¹

### 4.2.5.3 Important organisations

**Swedish Embassy** – The Swedish Embassy in New Delhi maintains and develops a comprehensive knowledge base, covering all areas of relations between Sweden and India. The embassy can initiate and facilitate contacts, and act as a hub and a meeting place for a broad and sustainable partnership. ²²²

**Swedish Trade Council** – The Swedish Trade Council (STC) in Delhi helps Swedish companies with interest in India. The council operates in two business areas; export information and export consulting. Export Information entails the provision of free market information and matchmaking. Export Consulting involves evaluating the local market, devising entry strategies and helping companies establish and expand their position. ²²³

**Sweden-India Business Council** – The Sweden India Business Council (SIBC) was established in May 2003 following an initiative by several Swedish companies inspired by the fast and promising developments in India. SIBC is a co-operation between the Confederation of Indian Industry (CII) and the Confederation of Swedish Enterprise. SIBC endeavours to strengthen business relations between Sweden and India, and support the growth of trade and investments. ²²⁴

**Indian Embassy** – The Indian Embassy in Stockholm work mainly with trade and investment relations between India and Sweden. The Embassy provides general or specific information to companies, and arranges meetings for businessmen. ²²⁵

**Confederation of Indian Industry** – The confederation of Indian Industry (CII) is a non-government, non-profit organisation, led and managed by industry, with an active role in India’s development. It works to create an environment that promotes the growth of industry in India. CII has a direct membership of over 5,300 companies from the private and public sectors, including SME:s and MNC:s. It also has indirect memberships from around 300 sectoral associations. ²²⁶

²²⁰ Interview with Mr. Johansson, STC, 060420.
²²¹ Interview with Mr. Johansson, STC, 060420.
Indian Brand Equity Foundation – The India Brand Equity Foundation (IBEF) is a public-private partnership between the Ministry of Commerce and Industry, Government of India, and the Confederation of Indian Industry (CII). Its primary objective is to build positive economic perceptions of India globally. It is a resource centre for global investors, international policy-makers and world media seeking updated, accurate and comprehensive information about the Indian economy. 227

227 World Economic Forum (2006), India, IBEF.
5. EMPIRICAL MATERIAL

In this chapter the empirical material collected during our field study will be presented. The results from the study have been collected through 14 interviews at nine Swedish companies established in India. The presentation follows the same structure as the theory and interview guide, with three major blocks: International Business, Culture and Business Behaviour. Each part within these blocks is summarised in a table and in the last two blocks we have separated the Indian and Swedish view in order to illustrate the differences between the two countries. In order to facilitate the reading we will not present each interview separate.

5.1 Introduction

The 14 interviews conducted at the nine companies involve first of all the CEO or Managing Director in India. These interviews constitute the major part of the empirical result, but since our aim is to give both an Indian and a Swedish perspective, Swedes involved in the establishment from five of the companies have been interviewed either via telephone, email or through a face-to-face interview. The reason for only interviewing five Swedes is that some of the establishments took place more than five years ago and it has therefore been hard to get in contact with the Swedes involved.

The companies participating in our study are located in four different Indian cities; New Delhi, Mumbai, Pune and Bangalore, some of the most common cities for Swedish establishments in India. The year of establishment ranges from 1994 to 2005, with one exception, Höganäs that was established in 1987. All the nine companies are SME:s, ranging from two to 220 employees, none of the companies has Swedish employees. In the table below an overview of the companies participating in the survey are presented.

<table>
<thead>
<tr>
<th>Company</th>
<th>Interview person</th>
<th>City</th>
<th>Year of establishment</th>
<th>Number of employees</th>
<th>Business</th>
<th>Level of engagement</th>
</tr>
</thead>
<tbody>
<tr>
<td>A3TL</td>
<td>Mr. Kanchan</td>
<td>Mumbai</td>
<td>2000</td>
<td>220</td>
<td>IT software solutions</td>
<td>Joint venture</td>
</tr>
<tr>
<td>Andante</td>
<td>Mr. Pingale, Mr. Bjerr</td>
<td>Pune</td>
<td>1995</td>
<td>2-6</td>
<td>Consultancy</td>
<td>Joint venture</td>
</tr>
<tr>
<td>Hiab</td>
<td>Mr. Srinivas</td>
<td>Bangalore</td>
<td>2005</td>
<td>4</td>
<td>Cranes</td>
<td>Liaison office</td>
</tr>
<tr>
<td>Hägglunds</td>
<td>Mr. Singhal, Mr. Pranstig</td>
<td>Pune</td>
<td>1994</td>
<td>13</td>
<td>Hydraulic systems</td>
<td>Subsidiary</td>
</tr>
<tr>
<td>Höganäs</td>
<td>Mr. Gore, Mr. Lundahl</td>
<td>Pune</td>
<td>1987</td>
<td>76</td>
<td>Metal powder</td>
<td>Subsidiary</td>
</tr>
<tr>
<td>Pergo</td>
<td>Mr. Shivshankar</td>
<td>Delhi</td>
<td>1999</td>
<td>38</td>
<td>Laminate flooring</td>
<td>Joint venture</td>
</tr>
<tr>
<td>SCA</td>
<td>Mr. Prasad</td>
<td>Mumbai</td>
<td>2005</td>
<td>2</td>
<td>Hygiene products</td>
<td>Branch office</td>
</tr>
<tr>
<td>Seco Tools</td>
<td>Mr. Cros, Mr. Johnsson</td>
<td>Pune</td>
<td>1996</td>
<td>195</td>
<td>Carbide cutting tools</td>
<td>Subsidiary</td>
</tr>
<tr>
<td>Smarttrust</td>
<td>Mr. Arora, Mr. Eriksson</td>
<td>Delhi</td>
<td>2004</td>
<td>20</td>
<td>Telecom software</td>
<td>Subsidiary</td>
</tr>
</tbody>
</table>

Table 5.1 Overview of the companies participating in the survey.

228 Company list India, Swedish Trade Council
The Indian respondents are either CEO or Managing Directors, all of them with a wide academic and professional background. The majority of the respondents have experiences in working abroad or for international companies in India, some of them in Swedish companies.

<table>
<thead>
<tr>
<th>Company</th>
<th>Name</th>
<th>Academic background</th>
<th>Professional background</th>
</tr>
</thead>
<tbody>
<tr>
<td>A3TL</td>
<td>Mr. Kanchan</td>
<td>Degree in Electronics, MBA in Finance</td>
<td>14 years of experience in investment banking and being a board member in India. Worked in countries such as Singapore, UK, Tokyo, Dubai, US.</td>
</tr>
<tr>
<td>Andante</td>
<td>Mr. Pingale</td>
<td>Degree in Commerce, MBA at Pune University</td>
<td>Working at big Indian enterprises and in Swedish SIDA projects.</td>
</tr>
<tr>
<td>Hiab</td>
<td>Mr. Srinivas</td>
<td>Degree in Mechanical Engineering</td>
<td>Worked at STC at a marketing position for nine years.</td>
</tr>
<tr>
<td>Hägglunds</td>
<td>Mr. Singhal</td>
<td>Degree in Mechanical Engineering from IIT, MBA at Delhi University</td>
<td>Atlas Copco, started as a management trainee and finished as a General Manager.</td>
</tr>
<tr>
<td>Höganas</td>
<td>Mr. Gore</td>
<td>Degree in Mechanical Engineering, Diploma in Management from Stockholm Business School, Diploma in International Business</td>
<td>Worked as a manager in Johannesburg, Melbourne, and Copenhagen. Worked at Alfa Laval.</td>
</tr>
<tr>
<td>Pergo</td>
<td>Mr. Shivshankar</td>
<td>Graduation in Commerce, Diploma in Management</td>
<td>20 years of working experience from working all over India.</td>
</tr>
<tr>
<td>SCA</td>
<td>Mr. Prasad</td>
<td>Degree in Management</td>
<td>10 years of working experience.</td>
</tr>
<tr>
<td>Seco Tools</td>
<td>Mr. Cros</td>
<td>MBA from Paris Higher Institute in India</td>
<td>Manager at several companies in Germany. Worked at Seco Tools in France before India.</td>
</tr>
<tr>
<td>Smarttrust</td>
<td>Mr. Arora</td>
<td>Bachelor in Electronic Engineering, Master in Economics</td>
<td>Working at Xerox in Korea and India. Ericsson-Hewlett Packard in India.</td>
</tr>
</tbody>
</table>

Table 5.2 The Indian respondents academically and professionally.

5.2 International business

This block is divided into two major parts; the establishment process and the challenges and opportunities in the Indian business environment. The first part, involves the nine companies’ establishment processes and how they were carried out. Questions about their level of engagement, reasons for location and whether they were in contact with any organisations before the set up, were asked.

The second part of this block concerns the companies market screening activities and how they experience the company’s external environment in India. In order to understand the challenges and opportunities the companies met in the external environment, question were asked within the field of a PEST-analysis, the politico-legal, economic, social and technologic environment of India and the four different cities. As an introduction to this part, questions about eventual market investigations were asked in order to study how well the companies prepared their start-ups.

5.2.1 Establishment process

As mentioned earlier, the companies’ establishment processes range from 1987 to 2005. Höganäs, who set up a subsidiary in 1987, had a long and complicated establishment process since it took place before the reforms in 1991. By that time any FDI needed an Indian partner and it was hard to get the majority of the shares. Hard bureaucracy and complicated local laws made the process difficult. Hägglunds, who started up 1994, was established as a joint venture where the Swedish company possessed 74 % of the shares and the Indian partner 26

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229 The Managing Director for Seco Tools in India, Mr. Cros, is French.
This was also an arrangement according to the local laws by that time. For the companies that established quite recently\textsuperscript{230}, from the year 2000 to present, the establishments went much smoother and it took only a few weeks to get the licences needed. An exception is SCA that had some delay in their errand at the RBI. Moreover, two of the companies mentioned that they got help from consultants concerning the administrative part of the establishment process. Smarttrust was outsourcing it to the consultancy firm KPMG, and SCA cooperated with local consultants concerning these matters.

When discussing the decision of location for the establishments, the companies gave different answers. The companies that started their establishment with an Indian agent\textsuperscript{231} did not really choose the city, the reason for going to a certain city was mainly because their Indian partner was already established and had its network there. For the other companies the development of the city and the geographical location were important criteria.

Four of the companies are located in Pune; Andante, Hägglunds, Höganäs, and Seco Tools. All of them are engineering companies, except Andante, and their main reason, shared by all the four companies, to establish in Pune was the city’s long tradition of big Swedish companies operating here, for example Alfa Laval, Atlas Copco, Sandvik and SKF. One of the respondents compares Pune with Gothenburg in Sweden, “a region where engineering and production companies are located like a cluster.”\textsuperscript{232} Moreover, this region is considered to be more Western and free in terms of culture.

Two of the companies are located in Mumbai; A3TL and SCA. The shared reason for choosing the city was its geographical location in the centre of the country. The distance to other important Indian cities; such as Pune, Chennai, Bangalore, and Hyderabad, is much smaller than from for example Delhi. The city also has a great access to the rest of the world with direct flights to Frankfurt and London. Moreover, Mumbai is a financial hub and has two important ports, which is crucial when importing. For SCA, one of the main reasons for choosing Mumbai was that it is an “over one billion city”. The city offers a huge market with a fast growing middleclass.

Hiab Cranes was the only company established in Bangalore, except from A3TL who has a branch office in the city since 14 months back. The reason for Hiab to choose Bangalore was mainly to be close to their customers who are located in Pune, Bangalore, and Chennai. Moreover, Bangalore is a potentially rich city due to the IT-sector. A3TL chose to set up an office in Bangalore because of the many projects the company has in the city.

Both Smarttrust and Pergo have their head offices located in Delhi. Delhi is a telecom hub with major Indian telecom operators located here. Since they are in the IT software business, the location is less important. The main reason for Pergo to choose Delhi is that their Indian partner, with an important network, is located here. Today the company has branch offices all over India.

The length of the nine establishment processes differs and has been differently defined by the companies. Some respondents focused on the time it took to get the different licenses and approvals and while other include market researches and training in the definition.

\textsuperscript{230} A3TL, Hiab, SCA, Smarttrust.
\textsuperscript{231} Andante, Hägglunds, Pergo, Seco Tools, Smarttrust.
\textsuperscript{232} Interview with Mr. Gore, Höganäs, 060328.
Only two of the companies were in contact with the STC (Swedish Trade Commission) before setting up. The rest of the companies had had some kind of business before starting up.

**Summary establishment process**

<table>
<thead>
<tr>
<th>Company</th>
<th>Est. year</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>A3TL</td>
<td>2000</td>
<td>As a joint venture. Met Affärsstrategerna in Sweden and saw the potential for a future collaboration. Chose Mumbai because it is a financial hub with accessibility to the rest of India and Europe. Mr. Kanchan is familiar with the region since he was born in Pune. Also has an office in Bangalore – many projects here. The process took only a few weeks.</td>
</tr>
<tr>
<td>Andante</td>
<td>1995</td>
<td>As a joint venture. Met the partner through a SIDA project. Chose Pune because Mr. Pingale is established here but also due to the city’s long tradition of Swedish companies. The process for the JV took one year.</td>
</tr>
<tr>
<td>Hiab</td>
<td>2005</td>
<td>As a Liaison office, plans on manufacturing. Chose Bangalore to be close to its customers in Bangalore, Pune and Chennai. A potentially rich city due to the IT-sector. Long relationship with STC.</td>
</tr>
<tr>
<td>Hägglunds</td>
<td>1994</td>
<td>As a joint venture (Sw. 74 %), a wholly owned subsidiary since 2002. Chose Pune because the Indian partner was located here, and because the city has a tradition of big Swedish companies. The process for the JV took one year.</td>
</tr>
<tr>
<td>Höganäs</td>
<td>1987</td>
<td>As a subsidiary where Höganäs had 51 % of the shares, local Indians handled all the contacts in India. Were in contact with Swedfund, but they were not very active. Chose Pune due to tradition. Many production and engineering companies are located here. The Maharashtra region is more free and Western. The process took five years.</td>
</tr>
<tr>
<td>Pergo</td>
<td>1999</td>
<td>As a joint venture. Got a licence for manufacturing but has only done some test marketing. Chose Delhi because the Indian partner was located here. From planning to start operating took around one year.</td>
</tr>
<tr>
<td>SCA</td>
<td>2005</td>
<td>As a Branch Office. Chose Mumbai because it is a one million plus city with a huge middleclass. Located in the middle of the country with two important ports. Was in contact with the STC in Sweden for business advice. Took six month instead of eight weeks to get the approval from RBI.</td>
</tr>
<tr>
<td>Seco Tools</td>
<td></td>
<td>Started in Chennai with an Indian agent. Problems with the authority of the land they bought. Started all over, bought a company in Pune 1999. Chose Pune because the company they bought was here. The process to get all the licences took around one year.</td>
</tr>
<tr>
<td>Smarttrust</td>
<td>2004</td>
<td>As a wholly owned subsidiary but had been doing business in India since 2000 through licensing. Chose Delhi because the city is a hub for telecom and Mr. Arora and his partner was located here. Outsourced the establishment process to KPMG. The process took four years but they started doing business after six to twelve months.</td>
</tr>
</tbody>
</table>

Table 5.3 Challenges and advantages in the establishment process.

5.2.2 Market screening/external environment (PEST)

**Market investigations**

Before starting up a business in a new market it is appropriate to investigate the potential market, something that many of the companies made a comment about.

Three of the companies sent a Swedish team to India in order to investigate the market. In SCA’s case the investigations were made together with local management consultancies and Seco Tools had an Indian agent by whom the company worked with. Other companies already had some knowledge about the market due to some limited business before the start up, Hiab Cranes had for example a well established relationship to STC before entering the Indian market. Smarttrust’s investigations were fully done by two Indians but with clear directions from the Swedish company, and the investigations were mainly about getting a picture where the Indian telecom market was heading. “The first 2-3 years were a lot about relationship building.”

For two of the companies the investigations mainly focused on how well their products would fit the Indian market. Pergo’s product, laminate floors, was a totally new concept in India. Pergo was looking for large volumes and since the products require a relative high disposal income it was crucial to understand the consumer reaction, and if there was an interest for their products. “You have to adapt your products to the Indian market, what is working in

233 Hiab, SCA.
234 Höganäs, SCA, Seco Tools.
235 Interview with Mr. Arora, Smarttrust, 060421.
Sweden may not work in India\textsuperscript{236}.” Since the volume never increased during Pergo’s test marketing period, the company has not started manufacturing and the plans today only includes manufacturing of semi produced products. Another example is SCA that was introducing hygiene products on the Indian market in 2005. This kind of products also requires a certain level of disposal income and the product attributes, improving the quality of life, which may work in West are nothing that the average Indian consumer cares about in the same extent.

