



A Global Working Place

– *A case study of IKEA*

Author(s): Emma Beijerstam,

Tourism Programme

Johanna Berglund,

Tourism Programme

Tutor: Carina Bårtfors

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It has been a nice thesis process and we have learned a lot on the way. In the developing process of this thesis we have gained deeper understanding of international marketing and how globalization, expansion and corporate culture are intertwined. We have been privileged to follow one of Sweden's leading companies. We would like to thank all of our respondents who have helped us towards the goal. We would also like to thank our tutor Carina Bårtfors for her dedication and good advice.

Hope you will enjoy the reading as much as we enjoyed creating it!

Kalmar, spring semester 2010

Emma Beijerstam

Johanna Berglund

Summary

Title	A Global Working place – a case study of IKEA
Authors	Emma Beijerstam, Johanna Berglund
Tutor	Carina Bårtfors
Course	Business Administration, Marketing level III, spring semester 2010, Linnaeus University
Keywords	Globalization, Expansion, Corporate Culture
Purpose	The purpose of this thesis is that through a case study examine the connection between globalization, expansion and corporate culture. We want to specifically highlight how globalization and expansion affect the company's corporate culture. In order to do this we intend to demonstrate by using IKEA as a case study.
Method	We have used a qualitative research method using four respondents whom have close connection to the research focus. The thesis has influences of an abductive approach. We chose a case study-approach using IKEA. The reason for focusing on IKEA is the highly international characteristic the company has today.
Conclusions	It is difficult to generalize the interconnection of the three themes when using a qualitative method. But the analysis made for each theme and conclusion is both interesting and informative. Throughout the thesis focus will be on the three cross-cutting themes that constitute our purpose. These themes are: Globalization, Expansion and Corporate Culture, and we will look into their interconnection. Focus will be on how IKEA handles external changes, changes due to globalization and expansion, and how these issues affect the corporate culture of IKEA. Everything will then be compiled in chapter six, where we also created a model to demonstrate our own conclusions.

Sammanfattning

Titel	A Global Working place – a case study of IKEA
Författare	Emma Beijerstam, Johanna Berglund
Handledare	Carina Bårtfors
Kurs	Företagsekonomi, Marknadsföring nivå III, VT-2010, Linneúниверситет
Nyckelord	Globalisering, Expansion, Företagskultur
Syfte	Syftet med denna uppsats är att genom en fallstudie undersöka sambandet mellan globalisering, expansion och företagskultur. Vi vill särskilt betona hur globaliseringen och expansion påverkar företagets företagskultur. Vi avser att göra detta med hjälp av IKEA som en fallstudie.
Metod	Vi har använt en kvalitativ forskningsmetod med hjälp av fyra respondenter som har nära anknytning uppsatsens syfte. Uppsatsen har influenser av en abduktiv ansats. Vi valde att göra en fallstudie av IKEA. Anledningen till att IKEA är i fokus är pågrund av företagets mycket internationella karaktär.
Slutsats	Det är svårt att generalisera när man använder en kvalitativ metod när det gäller sammankopplingen av de tre teman. Men de analyser som gjorts för varje tema och slutar slutsats är både intressant och upplysande. Under hela uppsatsen fokuseras det på de tre genomgående teman som utgör vårt syfte. Dessa teman är Globalisering, Expansion och Företagskultur och vi kommer att titta närmare sammankoppling av dessa. Fokus kommer att ligga på hur IKEA hanterar förändringar i omvärlden, förändringar som beror på globalisering och expansion, samt hur dessa aspekter påverkar företagskulturen inom IKEA. Allt kommer sedan att sammanställas i kapitel sex där vi även skapat en modell för att styrka våra egna slutsatser.

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1. INTRODUCTION

In the following chapter we will present the background for the thesis in order to create a solid basis for the reader. Through a solid basis the reader will be able to assimilate the forthcoming theories and empirical data and create an understanding for the subject in focus. This thesis focuses on globalization, multinational companies and their corporate culture.

1.1 Background

According to Scholte (2007) globalization is identified as the spread of resources and connections between people. Barriers between countries and nations are reduced and people become more capable of engaging with each other no matter where they are in the world. The social space is increasing but according to Bellin and Pham (2007) there are still difficulties when companies make use of this shift in social space. Management of global companies is increasingly concerned with how the corporate culture is affected by the international expansion. Due to the differences in language, cultures, regulation and economical frameworks companies are faced with different challenges in each market it is about to enter. Additionally, Cateora and Graham (2002) argue that the expanding company need to coordinate marketing activities since what is a successful strategy in one market, might be a failure in another. When a company expand and turn global, the company strive to direct the flow of a company's goods and services to consumers in more than one country. The authors mean that companies gradually build up an international marketing strategy as they gain experience and become more committed to the international market. These strategies are built up and adapted to legal restraints and other uncontrollable characteristics of the market the company intent to enter.

1.1.1 Globalization

Firat and Shultz (1997) state that postmodern time offers diverse markets and businesses are working and handling their operations across borders and cultures. This leads to several phenomena such as globalization and market saturation. Businesses thirsting for growth and management's search for new challenges and prestigious assignments allow businesses and organizations to search for new markets and thus creeping, occasionally, out of known territory. One of the most powerful and influential forces of contemporary time is that of post-modernism, a power that companies and marketers should take into account and learn to manage better. Markets are changing as that postmodernism is growing stronger and if the company is to survive, they must proactively adapt to increasingly fragmented markets and global competition. Firat and Dholakia (2006) agree with Firat and Shultz (1997) when arguing that the free and globally influenced markets are typical features of the post-modernist era we live in today. Through an open market where consumers and producers can meet freely, opportunities are created for the society to support individualism, which is a fundamental aspect in the post-modernist society. According to the authors, companies are set free from their owners and are marketed with its own name, which also individualize the company, the company is governed by specific statutes and then operates on their own. According to Firat and Dholakia (2006) this leads to the maximum allocation of resources on which firms can adjust to its more and more personalized consumer which in the long run creates economic efficiency. Scholte (2007) stresses that social geography can no longer be explained by the territory and borders drawn, but does not allege that borders has lost its relevance to business and the movement of goods and services of all kinds.

1.1.2 Expansion

Borg (1996) argues that since the Second World War, trade between countries in Europe has increased significantly. As leaders of companies broadened their markets overseas, companies have also become more dependent on what happens in the international market. Since the emergence of the European Economic Community, the forerunner of today's European Union, the potential of economic integration has increased significantly and since 1985 there has been a lot of work done in order to facilitate trade across borders, with the purpose to make the entire continent the home market for European companies. The emergence of the European Union made it easier for people, goods and services to flow freely between countries and one of the aims is to create a competitive Europe.

According to Bartlett and Goshal (1998) many companies, in the postwar period, developed global strategies that released the pressure of adapting to different nations and the need for local autonomous actions was reduced. It can be said that the shortages after the war had a homogenizing effect on the market. The authors also point to the fact that in the postwar period, companies came to the conclusion that they would gain from having knowledge developed in the home market and later transferred to places where workers and staff was needed. This way the expansion of companies became a common phenomenon. The increase of international travel affected the consumer taste and preferences, as these factors used to be a barrier for globalization, the need for unique local products on national markets was close to eliminated. This development towards international homogenous markets also derives organizational consequences. Bartlett and Goshal (1998) allege that the multinational organization model originates from the prewar period. These organizations, the authors say, are the source of its own greatest problem. Fragmentation and dissipation are two of the immediate risks when not having a cohesive organization.

1.1.3 Culture

Helgesson (2009) argues that culture is present everywhere and a factor impossible to overlook in a company's strategic efforts toward success. It may seem problematic to define the concept of culture as the definition varies depending on the context. Hill (2005) defines culture as a system of values and norms that are shared among a group of people and together give guidelines on how things ought to be. The term values, reflects the abstract ideas about good, right and desirable, norms reflect the social rules and guidelines on how to behave in certain situations, values form the basis of a culture. The values and basis of culture provide the context where the norms are created and justified. Furthermore, the author points to the fact that international business is different because the culture differs between countries. There are national differences in the way of doing business, different restrictions and legal systems as two examples. The cultural factors heavily affect the outcome of the company. Companies always struggle with different traditions and values of countries, problems arise when business is conducted and critical moment arises. How important the culture is depends on the situation and context and according to Helgesson (2009) there is a difference between formal and informal culture, as well as distinguishing the written and unwritten rules, even though if the question in matter is important, it is of less matter if it is a formal or informal aspect for culture. Hill (2005) implies that the only way for companies to completely avoid cultural clashes and any problems that may arise, would be to totally abstain from contact with other companies and countries, which may be seen as impossible in today's increasingly globalized and internationalized society.

1.2 Problem discussion

Postmodernism, according to Firat and Shultz (1997), has the possibility to reframe the perception of social trends and business operations in an increasingly global and fragmented marketplace. By knowing what characterizes postmodern time, managers are able to make good strategies for the market operations. Through an understanding of the macro social environment and the micro human behaviour, organizations are able to obtain a competitive advantage in this dynamic and changeable environment.

Scholte (2007) highlights the problem of defining the concept of globalization, adding that the concept is losing its meaning as it is used to explain widespread phenomenon of today, the concept appears as a buzzword. Furthermore, the author believes that the term globalization has led many to believe, including academics and their peers, that today's society and how it constantly changes could be explained by a concept such as globalization. The established use of the term globalization may come from the fact that our society needs to be explained, like the earlier eras have their characterizing features. Furthermore, the author argues that the term *Globalization* may lead to indications and insightful thoughts about where the society is going. Bellin and Pham (1997) implies that leaders around the world have become increasingly aware of how internationalization, globalization and expansion affect corporate culture and corporate identity. According to Jakobsen and Lien (2003) several of the companies that are successful in the local market are companies operating in global trade. This means that international marketing is an increasingly important and significant tool for businesses and organizations.

One of the forces distinguishing the post-modern time is according to Scholte (2007) the force for change through new technology, no product is produced solely in one place. As the global economy grows, many companies outsource parts of their production. It is not only the production of tangible resources that are affected, management and managerial operations are also under impact of the increasing global economy. Under these circumstances it becomes increasingly important for companies to design the operation process so that it can be distributed worldwide and integrated in all countries and cultures. These skills are replicated between countries from one country to another and eventually enter the homes of the post-consumers.

Furthermore, Scholte (2007) argues that the business practices that have strong cultural features are responding to emerging modern conditions. Businesses that are responding to society and consumers are especially affected. The author emphasize that modern transformations of business activities are a result of human practice and the human practice impact on the way of life in modern communities. This means that the idea of business activities separated from the activities from life is no longer viable. The firm is part of the community, and the community is part of the firm. This also means the merging of what the author calls business as *unusual*. The corporate entities fade due to the disappearance of their boundaries. The professional business practices that used to be controlled by managers turns into accessible cultural practice of the post-consumer communities.

Expansion is defined by Jakobsen and Lien (2003) as increasing the number of markets a company competes on. Furthermore, the authors point out that it is important to understand that the phenomenon of expansion occurs when companies are looking to enter new markets, such as geographic, vertically linked markets or diversify with new products targeted at new audiences. Friedman (2006) contends that the global economy has enabled companies to compete on an international level. Free trade zones have emerged and there has been an

increase in demand of products that are similar across cultures, these are two of the forces driving companies to increase their international focus. The author though implies that the competitive advantage that might emerge from internationalization only appears under certain conditions. This since company's best practices is not implementable in all markets and cultures. Jakobsen and Lien (2003) implies in this matter and argues that for companies to be able to expand and continue to grow, it is important to be lucrative and gain competitive advantages. However, flexibility and diversification are also essential for business success and therefore Bellin and Pham (2007) believe that companies often set in a paradoxical situation and must balance these factors to be successful. In many cases it is easier to see the tangible side of the expansion, the formal questions. This leads to the ignorement of the softer aspect of the expansion, which includes values, culture and identity.

According to Edvarsson and Enquist (2002) the corporate norms and values of a company and how strong the culture is depends on the extent to which staff and management share thoughts concerning these parts. To create a genuine and strong culture within the company, focus must be on internal marketing. Furthermore, the authors believe that the company's core values are reflected in the prevailing business culture. Mühlbacher *et al* (2006) characterize culture as believes, perceptions and behaviour that an assembly of people share. Cultures affect different parts of a society and social life, which affects the preferences and attitudes of people.

IKEA currently has 123 000 employees in more than twenty five countries¹ and is constantly growing. As Barney (2004) implies, markets and business environment are changing fast, companies must respond quickly and flexible enough to change direction if needed. This is a change that has taken place in recent times, during post-modernism.