Four of the nine companies also discussed the importance of having a local partner who has the right knowledge and understanding of how things work in the specific state or city the company chose for the establishment. “\textit{Be glocal - think global and act local. The local manager is the best judge.}”\textsuperscript{237}

### Summary market investigations

<table>
<thead>
<tr>
<th>Company</th>
<th>Market Investigations</th>
</tr>
</thead>
<tbody>
<tr>
<td>A3TL</td>
<td>No formal investigations since they already had deep knowledge due to the Indian board member experiences.</td>
</tr>
<tr>
<td>Andante</td>
<td>Limited investigations since the business concerned consultancy.</td>
</tr>
<tr>
<td>Hiab</td>
<td>Long relationship with the STC before starting up.</td>
</tr>
<tr>
<td>Hägglunds</td>
<td>Already some business with an Indian agent, contacted STC for some further surveys.</td>
</tr>
<tr>
<td>Höganäs</td>
<td>Swedish team came to India, and wide and deep investigations were done. Having an Indian partner is crucial.</td>
</tr>
<tr>
<td>Pergo</td>
<td>Deep investigations especially about the consumer reaction of their product. A local understanding is crucial.</td>
</tr>
<tr>
<td>SCA</td>
<td>A Swedish team came to India and together with local management consultancies they investigated the market and if the Indian market was suitable for their products. You need a good knowledge and perspective of the market.</td>
</tr>
<tr>
<td>Seco Tools</td>
<td>Swedish team came to India. Cooperated with an Indian agent before so the company had a pretty good knowledge of the market. A few British people were also sent to India in order to manage the training (in English).</td>
</tr>
<tr>
<td>Smarttrust</td>
<td>Two Indians made the investigations on a clear mission from the Swedish company. The investigations concerned a lot of relationship building. It is a great advantage to have an Indian partner.</td>
</tr>
</tbody>
</table>

\textit{Table 5.4 Market investigations.}

### Politico-legal environment

The majority of the companies did not face a lot of problem concerning the Indian legal system, but “everything takes a lot of time”, is a common answer. The recently established companies, from 2000 to present, faced fewer problems concerning the legal system since the system has improved a lot since the mid 1990’s. Moreover, the level of engagement has also had an impact on the nature of problems, faced by the companies, in the politico-legal environment in India. Companies that only applied licenses for trading had fewer problems than the one who started up a wholly owned subsidiary. One of the respondents argued that it was much more complicated to get all the certificates needed from Sweden\textsuperscript{238}. SCA hired management consultancies to handle the legal matters and did not have to bother about slow governmental departments. The fact that you still need a lot of approvals and licenses remains. One of the respondents means that the system is heavily overregulated with to many approvals, licenses and taxes. Even when shutting down a business you need an approval.

\textsuperscript{236} Interview with Mr. Shivshankar, Pergo, 060412.

\textsuperscript{237} Interview with Mr. Shivshankar, Pergo, 060412.

\textsuperscript{238} Interview with Mr. Srinivas, Hiab Cranes, 060331.
from the Indian Government, after a well formulated motivation why this is necessary. This approval does not concern mergers and acquisitions.

Additionally, most of the companies argue that the legal system is good and has a high international acceptance. Once you are in, you are well protected. Even here, time consuming is a widely used word among the companies. “It can take up to 15-20 years to come to the court, and the other counterpart may be dead by this time.”

Concerning the Indian labour legislation one can divide them into blue and white collar where the blue collar is highly protected by the laws. This group includes workers at a lower level in a company, for example factory workers. This group is often unionised and most of the respondents argue that they are hard to fire. The white collar group; CEO:s, managers, engineers and administrative staff, on the other hand is not hard to “get rid of”. One to three months notice is enough and if you give compensation they have to leave immediately. Due to the differences between these two groups of employees, the companies had difference experiences since not all of them are manufacturing.

Summary politico-legal environment

<table>
<thead>
<tr>
<th>Company</th>
<th>Challenges and advantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>A3TL</td>
<td>Not many problems. Good system with international acceptance.</td>
</tr>
<tr>
<td>Andante</td>
<td>Experienced problem due to the many licenses needed by that time, different today</td>
</tr>
<tr>
<td>Hiab</td>
<td>No challenges since the start up was a Liaison office focused on trading. It was more complicated to get all the certificates from Sweden.</td>
</tr>
<tr>
<td>Hägglunds</td>
<td>No problems since the licenses concerned trading. Was a joint venture start up.</td>
</tr>
<tr>
<td>Höganäs</td>
<td>Everything went slow due to the bureaucracy. Good protection once you are in the system, especially in Pune. Hard to fire blue collar but not white collar employees.</td>
</tr>
<tr>
<td>Pergo</td>
<td>No problems, but it always take some time to get the clearance and licenses needed.</td>
</tr>
<tr>
<td>SCA</td>
<td>Slow due to bureaucracy. Consultants handled these issues. Approval to shut down a business. Good protection, but it takes time. The Indian distribution system is complicated.</td>
</tr>
<tr>
<td>Seco Tools</td>
<td>Overregulation with a lot of licenses, approvals and taxes. Obliged to pay money to a provider fund.</td>
</tr>
<tr>
<td>Smarttrust</td>
<td>Hired the consultancy firm KPMG who handled the administrative part of the establishment process.</td>
</tr>
</tbody>
</table>

Table 5.5 Challenges and advantages in the Indian politico-legal environment.

Economic environment

None of the companies were offered economical privileges when setting up but almost every one of them added that the local governments are giving economical privileges in order to attract FDI:s to set up in their state. These privileges concerns free land, cash flow support, tax holiday etc., and are only given to manufacturing companies. According to all the trading and consultancy companies, this is nothing you will be offered when only focus on trading.

The infrastructure is a big problem for India and it will affect anyone doing business here. “You always have to take the infrastructure in consideration.” The companies that are most affected by the infrastructure are the manufacturing companies Höganäs and Seco Tools. Daily power breaks and roads in bad condition demands pro active and well planned behaviour. “The infrastructure is not in the hands of the company/.../creates a lot of

239 Interview with Mr. Prasad, SCA, 060413.
240 Interview with Mr. Kanchan, A3TL, 060414.
frustration and will affect the company’s reliability towards its partners.” 241 The four companies that are importing goods from Sweden or Europe are more affected by the custom duty in the country’s ports. To avoid the disadvantages with the infrastructure Hägglunds, among other reasons, chose Pune as location for its business since it is close to Mumbai’s port. Moreover, the respondents make a comment about the too often corrupt custom duty and that it can take from one day up to two months before you get your goods cleared out. SCA has national distributors who take care of this and thus they are only indirectly affected. Additionally, one must also mention that the infrastructure for many companies creates business opportunities. Hiab Cranes is such an example, which is a supplier to the companies building and developing the infrastructure.

The respondents also said that they find the competition among the states very good, both for the business climate and for the infrastructure. A bad infrastructure may be a big reason for FDI:s and Indian companies to establish somewhere else, therefore they have to improve the infrastructure in their state and cities faster.

**Summary economic environment**

<table>
<thead>
<tr>
<th>Company</th>
<th>Economic Privileges</th>
<th>Challenges</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>A3TL</td>
<td>No economical privileges, could have been in an economical zone, but chose not to. Always have to take the infrastructure in consideration, doing gap analysis, and consider solutions that go around.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Andante</td>
<td>No economical privileges but the joint venture got money from SIDA since the collaboration was developed with in this Swedish department. Infrastructure lacks in communication.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hiab</td>
<td>No economical privileges, only for manufacturers. Thinks that the competition is good, improves both business climate and the infrastructure. The infrastructure creates business opportunities for the company.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hägglunds</td>
<td>No economical privileges but knows that the local governments are very keen to attract FDI:s. Pune is close to the port in Mumbai. Custom duty used to take 10 days but today it only takes 1 day. Infrastructure is a big problem; therefore it is good to be located close to Mumbai.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Höganäs</td>
<td>Many privileges given to FDI:s in Pune, such as cash flow support, free land, tax holidays. The infrastructure causes problems in the delivery to customers, frustration since it is not in the hands of the company.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pergo</td>
<td>No economical privileges, only for manufacturing companies. The infrastructure has a bad effect on companies doing business in India. Road transports take time as well as the duty customs in ports. China has a big advantage here!</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SCA</td>
<td>No economical privileges. Infrastructure is in a bad condition.Handled by their national distributors who have problems with the custom, which is often corrupt. Asia 2 days, India 2 weeks!</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Seco Tools</td>
<td>No economical privileges. The infrastructure is a big problem. Daily power crashes, need stabilisers on each machine. Lack of clean water.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Smartrast</td>
<td>No economical privileges. Not affected by the infrastructure since their business concerns software and not hardware. Contacted a business centre that handled all security, equipment etc. Therefore, they had no power breaks.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 5.6 Challenges and advantages in the Indian economic environment.

**Social environment**

“Everything takes a lot of time and the system can be chaotic and frustrating, but once you are through, there are a lot of opportunities”. 242 When the respondents were asked what advantages they find by operating in the world’s largest democracy, almost everyone mention the many possibilities a huge market like India offers. Five of the companies also mention the large amount of highly qualified manpower one can find in India. “So many people available, it is crazy.” 243 One of the respondents also makes a comment about the Indian people as very flexible due to the country’s diversity but also risk averse because of the lack of social security. Moreover, two of the companies argue that freedom creates business opportunities and that the legal security is much fairer in a democracy than in a totalitarian society.

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241 Interview with Mr. Gore, Höganäs, 060328.
242 Interview with Mr. Prasad, SCA, 060413.
243 Interview with Mr. Gore, Höganäs, 060328.
The challenges one will face when operating in the world’s largest democracy is time according to all of the nine respondents. India is considered to being built on a bureaucratic system which is very time consuming, “everything can happen, but it takes time”\textsuperscript{244}

Furthermore, the respondents add that this system is changing. The ones that have followed the development say that it has gone very fast and in a couple of years it will be totally different.

### Summary social environment

<table>
<thead>
<tr>
<th>Company</th>
<th>Challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td>A3TL</td>
<td>Everything goes fast within IT-business, no bureaucracy here. A lot has changed since the 1990’s. Large manpower and a wide knowledge base. Indians are flexible due to the country’s diversity but very risk averse due to the lack of social security.</td>
</tr>
<tr>
<td>Andante</td>
<td>Finds India being bureaucratic and that everything take time, but that this is changing! Fast growing market with a huge middle class.</td>
</tr>
<tr>
<td>Hiab</td>
<td>The challenge is that everything takes time. When a group is dissatisfied it will strike. Good protection. Caring about the human rights creates freedom and freedom creates business.</td>
</tr>
<tr>
<td>Hägglunds</td>
<td>Everything takes a lot of time, but it is changing! Young, large and high educated manpower available. Freedom to express yourself and a strong media.</td>
</tr>
<tr>
<td>Höganäs</td>
<td>The challenge is that everything takes time. Freedom creates business opportunities. You are well protected due to a fair legal system.</td>
</tr>
<tr>
<td>Pergo</td>
<td>India is being built on a bureaucratic system, but it is changing. Everything happens but it takes time! You need to handle the governmental staff right. Huge market with a growing middle class.</td>
</tr>
<tr>
<td>SCA</td>
<td>Everything takes a lot of time and the system can be chaotic and frustrating but once you are through there are a lot of opportunities. The bureaucracy is changing!</td>
</tr>
<tr>
<td>Seco Tools</td>
<td>Democracy can be negative sometimes since everything takes a lot of time. Rising purchasing power among the population, a huge market in front of us. A high level of qualified people.</td>
</tr>
<tr>
<td>Smarttrust</td>
<td>Bureaucratic, everything takes time, but it is changing. High degree of competition. Huge market, every size and shape of a market segment is available. Challenge due to diversity in culture, taste and language.</td>
</tr>
</tbody>
</table>

| Table 5.7 Challenges and advantages in the Indian social environment. |

### Technologic environment

Almost every respondent argues that there is a difference between Indians and Swedes perception of quality. “Sweden is far higher than India concerning the perception of quality.”\textsuperscript{245} Moreover, they add that between the big companies there is no differences, they need to have a certain standard in order to act globally, while the small Indian companies often look for fast profits on the expense of quality. Both the CEO:s at Höganäs and Hägglunds means that quality equals consistency. Offering your customer consistency in production, delivery and quality, they know what to expect and it is on this base you can build long term relationships.

Some of the respondents also discussed the more general perception of quality among Swedes and Indians. In India, the phrase “chalta hein” is widely used and means that you will manage. “Since you do not pay that much for a product in India, you do not expect it to work forever”.\textsuperscript{246} The IT-company A3TL, comments that quality is never a problem in the IT-business since they use uniformed and global tools that also create a uniform output.

The two manufacturing companies Seco Tools and Höganäs, both have their production and design unit in Pune. Mr. Cros, Managing Director at Seco Tools, adds that he thinks that it is hard to find qualified people within the design area. Five of the companies have these units in Sweden were all the major quality checks are done.

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\textsuperscript{244} Interview with Mr. Shivshankar, Pergo, 060412.

\textsuperscript{245} Interview with Mr. Kanchan, A3TL, 060414.

\textsuperscript{246} Interview with Mr. Prasad, SCA, 060413.
Summary technologic environment

<table>
<thead>
<tr>
<th>Company</th>
<th>Perception of Quality</th>
<th>Location of Production and Design Units</th>
<th>Quality Checks</th>
</tr>
</thead>
<tbody>
<tr>
<td>A3TL</td>
<td>Sweden is far higher than India concerning the perception of quality. IT-business use uniformed and global tools that also create uniform and global output. Has not experienced any problems or suspiciousness when exporting.</td>
<td>No quality checks in India.</td>
<td>Both the production and design units located in Europe.</td>
</tr>
<tr>
<td>Andante</td>
<td>Consultancy – quality is in their services.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hiab</td>
<td>No differences between big companies, but smaller companies look for fast profits at the expense of quality. Production and design units located in Europe, no quality checks in India.</td>
<td></td>
<td>Both production and design units located in Europe.</td>
</tr>
<tr>
<td>Hägglunds</td>
<td>People are not willing to compromise on quality. Consistency in production, delivery, and quality is important. Production and design units located in Sweden.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Höganäs</td>
<td>No differences. Quality equals consistency. Both the production and design units are located in Pune. Quality is checked through processes.</td>
<td></td>
<td>Both the production and design units located in Pune. Quality is checked through processes.</td>
</tr>
<tr>
<td>Pergo</td>
<td>Sweden makes the best products but tend to over do it, the products get to expensive. Production and design units are located in Sweden. Quality checks in both India and Sweden.</td>
<td></td>
<td>Both production and design units located in Sweden.</td>
</tr>
<tr>
<td>SCA</td>
<td>Difference in perception. In India: “Chahta Hein”- one will manage. We expect different things from a product. Production and design units located in Europe.</td>
<td></td>
<td>Both production and design units located in Europe.</td>
</tr>
<tr>
<td>Seco Tools</td>
<td>India’s bad reputation concerning quality is unfair! Both the production and design units are located in Pune. Hard to find qualified people within the design area.</td>
<td></td>
<td>Both production and design units located in Pune.</td>
</tr>
<tr>
<td>Smarttrust</td>
<td>No difference between big companies. Swedish employees are better on consistency. A great advantage to be a Swedish company in the telecom business due to outstanding reputation. All quality checks are made in Sweden or Hong Kong.</td>
<td></td>
<td>Both production and design units located in Sweden.</td>
</tr>
</tbody>
</table>

Table 5.8 Challenges and advantages in the Indian technologic environment.

5.3 Culture

In this part, we initially investigated how the recruitment process was done at the companies, and on what criteria employees are recruited. We asked questions about the education level in India and if it was hard to find the right labour, and also what difficulties the companies had experienced concerning these matters. The companies with only a few numbers of employees had some difficulties in answering these questions.

In order to understand how the companies have been influenced both by the national and the organisational culture, question were asked within the field of Hofstede’s four dimensions. This part involves questions about the organisational structure, the relationship between manager and employee, what the employees require when doing their job, and motivation.

5.3.1 Recruitment

In order to recruit new employees, Hiab and SCA use recruiting or head-hunting agencies. By using professionals when recruiting they are insured to get good people with the right education and experiences. Seco Tools both hires a recruitment agency and do the recruitment by themselves, it depends on the specific situation. The rest of the companies do not use external help, they handle all the recruitment on their own.

A3TL, Hiab, Höganäs and Pergo have a well developed recruitment process with specific criteria of what they are looking for. A3TL has an own HR department with a well developed recruitment programme, using a BSC (balanced score card) and psychological tests in order to generate the right mindset into the organisation. Moreover, international experience and a post graduate degree are important criteria for A3TL when recruiting. Hägglunds and SCA are also looking for people with the right mindset, people that worship the same values as the organisation. Additionally, SCA are looking at leadership skills, working behaviour, and

247 Interview with Mr. Nitin R. Kanchan, A3TL, 060414.
judgments. Moreover, culture and attitude are important attributes when recruiting. For Seco Tools recruiting internally is absolutely preferable, employees are rewarded with a financial bonus for recommending an appropriate talent among their family and friends. Höganäs is looking for team players, but the main criterion when recruiting is expertise. Moreover, the candidate’s ethical behaviour, family relations and background is investigated. Pergo has a tradition of having management trainees at the company and sees them as good alternatives when recruiting. Additionally, all the companies find both education and experiences being very important when recruiting new employees. “When you are looking for a few people of a certain calibre for a certain task, you rely heavily on references and good experience.”

Andante has so far used an informal recruitment process, asking family, friends and people they have known for a long time, in order to find new employees.

After the recruitment is done, both A3TL and Hägglunds use an introduction/training programme where the new employee learns about the company’s objectives, vision, mission and culture. “It is important that the employees understands the organisation.”