1.3 Research Questions

With the above discussion concerning the three themes as basis, two main topics have been developed. These questions will be in focus throughout this thesis and are considered the main goal of the research. One of the research questions that will be in focus is:

- *How does globalization affect the corporate culture and core values of a company?*

We focus on this question since globalization tends to be a characteristic and important aspect of contemporary time. With this question the intention is to investigate how globalization affects internal and softer aspects of the company since we believe that these factors are important in order for companies to become strong and competitive. In order to create a deeper understanding of the first question we intend to support the focus on globalization with a focus on expansion. Therefore we also intend to focus on the following research question:

- *How does expansion affect the corporate culture and core values of a company?*

We believe that expansion is a strong and important aspect of contemporary society. Since society is heavily dependent on the existence of companies, we believe that this question is of high relevance.

1 www.IKEA.com

1.4 Purpose

The purpose of this thesis is to examine the connection between globalization, expansion and corporate culture through a case study. We want to specifically highlight how globalization and expansion affect the company's corporate culture. In order to do this we intend to demonstrate by using IKEA as a case study.

1.5 Limitations

In this thesis focus will be on multinational companies, meaning companies doing business and investments in several countries. We will not take into consideration global or transnational companies as we see that this will only confuse the reader. Since we touch upon aspects of global markets we find it necessary to declare that focus in the thesis will be on the European market. We have chosen IKEA as company in the case study since we consider that they have the criteria needed for the research. Thus it needs to be emphasized that since IKEA is a scattered organization with many sub-units and head offices we found it necessary to limit the focus to IKEA as the mother organization.

1.6 Choice of disposition

Due to the dimension and multifaceted meanings of the concepts globalization, expansion and corporate culture, the thesis will be divided into three distinguishing themes. This is to separately clarify the importance of each element and facilitate for the reader to gradually build an understanding for the three themes. Each theme is divided into a theoretical part followed by empirical data and theoretical analysis, followed by and a short summary of personal reflections. After the outlining of these three themes we will be able to answer our thesis questions and will declare for our own analysis in the concluding chapter. In this chapter we intend to demonstrate the connection of the three themes and they will be assembled in a demonstrating figure. Due to the characteristic of the complex themes we have used subtitles to make it easier for the readers. It is possible to achieve an understandable structure using headings, however, it can also confuse the readers. We have therefore chosen to simply use headings up to three heading levels.

1.7 The case company

IKEA was founded in 1943 by Ingvar Kamprad, a young entrepreneur from Elmtaryd, Sweden. Initially Kamprad sold a wide range of products such as pencils, nylon stockings, wallets and watches via mail order. In 1948 IKEA started offering furniture for sale, and three years later the first edition of the IKEA catalogue was released. The first IKEA store opened in 1958 in Älmhult, Sweden. From 1958, the company expanded fast, opening its first store abroad in 1963. Since then, IKEA has expanded to twenty five countries and 267 stores. IKEA's business concept is according to Ingvar Kamprad's "will", published in 1976, as follows:

"We shall offer a wide range of well functioning good designs at prices affordable to as many people as possible ... Our basic range shall have its own profile, be simple and as straightforward as we are. The furniture shall express good shape, colour and joy and have a youthful touch to all those young at heart, regardless of age." (A Furniture dealer's will 2007).

The furniture sold at IKEA is assembled by the customer and comes in boxes, keeping prices down and making transport and storage easier, for the customer as well as the store. IKEA

stores abroad have a Swedish Food market, where a variety of Swedish food, such as *knäckebröd*, Swedish meatballs and *nubbe*, is sold. IKEA is eager to seize and retain their Swedish heritage.

2. METHOD

In this chapter the methodological framework of this thesis will be given account for. By pursuing a discussion of different methods blended with a clear picture of the way the data was collected we hope to create a reliable base for the thesis.

2.1 Qualitative method

According to Holme and Solvang (1997) method is a tool to solve problems and develop new knowledge, the method needs to be pertinent to reality. You have to make a systematic selection of information and further on in the process make best use of this information. The results obtained must be examined and allow for new knowledge to be developed. These requirements are not obstacle free, the social reality is often hard to interpret and in social science the criteria for trustworthy facts are therefore vague.

Holme and Solvang (1997) imply that there are two different methodological approaches in social science. These methods, qualitative and quantitative, differ in the searched information and how the research is deliberated. Both methods have their pros and cons, the choice of method should be derived from the thesis question and the phenomenon that the researcher investigates. Due to the aim of the study the researcher uses either a qualitative or quantitative method. Corbin and Strauss (2008) also argue that one of the main reasons why a researcher chose qualitative method is the thesis question. Holme and Solvang (1997) imply that the qualitative method is less formal and the primary aim is to reach understanding about the question in focus, for example by understanding the greater environment surrounding the foci question, seeing the research question in a greater perspective. According to Alvesson and Sköldbberg (2008) the qualitative method gives a deeper and superior understanding about the subject in focus because the method assumes the deliberated objectives perspective. The qualitative method takes us closer to our resources. Corbin and Strauss (2008) imply that the qualitative method gives the researcher proximity to the respondents which results in a more thorough picture of the studied object. By using a qualitative method the researcher can get closer to the respondents and also connect with them on an individual level. The authors indicated that there are different aims of qualitative research that depend on the researchers training, skill, and the purpose of the research.

Corbin and Strauss (2008) propose that the qualitative method, unlike the quantitative approach is not focused on trying to be relevant concerning if the information is of general validity. Holme and Solvang (1997) indicate that when a researcher uses a quantitative method he or she needs a greater control during the process and measuring method plays a significant function. Furthermore the authors state that a quantitative method is more formal when carried through. This method gives possible answers to the research question on forehand and there is a notable distance to the source of information. Alvesson and Sköldbberg (2008) imply that both methods do not need to compete with each other, the researcher can mix these methods if preferable.

According to Holme and Solvang (1997) a qualitative method finds its strength in the way it shows the total picture, a total view provides the researcher with a increased understanding of the processes in our society. The researcher focuses on a few resources of information, which leads to the strength of the quantitative method, as the quantitative method is better in terms of generalizing. Furthermore the authors imply that by using a qualitative method, the researchers adapt to a flexible way of working in the research process. Due to the

development of knowledge as the research proceeds, research questions might change a bit or analysis revised.

In the beginning of the thesis process we had to decide whether to use a qualitative or a quantitative method. After some discussions and balancing the pros and cons of using each method with the purpose of the thesis, we came to the conclusion that a qualitative method was most preferable. This was partly due to the social science approach in our research question, we wanted to reach a greater understanding and make a deeper analysis of our subject in focus. By using a qualitative method the respondents could provide us with an honest and thoughtful interview.

Another reason why we chose a qualitative method was because we wanted to get our empirical data from respondents within the organization. Thereby a proximity to the respondents is to prefer in order to get information from inside the company. We wanted to research the corporate culture of the company. If we would have used a quantitative method, surveys and questionnaires from customers would have been preferable but this would give us the external perspective of our research question, which was not the intention. A survey might restrict the answers of the respondent in various ways. The answers are made on forehand and in this scenario the respondents can also give an answer that might not be a correct answer due to lack of time.

Our respondents gave us a good insight in the company and due to their background and position in the company we consider them as reliable sources of information, regarding our research question. Deeper interviews brought a depth to the thesis work and deeper understanding of the phenomenon in question as the qualitative method brought us closer to the respondents.

2.2 Case study

Yin (2003) means that case study is one of many different approaches when doing a social science study. A case study is preferred when the researcher uses a how or why question in the study that is performed. This method examines a current phenomenon takes place in an existence situation. Stake (1995) declares that when a researcher is doing a case study he or she is studying the complexity of a single case. The researcher's aim is to understand and investigate a single case which can be a person, an organization or a brand. Gillham (2000) implies that a case study is a unit of human activity that is surrounded by the reality. The phenomenon that is studied can merely be studied or understood in a perspective that take place right here and now. The author continues and states that a case study can be an individual which means that for example a family is studied. It can be in institution which represents a factory or the case study can be a large-scale community for example a town or a community. The method that is used depends on what the researcher wants to find out. The case company we have chosen is IKEA. This is for several reasons, but one of the reasons is the highly international characteristic the company has today. We could see, without deep knowledge in the matter, that IKEA has a strong culture, a culture that is spread like a saga worldwide. Another reason for focusing on this company is the fact that is seemed to us as IKEA stands when everyone else fall. In order to facilitate for the reader when IKEA is mentioned in our analysis we refer to the IKEA organization.

Stake (1995) states that there is no special moment when the data gathering begins during a case study. He continues and says that a researcher gets information about the case from example articles or maybe the researcher knows some background information about the

company that will be the main focus in the case study. This background information will probably be redefined and replaced in order to get a good study. Yin (2003) argues that one way for the researcher to get good information is through interviews. The author implies that interviews many times are essential source because the case study is about human affairs.

2.3 Induction, deduction and abduction

According to Holme and Solvang (1997) there are two approaches in order to cater for social aspects in a theoretical way. The approaches are induction and deduction, induction is to prove while deduction is to discover. A deductive approach is rather formal and this approach is not enough for research in social science. The authors argue that creative research contains hints of both deductive and inductive approaches. Alvesson and Sköldbberg (2008) proposes that induction and deduction are two different approaches that a researcher can choose depending on the phenomenon that is studied. According to Bryman and Bell (2005) the inductive approach focuses on finding knowledge through the reality, this means that conclusions can be drawn from examinations and observations, the empirical material can be gathered through interviews and observations. Holme and Solvang (1997) argue that in contrast to an inductive approach is the deductive approach. The deductive approach concentrates on studying theories and then gathering empirical data that is coherent with the theories. Bryman and Bell (2005) argue that the researcher uses a theoretical premise that is interpreted from an empirical study. The purpose of the method in a thesis process is to show how the researcher experience and interpret the reality of the study. Alvesson and Sköldbberg (2008) mean that the approach that the researcher uses is one of the method's missions so the quality of the study can be assured.

According to Alvesson and Sköldbberg (2008) abduction is a method that is commonly used when developing a case study. The method has many features from both induction and deduction but at the same time it is not a mixture of those two. When an abductive approach is used the focus lies on the empirical data as in an inductive method, but it does not reject theoretical disadvantage positions. During the process an alternation between earlier theories and empirical data is common and both are reinterpreted in the light of each other. Through already existing knowledge and references the researcher needs to find theoretical patterns or structures. Patel and Davidsson (2008) argues that abduction is a way of relate to theory and empirical data in scientific studies.

The empirical data that had been collected was later on supported with relevant and existent theories. This way we found knowledge through reality, instead of finding theories and later on see if these theories match reality. We have some pre-knowledge from before since we have studied at a business school for almost three years and through these years gathered knowledge about different phenomenon, for example expansion and international marketing. We did not start our research with no knowledge, instead we started with sufficient background knowledge in order design the purpose of this study. In this thesis process using an inductive approach is of importance in order for us to be able to analyze the empirical data collected from the respondents, see a connection between these cases and make a conclusion. Though we see characteristics of an abductive approach assert itself since we had some knowledge before going out to the empirical field. We utmost tried to make use of an inductive approach since the thesis emanate from the empirical data. We are aware of the fact that as the themes of the thesis begin with theoretical framework this might be perceived as a deductive approach. In this case we emphasize that the theoretical part is placed there since that disposition provides the reader with a good foundation in order to assimilate for the empirical data and theoretical analysis.

2.4 Collection of data

According to Yin (2003) the case study begins with defining the problem and designing the study. After defining the problem and defining the study the collection of data can begin. The collection of data in a case study is not routinized and therefore there is a high pressure on the intellect of the researcher. The researcher needs to conduct a high quality study because of the interaction between theoretical issues and the data being collected. A good researcher is supposed to be able to ask good questions and interpret the answers given. He or she should be a good listener, and think outside the own ideologies and beliefs. In order to see opportunities in new situations, instead of threats, the researcher should be flexible and adaptive, and the researcher should also be unbiased by preconceived notions and responsive towards contradictory evidence.

Interview process

Respondents:

- Antonio Machado, Expansion Manager at IKEA Portugal since 2006. Antonio has worked in the IKEA organization for twenty seven years, in several different countries in Europe.
- Karin Fröding, Store Manager at IKEA Kalmar, in Sweden. Karin has worked in the IKEA organization for twenty one years, in several different countries in Europe.
- Daniel Åström, Purchase technician at IKEA Trading. Daniel has experience from working at the development department in Älmhult, experience from Vietnam and is since one year working in Paris.
- Louise af Ugglas, working at the headquarter in Helsingborg.