Summary recruitment

<table>
<thead>
<tr>
<th>Company</th>
<th>Recruitment Process</th>
</tr>
</thead>
<tbody>
<tr>
<td>A3TL</td>
<td>An own separate HR department that handles the recruitment. Well developed recruitment process with BSC and psychological tests in order to get the right mindset. Looking for both international experience and a post graduate degree when recruiting. Exit interviews when a person quits at the company.</td>
</tr>
<tr>
<td>Andante</td>
<td>When recruiting an informal process is used by asking family, friends, or persons they have known for a long time. When looking for extra help they use their network of consultancy.</td>
</tr>
<tr>
<td>Hiab</td>
<td>Uses professional head-hunters to insure that they get good people with the right education and experience.</td>
</tr>
<tr>
<td>Hägglunds</td>
<td>Well developed recruiting process in order to select the best candidates. First, grades and education, second, communication skills, team work, creativity and finally a technical test is made. New employees on a training programme for one year.</td>
</tr>
<tr>
<td>Höganäs</td>
<td>Handles the recruitment internally. Expertise is the number one criterion, but is also looking for team players. Investigate ethical behaviour, family relations and background.</td>
</tr>
<tr>
<td>Pergo</td>
<td>Handles the recruitment internally. Well established recruitment process that is handled locally but with guidelines from the Swedish office. Education and experience are the most important criteria, depends on which position they are looking for. Often recruits trainees.</td>
</tr>
<tr>
<td>SCA</td>
<td>An Indian recruiter was used when recruiting Mr. Prasad. New talents need both the right education and experience. Well developed recruiting process, looking at leadership, work behaviour, and judgments. Culture and attitude are other important attributes.</td>
</tr>
<tr>
<td>Seco Tools</td>
<td>Uses both a recruitment agency and handles the recruits internally, depends on the situation. Employees are rewarded for recommending someone among their friends and family to the company. Important criteria when recruiting are the right education, eagerness to learn, and taking pride in new challenges.</td>
</tr>
<tr>
<td>Smarttrust</td>
<td>Experiences and references. Handled the recruitment by himself.</td>
</tr>
</tbody>
</table>

Table 5.9a Indian thoughts about the recruitment.

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248 Interview with Mr. Sharad Arora, Smarttrust, 060421.
249 Interview with Mr. Nitin R. Kanchan, A3TL, 060414.
Summary recruitment from a Swedish point of view

<table>
<thead>
<tr>
<th>Company</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andante</td>
<td>Indians lack in practical experience and real situations. Easier to fire people in India than in Sweden.</td>
</tr>
<tr>
<td>Hägglunds</td>
<td>Little difference in cost and education for skilled, top level people, dramatic difference for unskilled. Indian recruiter. Easy but expensive to fire people.</td>
</tr>
<tr>
<td>Höganäs</td>
<td>The cost for a highly educated Indian is much lower than for a Swede. Indian recruiter.</td>
</tr>
<tr>
<td>Seco Tools</td>
<td>Same recruiting process as in Sweden but with an Indian recruiter. The cost is about 1/10 to 1/5 of the cost in Sweden, the better education less difference. Hard to find good sales people with technical background. You have to check if the university degree really exists.</td>
</tr>
<tr>
<td>Smarttrust</td>
<td>Only use personal references and contacts when recruiting. In the beginning, a Swede always held some of the interviews. The cost is about 1/5 of the cost in Sweden. You have to put a lot of energy on the recruitment process, it takes a lot of time.</td>
</tr>
</tbody>
</table>

Table 5.9b Swedish thoughts about the recruitment.

Education system and availability of knowledge

All the companies found the education level in India being very high. Mr. Prasad from SCA argues that India will not be the new China with cheap labour, but a country with high knowledge and specific expertise. Concerning the process of finding the right people when recruiting, the answers from the respondents differ a lot. Most of the companies argue that due to the high level of education there is not a problem finding the right labour, “so many people available, it is crazy”. Mr. Gore, Managing Director at Höganäs, says that Indians has an eagerness to learn and that the education is much more important in India than in Europe due to India’s lack of social network. Both A3TL and Hägglunds express that they have had difficulties in finding the right labour due to the high competition among companies in India. According to Hägglunds, this competition has lead to a time consuming process when trying to find the right people, especially engineers with special skills.

Summary of education system and availability of knowledge

<table>
<thead>
<tr>
<th>Company</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>A3TL</td>
<td>The education level is very high, but it is not easy to find the right labour. There is a lot of competition among the companies and the employees have a lot of options.</td>
</tr>
<tr>
<td>Andante</td>
<td>The education system is excellent in India.</td>
</tr>
<tr>
<td>Hiab</td>
<td>The education level is very high in India and it is not hard to find the right labour.</td>
</tr>
<tr>
<td>Hägglunds</td>
<td>The education level is very high in India. Competition among companies to get the best people, and therefore it takes time to find the right people, especially engineers with special skills.</td>
</tr>
<tr>
<td>Höganäs</td>
<td>The education level in India is very high due to India’s eagerness to learn. In a society where there is no social network, education is much more important. Due to the high level of education there is not a problem finding labour, “so many people available, it is crazy.”</td>
</tr>
<tr>
<td>Pergo</td>
<td>The education level is very high, the system, left from the British, is very good. It is not hard to find the right labour in India. “Qualified people are available.”</td>
</tr>
<tr>
<td>SCA</td>
<td>The education level is quite high compared to the rest of the world. No problem finding the right labour. In the future, India will not be like China with cheap labour, India will be a country with high knowledge and specific expertise.</td>
</tr>
<tr>
<td>Seco Tools</td>
<td>The education level is high in the country. No difficulties finding the right labour.</td>
</tr>
<tr>
<td>Smarttrust</td>
<td>The education level in India is very high and it is easy to find the right labour. There is no specific labour group that is hard to find.</td>
</tr>
</tbody>
</table>

Table 5.10 Education system and availability of knowledge.

250 Hiab, Höganäs, Pergo, SCA, Seco Tools and Smarttrust.
251 Interview with Mr. Avinash Gore, Höganäs, 060328.
Labour laws and loyalty

The answers to the question if it is hard to fire someone differ a lot among the companies. The manufacturing companies\textsuperscript{252} have had some problems because of their blue collar employees, which are factory workers strictly protected by labour laws.\textsuperscript{253} Companies within other sectors, such as trading, have not experienced the same problems since they do not have this kind of employees.\textsuperscript{254} “It is easy to fire someone at a management level while workers tend to be unionised and are therefore harder to get rid of.”\textsuperscript{255} A3TL and Smarttrust add that compared to Sweden, it is easy to fire someone in India. Furthermore, Hägglunds argues that the strict labour laws that protect the workers have to change in order to keep India competitive globally.

Moreover, SCA and A3TL argue that Indians used to be very loyal, but that this is changing. A3TL adds that the reason for this change is that the career paths and salaries are reaching an international standard. According to three of the companies\textsuperscript{256}, you have to motivate the employees, keep them busy, and treat them “right”, otherwise they will not stay loyal. Mr. Srinivas, Country Head at Hiab, argues that, in general, the employees in India are very loyal.

Summary of labour laws and loyalty

<table>
<thead>
<tr>
<th>Company</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>A3TL</td>
<td>The employees are getting less and less loyal since the career paths and salaries are reaching an international standard. Compared to Sweden, it is easy to fire someone in India. But “workers” are often unionised and then it can be difficult.</td>
</tr>
<tr>
<td>Andante</td>
<td>Not discussed because of the limited work force.</td>
</tr>
<tr>
<td>Hiab</td>
<td>The employees are loyal. “They can work in the same company for years and years.” In some business, for example in the IT business, the employees are less loyal. Indian labour laws make it hard to fire employees. India does not have unions for CEO’s but for workers. The reforms concerning the labour laws are very slow.</td>
</tr>
<tr>
<td>Hägglunds</td>
<td>In order to get loyal employees, you have to motivate them and keep them busy. Strict labour laws protect the workers and it is hard to fire them. These laws have to change in order to keep India competitive globally.</td>
</tr>
<tr>
<td>Höganaš</td>
<td>Two groups, the factory workers are unionised and hard to fire. CEOs, managers, engineers and administrative staff can be fired on a three months notice, but if the company pays the salary for these three months the employee has to leave the same day.</td>
</tr>
<tr>
<td>Pergo</td>
<td>The employees are loyal as long as you do not underpay them and are giving them challenging tasks and motivate them. The more educated they are, the more career opportunities they seek. It is not hard to fire someone, you need one to three months notice</td>
</tr>
<tr>
<td>SCA</td>
<td>Used to be very loyal and stayed at the same company throughout their professional career, but this has changed. Now, they stay for a couple of years before looking for new challenges, they have clearer career paths. It is easy to fire someone at a management level while workers tend to be unionised and are therefore harder to get rid of. But this is not a problem since SCA is a trading company.</td>
</tr>
<tr>
<td>Seco Tools</td>
<td>It is important to motivate the employees in order to keep them.</td>
</tr>
<tr>
<td>Smarttrust</td>
<td>There is a fairly high degree of loyalty among the Indian employees. It is much easier to fire someone in India compared to Sweden, since Sweden is much more bureaucratic when it comes to labour laws.</td>
</tr>
</tbody>
</table>

Table 5.11 Labour laws and loyalty.

5.3.2 National & organisational culture

Organisational structure

All of the respondents found the Indian organisational structure, in general, being more formal and hierarchical than the Swedish organisational structure. The respondents argue that the typical Swedish organisation has a more flat structure.

\textsuperscript{252} Höganaš and Seco Tools.

\textsuperscript{253} Interview with Mr. Arvind Singhal, Hägglunds, 060331.

\textsuperscript{254} Interview with Mr. Nitin Kanchan, A3TL, 060412.

\textsuperscript{255} Interview with Mr. Arvind Singhal, Hägglunds, 060331.

\textsuperscript{256} Hägglunds, Pergo and Seco Tools.
Most of the companies use a more Swedish business model concerning organisational structure and the way of working. “We follow a classic Swedish business model, and have a complete open communication.” Many of the respondents add that it has been hard to implement this kind of model in the Indian company since the Indian employees are not familiar with this kind of structure and way of working.

All the companies’ organisational structure is more or less flat with an open and transparent communication. Andante, Höganäs, Hägglunds, Smarttrust and SCA see themselves as completely flat organisations, while A3TL, Hiab, Pergo and Seco Tools are relatively or fairly flat. According to all respondents, it is easy to get in contact with a person on a higher position and the employees often come to their manager with problems and questions. A common answer when asking about these two issues was; “this is an open door office” or “it is important to have an open and transparent organisation”. Furthermore, the respondents add that the communication in Swedish companies, in general, is more open than in Indian companies where the employee only talks to his or hers closest boss. Mr. Samir Prasad from SCA says that Sweden has an equal society and that “they (Swedes) can argue and argue in order to come to a conclusion.” “Indians are not used to be equal, either you look up or down on someone.” Pergo has been trying to flatten the organisation the last year, but Mr. Shivshankar adds that it takes time. Generally, there is a difference in the organisational structure between manufacturing companies and knowledge intensive companies. A manufacturing company is often more hierarchical in its nature than a knowledge or service company.

**Summary of organisational structure**

<table>
<thead>
<tr>
<th>Company</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>A3TL</td>
<td>Relatively flat organisation with four levels. “The Indian structure is, in general, more formal and hierarchical than the Swedish”. The respondent consults with his employees, and has an open door communication at the office.</td>
</tr>
<tr>
<td>Andante</td>
<td>Flat organisation. (only two employees). Does not think that it is hard to get in contact with a person on a high position in India.</td>
</tr>
<tr>
<td>Hiab</td>
<td>Globally the company is quite hierarchical, but looking at each division the structure is more flat. In general, Indian organisation are more hierarchical than Swedish. The respondent consults with his employees, “the openness is there, but not to the same extent as in Sweden”.</td>
</tr>
<tr>
<td>Hägglunds</td>
<td>The organisational structure is typical Swedish, which is absolutely flat. A typical Indian organisation is more hierarchical. Uses a Swedish structure due to his experiences in Swedish companies.</td>
</tr>
<tr>
<td>Höganäs</td>
<td>Follows a classic Swedish business model, and has a complete open communication. It is easy to get in contact with a person on a higher position and the employees always come to the respondent with questions and problems.</td>
</tr>
<tr>
<td>Pergo</td>
<td>Fairly flat organisational structure. Have been trying to flatten the organisation for the last years. Uses a selling technique from the Swedish office.</td>
</tr>
<tr>
<td>SCA</td>
<td>Very flat organisation that will stay flat even when the company grows. Wants to have a similar organisational structure in both India. Thinks that there is a more open communication in Sweden than in India.</td>
</tr>
<tr>
<td>Seco Tools</td>
<td>Has a function based organisational structure that is relatively flat. The employees goes to his or hers closest boss with problems and questions. It is important to have an open and transparent organisation.</td>
</tr>
<tr>
<td>Smarttrust</td>
<td>The organisation structure is a typical Swedish and is absolutely flat. A typical Indian organisation is more hierarchical. “The communication is completely open.” The employees come to him and he come to them.</td>
</tr>
</tbody>
</table>

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257 Interview with Mr. Avinash Gore, Höganäs, 060328.
258 Interview with Mr. Nitin R. Kanchan, A3TL, 060414.
259 Interview with Mr. Thierry Cross, Seco Tools, 060328.
260 Interview with Mr. Samir Prasad, SCA, 060413
Summary organisational structure from a Swedish point of view

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andante</td>
<td>Indian organisations are in general more hierarchal. Only easy to get in contact with persons on higher positions with local assistance and connections. Indians at lower levels fear to take decisions.</td>
</tr>
<tr>
<td>Hägglunds</td>
<td>Easy to get in contact with a person on higher position for a Swede with an impressive title. The Indians requires training and personal development. Are not independent like Swedes.</td>
</tr>
<tr>
<td>Höganäs</td>
<td>Indians require a lot of training in order to follow the Swedish business model. Easy to get in contact with persons on higher positions.</td>
</tr>
<tr>
<td>Seco Tools</td>
<td>The Indian structure lacks in standardised working routines, rules, and responsibility areas etc., more of a “master and servant” relationship. Easy to get in contact with a person on a higher position if you are a foreigner, Indians are curious!</td>
</tr>
<tr>
<td>Smarttrust</td>
<td>Indian organisations are in general more hierarchal. Titles are important when getting in contact with persons on higher positions in India. There is a lot of competition among the Indian employees due to the lack of social security.</td>
</tr>
</tbody>
</table>

Table 5.12b Swedish thoughts about organisational structure.

What the employees require when doing their job

When asking whether the employees require challenges and freedom, or training and personal development in doing their job, all of the respondents said that these types of requests are very individual, and that it depends on the specific person. Hägglunds and Höganäs both have individual plans and systems for each employee working at the company. Mr. Kanchan, CEO at A3TL, says that it is important to always consult with your employee before changing his or her task. At Pergo, the employees request challenges and freedom in doing their task, as well as training and personal development.

When asking about the employees’ independency, similar answers were given, that it differs between different individuals and different jobs. Some of the respondents add that they are actively working with independency, transparency and openness, but that it takes time to influence the employees and train them in a new mindset. Mr. Arora from Smarttrust, argues that their employees are independent but need structure and control. Mr. Shivshankar from Pergo says that “they (the employees) are independent within the framework of their responsibilities.” Additionally, Mr. Srinivas, Country Head at Hiab, does not think that the employees are independent; “they need a carrot to deliver and achieve.”

When asking the respondents if they see their employees as individuals or as a group, the most common answer is that the employees are seen as individuals and that it is the reference, experience and knowledge that is important not your family background.

261 Interview with Mr. K R Shivshankar, Pergo, 060412.
262 Interview with Mr. Srinivas, Hiab Cranes, 060331.
Summary of what the employees require from an Indian point of view

<table>
<thead>
<tr>
<th>Company</th>
<th>Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>A3TL</td>
<td>Different employees request different things, hard to generalise. &quot;It is important to consult with your employee before changing his or her task&quot;. Some employees are independent, some are not.</td>
</tr>
<tr>
<td>Andante</td>
<td>(The company has not that many employees.)</td>
</tr>
<tr>
<td>Hiab</td>
<td>Sees the employees as individuals, but argues that it is common in India to see them as a part of a group. Not very independent, &quot;they need a carrot to deliver and achieve.&quot;</td>
</tr>
<tr>
<td>Hägglunds</td>
<td>The employees request challenge, freedom and training in doing their tasks even though it is individual. An individual plan is sketched for each person.</td>
</tr>
<tr>
<td>Höganäs</td>
<td>The employees are independent. They are being profiled and developed individually through a model. A well developed training model is used.</td>
</tr>
<tr>
<td>Pergo</td>
<td>The employees request challenges and freedom in doing their task, as well as training and personal development. &quot;The employees are independent within the framework of their responsibilities.&quot;</td>
</tr>
<tr>
<td>SCA</td>
<td>The employees request different things and have individual needs, but in general they request challenge and training. It depends on the education level of the employee, and it is the same concerning the employees' independency.</td>
</tr>
<tr>
<td>Seco Tools</td>
<td>The employees are requesting challenging jobs and are given a lot of training. At least three times per year different courses are arranged. It is important to inform the employees.</td>
</tr>
<tr>
<td>Smarttrust</td>
<td>An employee is seen as individual and not as a part of a group, references is what matters. The employees require different things; some require challenges and freedom, while others require training. The employees are independent but need structure and control, the respondent has been working with independency a lot, and it takes time.</td>
</tr>
</tbody>
</table>

Table 5.13a Indian thoughts about what the employees require.

Summary what the Indian employees require from a Swedish point of view

<table>
<thead>
<tr>
<th>Company</th>
<th>Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andante</td>
<td>A good pay.</td>
</tr>
<tr>
<td>Hägglunds</td>
<td>Training and personal development.</td>
</tr>
<tr>
<td>Höganäs</td>
<td></td>
</tr>
<tr>
<td>Seco Tools</td>
<td>A good package, challenges and freedom as everyone else.</td>
</tr>
<tr>
<td>Smarttrust</td>
<td>Depends on the individual but a higher level of competition due to the lack of social security.</td>
</tr>
</tbody>
</table>

Table 5.13b Swedish thoughts about what the employees require.

Motivation

Ways of motivating the employees differ among the companies. Few had a structured and well developed motivation system and many of the respondents in India had to think for a long time before answering the question about how their employees are motivated. Almost all of the Swedish respondents gave the answer that a high salary and good career opportunities are the two most important motivation factors. Working at a multinational company and good relationships are other factors mentioned. The majority of the companies are using high salaries as a motivation factor and some of them also give financial incentives. Moreover, most of the companies are working with relationship building activities, team building and a “feeling” for the organisation. “It should be fun working at this company”. These kinds of incentives are seen as more important than the financial incentives since they generate a long term focus. Moreover, Mr. Singhal at Hägglunds adds that it is important to set challenging targets, but also to help the employees to achieve them. “You have to work very close to your employees.” Mr. Prasad at SCA, means that the employees follow Maslow’s pyramid, and are always striving for the next level.

263 A3TL, Pergo, Seco Tools and Smarttrust.
264 Interview with Mr. Nitin R. Kanchan, A3TL, 060414.
265 Interview with Mr. Arvind Singhal, Hägglunds, 060331.
Summary motivation

<table>
<thead>
<tr>
<th>Company</th>
<th>Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>A3TL</td>
<td>Offers a well developed financial programme including salary and annual pay-off. They are also working with relationship building, “it should be fun working at this company”.</td>
</tr>
<tr>
<td>Andante</td>
<td>(The company has not that many employees.)</td>
</tr>
<tr>
<td>Hiab</td>
<td>(The company has not that many employees.)</td>
</tr>
<tr>
<td>Hägglunds</td>
<td>The employees are motivated by challenging targets, you need to help them to achieve the goals, “you have to work very close with the employees”</td>
</tr>
<tr>
<td>Höganäs</td>
<td>The employees are mainly motivated by a strong relationship and career opportunities.</td>
</tr>
<tr>
<td>Pergo</td>
<td>The employees are motivated by a combination of high salary, recognition when doing a good job and career opportunities. “They have to feel that they are in charge.” Feedback is important.</td>
</tr>
<tr>
<td>SCA</td>
<td>The employees’ motivation follows Maslow’s pyramid, and are always striving for the next level.</td>
</tr>
<tr>
<td>Seco Tools</td>
<td>The employees are motivated by promotion and incentives. It is also important that they “feel” a lot for the organisation.</td>
</tr>
<tr>
<td>Smarttrust</td>
<td>The employees are motivated by high salary but also by focusing and creating a strong team feeling.</td>
</tr>
</tbody>
</table>

Table 5.14a Indian thoughts about motivation.

Summary motivation from a Swedish point of view

<table>
<thead>
<tr>
<th>Company</th>
<th>Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andante</td>
<td>High salary, career opportunities, and social security.</td>
</tr>
<tr>
<td>Hägglunds</td>
<td>High salary and career opportunities.</td>
</tr>
<tr>
<td>Höganäs</td>
<td>-</td>
</tr>
<tr>
<td>Seco Tools</td>
<td>They want a good package but in the end it is always the father deciding if it is acceptable or not. Working for a multinational company.</td>
</tr>
<tr>
<td>Smarttrust</td>
<td>Relationship and money.</td>
</tr>
</tbody>
</table>

Table 5.14b Swedish thoughts about motivation.

Formal and unwritten rules

The companies' answers concerning formal and informal rules at the company vary a lot and the respondents thought it was a hard question to answer. All the respondents are aware of informal rules at the company but felt, in general, that these rules are natural and does not need to be controlled. “They are a part of the corporate culture”. Smarttrust has some informal rules concerning behaviour in front of a customer, coming from the Swedish office, “we have learned that we do not have to scream to make someone listen”. The more formal rules are ranging from legal requirements to rulebooks to reporting systems, and the respondents mostly felt that they had to control these rules to some extent.

Formal and unwritten rules

<table>
<thead>
<tr>
<th>Company</th>
<th>Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>A3TL</td>
<td>There are a lot of both formal and informal rules that are controlled to some extent.</td>
</tr>
<tr>
<td>Andante</td>
<td>&quot;</td>
</tr>
<tr>
<td>Hiab</td>
<td>The company has a rulebook that has to be followed. The more informal rules are to be found in the Indian culture.</td>
</tr>
<tr>
<td>Hägglunds</td>
<td>The formal rules are related to the legal requirements set up by the government. The more informal rules are to work hard and create value to the organisation. These rules are not controlled.</td>
</tr>
<tr>
<td>Höganäs</td>
<td>The numbers of formal laws are few while the numbers of informal rules are many. The informal rules are important and natural, but are not being controlled since they are a part of the corporate culture.</td>
</tr>
<tr>
<td>Pergo</td>
<td>A reporting system that everyone follows and some informal rules, both have to be controlled to some extent.</td>
</tr>
<tr>
<td>SCA</td>
<td>&quot;</td>
</tr>
<tr>
<td>Seco Tools</td>
<td>Hard to say if they have any rules at the company.</td>
</tr>
<tr>
<td>Smarttrust</td>
<td>Not many formal rules at the company, but the employees have for example quite clear restrictions and directions of how to behave in front of the customers. “We have learned (from the Swedish office) that we do not have to scream to make someone listen.”</td>
</tr>
</tbody>
</table>

Table 5.15 Formal and unwritten rules.

266 Interview with Mr. Avinash Gore, Höganäs, 060328.
5.4 Business behaviour

This block consists of two major parts, business relations and negotiations. The first part will focus on business relations and communication, differences in Swedes and Indians way of communicating and doing business. Moreover, the differences in Swedes and Indians time perspectives are presented. In the second part, thoughts and opinions concerning negotiation and differences in negotiating techniques are being discussed.

5.4.1 Business relations and communication

The majority of the respondents are members in different business networks. Since business is a lot of relationship building, networking is a great opportunity to share experiences and build relationships. “It is all about emotions.” Mr. Arora from Smarttrust, says that before, he was doing business with much more trust than today. “For a typical Swede, the contract is the most important, and for the typical Indian the relationship is much more vital.” The opinion whether Swedes are into relationships when doing business, differs among the respondents. Some respondents mean that both Swedes and Indians care for relationships, while other argues that Swedes lack in this kind of mindset.

Many respondents argue that it takes time doing business in India. “The process of reaching a decision is as important as the actual result.” Three of the respondents share the opinion that Swedes are slow when doing business, mainly because everyone has the right to say his or her opinion and because they want to see everything from different angles. “In a meeting the Swedes always look at all the people’s need, they are very discussion oriented.”

Mr. Pingale, Manager at Andante, comments that Swedes often change plans due to reorganisations and similar reasons, something that can be very frustrating when doing business with Swedes. Mr. Arora, from Smarttrust, thinks that Swedes are very keen on sticking to the rule book. Moreover, Mr. Kanchan, CEO A3TL, finds all the holidays in Sweden very annoying. “During this time you can not disturb them, it is impossible to reach someone, you can not disturb them!”

When it comes to communication, the majority of the respondents find Swedes being open and transparent in their way of communicate. “If Lars (CEO, Andante Sweden) does not understand something, he will immediately tell.” When it comes to negotiating in India, this is a big disadvantage for Swedes. One respondent gives “currency talk” as a situation of

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267 Interview with Mr. Cros, Seco Tools, 060328.
268 Interview with Mr. Arora, Smarttrust, 060421.
269 Interview with Mr. Gore, Höganäs, 060328.
270 Interview with Mr. Gore, Höganäs, 060328.
271 Interview with Mr. Prasad, SCA, 060413.
272 Andante, Höganäs, and Pergo.
273 Interview with Mr. Kanchan, A3TL, 060414.
274 Interview with Mr. Prasad, SCA, 060413.
miscommunication between Swedes and Indians. Indians use dots and commas in a very special way when talking in terms of currency, something that most Swedes are not used to.277

None of the Swedish respondents expressed any frustration concerning communication with Indians except from some difficulties when it comes to dialects.

**Summary business relations & communication**

<table>
<thead>
<tr>
<th>Company</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>A3TL</td>
<td>Thinks that it is easy to communicate with Swedes, the fact that they speak good English helps a lot. Thinks it is frustrating with all the holidays in Sweden, a time when it is impossible to reach them.</td>
</tr>
<tr>
<td>Andante</td>
<td>Networking is important in India. Thinks that Swedes are slow when doing business and that plans often change because of reorganisation or reconstruction. Swedes are very open and easy to communicate with.</td>
</tr>
<tr>
<td>Hiab</td>
<td>Good to be a member of networks, keeps you up dated. Swedes do not have the same need to have a personal relationship. Culturally very different, something you have to keep in mind. Indians want to document everything very precise while one sentence often is enough for the Swedes. Misunderstandings when it comes to currency, Indians use dots and commas in a different way.</td>
</tr>
<tr>
<td>Hägglunds</td>
<td>Member of many networks, important for business relationship building. Relationships are more important if the person is less experienced. Swedes are very open and transparent. Not as bureaucratic as British people.</td>
</tr>
<tr>
<td>Höganaas</td>
<td>Business is all about relationships. Thinks that Swedes lack this mindset. It takes time doing business in India. In India, the process of reaching a decision is as important as the actual result. “Indians are like women”. Swedes are slow when doing business; they want to see everything from every angle. Everyone has the right to say his opinion. This is a success factor!</td>
</tr>
<tr>
<td>Pergo</td>
<td>Member of many networks, important for business relation building. Swedes are slow, their processes take a lot of time and you get everything in the last minute.</td>
</tr>
<tr>
<td>SCA</td>
<td>Member of few networks, share experiences and get advice from others in the same business. Swedes are very transparent and open when communicating.</td>
</tr>
<tr>
<td>Seco Tools</td>
<td>Business in India is long-term relationships; you need the ability to socialise. Therefore networking is crucial. A clear communication is crucial when doing business in India.</td>
</tr>
<tr>
<td>Smarttrust</td>
<td>Before the respondents was doing business with a lot more trust than today. Swedes are more into contracts and Indian are into relationship. Hard to understand Swedes way of expressing disagreement, they are much quieter than Indians. Swedes always stick to the rules.</td>
</tr>
</tbody>
</table>

Table 5.16a Indian thoughts about business relations and communication.

**Summary business relations and communication from a Swedish point of view**

<table>
<thead>
<tr>
<th>Company</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andante</td>
<td>Networks are always good. Indians care for relationships when doing business. Misunderstandings may occur due to dialects etc. Important to understand the culture, reflect before reacting!</td>
</tr>
<tr>
<td>Hägglunds</td>
<td>Networks are very valuable. Indians care for relationships when doing business.</td>
</tr>
<tr>
<td>Höganaas</td>
<td>Networks are very important. Indians care for relationships when doing business. Sometimes it is hard to understand the Indians.</td>
</tr>
<tr>
<td>Seco Tools</td>
<td>Networks may help but are not necessary. Indians care for relationships when doing business.</td>
</tr>
<tr>
<td>Smarttrust</td>
<td>Networks are very valuable. To have Indians you trust is indispensable! Indians care for relationships when doing business.</td>
</tr>
</tbody>
</table>

Table 5.16b Swedish thoughts about business relations and communication.

**Time**

Almost all of the 14 respondents think that Indians and Swedes time perspective differ a lot; the only exception is Mr. Singhal, Managing Director at Hägglunds, who thinks that it is all about the culture of the customer. The most common opinion is that Swedes are extremely punctual, while Indians are more flexible concerning time. “Swedes are always on time, 10.00 equals 09.55.”278 In India it is ok to be half an hour late due to traffic jam, power breaks or for example problems when printing. “It is more about give and take in India”.279 Instead of being upset, it is better to use the time to, for example prepare the meeting. Three of the companies280 also make a comment about the difference in planning a meeting. Swedes are often prepared and have done a lot of planning before a meeting, while Indians lack in these

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277 Interview with Mr. Srinivas, Hiab, 060331.
278 Interview with Mr. Shivshankar, Pergo, 060412.
279 Interview with Mr. Gore, Höganaas, 060328.
280 Hiab, SCA, and Smarttrust.
kinds of preparations. Three of the Swedish respondents add that they have spent a lot of time on telephone when doing business in India.

Moreover, most of the respondents think that both Swedes and Indians respect time, but in a different way. “Indians respect time, but they do not manage time”\textsuperscript{281}. The general opinion is that Indians have a lot to learn from Swedes when it comes to time when doing business. Mr. Gore’s, CEO at Höganäs, advice to foreigners operating in India is “patience + one”\textsuperscript{282}. One hour of your patience and one extra hour is what you can expect in the Indian business environment.

**Summary time from an Indian point of view**

<table>
<thead>
<tr>
<th>Company</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>A3TL</td>
<td>Very different time perspective. Indians respect time, but they do not manage time.</td>
</tr>
<tr>
<td>Andante</td>
<td>Very different time perspective. Swedes are more punctual while Indians are not very good in this.</td>
</tr>
<tr>
<td>Hïab</td>
<td>Very different time perspective. Swedes are more punctual. It is ok to be late in India due to traffic, power breaks or printing. Indians do not prepare for a meeting as good as the Swedes. Indians have to learn concerning the time!</td>
</tr>
<tr>
<td>Hägglunds</td>
<td>Not many differences, it is all about the culture of the customer, you will have to adjust! In India you are expected to be available the whole time.</td>
</tr>
<tr>
<td>Höganäs</td>
<td>Indians do not respect time as Swedes do. It is more about ‘give and take’. Patience + one.</td>
</tr>
<tr>
<td>Pergo</td>
<td>Very different time perspective. Swedes are more punctual while Indians are not very good in this. Both respect time, but in a different way.</td>
</tr>
<tr>
<td>SCA</td>
<td>Very different time perspective. Swedes are very punctual while for Indians it is ok to be late due to the traffic etc. Swedes are extremely efficient and well coordinated something Indians have to learn.</td>
</tr>
<tr>
<td>Seco Tools</td>
<td>In India it is normal to be late. Swedes are punctual and always plan before a meeting.</td>
</tr>
<tr>
<td>Smarttrust</td>
<td>Indians are more flexible when it comes to time, Swedes are more punctual. Indians does not plan as much as Swedes before a meeting. Indians should learn to do this. Both respect time, but in a different way.</td>
</tr>
</tbody>
</table>

*Table 5.17a Indian thoughts about time.*

**Summary time from a Swedish point of view**

<table>
<thead>
<tr>
<th>Company</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andante</td>
<td>Not a big difference in time perspective. Indians are almost always on time. They respect time but this does not mean that they are on time.</td>
</tr>
<tr>
<td>Hägglunds</td>
<td>Big difference in time perspective. Indian Stretched Time (IST). Indians are often late, but we want their business. A lot of waiting, chatting about general matters, telephone time. Respect time in their own way, time is endless so why hurry?</td>
</tr>
<tr>
<td>Höganäs</td>
<td>-</td>
</tr>
<tr>
<td>Seco Tools</td>
<td>Indians believe that time is free and vast. Indians are always late. A lot of waiting and telephone time. Indian respect time but in their own way.</td>
</tr>
<tr>
<td>Smarttrust</td>
<td>Big difference in time perspective. Indians are always late. A lot of waiting and telephone time. Indian respect time but in their own way.</td>
</tr>
</tbody>
</table>

*Table 5.17b Swedish thoughts about time.*

### 5.4.2 Negotiations

All the nine respondents in India prefer to have a well established relationship with the person he or she is doing business with, some of them in combination with being straightforward. Moreover, they think that Swedes are more straightforward than Indians but that they also care about having a good relationship. “Initially, I thought Swedes were very straightforward but over the years I have changed my mind. Swedes care a lot for relationships when doing business”\textsuperscript{283}.

\textsuperscript{281} Interview with Mr. Kanchan, A3TL, 060414.
\textsuperscript{282} Interview with Mr. Gore, Höganäs, 060328.
\textsuperscript{283} Interview with Mr. Arora, Smarttrust, 060421.
All the nine respondents think that Indians are much tougher than Swedes when negotiating. Due to Swedes openness and transparency misunderstandings and false interpretations often arise. “The Swede is open and transparent, but the Indian counterpart thinks that he is hiding something. Indians never put all the cards on the table, while Swedes do.”

Most of the respondents argue that this is a great disadvantage for Swedes when negotiating with Indians. Another side of the Swedes is also mentioned, “Swedes are easy to handle during negotiations, but they can cut off in a way you never predicted.” Furthermore, some respondents think that each negotiating is individual and therefore it is wrong to generalise. “Each negotiation is individual and you have to adjust to the other counterpart.”

Mr. Kanchan from A3TL commented that he has noticed a difference when negotiating with small and big Swedish companies. He argues that the big ones often have clear expectations while smaller companies are more unstructured and unclear. In order to solve this problem the company developed a RFP (Request For Proposal), which has decreased these kinds of problems.