Since we used a qualitative method the interview and the interview process was of great importance for us. The interviews were our only empirical data and therefore it was important that they were accurately performed so that we could cater for them throughout the thesis.

Through this process we have had to make different choices that had diverse impact on the process. One important decision that we made was to travel to Portugal to collect parts of the empirical data. We wanted to do this because we considered that it would contribute to our understanding process concerning our main focus in the thesis. We also went to Portugal because we wanted to see in reality how IKEA operates in a country outside of Sweden's borders.

Upon arriving in Portugal we experienced the Portuguese culture, and came to the conclusion that the culture differs in many aspects from the culture we have in Sweden. This made us realize that difficulties occur when a company as IKEA expands into new markets. In Portugal we had an appointment with Antonio Machado, Director of Expansion in Portugal. We had agreed on to meet him in his office on April 19th. When we came to IKEA in Lisbon and asked for Machado he was not there. This made us worried since one of the reasons we went to Portugal to see him for an interview. We then came in contact with a woman who contacted Machado and explained that some kind of misunderstanding had occurred and that he could meet us the day after. The day after on April 20th we met Machado at his hotel for an interview.

According to Kvale (1997) the interview is a scene where knowledge is built in coherence with the respondent and the person in charge of the interview. The author also created an interview guide. This guide is divided into seven different stages that a researcher has to consider in his or her study process. The first stage concerns the theme of the study, it is important that the researcher is well aware of the purpose of the thesis and that he or she can declare for and describe the topic. In the beginning of the thesis process we decided the purpose with this research, what was our aim and main research question. In order to create a solid base for the coming work we wrote the background about our main focus in order. As theories were read and understood, our understanding of the subject in focus increased but the foci never changed. As Kvale (1997) declares, the second phase in this process is to plan for the whole progression, as researchers we should consider what kind of knowledge we would like to get from this study. In this phase we decided about potential respondents we wished to contact for coming interviews. We wanted to enter in contact with different persons at different places and positions in order to create a diversity of knowledge and thereby increase the credibility of our thesis. In the beginning of the thesis process we contacted people that we thought could bring superior information and knowledge to our study. Since our research focus stretches beyond the borders of Sweden it would be important to interview individuals that has international experience of the focus in matter.

Kvale (1997) writes about the third part, the implementation of the interview. The author means that it is important to organize the interview before meeting with the respondents. Having a substantial base for the interview is important in order for the right and coveted knowledge to be produced. In this phase we organized our questions and started to discuss what we expected from the interviews and what knowledge we were looking for. After this process we carried out the interviews with the respondents in person, over the telephone or via e-mail. The first person that we contacted was Karin Fröding, Store Manager at IKEA Kalmar in Sweden to ask her if she wanted to be a respondent in our thesis work. After a short and genuine discussion Fröding came up with the idea of contacting Antonio Machado, since she thought he would be able to provide us with some of the information that we needed in order to collect credible data. The contact with Antonio Machado was held via email and in an informal way. We decided to meet in Lisbon on the 19th of April, at IKEA Alfragide and a few days before the meeting we sent him the interview questions. We decided to send him the questions on forehand in order to secure the outcome of the interview. Even though there was a risk of him making up answers in advance and thereby not answer with highest credibility, it was a way to overcome some of the linguistic and socio cultural barriers that become more obvious in personal meetings. By organizing our interview we made sure to have the best possible outcome. After some complications and misunderstandings we met him at his hotel in Lisbon on April 20th for an interview. The interview was informal and despite the fact that the respondent and we do not speak the same language nor share the same culture, we could fully understand each other. The interview proceeded for one hour and provided us with the data that we were hoping for. The following interview was an informal interview pursued by email. The respondent was Louise af Ugglas, working at the head office in Helsingborg. She has good knowledge of the structure of IKEA and their corporate culture. We later on enclosed the email interview to our collection of empirical data. On May 7th 2010 we met Karin Fröding at IKEA in Kalmar in order to collect more data and increase the empirical framework for our thesis. Once again we sent the questions in forehand in order for the respondent to be somewhat prepared. This time we did not worry about the language or the socio cultural differences but we made sure we were well prepared for the interview. The interview was recorded in order for us to assimilate the data after the interview was finished. Just as the interview with Machado, the interview with Fröding proceeded in an informal and

relaxed way and she provided us with internal marketing material from the company and she openly shared her experiences and thoughts about IKEA, in accordance to our research focus. On May 19th 2010 we had our final interview with Daniel Åström from IKEA Paris. This was a telephone interview, and as in previous cases we sent him the semi structured questions in advance. As it was a telephone interview we decided that only one of us would ask questions, even if it was a loud speaker phone. The interview was taped and later on transcribed in order to paper in order for us to be able to interpret and notice the details in the interview. The risk for misinterpreting increases as we did not see our respondent and therefore great cautions were taken during the interview to ask straight forward questions, that way we lost some of the informal aspect, but gained credibility and trustworthiness in the interview.

The fourth part that Kvale (1997) gives account for is the transcript, this is the step where the data material from the interviews transforms from speaking to writing. During the interviews we used a Dictaphone to record the conversation. After the interview with Machado we came back to Kalmar to transcribe the interview. By transcribing the interviews onto paper we assure to always use the data in a correct and responsible way since we are able to go back and verify the information. After transcribing the interview we continued both our empirical and theoretical framework.

After this step Kvale (1997) accounts for the importance of analysis which is the fifth phase. It depends on the purpose of the research how the analysis proceeds. We analyzed the material from the interviews and then distinguished what material was useful for our study. As the thesis work proceeded and we learned more from the theories it was necessary to reinterpret some of the collected data.

The sixth step that Kvale (1997) discusses is the verifying step, in this phase the researcher has to secure the reliability and the validity. Reliability refers to the aspect of a trustworthy result, and validity concerns if the interview guide focuses on the purpose of the interview. We believe that since we used a qualitative method and thereby performed longer and deeper interviews with persons that have great knowledge about the subject, the reliability is high and can be trusted. We also researched the phenomenon that was intended from the beginning. The last step in this process is the reporting phase which includes the final report of the studied subject. The result should be a comprehensive report that observes the scientific criteria.