When it comes to time, the majority of the respondents think that Indian negotiations are more time consuming than Swedish negotiations. Two of the respondents argue that both Indian and Swedish negotiations take time, “in Sweden it takes time due to equality.”

In almost all of the companies, employees involved in a project are also allowed to participate in the negotiation.

### Summary negotiations from an Indian point of view

<table>
<thead>
<tr>
<th>Company</th>
<th>Preferences</th>
</tr>
</thead>
<tbody>
<tr>
<td>A3TL</td>
<td>Prefers to know the person before doing business, but thinks that it is time consuming. Finds a difference when negotiating with big and small Swedish companies, The big know what they want while the small ones are unclear and unstructured. Negotiating within the IT-business follows an international standard, does not take a lot of time. Employees from lower levels are only participating as support.</td>
</tr>
<tr>
<td>Andante</td>
<td>Prefers to know the person before doing business. Not much experiences of negotiating with Swedes but thinks that they are open and transparent, very straightforward, something he appreciates.</td>
</tr>
<tr>
<td>Hiab</td>
<td>Prefers straightforward negotiations combined with knowing the person. Indians are tough negotiators and Swedes are not, they are too open. Everyone who is involved is allowed to participate.</td>
</tr>
<tr>
<td>Hägglunds</td>
<td>Prefers straightforward negotiations and thinks that it is better if you know the other part so you know how to handle him or her. Not much experiences of negotiating with Swedes only clear discussions. Indian negotiations take time.</td>
</tr>
<tr>
<td>Höganäs</td>
<td>Prefers to know the person before doing business. Indians are tougher than Swedes, Swedes are very straightforward. Indian negotiations are more time consuming. Everyone who is involved is allowed to participate.</td>
</tr>
<tr>
<td>Pergo</td>
<td>Prefers to know the person before doing business. Indians do not put all the cards on the table, Swedes do. Everyone who is involved is allowed to participate.</td>
</tr>
<tr>
<td>SCA</td>
<td>Need to know the person before doing business. Indians are tough negotiators, especially when it comes to the price. Swedes are open and transparent, something that makes the Indian counter part suspicious. Swedes think win-win, while Indians think not one winner and one loser. Swedish and Indian negotiations take time but due to different things. “The big guys” always step in for the enclosure.</td>
</tr>
<tr>
<td>Seco Tools</td>
<td>Prefers to know the person before doing business, “it is all about personal relationships”. Indians are much tougher than Europeans. It is very important to have an open communication when negotiating. Everyone who is involved is allowed to participate.</td>
</tr>
<tr>
<td>Smartrust</td>
<td>Prefers straightforward negotiations but thinks that this never works in reality. Thought Swedes were like this but he has changed his mind, “they care more about the relationship”. Easy to handle Swedes but they are very unpredictable in their decisions. Hard to understand when they disagree. Swedish negotiations take time.</td>
</tr>
</tbody>
</table>

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284 Interview with Mr. Prasad, SCA, 060413.
285 Interview with Mr. Arora, Smarttrust, 060421.
286 Interview with Mr. Kanchan, A3TL, 060414.
287 Interview with Mr. Prasad, SCA, 060413 and Mr. Arora, Smarttrust, 060421.
288 Interview with Mr. Prasad, SCA, 060413.
The Swedish respondents prefer both relationship focus and straightforward negotiations. They all think that Indians are skilled, competent and tough negotiators. Moreover, some of the Swedish respondents mention the Indians’ price focus and their skills in bargaining. Indian negotiations take time because of different reasons. First of all, they are very talented in verbal communication and have an ability to talk around the subject. Moreover, you never know if the decision maker is present or not, something they will not tell. The first meetings are often only social visits and sometimes a negotiation is seen as education rather than an actual business opportunity for the Indians.

**Summary negotiations from a Swedish point of view**

<table>
<thead>
<tr>
<th></th>
<th>Prefer straightforward but have learnt building relationship. Easy to negotiate with Indians. With professional business men it does not take too much time. Experience reduces differences between Swedish and Indian negotiators.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hägglunds</td>
<td>Prefer relationships. Hard to negotiate with Indians, too much focus on price without any technical knowledge. Indians are smarter than most negotiators. Takes a lot of time due to many reasons. Talking to the wrong person, bad timing, the Indian may see the negotiating as education.</td>
</tr>
<tr>
<td>Höganas</td>
<td>&quot;</td>
</tr>
<tr>
<td>Seco Tools</td>
<td>Prefers straightforward. Hard to negotiate with Indians since you never know what they are looking for. Time consuming. Never know if the decision maker is present or not, and they will not tell you. First meetings are only social visits. Major differences concern expectations such as the purpose of the meeting, relevant topics etc.</td>
</tr>
<tr>
<td>Smarttrust</td>
<td>Prefers relationships. Indians are very tough, competent and skilled negotiators. Indians talk better English than Swedes in general. Time consuming because the Indians are more verbal when negotiating. They talk a lot! Be careful with contracts.</td>
</tr>
</tbody>
</table>

*Table 5.18b Swedish thoughts about negotiations.*

**5.5 Advice to Swedish companies that want to establish in India**

The final question asked at the interviews was if the respondent had any advice to future Swedish companies that want to establish in India. Below a summary of all the answers given by the respondents is presented.

**A3TL**
“*You (Sweden) have to accept yourself as a global citizen, you need to integrate.*” (Mr. Kanchan, A3TL India)

**Andante**
“The Swedish MNE:s are already here, but we want the Swedish SME:s/.../they need to come because India is the new future market.” (Mr. Pingale, Andante India)

“...use people with built up networks and experiences. It’s a good investment.” (Mr. Bjern, Andante Sweden)

**Hiab**
“Europe has the right technology and India has the right resources such as manpower and a huge market. This is a great opportunity for Sweden.” (Mr. Srinivas, Hiab Cranes India)

**Hägglunds**
"*Come to India as soon as possible!*” “Past legislation and culture have complicated FDI:s establishment processes/.../You have to be patient, things are improving” (Mr. Singhal, Hägglunds Drive India)

“Avoid special solutions that deviate too much from your otherwise successful models...use and employ local legal and financial advice”. (Mr. Pramstig, Hägglunds Drive Sweden)
Höganäs  
“Patience + one”. “Not one single Swedish company has been unsuccessful in India.” (Mr. Gore, Höganäs India)

“Listen to and use the experiences other Swedish companies have had when establishing in India.” (Mr. Lundahl, Höganäs Sweden)

Pergo  
“You have to adopt your products to the market, what is working in Sweden may not work in India”. “Be glocal - think global and act local. The local manager is the best judge!” (Mr. Shivshankar, Pergo India)

SCA  
“You need patience and the ability to perceive in order to be successful. Create a good knowledge and perspective of the market and be aware of that everything takes time.” (Mr. Prasad, SCA India)

Seco Tools  
“You have to understand the culture./.../Business in India is about long-term relationship, the personal and professional life is combined. The ability to socialise is very important.” “An honest and straightforward manner is desirable when doing business in India”. A clear communication is crucial, ask you employees to reformulate what you ask them”. (Mr. Cros, Seco Tools India)

“Have patient, and be local present if not you will be taken for a ride.” “Meet and talk with Swedish and European companies/.../get advice about local lawyers, auditors, consultants, and brokers, you will save enormous time and headache by doing that.” “If you can sustain a time frame of five years without making profit, consider India, because you will be rewarded/.../if you’re looking for a quick buck, look somewhere else.” (Mr. Johnson Seco Tools Sweden)

Smarttrust  
“The most important thing when establishing in India is that you need to find a local partner that you can trust and establish a good relationship.” “Anything can happen, don’t judge!”(Mr. Eriksson Smarttrust Sweden)

“It is important to have an Indian counterpart during the establishment process. You will need the local knowledge and understanding.” (Mr. Arora, Smarttrust India)
6. ANALYSIS

In this chapter the empirical material will be analysed and compared with the theories and models from the theoretical framework. Once again, the structure will follow the three major blocks; International Business, Culture, and Business Behaviour. Initially, a discussion concerning the Swedish business presence at the Indian market and the respondents’ background will be presented.

6.1 Introduction

The numbers of Swedish companies actually operating at the Indian market are not as many as one may think. In STC’s Business Guide 2005-2006, 57 Swedish companies are listed as members. According to STC, the interest for India has grown the last years, much because of the reforms in 1991, which have made the establishment process easier for Swedish companies. Today, many Swedish MNE:s are present at the Indian market while the number of SME:s are fewer. One reason for this may be the SME:s limited resources concerning finance and manpower, which may act as deterrent from taking the step into the Indian market. Moreover, a high degree of complexity in the Indian business environment may discourage Swedish companies to enter the market even though there is a big interest for India in the Swedish business world.

According to Francesco & Gold, it is important to choose a leader with the right managerial skills. A transformational or charismatic leadership style is preferable in cross-culture situations. All the respondents participating in the survey have a wide academic background, the majority with several degrees such as a grade in Engineering combined with a MBA. Moreover, they have all been working at international companies for several years, some of them also at Swedish firms, either in India or in other countries around the world. Academic, professional and international experiences seem to be pervading criteria when recruiting the CEO or Managing Director for the Indian office.

Additionally, none of the CEO:s or Managing Directors in India are Swedes, neither did we find any Swedish employees working at the Indian offices. Eight of the respondents are Indians and one of them is French. Moreover, Francesco & Gold stress that when cultures differs a lot it may be more appropriate to recruit a local manager than a manager from the headquarters, a possible explanation why all the respondents, except one, are Indians. By choosing an Indian CEO or Manager, the company gains deeper knowledge and understanding about the market and how things work in the specific state or region chosen for the establishment. Furthermore, the company will get access to local networks and contacts to a larger extent, something that would have been difficult for a foreigner.
6.2 International business

The reasons for entering the Indian market differ among the companies. Those entering before or recently after the reforms in 1991 already had some activities in India before their actual establishment, either selling activities or one or two major customers. At this time the Indian laws required all FDI:s to have an Indian partner, something that today is changed. Companies entering only a few years ago have had more straightforward entries.

6.2.1 Establishment process

According to Ellis & Williams, it is important to investigate the different entry modes possible and to choose the one with the most appropriate set of factors that can be combined with the needs and objectives of the firm before entering the market. To what extent does the company want to control its cross-border operations? Are there any resources available in the host market? Does the company want to extend its commitment? How risk averse is the company? Are there any other opportunities available?

Since the nine companies’ establishment processes range from 1987 to 2005 one can find many differences in their methods chosen for establishing. Companies established in the mid 1990’s experienced tougher conditions when local laws required FDI:s to have an Indian partner when establishing in India. The companies setting up a shared entity together with an Indian partner have had problems when buying the Indian shares. Today, the situation is different due to the de-licensing and deregulation policies that have been improved gradually since 1991. The two companies established in 2005 chose to set up a Liaison or Branch office, one of the reasons for this prudence entry may be to test the market and consumers’ reaction on the products. The recommendation given by the Swedish Trade Council in Delhi is that, if the plan is to set up a wholly owned subsidiary, it is better to do that immediately instead of starting with a Branch or Liaison Office.

Since we limited the study to the four Indian cities Pune, Mumbai, Delhi and Bangalore, all the companies participating are established in one or several of these cities. All four are well-known, industrialised cities with good connection to other parts of India and the rest of the world. One can clearly see that the companies have established according to the geographical division made by Evalueserve, a telecommunication company in Delhi, industrial manufacturing companies in Pune, and consumer good companies in Mumbai. Even though all companies with an Indian partner did not make an active choice concerning the location for their business, it was of great importance due to networks and connections. One of the companies had for example an important customer in India, which lead to their actual establishment.

6.2.2 Market screening/external environment (PEST)

Market investigations

Before entering a cross-border market it is crucial to understand this new and unknown environment, and being aware of the risks and opportunities the company may face when operating there. The nine companies’ methods for investigating the market differ a lot, mainly because of the nature of their business and their level of engagement. A joint venture in the consultancy business requires limited investigations compared to a wholly owned subsidiary for manufacturing. The two consumer goods companies, Pergo and SCA made well structured
investigations in order to map the consumer’s reaction on their products since no similar products were available at the Indian market by that time. One of the respondents means that what works in Sweden may not work in India since their preferences differ a lot. Moreover, Mr. Johansson at STC argues that Indians show a high degree of brand awareness, but what may be seen as valuable brands in Sweden do not have the same strengths at the Indian market.

Some of the other companies already had limited business through an agent or similar and therefore had knowledge about the market. All of the companies mentioned the importance of having a local partner or agent who understands the local conditions. Since the investigations to a large extent are about relationship building one needs to understand how to do this in a way that Indians understand.

**Politico-legal environment**

The Indian politico-legal environment is seen to be stable but with a lot of changes and reforms in order to open up the system and make it easier for foreign companies to enter the market. Even though a lot of things have happened in this area the system is still considered to be slow due to bureaucracy. For a foreigner, the system can be chaotic and impossible to understand and therefore some of the companies hired local legal staff or consultants that handled the legal process. The local knowledge and experience of handling situations like this is crucial since the fact that you still need a lot of licences and approvals remains. Even though the RBI and FIPB recently announced that it should not take more than 4-6 weeks to get an approval to set up a Liaison or Branch office it often takes more time due to the slow system and documentation needed.

The Indian legal system is a leftover from the British and is considered to be well working and gives the protection a company needs. Affected by the bureaucracy the legal system can be very time consuming. For example, some of the respondents argued that it is becoming more common that companies settle in an amicable agreement rather than going to court since this takes too much time. Therefore it may be important to be cautious when writing contracts and it can be wise to make an agreement about how and where an eventual conflict should be resolved. The Indian legal system is based on Common Law where details must be written in the contract to be enforced while in the Civil Law the contract reflects promises without details. An effect of these differences is that Indians tend to write long and complicated contracts compared to Swedes. Moreover, Nixon argues that Asian countries tend to care more about relationships and therefore the contractual terms are negotiable to a larger extent.

The Indian labour legislation can be divided into two groups, the blue collar and white collar. These two groups work under very different conditions due to the Indian labour law. The blue collars are for example factory workers who are unionised and strictly protect by labour laws. The respondents from manufacturing companies expressed that this group can cause some problems since the employees are hard to fire. The white collar group, engineers, managers, and administrative staff, on the other hand, are not protected to the same extent. Normally, one has to compensate them for one to three months, but if they get paid, they have to leave the same day. These differences may be important to be aware of since they will affect a company in many ways depending on what kind of employees the business requires.

**Economic environment**

Economical privileges, such as free land and tax relief’s the first five years, are used to attract companies to establish in a certain state or city, but the fact is that few companies make their
decision due to these privileges. First of all they are mainly offered to manufacturing companies, if a company only will do trading it will not get any privileges. Secondly, when a company actually chose to establish and set up a plant in a foreign market it is most likely for more than five years, rather 20-30 years, and therefore the economical privileges are becoming less important.

A majority of the respondents think that this kind of competition among the states is good since it improves the business climate and the conditions for companies operating in the country. Furthermore, this competition has a good affect on the infrastructure and leads to improvements in this area. A country’s infrastructure is determinate and vital to a company’s production and logistics. Even though improvements have been done, a lot of work still remains. For example, the average speed for trolleys on Indian roads is 25 km/h; something that needs to be taken into consideration when planning the company’s delivering processes. Airports and the domestic flights, on the other hand, work much better with high quality in services and punctuality. Moreover, the custom duties in the Indian ports are very time consuming due to corruption. In the rest of Asia the custom duties take about two days while in India it can take up to two weeks. For manufacturing companies, daily power cuts make the production harder to handle and generators and stabilisers are crucial.

When discussing the infrastructure many respondents made a comparison to China and came to the conclusion that India is far behind its giant neighbour, but with the addition that India will be there in five to seven years. Another side of the infrastructure is how its deficiency creates business opportunities for foreign companies. Hiab Cranes, for example, is a supplier of cranes to companies building up the infrastructure.

**Social environment**

One part of the social environment concerns lifestyle and consumption patterns, such as purchasing power and preferences, in the host country. Because of India’s fast growing economy during the last years, the population’s living conditions have improved a lot. Urbanisation and an increasing use of electronic media have given rise to a change in life style and consumption attitudes among people. Due to several socio-economic changes, a growing middleclass population of approximately 265 million people shows a demand for new products and services over the country. This huge consumer market is something that many respondents referred to as an opportunity that no company can afford to loose. Although India is offering a huge market full of opportunities, one should not forget the many challenges it involves. The diversity in culture, language, and taste makes it hard to operate here, especially as a foreigner, and therefore understanding the local market is crucial in order to be successful. Moreover, many of the respondents mentioned the large pool of qualified manpower, which is to be seen as a great asset.

All the respondents find India being built on a bureaucratic system, something that some find more frustrating than others. The major effect of the bureaucracy is that everything takes a lot of time and as a foreigner this can be very frustrating and impossible to handle. Taking this into consideration is important when starting up in India. One need to be patient and can not expect the same efficiency as in Sweden, but as one of the respondents said, “once you are through there are a lot of opportunities”289.

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289 Interview with Mr. Prasad, SCA, 060413.
**Technological environment**

Almost every respondent argues that there is a huge difference in the Swedish and Indian perception of quality. The phrase “chalta hein” (one will manage) tells a lot about how Indians relate to quality. In India, one will not expect a product to last for 50 years. Many of the Indian respondents argued that Swedish products are highly over-engineered and that people do not need this kind of quality. One of the Indian respondents added that this mentality can be seen at an Indian workplace where employees often try to find shortcuts in work while Swedish employees stick to the rule book and maintain the consistency to a higher degree.