2.5 Process of knowledge

The process of knowledge is important since it in the end generates the final conclusion of our work. As a first step in the process we saw that IKEA was about to expand in a very fast pace on the Portuguese market. This caught our attention since the economical recession seemed to cut everyone back, except for this blue and yellow company. As we were interested in writing about corporate culture, and during the years in business school an interest of the international company has emerged, we felt that combining these three aspects into a thesis would be interesting. Also in the beginning of the process we had to narrow the focus of the thesis down a bit in order to create a more genuine and deeper analysis, and also to have a better focus on the whole process. After some discussions with tutor we came to the conclusion that doing a case study with only one company in focus would be the best since then we would be able to give the full attention to that company. We chose to make a case study as we, as Yin (2003) implies, thought that there was a unique circumstance, since IKEA is a company special of its kind. Yin (2003) means that deciding whether to involve one or multiple companies in the study is one of the primary distinctions the researcher has to make. A case study can take on

several different directions, and one of these directions is the embedded case study where there is one organization studied but several subunits. This is applicable to us since in order to be able to generalize and make an accurate analysis, we needed to research several different aspects, such as globalization, expansion and corporate culture.

After setting for an embedded case study we had to form the purpose and the research questions, which were done with the characteristics and the nature of the case company in mind. We also formulated the questions so that they would suite our main subject, marketing. Due to the nature of the case company and the focus in the thesis, and respondents and supporting theories have all derived from these factors. During this thesis process we have also worked with a lot of theories that have been accurate for the purpose. According to Yin (2003) the theoretical development in the case study design is important even though it is time consuming and difficult. He implies that the researcher is not supposed to take on a role as a masterful theoretician, the goal is to collect sufficient and accurate data to support the case study. There are different types of theories to consider in the process of knowledge, and we have considered societal –and organizational theories. We believe that the theories are reliable and trustworthy, we have been able to support our empirical material with different believable theories so that we could analyze the material and conclude our thesis with further research. We have during the process returned to the theoretical framework in order to readjust if we find that something need to be explained or developed further, this way of working is something that is characteristic of the qualitative method. After setting the theoretical framework we started to analyse and design the empirical framework. It need to be emphasized that some parts in the thesis are only to explain and enhance another matter, therefore it might seem to the reader as the empirical and analytical framework are not balanced when compared with the theoretical. During the process of the thesis we have compared and put different theories in the subject in front of each other in order to get a full perspective and increase the reliability of the thesis.

Concerning the structure of the thesis, we have divided the thesis into the three main chapters, and these chapters are also divided into subchapters with their own focus on empirical data and analysis. Furthermore we consider it important to declare that some parts are divided into smaller pieces in order to the reader to fully grasp the subject.

Regarding the empirical framework we have from previous work learned that forward planning is critical in order to be able to assimilate and make a deep generalizing analysis. We made the interview questions in an informal and semi-constructed way in order to get an interview with what Yin (2003) refers to as open-ended nature. The respondents were very free-spoken and we did not control in which order they answered the questions, therefore the structure might be perceived as ad-hoc for the reader, but we put the interviews as annexes in the end of the work. We have also taken part of statistics of the case company and other material which usually only is distributed to co-workers or people inside the company. In order to be objective in the thesis we have balanced these internal facts with theories from external sources.

After constructing a theoretical framework and collecting the empirical data, we came to the third part of the process, which is the analysis. Since IKEA is from our home country we had to make sure we were subjective in the matter, which was difficult since we have some kind of relationship to the case company. But with all the empirical data and the theories we have taken part of, we could intertwine and integrate them in order for the end discussion to take

form. In the end discussion we concluded and answered the purpose of the theses and also brought to daylight new aspects of future research, derived from this thesis process.

2.6 Scientific criteria

2.6.1 Validity and Reliability

According to Yin (2003) four tests have been emerged in order to establish the quality of the empirical research. These tests are construct validity, internal validity, external validity and finally reliability. The construct validity refers to the degree of sufficiently operational set of measures, and if subjective judgements have been used to collect the data. What the researcher must do is to select the factors that are to be studied and relate them to the objective of the study and thereon demonstrate that the selected measurements of the factors to match the specific elements chosen. As in this thesis we intend to investigate the connection between globalization, expansion and corporate culture we need to use measurements and data that are relevant in order to demonstrate this. What we as researchers can do is to use several different sources and to establish a chain of evidence, and later on have the case study reviewed by key informants. The internal validity is important to consider for researchers doing a causal or explanatory case study and refers to how well the researcher manages to see all factors impacting and depending on each other. Internal validity is referring to the extent the researcher is able to make inferences. It is necessary to take into consideration if all the explanations and possibilities have been considered. The external validity refers to the validity of using only one case in a case study, to the extent generalization is legitimate. In a case study the researcher need to rely on analyse and the analytical generalization and converge empirical data into broader theories. The theories must be tested and replicated in order to prove the validity. Finally, Yin (2003) refers to reliability as the final test where the objective is to be sure that if the case study was made all over again, by a different researcher, but with the same means the result would be the very same. The goal with reliability is to ensure no errors occur in the study.

2.6.2 Method Criticism

According to Alvesson and Sköldbberg (2008) the criticism of the sources used is important in the case study, since a case study has points of tangencies and it is mostly common for the interview respondent to twist the angle in order to look good. By critically analysing the interviews many mistakes in the case study can be avoided. Patel and Davidsson (2008) imply that it is essential for a researcher to be critical when he or she finds theories. It can be good to know when or where theoretical resources were made in order to be able to see if the sources are trustworthy. When the empirical data is analyzed the researcher has to see the differences between descriptions or analyzing desperations. These differences depend on how close the researcher can get to their respondents. It is of great importance in the research process that the researcher not only chooses theories or empirical data that is coherent with the researcher's own ideas. If this is the case the study will not show a correct picture of the phenomenon. In this process we have tried to choose both theories and empirical data that will give the readers the most correct picture of the studied phenomenon.

3. GLOBALIZATION

In the following chapter the definition and implications of Globalization will be outlined. In order to fully assimilate for the concept of globalization and to reach a full understanding of its implications on corporate culture we also outline for characteristics of contemporary time. After the given theoretical framework there will be a discussion containing the empirical data and a theoretical analysis in order to give the reader a completion of the subject Globalization. This will be followed by a briefer conclusion based on the outlined data in the assimilated chapter.

3.1 Theoretical framework

3.1.1 Definition of Globalization

“All of us felt sorry when we read about the story of a bunch of blindmen trying to figure out the shape and form of an elephant. Although we are not blind, our task is more challenging than the blindmen who studied a standing animal” (Peng, 2009:13).

Peng (2009) implies that the quote above treats the difficulties with handling and defining globalization. The difficulties come from the fact that we live with globalization, it is what characterizes our time. Globalization implies the integration of countries and people all over the world. According to the author there are different views on the phenomenon and depending on resources, the view of globalization will differ.

According to Scholte (2007), when using the word globalization, it is most common to refer to a shift in social space, it can be said that the word globality echoes with the word spatiality. Spatiality is concerns the arena and the place for human actions and where social life takes place, it can be said that globality is a field of social relations. The geographical differences mean that people live different lives and due to the feature of their social life, space matters. The geographical context forms how people learn and collect knowledge, how they experience time and organize their social living. At the same time culture, economics, and history form the spatial contours of social relations. Considering these interconnections, it can be concluded that a change in spatial structure affects the society as a whole. Globalization is difficult to define, but academics and its peers keep trying since it might provide an understanding for why things appear the way they do. Every society has its explaining characteristics and globalization is one characteristic special for contemporary time. Bartlett and Goshal (1998) implies that the economical, social, and technological progress have combined and together created the platform for one unified marketplace, a marketplace where companies need to capture global-scale economies to remain competitive.

Scholte (2007) further argues that the connectivity to territorial space has been important for human history during centuries. This new phenomenon is called supraterritoriality and marks a break from the territorialist geography that was the forerunner of the supraterritorial trend. This new trend entails implication for a wider social transformation, as that of the spatial construction. Globality can be seen as ‘across the planet’- relations, which refers to the social relation that links people together all around the world. These transplanetary relations are not a new phenomenon since long-distance and intercontinental realms have had great importance

for human history. These relations have though come to grow heavier and denser since more people with higher frequency engage with the planetary arena as one unified social space. There has also been a shift in the quality of the global connectivity since contemporary globalization spread supraterritoriality in a large-scale. The supraterritorial relationships are delinked from territory and can therefore not be adequately mapped on a territorial grid. Contemporary globalization represents the compression of time relative to territorial space and transportation of goods and other resources move in a fast pace. There has been a distinguishing of the reconfiguration of space, although without considering the term supraterritoriality in order to describe this shift. Up until the third quarter of the twentieth century the social geography was governed by territorial form. People identified their location in the world primarily to the territorial position much due to that technology did not enable travelling and the high level of communication that we have today.

According to Scholte (2007) the term globalization in the sense of spreading supraterritoriality has been less extensive than globalization in the sense of transplanetary connections. The supraterritorial aspect of globalization has potential but until now only constitute part of a larger trend. The third clarification of the idea of globalization can be obtained by comparing the term with other associated terms such as world, international and transnational links. All these words are associated with social relations beyond society and country lines, they do however emphasize on different aspects and should not be confused. The term *World*, for example, could be identified as a non-global element. Hence the term *World* refers to spatial totality that exists in a given context. The world can have several different spatial dimensions in addition to the global. World is a socio-geographical whole while *Global* is one of the spatial qualities. The distinction between *Global* and International is that international exchanges occur between countries while global transactions occur within a planetary unit. International relations are inter-territorial while global relations are trans- or supraterritorial.

An important difference is that the trans- or international takes on a nation-state-country point of view, it has a reference point and thereby traces of nationalism and statism are found. Ideas of globality foster a point of view that distance from domestic, foreign dichotomies and thereby foster a clear and important methodological reorientation.

3.1.2 MNCs – Multinational Companies

According to Peng (2009), what defines the international business is that it engages in cross-border economic activities and does business abroad. A company that is doing business and investments in several countries is thereby defined a multinational company, or in short MNC. When defining globalization MNCs are highly relevant to take in consideration as the global market and the integration of countries and people is of their advantage and also the source of these companies. There is argued that the nation loses sovereignty, according to Hammond and Grosse (2003), due to the increasing abilities for the MNCs to circumvent the national governments. The authors imply that companies may choose location, distribution of products and what funds to transfer across national borders without regard to national governments concerns. MNCs are the conveyors of globalization as they move resources as people, money, cultural style, and economic power over national borders as if these were non-existent. It needs to be outlined that not all observers agree with the view of MNCs as big conveyors of globalization that take no consideration to nations' governments. According to Ruggman (2000) the largest MNCs are operating in triad economies, competing in a tuff environment where there are no promises of long-term sustainability of profit and long-term sustainable political benefits. Hammond and Grosse (2003) imply that at company level, globalization can be defined as the development of competitive capabilities that enables both national and

international competition. Competitive capabilities require a global perspective and global strategies from the company, since competition can enter any market very fast due to technological development. Internet, for example, facilitates for fast moving actions. According to Peng (2009), the opponents of globalization argue that it is a force, new in time, which dominates the world since the 20th century and is a product of technological advancement and western hypocrisy. It can be argued that globalization only is an advantage for the MNCs as it only exploits workers in poor countries and undermines wages in rich countries. Stiglitz (2002) though implies that for many workers around the world working in a factory for a multinational company might be far better than farming. The people in the western and modern society use their own frameworks without recognizing the difference in conditions of life.

Peng (2009) argues that one way of viewing globalization is as a part of human history. Some argue that globalization is not a new phenomenon, and that MNCs have been present for more than two millennia. This argument is based on historical happenings such as colonialism and such enterprises as Britain's East India Company. Another way of looking at globalization is that of the integration between countries and people, which is a consequence of the reduction of costs of transport and communication, and the continuously flow of resources across borders. Peng (2009) implies just as Bartlett and Ghosal (1998) and Borg (1994) that the globalization of contemporary time originates from the post-war period, after the Second World War there has been a great commitment to global trade and global investments. Stenebo (2009) alleges that the founder of IKEA always has been able to see changes in society and adapt the company according to these changes. The development of motoring and the growing economy of Sweden was something that Ingvar Kamprad took advantage of as he by then came up with the idea of self service and flat packages.

Woods (2001) elucidates that there are several theories about internationalization and according to her internationalization is the process when companies struggle to become multinational companies. During the last thirty years there has been an evolution in the organizational structure for the global business. Strategic planning must adapt in order to find new solutions to competition and these solutions have tended to be the emerging of networks, strategic alliances and joint ventures. Furthermore the author argues that strategies for international companies differ from others since they operate in a much more complex environment. Bartlett and Ghoshal (1998) propose that the new global pressure has forced companies to rethink their strategies, and the revise of strategies is automatically followed by the revising of structure.