Many small Indian companies look for fast profits on the expense of quality but many respondents argue that there is no difference between Indian and international MNC's. A big international company could never succeed if it waives the quality of its products. According to one of the respondents, the perception that “made in India” products have bad quality, is very unfair. Moreover, none of the respondents have experienced problems with unsatisfied customer due to bad quality. Consistency equals quality, and to maintain consistency many companies work through processes.

Two of the manufacturing companies have both the design and production unit located in India. One of the respondents added that he thinks that it is hard to find good and qualified design people in India. Europe has always been superior in the design area, an apprehension still existing and that may be a reason for the lack of design people in other parts of the world. For the software telecom company, being a Swedish company has been of great advantage because of the Scandinavian countries’ good reputation in the telecom industry.

**6.3 Culture**

Before an establishment it is crucial to gain knowledge and deep understanding about the new foreign market, and in order to do that you need to understand the differences in culture.

**6.3.1 Recruitment**

Three of the interviewed companies use recruiting or head-hunting agencies. The reason for hiring agencies is mainly to be insured to get good and qualified people with the right education and experiences. Relationships and networks are important parts of the Indian business environment, which may be one reason why the rest of the companies handled the recruitment process by themselves, mainly using their contacts and friends. Asking someone that you trust and have known for a long time is valuable when recruiting in India. Gesteland makes a difference between deal-focused (DF) societies, which are fundamentally task-oriented and relationship-focused (RF) societies, which are more people-oriented. RF people are often not comfortable doing business with strangers, they prefer to deal with family, friends and persons who know them, people that they trust. According to Gesteland, India would be a RF society while Sweden would be more DF.

When it comes to important criteria in the recruitment process, all of the companies look for the right education and experiences. One of the companies also thinks that the background and family relations of the person is important. Moreover, all of the companies put an effort and energy on finding a person that will fit in the organisation and the organisational culture.
According to Trompenaars, a manager may use specific criteria when recruiting in order to get the “wanted” corporate culture in the organisation, a behaviour that can be both conscious and unconscious. Since many of the companies focus on recruiting a person that will fit in the organisation, one may argue that they are trying to find someone that will fit in their corporate culture. Moreover, Trompenaars argues that a leader can use training programmes in order to communicate a philosophy of the firm, and thereby “shape” the members to fit the organisational culture. Two of the companies in our survey use this kind of training programmes were the newly recruited person learns about the company and its culture. It may be a way of integrating the culture and shape the employees along with the organisation and its goals.

All the companies find the education level in India being very high. India has over 300 universities and institutes in technology and management with a reputation world wide. Moreover, some of the Swedish respondents emphasize that it is important to check if the degree and the university really exist. Seven of the companies have the experience that it is easy to find the right people, while two of them experienced some difficulties. Due to the amount of available persons looking for a job in India, it seems to be important to have a clear idea of the qualifications needed, something that all the companies in our study had. The difference in cost and education between Indians and Swedes is small for skilled, top level persons, but bigger for unskilled persons. “The better education, the less difference.”

Depending on “what kind of employees” the company has, the respondents express different experiences of firing people. As mentioned earlier, blue collar employees are protected by labour laws while white collar employees are much easier to fire. As a result of this, some of the manufacturing companies have had some problems when firing blue collar employees. Moreover, the respondents have the impression that the Indian employees are loyal as long as they are motivated, the employer treats them right and keep them busy. Some of the respondents added that employees in some industries are less loyal than in others. For example the IT-business has experienced some problems with employees only looking for high profits.

6.3.2 National & organisational culture

All of the companies’ organisational structure is more or less flat with an open and transparent communication, which in most cases is a heritage from the Swedish parent company. Almost all of the companies follow a Swedish business model concerning organisational structure and the way of working, something that has been successful but hard and time consuming to implement.

**Power distance**

The traces of a Swedish business model are easy to recognise in the companies participating in this study. Hofstede’s first dimension, power distance, shows the dependence and relationship between the manager and the employee, and whether people in a country accept the existence of unequal distribution of power or not. If the employees are not afraid of their leader because of a less autocratic leadership, employees often prefer a consultive style meaning that their boss consults with his/her subordinates before making a decision, and hence they have a small power distance. All the Indian respondents argue that they have a consultive managerial style and that this is an effect of their Swedish bounds. Normally, India
is seen as a country with a large power distance because of the country’s hierarchical society, but since the companies are Swedish the distance is not that as big as one may think. Although one can still see that the Indian employees show a stronger dependency to their manager than Swedish employees, something that is typical for large power distance cultures. The fact that India, as a country, has a larger power distance than Sweden may be one of the reasons why it has been time consuming for many of the companies to implement a Swedish business model since the Indian employees are not familiar with this way of working. According to Gesteland, problems often occur when egalitarian cultures (Sweden) cross paths with people from more hierarchical cultures (India). Furthermore, the Swedish respondents argue that it is easier to get in contact with a person on a higher level in Sweden compared to India. Additionally, it is easier to get in contact with a person on a high position at the Indian company if you have a high position yourself. A good and appropriate title on your business card is often enough to get in touch with the right and “important” persons. Some of the Swedish respondents mentioned that this sometimes can be a disadvantage since a “top” title makes it hard and almost impossible to get in contact with a person on a lower position.

**Individualism versus collectivism**

Hofstede’s second dimension, individualism versus collectivism, explores whether people’s interest for the group is higher than their interest for the individual. When asking if the respondents see their employees as a part of a group or as individuals, almost all of them answered that they see them as individuals. Moreover, the respondents answered that experience is more important when recruiting than family background, and thus the companies have a more individualistic approach. According to Hofstede, Sweden has a more individualistic culture while India is collectivistic. The individualistic influences that can be seen in the companies participating in this study may occur due to the increased industrialisation and internationalisation in these companies. The facts that the companies in this study are located in big cities and that all respondents are well educated persons with a wide international background, may have had an effect on the given answers.

**Masculinity versus femininity**

In Hofstede’s third dimension he makes a difference between masculinity and femininity cultures. When people are looking for high earnings, recognition when doing a good job, opportunity to advancement, and a challenging work they indicate an masculine behaviour. The opposite pole, the feminine behaviour, is more characterized by a concern for relationships and the living environment. None of the respondents were able to make a distinction between these characteristics, they answered that these types of requests are individual and that it depends on the specific person.

Ways of motivating the employees differ among the companies, but with the common answer that a high salary and good career opportunities are the two most important motivation factors. Since the majority of the companies are using high salaries as a motivation factor and some of them also give financial incentives, one may argue that the companies has a masculine approach rather than a feminine. Looking at Hofstede’s Masculinity versus Femininity index, India is a masculine society, but again, these answers may be coloured by the international business environment that the company operate in.

**Uncertainty avoidance**

Hofstede’s fourth dimension, uncertainty avoidance, explores weather the people in a society are afraid of, or feel threatened by unknown situations. This feeling may be expressed through stress or a need of written or unwritten rules. All of the companies have rules, both written
and unwritten. Furthermore, some of the Swedish respondents have had the experience that Indian employees have a greater need for instructions from their manager, and are therefore less independent than Swedish employees. This may be an effect of India’s higher degree of uncertainty avoidance compared to Sweden. According to Hofstede, both Sweden and India have relatively low uncertainty avoidance, although Sweden has the lowest rate. Furthermore, the Indian respondents argue that whether an employee is independent or not is individual and that it depends on the specific person.

6.4 Business Behaviour

This part of the analysis aims at clarifying the differences and similarities in business behaviour between Swedes and Indians. First of all communication, business relations, and time will be discussed and analysed, followed by an analysis of differences in negotiating techniques.

6.4.1 Business relations and communication

Due to differences in culture and traditions, people are doing business differently. Therefore, discrepancy in communication and business relations may cause misunderstandings and frustration when doing cross-border business. Below an analysis of the differences between Swedes and Indians concerning this subject will follow.

Communication

According to Francesco & Gold, communication is the process of transmitting thoughts and ideas from one person to another. Within the communication process’s different steps, there are many situations where miscommunication easily arises since thoughts and ideas cannot be shared directly. In cross-culture communication, the peril for misunderstandings increases significant. Different dialects and way of using the language, subjective interpretations influenced by cultural norms and values, and differences in body language are some examples causing big problems. The majority of the Indian respondents think that it is easy to communicate with Swedes because of their transparency and openness. The Swedes use a more straightforward approach and always tell when he or she does not understand, a behaviour that decreases the risk of misunderstandings and is very appreciated among the Indians. Noteworthy is that even though it is a great advantage that both Indians and Swedes have a relatively good knowledge in the English language, differences in dialects and pronunciation may cause problem. Something that some of the Swedish respondents made a comment about. Additionally, one Indian respondent mentioned that Indians talk about currency with dots and commas in a way that often confuses Swedes.

Gestelend’s dimension, expressed versus reserved cultures, focuses on problems that may occur due to differences in communication. People from expressive cultures often speak loud, and use a lot of hand gesture and facial expressions while people from reserved culture are more calm and soft spoken. One of the Indian respondents argued that it is hard to understand Swedes way of expressing disagreement since they are much quieter than Indians. “The Indian may think that it is only a fairly disagreement whereas in reality, it is a huge
Moreover, the same respondent explains that Swedes have taught him that he does not have to raise his voice to make someone listen.

Many of the Indian respondents think that Swedes are slow when doing business, mainly because they want to see everything from every angle. Moreover, they find Swedes being very decision-oriented; everyone has the right to say his opinion. Both reasons are something that the Indians admire but at the same time find frustrating since it slows down the processes.

**Business relations**

According to Samovar & Porter, the Asian and Western cultures are the two groups that differ most due to factors such as religion, languages and economic systems. Cross-cultural communication can best be understood as communication affected by cultural variability in social perception, and therefore it is crucial to understand the other counterpart's cultural heritage. One of the Swedish respondents made a comment about this, adding that one has to reflect before reacting when doing business in India. Moreover, the respondents participating in this survey did not express the Asia-West distance as a major problem when doing business with each other. On the contrary, the respondents find it very easy to communicate and cooperate with each other compared to other nationalities. Because of the respondents experiences of misunderstandings due to cross-cultural communication, a more open and transparent attitude may have been used from the start.

Being relationship-focused when doing business means that a person prefers to intricate through personal networks and doing business with people they know and trust. The opposite group, deal-focused people, is more straightforward and go down to business after just a few minutes small talk. The deal-focused people often make direct contact with the person he or she wants to talk with. Almost all of the respondents, both Indians and Swedes, argue that networking is extremely important in India. Some of the respondents add that even though it is not absolutely necessary it is extremely helpful in a country where the relationship is central. Furthermore, the majority of the respondents, Indians and Swedes, prefer having a relationship with the person he is doing business with. A common perception is that Swedes are more deal-focused when doing business, something that is true to some extent. Swedes are more straightforward and come down to business pretty fast, but they also care for relationship and are known for having life-time relationships with business partners. The Indian respondents often make a comparison of Swedes, British, Germans and Americans, coming to the conclusion that Swedes are more open, transparent, and caring for relationships than the other Western nationalities mentioned.

Even though discussion whereas different business cultures differ from each other, one must not forget that in the professional global business life, extremes are not that extreme due to the actors professionalism and experiences of cross-boarder business, which decrease the differences significant. All the respondents in this study have a wide experience of working in international companies and doing business with people from other cultures, something that facilitate the resolving of conflicts arising in cross-culture business.

**Time**

People from different parts of the world have different ways of relating to time and scheduling, a phenomenon explained by Gesteland in the rigid-time versus fluid-time cultures-dimension. All the respondents agreed that Swedes and Indians have very different
time perspectives. Sweden has a rigid-time culture, always being punctual and prepared before meetings while India has a more fluid-time culture. Because of different matters in their environment such as daily power cuts and heavy traffic, it is more accepted to be late. All the Swedish respondents made a comment about this and added that it is something you have to accept when doing business in India. There is no point being upset and angry, if you want to do business with Indians you have to accept and learn how to handle these kinds of situations. Moreover, some of the Indian respondents argued that their relationship to time is something they have to improve, something that they can learn from the Swedish culture. Once again it is worth mentioning that when both counterparts are experienced and professional the differences in time perspective decrease to a large extent.

6.4.2 Negotiations

According to Brett, people in Asia are more relationship focused than in West, something that is aligned with the results of our study. All the nine respondents in India prefer to have a well established relationship with the person he or she is doing business with. The Swedish respondents, on the other hand, do not have the same need for relationships, even though they find it preferable to have a combination of a good relationship and straightforward negotiations. This view is shared by the Indians who emphasize that Swedes do care a lot for relationships when negotiating.

According to Brett, cultures affect the strategies used by negotiators, for example the way they go about negotiating, whether they confront directly or indirectly, and the way they use information and influence. Aligned with Hofstede’s dimensions, Brett distinguishes between individualism versus collectivism when negotiating. The unwillingness of confronting directly in a negotiation often comes from the collective societies. “The Swede is open and transparent, but the Indian counterpart thinks that he is hiding something. Indians never put all the cards on the table, while Swedes do.”²⁹² This quotation expresses the differences between Sweden and India and that India has a more collectivistic culture than Sweden. The differences between India and Sweden often cause misunderstandings and problems when negotiating.

According to Nixon, Asians are tougher negotiators due to, among other factors, their bargain culture and the lack of social security. An opinion shared by all the respondents. Due to Swedes openness and transparency misunderstandings and false interpretations often arise. For example problems easily occur when a Swede puts all the cards on the table, while an Indian does not. As a result of Swedes openness and transparency, the Indian counterpart thinks that he or she is hiding something. Furthermore, Nixon argues that Indians see problems in grey while Swedes see them in black and white. Either Swedes fulfil the whole deal or they drop it completely while Indians try to find other solutions. This may be the reason why Indians think that Swedes are unpredictable due to their unexpected turns when negotiating, “they (Swedes) can cut off in a way you never expected”.²⁹³

According to Gesteland, people from different parts of the world relate to time in different ways. The Swedish respondents argue that negotiations take much more time in India than in Sweden due to the Indians verbal skills and their fluid-time culture. On the other hand, Indians think that Swedes are slow in the decision making process. “In Sweden it takes time

²⁹² Interview with Mr. Prasad, SCA, 060413.
²⁹³ Interview with Mr. Arora, Smarttrust, 060421.
due to equality''294. Moreover, the Swedish respondents argued that it is hard to know if they are talking to the right person or not when negotiating with Indians. The first meetings are often handled by people on a lower position while “the big guys” (the decision makers), only step in for the enclosure. Moreover, the first meetings are only social visits and when a Swede thinks that he has a business deal the Indian may only think that he has got a useful business contact. Furthermore, Swedes are of the opinion that Indian negotiators are very price-focused and emphasize their skills in bargaining.

294 Interview with Mr. Prasad, SCA, 060413.
7. CONCLUSIONS

In this chapter, the conclusions drawn from the analysis will be presented. Since the purpose of our study is to facilitate for Swedish companies that are about to establish in India, the conclusions will be designed as action-oriented guidelines. The structure will follow the three major blocks; International Business, Culture, and Business Behaviour.

7.1 Introduction

A hot topic of today is India and how the country is becoming a key player in the world’s economy in the future. Swedish media, newspapers and the business life have discussed the countries growing economy and the opportunities Swedish companies could find in this huge market. Despite this attention focused on India, surprisingly few Swedish companies are actually established in the country. The Indian government has improved the business environment for foreign companies by working with reforms that deregulate and de-licence most of the Indian industries, improvements that have not attracted Swedish companies to the same extent as one may think. Swedish MNE:s have been present at the Indian market for over 50 years, while Swedish SME:s are missing. We assume that the SME:s still find India being too risky due to an incomprehensive and complex market. Since these companies have limited resources they may choose other markets that are closer to the home market and involves less risk.

Moreover, we are of the opinion that the comparison between India and China is partly wrong. One can find many similarities between the two countries such as a large pool of manpower and a huge consumer market, but we believe that there is a high possibility that India never will be a low cost manufacturing country to the same extent as China. Instead India may become be a country that will provide the world with special skills and competence within certain niche markets. We are of the opinion that, in the future, India and China will complement each other and it will be crucial for global companies to be present at both markets. No matter what, India and China will become key players in the world’s economy.

Recruiting a manager to the Indian office is crucial, and we have come to the conclusion that a winning concept is to find an Indian with a wide academic background combined with experience in international business. Moreover, we argue that it is desirable that the manager have experience of working with Scandinavian, or most preferably, Swedish companies. This combination of a “global Indian” aligns with the expression “be glo-cal – think global, act local”. A solution that will provide the Swedish company with the local knowledge and the experience needed, and at the same time facilitate the cooperation and communication between the Swedish parent company and the Indian office. Moreover, local contacts and networks are crucial in order to be successful; you need to find Indians with the right connections and who you can trust.
7.2 International Business

In this part we will give a presentation of the different entry modes possible when entering the Indian market. These conclusions are mostly based on hard facts, and serve the purpose of being a short guide for companies that are about to establish at the Indian market. Moreover, brief discussions concerning the Indian business environment and how to handle it will follow.

7.2.1 Establishment process

The possible entry modes when entering the Indian market are, according to STC, Liaison office, Branch office, Project office, Wholly Owned Subsidiary and Joint Venture. Each entry mode involves different levels of engagement. Below, a presentation of the five entry modes will follow.

**Liaison offices** – Can promote its business interest, spread awareness of its products, and act as a communication channel between itself and various Indian companies. A liaison office is not allowed to carry out any commercial, trading, or industrial activities, nor allowed to earn any income in India. The time for registering a liaison office is approximately 4-6 weeks.

**Branch offices** – A branch office is allowed to trade with goods, provide services, carry out research work, and promote collaborations between Indian companies and the parent company. This entry mode is most common among manufacturing and trading companies. The time for registering a Branch office is approximately 4-6 weeks.

**Project office** – A branch office but with a business presence for a limited period of time, with the purpose of executing a specific project. The time for registering a Project office is approximately 4-6 weeks.

**Wholly Owned Subsidiary** – A wholly owned subsidiary can be set up either as a private limited company, requiring a minimum capital of INR 100 000, or as a public limited company, requiring a minimum capital of INR 500 000.

**Joint venture** – A joint venture operates under the same rules as a wholly owned subsidiary, but in the form of a partnership between an Indian and a foreign company, and can be an interesting option from the strategic point of view.

We argue that these first three entry modes are suitable when the company is uncertain about the Indian market and how well the consumers will respond to the products or services, or if the company’s presence in India is limited. Although we claim that they are not preferable options when the company is committed to a long-term presence in India. Since they are limited in both time and business, the work concerning the formal establishment will obviously be the double if a company starts with the intention of extending the business in the future.
Furthermore, we argue that the last two entry modes are better options when the purpose is to stay in India for a longer period of time. If the intention is to become a wholly owned subsidiary, a partnership within a joint venture can be hard and complicated to leave. Therefore our recommendation, aligned with the STC’s opinion, is to set up a subsidiary immediately without any detours.

Below a presentation of the formal process, according to STC, when establishing in India is presented.

| 1. Foreign Investment Promotion Board (FIPB) – This board is chaired by the Ministry of Finance (MoF) and specifically set up for expediting the approval process for foreign investments. |
| 2. Register of Companies (RoC) – The first errand concerns registration of the company name. |
| 3. Register of Companies (RoC) – The company is formed in the state where it has its physical address. |

*Figure 7.2 The formal process step by step.*

Although the FIPB and the RBI have facilitated the formal establishment process for foreign companies, it is still time consuming, complex, and hard to handle. Experienced people who are used to the system such as local lawyers, accountants and consultants can therefore facilitate this formal procedure and provide a foreign company with the local expertise needed. Important to be aware of is that this process often involves many bureaucratic steps, requiring different kinds of documents. A Swedish register approval and a board decision that have to be stamped in India and be sent back to Sweden for a stamp by the Foreign Ministry, are some of the documents needed. These procedures can be very time consuming, and being well prepared is a good start.

### 7.2.2 Market screening/external environment

#### Market investigations

Doing market investigations or screening the market before doing cross-boarder business is always of great importance. Due to the Indian market’s diversity in culture, language and taste, the need to gain local knowledge and understanding may be even more important. To get this understanding, we argue that it is crucial to have people with local knowledge and experience of the conditions in a specific market. The time and effort that a company spends on finding the right people will pay off later. Well developed market investigations is to be seen as an investment for the company since it will be better prepared for potential difficulties that may occur during the establishment. Moreover, we argue that it is crucial to do market researches in order to find out whether a product will work or not in a specific part of the Indian market. What may work in Sweden may not work in India or in some Indian regions. Another conclusion when it comes to market investigations is that they can be a good way to build relationships and networks, something that is crucial when doing business in India.

#### Recommendations

- Be aware of the regional differences within India.
- Local knowledge and experience is crucial.
- Very different consumer behaviour, what works in Sweden may not work in India.
- Focus on relationship building.
Politico-legal environment

The Indian political system is divided into a central government and 28 local governments. The local governments are independently responsible for the development in their specific state and therefore the development and industrialisation differ among the states. To be aware of the conditions in the state of interest is crucial, it is for example the local governments that decide what methods to use in order to attract or keep away companies from establishing in their state. Additionally, they have the authority to handle the registration for companies having their physical address in their state.

The Indian legal system is well working and protects a company’s need but due to bureaucracy it is very time consuming. In order to avoid or facilitate possible legal matters it is important to be cautious when writing contracts. Since the Indian legal system is based on the Common Law and not the Civil Law, differences when writing contracts easily occur. Indians tend to write long and complicated contracts but it is important to be patience and read them thoroughly. Moreover, local laws can either facilitate or complicate an establishment and therefore a thorough mapping of the local legal system is of great importance.

Recommendations

- Investigate legal and economic conditions in the states of interest, the difference maybe determinants.
- Be aware of the bureaucratic and time consuming systems.
- The Indian legal system has good legal protection.
- Be cautious when writing contracts (Common Law versus Civil Law).

Economic environment

As mentioned above, the different states give different economic privileges and therefore it can be good to know what the state of interest offers compared to others. Despite the fact that states give economical incentives, we have come to the conclusion that these privileges are not determinants when choosing location for the establishment. Since the incentives are time limited they will not be of that great importance for companies planning to have a long-term commitment in India.

The infrastructure in India is still a major problem even though it is getting better day by day, and the competition between the states has a positive effect on the situation. Since the infrastructure is essential when choosing location for the establishment, the states have to improve the infrastructure in order to attract companies. Depending on the company’s business, one should consider the conditions in the different states and cities. Business requiring road transport may get problems since the roads are in bad shape and can easily damage fragile products. Moreover, the average speed for trolleys in some parts of the country is 25 km/hour, which make deliveries, both to customers and from suppliers, time consuming. Being aware of these problems and taking the extra time into account is crucial when planning the company’s operational business. Moreover, the Indian ports’ custom duties can be difficult to manage due to, among other things, corruption. We argue that the best way to handle this is to use local people who are used to the situation and knows how to handle it. However, the Indian airports and air traffic work much better than other transport options.
Moreover, daily power cuts and polluted water may be a problem for some business, especially manufacturing companies. Generators and stabilisers are crucial in order to maintain the consistency in production.

**Recommendations**
- Economical privileges differ among states.
- Economical privileges should not be decisive for companies planning to have a long-term commitment.
- Be aware of the infrastructure and always take it into account when planning your business.

**Social environment**
Because of the fast growing economy major socio-economic changes have caused new consumption patterns such as purchasing power and preferences. The increasing middle class population of approximately 265 million people is to be seen as a great opportunity for many companies. The size of the market makes it possible to be more specialised on one target group but still have a huge segment that is profitable. In Sweden a company can hardly survive by only focus on one segment. Moreover, this huge market offers a large pool of manpower which is to be seen as an asset for companies establishing in India. Although, the Indian market provides many opportunities, one should not forget the challenges involved in a market of this size. The diversity in culture, religion and language creates different consuming behaviours and preferences. Moreover, the differences among the rural and urban areas are enormous and require different kinds of approaches.

**Recommendations**
- Huge consumer market.
- Large pool of manpower.
- Diversity due to regional differences.

**Technological environment**
The perception of quality differs a lot between Indians and Swedes. The Indian consumer does not expect, or find it necessary, for a product to last for 50 years and therefore Indians may find Swedish products over engineered and not worth the price. When it comes to industry products, we argue that the situation is different. Long lasting, high quality machines and tools are demanded. Moreover, we assume that there is no differences between Indian MNE:s and other MNE:s, since they all have to provide an international standard. Therefore, we claim that the perception “made in India” equals bad quality is false and unfair when it comes to big international companies.

The fact that Indian employees often try to find short cuts in their work is something that has to be taken into consideration and supervising may be needed to a larger extent than in Sweden.
7.3 Culture

An understanding of differences in the Swedish and the Indian culture is vital when doing business in India. Because of lack in flexibility and understanding for people from other cultures, misunderstandings and conflicts often occur. A good way to prevent mistakes and confusions is to study the culture you are about to face.

7.3.1 Recruitment

Using head-hunting or recruiting agencies can be a way for companies to ensure that good and qualified people are recruited, especially if a company does not have any contacts at the Indian market. Depending on a company’s resources, to what extent the recruitment is done and whether a HR department exist, or if a company is short in contacts at the Indian market, using agencies can be a good alternative. Moreover, the STC offers consultancy services in, among other areas, recruitment.

The recruitment process in India can be a long, time consuming and complicated process. Since there is a large amount of skilled people looking for a job, it can be difficult to find and pick the best one. Therefore, we argue that it is important to have a clear picture of the qualities and criteria’s the person you are looking for should have. Furthermore, we argue that even though a company has contacts in India that handle the recruitment process, it is wise to send a person from the parent company in order to control the course of events and make the final judgement. This is more important in the beginning of the establishment in order to implement Swedish requirements on the employees.

As mentioned above, India has a large pool of qualified manpower, something that may be seen as an important asset for companies, but this also involve difficulties when finding the right person. For example, it is important to check if the university and the degree really exist. We argue that, contacts and references from people you know are of great importance. Finally, we want to emphasize the importance of being well prepared for and keep in mind that the recruitment process can be very time consuming and complicated but it if you do a good job it will pay off later.
7.3.2 National & organisational culture

Organisational culture
The traditional Indian company is hierarchal and formal with a large power distance. For example, an employee only consults with his or her closest boss and never with a manager on a higher position. Age and titles are still very important in India and an impressive title on your business card can be enough to get in contact with a person on a higher position. One must not forget that this may implicate problems when you desire to talk to employees on lower positions. Moreover, the leadership is considered to be more autocratic than in Sweden. Despite the characteristics of a typical Indian organisation, we argue that a Swedish business model involving a flat organisational structure, openness and transparency, can be successfully implemented. But, one must not forget that it will take time and that the manager has to work hard in order to engage and involve the whole organisation in the new process. Because of the traditional hierarchal structure it is also important to remember Indians’ stronger dependency, which may result in less independency and flexibility among the employees, something that may result in a greater need for both written and unwritten rules. We have come to the conclusion that a Swedish business model combined with Indian employees is a successful solution, which creates creativity and knowledge that can be transferred within the organisation. This may also give a company the reputation of being a good and inspiring employer. Therefore, we argue that a company using a Swedish business model will get major advantages compared to other companies at the Indian market.

Motivation factors do not differ to a large extent between India and Sweden. Each employee is to be seen as an individual person with individual needs, although the most common way to attract and keep employees is to use financial means, such as a high salary, bonuses and carrier opportunities. Indian employees are not less loyal than Swedish employees, the loyalty is more related to what business sector a company operates in.

Recommendations
- Use a Swedish business model (flat structure, openness and transparency), but be prepared to work with it.
- Indian employees respect titles and age to a larger extent than Swedes.
- High salaries and career opportunities are the major motivation factors.

7.4 Business Behaviour

When discussing cross cultural business behaviour one should be aware of the difficulties in generalising and that the behaviour naturally differs depending on the people involved. The conclusions discussed in this part are therefore a result of the respondents participating in the survey and our own opinions and interpretations of the issue.

7.4.1 Business relations and communication

The Indian business language is English, which is an advantage for Indo-Swedes collaborations since both cultures are considered to handle the language more or less well, but one must not forget that accents and dialects can complicate the communication. For example, Indians talk faster than Swedes, and the use of vocabulary sometimes differ, something that
often are reasons for misunderstandings. To handle these kinds of situations, transparency and openness is preferable. Asking employees to repeat what you have asked them for is an easy way of decreasing the risk for miscommunications and misunderstandings.

India has a more expressive culture than Sweden, meaning that Swedes are seen as more calm and soft spoken than Indians. These differences may cause problems when expressing feelings, such as disagreement. Indians may interpret a Swede’s disagreement as fairly while in reality it is a huge disagreement.

The ways Indians and Swedes are doing business differ to a large extent but one can also find several similarities. We argue that an understanding of the differences is crucial when doing business in India since it to a great deal affect the outcome of a potential business relationship. Relationships are central in the Indian business culture and a too straightforward manner may be perceived as rude and impolite. A manner of this kind can be appreciated but one has to be more careful than in Sweden. The first meetings are often only social visits and one has to be prepared that it will take some time before getting down to the actual business.

One of the most surprisingly conclusions drawn from this research is that Swedes are much more relationship focused than one may first think, something that is to be seen as a great advantage when doing business in India. Swedes have a reputation in India of being open, transparent and caring for business relations to a much larger extent than other Western nationalities. We argue that India may be a more relationship-focused country than Sweden, but the distance between Indians and Swedes are not as far as between Indians and other Western groups.

Important to remember is the fact that people who are experienced in international business and cross cultural behaviour, will facilitate a potential collaboration. Moreover, we argue that it is better to have an Indian doing business with Indians, local independency but with clear restrictions and guideline from the Swedish parent company is perhaps the most successful solution.

**Recommendations**

- Good knowledge in English is an advantage.
- Be open and transparent when communicating.
- Repeat your message and ask the employees to repeat your question.
- Be aware of linguistic differences.
- Relationships are central.
- Takes time to get down to business.

**Time**

The Indian expression “chalta hein” (one will manage) is a good way to illustrate the differences in the Swedish and Indian time perspective. For Indians, time is fluent and therefore it is much more accepted to be half an hour late to a meeting. Since the daily life in India is full of unexpected incidents such as power cuts, traffic jam or a meeting spinning out the time, one can, quite understandable, not always stick to the plan. Moreover, the distances in Indian cities are often much longer than in Swedish and due to heavy traffic, being transported from one destination to another can take a lot of time. This makes it hard to have several meetings at the same day and one should always plan with extra time when doing business in India. This may be hard to accept for Swedes due to their often efficient mind set,
but it is of great importance. Moreover, Swedes in general prepare more before a meeting than an Indians and it takes less time to get down to business.

Be prepared that everything takes time and learn how to handle the fact that Swedes and Indians’ time perspectives are totally different and you will be more successful when doing business in India. One should also add that in the professional business life these differences are less common, and Indians, as well as Swedes, adapt to an international time perspective.

### Recommendations
- Chalta Hein (one will manage).
- Always have some extra time.
- Do not have too many meetings on the same day.
- Be patient.

#### 7.4.2 Negotiations

Since the relationship phase in the negotiation process is longer in India than in Sweden, it is crucial to focus on building relationship with your Indian counterpart. Be prepared of that the first meetings are just “small talks”, something you have to take into consideration when planning. Normally, Swedes do not have any problems to adapt to this relationship-focused culture.

Moreover, our impression is that Indians are tougher negotiators than Swedes. Due to the bargaining culture in Asia Indians are more price-focused and give a more confident impression when negotiating. Furthermore, we are of the opinion that Indians and Swedes have different starting points when negotiating. A Swede is already from the beginning offering a deal that is acceptable for both parts while the Indian counterpart assumes that the Swede is proposing a deal that is only to his or her advantage. Swedes openness and transparency can therefore be a great disadvantage when negotiating in India since it often results in misunderstandings and confusions.

### Recommendations
- Be aware of the importance of relationship building when negotiating with Indians.
- Focus on building a relationship with your Indian counterpart.
- Indians are tougher negotiators than Swedes.
- Indians and Swedes have different starting points when negotiating.
- Indians never put all the cards on the table.

Moreover, Nixon’s model of how to be a successful negotiator in Asia, can serve as helpful guidelines when doing business in India. Therefore, we have summarized his STAR-model in the table below.
**Strategic**
- Carefully choose words and actions that enhance the desired outcome.
- Take the time to clarify what the focus is and why, and thereby eliminating any doubt within the team before staring the negotiation.
- To know that it is only by helping others that you can help yourself, and thus have goals that tend to enrich more people than just your team.

**Timing**
- Be well prepared before the negotiation.
- Carefully choose the right moments to act.
- Be alert and try to see when to engage with the other part.

**Action-oriented**
- Be proactive rather than reactive and try to change the course of action instead of allowing fate to determine.
- Constantly try to do something about the desired outcomes.

**Relationship focused**
- Manage relationships carefully.
- Focus on influencing the people whose cooperation is needed in order to achieve the goals.
- Work effectively to build relationship in networks and identify who is influencing whom.
8. FINAL DISCUSSION

In this chapter, the research question will be put into a broader context and discussed from a wider perspective. Moreover, a discussion of how the research can contribute to further research will be presented.

We are about to, or already have, entered the Asian century meaning that this huge continent is going to play a key role in the world’s economy in the future. New vibrant markets provide all kinds of business opportunities for companies around the world, and there is no time being a passive player, standing beside and watch. In order to stay competitive globally one has to take action now!

The attitude towards India is becoming more positive and the Swedish business life agrees that Indo-Swede collaborations will be of great importance for Sweden in the future. India is an up-coming market providing many opportunities, something that especially Swedish SME:s can not afford to loose. Entering a new market always involves risks and for some reason the Indian market seems to be deterrent for Swedish companies. The continuously comparison of India and China has developed a focus on India being several years behind its huge neighbour, which may add the picture of India still being too risky to enter. This may be one of the reasons why the Indian market still is relatively unexplored by Swedish companies. Moreover, the country’s incomprehensive and complex culture may lead to an avoidance entering the market. India is the land of contrasts and a potential entry demands a lot of knowledge. Coming to India for a “quick visit” is probably not a profitable solution and one has to be aware of that it takes time to be successful.

Both Swedish and Indian respondents in our study have expressed a satisfaction doing business with the other counterpart, and we argue that Swedes and Indians are a successful combination when doing business. Although there are several differences, one can also find important similarities. By studying Swedish companies’ experiences of establishing in India, future companies will have the opportunity to gain knowledge about the Indian culture and business life. Moreover, they can learn from experienced companies mistakes and successes in order to develop a well working strategy for an establishment at the Indian market, and then be prepared for possible difficulties that may occur.

Due to the several reforms made by the Indian government, it is easier to operate in the Indian business environment today compared to some years ago, but one must not forget the country’s diverse and complex culture that may cause problems when doing business in India. By neglecting cultural differences in business behaviour, negotiating etc., a company will most probably get problems when doing business in India. Therefore, our advice is to learn about, and respect the differences between the two cultures, and the outcome will most definitely be positive and profitable.
8.1 Contribution to further research

As the study has proceeded, different questions for further research on the area have been discussed. India is a huge and diverse country that provides many different research areas and questions. It would not be possible to present them all here and therefore we have chosen two different suggestions.

- Our study aims at investigating the soft values in an establishment process, such as differences and similarities between Sweden and India in culture, business behaviour and negotiating techniques. The other part of an establishment process involves more formal parts such as mapping of the Indian business environment in terms of legal and economic conditions. An investigation concerning these areas would also contribute to facilitate Swedish companies’ establishment in India.

- Due to India’s great diversity, a research focusing on one specific state could be interesting for companies establishing in India. A deep knowledge about the local conditions concerning political, legal and economic environment is of great importance before an actual establishment.
9. METHODOLOGY CRITICISM

This chapter aims at increasing the understanding of the theoretical and empirical relations. We will discuss three different criteria confirming the judgement of the thesis; reliability, validity, and to what extent the thesis can be generalised.

Since we have chosen a qualitative method for this research, the reliability and validity can not be measured in numbers. Therefore reliability and validity, in a qualitative method, are describing how the empirical data has been collected and treated in a systematic and moral way.

9.1 Reliability

Reliability is the consistency in a set of measurements or measurement instruments, and should not be mixed up with validity. A reliable measure is measuring something consistently, but not necessarily what it is supposed to be measuring. An experiment is reliable if it yields consistent results of the same measure and unreliable if repeated measurements give different results.\(^\text{295}\)

The sample of our study consists of nine Swedish companies already established in India, and the question is whether this sample is representative for the population of our research or not. Today, there is only 57 Swedish companies established in India and several of them have been established for more than 50 years. Due to our research question, the companies’ establishment processes have to be relatively accurate, and therefore we argue that companies that have been established for more than 20 years are not of interest for our study. None of the companies in our sample have been established for more than 12 years, except Höganäs that has been established for 19 years. We argue that a longer time interval than 12 years would decrease the reliability of our study since the companies to a large extent have forgotten about the establishment and the problems they experienced during this time. Furthermore, we argue that the time interval chosen symbolise how the Indian system has opened up since the reforms in 1991, and gives a clear picture of how the formal establishment of a foreign company has been easier.

Since the empirical results are based on the respondent’s personal opinions there may be a risk that the analysis and conclusions have strains of subjective values and opinions. Moreover, the information given during the interviews may be false or not in accordance to the reality because the respondent either embellish the situation or withhold facts. Regarding eventual loss of information during the interviews, we argue that we have limited this risk to a large extent. The two of us have always been present during the interviews with the division that one of us has answered the questions and the other one has been taking notes. After each interview we have discussed and summarised it together. Due to this structured method, we argue that the loss of information has been decreased immensely.

\(^{295}\) Wikipedia (2006), Reliability.
The purpose of our study is to investigate the experiences Swedish companies have had during their establishment in India, and therefore their answers differ among each other. Different industries, level of engagement, number of employees and time for establishment may have an impact on the answers given and the problems related.

9.2 Validity

A valid measure is whether a research is measuring what it is supposed to measure or not. Thus, a valid measure must be reliable, but a reliable measure does not have to be valid. Validity refers to getting results that accurately reflect the concept that is being measured.296

In order to increase the validity of the thesis, we have in the methodology chapter presented the different scientific approaches used for the thesis, and a description of how the research has been carried out, step by step. A systematic discussion concerning these subjects provides the reader with a greater understanding of how the research question and purpose will be answered, something that increases the validity of the thesis.

Due to our complex research question it is hard to use a standard measurement when measuring the validity of the thesis. With a deep theoretical framework, constituting the base of the thesis, and which underlies the interview guides, we argue that the information collected during the interviews has great relevance to the research question and purpose of our study. We argue that this data collection method measured companies experiences of establishing at the Indian market in a valid way.

When doing a research one can easily repeat an error systematically through the whole research, something that can decrease the validity of the thesis.297 Since the thesis is based on a qualitative method, we as interviewer as well as the respondents may have an influence on the empirical results. Our pre-understanding will effect how we interpret the results although we try to be objective in our interpretation, without any preconceived notions about the outcome. Moreover, we have only interviewed persons on higher positions, which may affect the answers given. Asking the same question to someone on another level may have given different answers.

9.3 Ability to generalise

In order to generalise the results of a research, they must show high validity and reliability.298 Since the purpose of the study is to map Swedish companies’ experiences of establishing in India rather than generalise and compare the results, this criterion can not be measured.

298 Gunnarsson (2002), 060310.
10. REFERENCES

Literature


**Reports**


Evaluserve (2005), Indo-Swedish business collaboration.

Project India KTH (2005). *India: Yes Yes, No Problem*? International Business Association for Students, KTH.


**Articles**


**Internet**


**Interviews**

**Face-to-face interviews**
Mr. Arora, Managing Director Smarttrust India, New Delhi 060421.
Mr. Bhattacharyya, Second Secretary Embassy of Sweden, New Delhi 060427.
Mr. Cros, Managing Director Seco Tools India, Pune 060328.
Mr. Eriksson, Director Global Professional Services Smarttrust Sweden, Stockholm 060511.
Mr. Gore, Managing Director Höganäs India, Pune 060328.
Mr. Johansson, Acting Trade Commissioner Swedish Trade Council India, New Delhi 060420.
Mr. Kanchan, CEO A3TL, Mumbai 060414.
Mr. Pingale, Managing Director Andante India, Pune 060330.
Mr. Prasad, Branch Office Manager SCA Branch Office India, Mumbai 060413.
Mr. Shivshankar, CEO Pergo India, Mumbai 060412.
Mr. Singhal, Managing Director Hägglunds Drive India, Pune 060331.

**E-interviews and telephone interviews**
Mr. Bjern, Business Intelligence Andante Sweden, e-interview 060426.
Mr. Johnson, Seco Tools Sweden, e-interview 060417.
Mr. Lundahl, Höganäs Sweden, telephone interview 060509.
Mr. Pramstig, Hägglund Drives Sweden, e-interview 060424.
A. Introduction

We will introduce ourselves and give a quick brief about our study.

1. Would you like to tell us about your academic and professional background?
2. For how long has xxx been operating in India?
3. How many employees do you have?
4. Do you have any Swedish employees in India, expatriates or locals?

B. International Business

Establishment process

1. Were you involved in the establishment process?
2. If yes, which role did you have?
3. How and when did the Swedish company find you?/How did you find the suitable person for the job as your Indian CEO?
4. Why did you choose yyy for your location?
5. What criterion was important concerning the location of your establishment?
6. What entry mode did you choose for the establishment in India?
7. What Indian and Swedish governmental departments did you get in contact with before establishing?
8. How long was the establishment process? From planning to operation.

External environment (PEST)

1. What kinds of investigations were made before the establishment? (the market, competitors, potential buyers etc)
2. How did you/the company prepare these investigations?
Political/Legal

3. What challenges did you face concerning the Indian legal system?

4. Are there any big differences between Swedish and Indian labour laws?

5. Are foreign investors and establishers allowed to start up without any Indian partner?

Economical

6. What is the corporate taxation rate in India?

7. What is the custom rate in India?

8. Are there any economical privileges when establishing as a foreign investor, such as free land and tax liberation the first years?

9. How does the infrastructure affect your company? What are the major difficulties due to the Indian infrastructure?

Social

10. What advantages and challenges do you see in operating in the world’s largest democracy?

11. Do you find India being built on a bureaucratic system?

12. If yes, how do you handle this?

Technological

13. Do you think that there are any difference between the perception of quality in India and Sweden?

14. How do you control the quality?

15. Where are your design and production units located, in Sweden or in India?

C. Culture

1. Did you have any experiences working with Swedes before the establishment of xx?

2. Do you remember your first meeting with a Swede?

3. What was your first thought when meeting him/her?
Recruitment

4. How was the recruitment process of Indian employees done?
5. How was the recruitment of Swedes (if there are any) done?
6. Are there any differences in cost and education between Indians and Swedes?
7. Did you use a Swedish or Indian recruiter?
8. How is the education level in India, in general?
9. Was it hard to find the “right” labour, in general?
10. Was there any special labour group that was hard to find?
11. On what criteria are new employees recruited?
12. Is it easy to fire people?
13. Were there any other difficulties in the recruitment process?

National & organisational culture

14. Please tell us about your company’s organisational structure?
15. Do you believe that there are any differences between the Indian and the Swedish structure?
16. Do you believe that it is easy to get in contact with a person in a higher position in India/Sweden?
17. Do you as a manager consult with your employees when making decisions?
18. Is it common that employees come to you (the manager) with questions and problems?
19. Do you see your employees as individuals or as a group?
20. Do your employees request challenges and freedom in doing their tasks?
21. Do your employees request training and personal development?
22. Do you think that the employees are independent?
23. Do they have the ability to organise and take initiatives by themselves?
24. What motivates your employees? A high salary, recognition when doing a good job and career opportunities or social security and stable relationships (employee and manager)?
25. Do you have a lot of formal laws at xxx that are to be followed?

26. Do you have any unwritten rules?

27. Do you have to control that the employees follow these rules?

D. Business behaviour & Communication

Business relations

1. Are you a member of many business networks? (Indian, Swedish, and global)

2. Why are you joining these networks? (because of business relationships, career opportunities, or only to share experiences)

3. Do you find it necessary to participate in those networks?

4. Is it important for you to have a well established relationship with the person you are doing business with?

5. Do you believe that the Swedes feel the same about this?

6. How do you experience that Indians/Swedes prefer to communicate?

7. Do you feel that it is hard to communicate with Swedes/Indians? Why?

Time

8. Did you experience any differences in the Swedes/Indians time perspective?

9. Were/are they often late or always on time?

10. How do they use the time? (meetings, conferences, telephone conversations, waiting time)

11. Do you believe that they respect time?

Negotiations

12. Do you prefer straight forward negotiating or do you prefer to get to know the person before?

13. Do you find it easy to negotiate with Swedes/Indians?

14. Do you find it easy to understand Swedes when negotiating?
15. Generally speaking, do you think that negotiations with Indians compared to Swedes take a lot of time?

16. What differences do you recognise between an Indian and a Swedish negotiator?

17. Who is allowed to participate in a negotiation? (Low-high positions)

18. How do you “celebrate” a successful negotiation? (drink, dinner, family)

E. Sensitive questions that are to be asked at the end of the interview

1. Have you experienced a lot of misunderstandings? Please exemplify!

2. Have you experienced any frustration? Please exemplify!

3. Is there something else that you want to add?

4. Do you have any advice to future Swedish companies that want to establish in India?

Thank you for participating!
APPENDIX B – Interview guide for Swedish persons

A. Establishment process

9. Which role did you have in the establishment process?

10. How many Swedes and Indians were involved in the establishment process?

11. Why were you chosen to participate/manage the process?

12. How did xxx find and recruit the CEO in India?

13. Why did xxx choose yyy for location?

14. What criterion was important concerning the location of your establishment?

15. What Indian and Swedish governmental departments did you get in contact with before establishing?

16. How long was the establishment process? From planning to operation.

B. External environment

16. What kinds of investigations were made before the establishment? (the market, competitors, potential buyers etc)

17. How did xxx prepare these studies?

18. What challenges did you face concerning the Indian legal system?

19. Were there any big differences between Swedish and Indian labour laws?

20. Did xxx get any economical privileges when establishing as a foreign investor?

21. What major difficulties did you face when establishing due to the Indian infrastructure?
22. Did you find India being built on a bureaucratic system?

23. Do you think that there are/were any difference between the perception of quality in India and Sweden?

C. Recruitment

1. How was the recruitment process of Indian employees done?

2. Were/are there any differences in cost and education between Indians and Swedes?

3. Did you use a Swedish or Indian recruiter?

4. Was it hard to find the right labour, in general? Was there any special labour group that was hard to find?

5. On what criteria were the employees recruited?

6. Is it easy to fire people in India?

7. Were there any other difficulties in the recruitment process?

D. Culture

28. Did you have any experiences working with Indians before the establishment of xxx in India?

29. Do you remember your first meeting with an Indian?

30. What was your first thought when meeting him/her?

31. Do you believe that there are any differences between the typical Indian and the typical Swedish organisational structure?

32. Do you believe that it is easy to get in contact with a person in a higher position in India?

33. What do you think Indians request as employees?
   - challenges
   - freedom
   - training
   - personal development
   - other

34. Do you think Indians are independent and have the ability to organise and take initiatives by themselves?

35. How do you think Indians are motivated?
- high salary
- recognition when doing a good job
- career opportunities
- social security
- stable relationships (employee and manager)

E. Business behaviour

19. Was it necessary to participate in business networks before the establishment?

20. Is it important for you to have a well established relationship with the person you are doing business with?

21. Do you believe that the Indians feel the same about this?

22. Do you feel that it is hard to communicate with Indians? If yes, why?

23. Did you experience any differences in the Swedes and Indians time perspective?

24. Were/are Indians often late or always on time?

25. How do Indians use the time? (meetings, conferences, telephone conversations, waiting time)

26. Do you believe that Indians respect time?

F. Negotiations

1. Do you prefer straight forward negotiating or do you prefer to get to know the person before?

2. Do you find it easy to negotiate with Indians?

3. Do you find it easy to understand Indians when negotiating?

4. Generally speaking, do you think that negotiations with Indians take a lot of time?

5. What differences do you recognise between an Indian and a Swedish negotiator?

G. Finally

5. Have you experienced a lot of misunderstandings or any frustrations when doing business with Indians? Please exemplify.

6. Do you have any advice to future Swedish companies that want to establish in India?

Thank you for participating!
APPENDIX C – Interview guide for Swedish Trade Council

A. Introduction

We will introduce our selves and give a quick brief about our study.

1. Please tell us about the Swedish Trade Council, and your main work?
2. How many Swedish companies are established in India today?
3. What kind of companies and organisations are involved in STC’s network?
4. Is a membership needed? (Fee)

B. Establishment process

1. How many interested Swedish companies contact you every year, in average?
2. How many of these do actually establish in India? (%)
3. What is STC’s main role during the establishment process of Swedish companies?
4. What kind of information do you offer your clients (central and local)?
5. What kind of investigations does STC offer clients?
6. Do you offer any “guiding” in the Indian business life? (due to the diverse business behaviour among the states)
7. What are the main different steps for every Swedish company when establishing in India? (licences and registrations)
8. What are the different licence needed when establishing as a Liaison office, a Branch office, a Project office, a Wholly Own Subsidiary or a Joint Venture?
9. How long is the establishment process for these different entry modes, in general?
10. What rights and protection does a foreign company have? (Brand and patent protection, etc)
11. Are there any economical privileges when establishing as a foreign investor, such as free land and tax liberation?
12. What are the main challenges that a foreign establisher often face concerning the Indian legal and economical systems?
13. How do you recommend companies to handle the infrastructure?

14. Does STC introduce Swedish companies to Indian and international partners and associations?

15. What different consultancy firms do you recommend companies to use? (Indian and international)

16. Are there any difference in price between the Indian and international consultancy firms?

C. Recruitment

1. Have already established Swedish companies had any problems when recruiting?

2. If yes, what kind of problems?

3. Does STC offer any help concerning the recruitment of higher positions?

4. Are there a lot of recruiting agencies in India?

5. Are there a lot of Indian business networks that are important when establishing as a foreigner?

D. Final questions

1. What kinds of misunderstandings do Swedish companies often face in India?

2. What kind of frustration do Swedish companies express when operating in India?

3. Do you have any advice to future Swedish companies that want to establish in India?

Thank you for your participation!
The main sectors of the Swedish and Indian economies

Business synergies between Sweden and India

India’s attractiveness to India

- Skilled labour at a relatively low cost
- Large market access (265 million middle-class)

Sweden’s attractiveness to India

- Best practices and technical know-how
- Access to the Nordic and Baltic countries
- Investments

## Business Climate

<table>
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<tr>
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<th>Sweden</th>
<th>India</th>
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<tr>
<td>Number of university students:</td>
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<td>7 078 000</td>
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<tr>
<td>Internet users:</td>
<td>6 700 000 (73.6 %)</td>
<td>39 200 000 (3.6 %)</td>
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<tr>
<td>Mobile telephone users:</td>
<td>8 190 000 (91 %)</td>
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<td>Growth competitiveness index ranking:</td>
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<td>Corporate tax rate:</td>
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<td>30 %</td>
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<td>Employment costs:</td>
<td>47 636 US$ per year</td>
<td>2 167 US$ per year</td>
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<td>Total expenditure on R&amp;D (% of GDP):</td>
<td>4.3 %</td>
<td>0.845 %</td>
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Trade statistics

Trade statistics

Investment statistics