MNCs and decentralization

As Williams and van Triest (2009) argues, a new paradigm emerged in the 1950s and 1960s. It was the paradigm of strategy and structure, and portrayed corporations as organizations whose structure should follow its strategy. This leads to the transfer of home country knowledge into new markets when the large organizations expand, this in order to pursue competitive advantage. It was the headquarters that focused on the analysis of markets and the environments, while the decision-making were in the hands of the higher management in the organization. However, since the 1980s there has been a shift towards a more decentralized view of MNCs, and decision-making has partly been given to subsidiaries. This shift contributes to the autonomy of work units, giving them greater authority, subsidiaries was seen as able to make accurate decisions about questions that will influence their development. Their focus is no longer on the hierarchical view of the MNC, and there has been a shift of hierarchy from headquarters to subsidiaries. In the new paradigm transnational management is

seen as necessary for sustaining advancement and growth for the MNC. The management of a MNC stressed the exploitation of global efficiency, and the adaption to local markets at the same time which allows them to treat the foreign subsidiaries as unique organizations. The decreased centralization of decision-making in headquarters emerged for the subsidiaries to be treated through a differentiated approach where the feature of the control mechanism depends on the nature of the subsidiary.

Williams and van Triest (2009) elucidate that the factors that have an impact on decentralization of the decision-making into MNC subsidiaries are the parent company factors such as corporate culture, and the subsidiary factors, the MNC strategy and how embedded the company is with external business networks. The outcome of the autonomy of subsidiaries could result in innovation, new network structures, local knowledge creation and reverse knowledge transfer to the headquarters. The reversed transfer of knowledge into headquarters is important since it may symbolize details of subsidiary initiative or perhaps practices that can be used again somewhere within the MNC. In short, it can be said that MNCs are non-hierarchical and decentralized network and knowledge for innovation is derived from individual subsidiaries. The subsidiary-driven entrepreneurship is facilitated by autonomy and the responsiveness to local environments. Innovative activities involve uncertainty and change, and therefore require a high level of freedom. They are under great impact of change from the external environment and as stated earlier decentralization enables for faster reaction. Organizations that are decentralized and thus shaped by and innovative culture are more likely to use decentralization in order to produce innovation at local level. This leads to a great level of uncertainty for headquarter considering the subsidiaries actions and goals.

Williams and van Triest (2009) argue that corporate culture is the internally developed factor that mirrors the socio-ideological context of the organization. The corporate culture is said to influence managers' behaviour and thereby the power structure of the organization represent and reflect underlying mind sets and paradigms. When an MNC transfers the rights to make decisions to the subsidiaries in order to decentralize, the company adapt a paradigm that puts the knowledge and action of the subsidiary in centre, the corporate culture elicit decentralization. Innovation is the company's tendency to employ strategic renewal and occurs when a product includes technological and/or administrative development. It is a common way for organizations to reach new knowledge by encouraging co-workers to filter information from the external environment in order to find new products. This strengthens the competitive advantage especially if competing on a knowledge-intensive market. The decentralization of decision-making enables fast reactions to changes in the environment and in the case of the MNC, the sources of information, new product ideas, and resources are globally spread.

Decentralization and centralization

Hammond and Grosse (2003) allege that globalization today is more decentralized than earlier. Globalization in earlier times was mostly companies growing rapidly and affecting the economy of nations. Today globalization is more decentralized, as to say that every individual is both a part and a generator of the phenomenon itself. The individual is the key decision maker which leads the individual closer to being sovereign. This sovereign individual considers him- or herself member of a group which leads to the individual *defining their own kingdoms*, national boundaries are not included in this. Thereby, as argued previously in the thesis, nations decrease in sovereignty while individuals increase in the same matter. Scholte (2007) argues that people tend to think globally, the planet is the global village. And the whole earth is a potential working place. Hill (2005) explains that as a consequence of

decentralization the need for a universal company culture is rather low in multidomestic companies. The international firm transfers core competencies from home to foreign subsidiaries in order to create value and the headquarter remains centralized while some operations remain decentralized. The need for a universal corporate culture is fairly low, exception taken when transferring knowledge. Sometimes when transferring knowledge and core skills, the culture is embedded in these aspects, and then great attention is preferable in the operations, so that the transfer is made in a successful way. The need for cultural control is moderate and dependent on the transfer of knowledge.

Furthermore Hill (2005) argues that a global organization has a strong headquarter and is more centralized than the multidomestic and international organization in order to keep track of the highly dispersed production and value creation. These firms tend to be more or less dependent on informal and formal integration mechanisms and they are defined by a fairly strong corporate culture in order for coordination and cooperation to function. These firms use incentives in order to encourage communication and cooperation between managers at different operations and thereby improve the performance of the entire company. The transnational organization is an extreme mixture of all organizations explained above. They pursue local responsiveness, global learning and at the same time attain the location. This organization needs to coordinate a value production chain and transfer their core competencies in a way that strengthens its corporate culture. This puts pressure on the organization to centralize its management and some operating decisions, simultaneously the need for decentralization is present as there is a need for local responsiveness. As a consequence the organization needs to balance centralization and decentralization in order to perform optimally. These organizations need to coordinate well, since they use both formal and informal mechanisms and many subunits and subsidiaries are interdependent of the firm. To avoid bureaucratic control and the costs of control this interdependency might increase transnational organizations need to create a strong culture and begin to implement incentives in order to encourage and promote coordination and cooperation between subunits.

Decentralization giving direct order to the subsidiary what to do and therefore headquarter becomes more reliant on result- or social controls. In order to control the MNCs through a social control, management use shared objectives, values and norms. By sharing values local decision making can be legitimized and subsidiaries are able to use their knowledge in order to pursue the interest of the MNC as a whole. In order to share value and implement unified objectives and norms, there has to be rotation and transfer of managers and extensive and open communication between units and levels that leads to a less centralized organization.

3.1.3 Globalizations impact on Core Values and Corporate Culture

According to Peng (2009) supranational such as World Trade Organization, and international organizations influence the norms and values of companies and organizations that operate on the global market. Firms that do business abroad will always be under impact of forces steamed from both domestic market and host market. He also implies that cultures always evolve, but the question is in what direction. He further implies that one side of the debate argues that globalization carries with it a high level of convergence towards a more modern western culture, with values such as individualism and consumerism. On the other hand, Firat and Shultz (1997), argue that postmodern times call for unabashed practice of handling the fragmentation of the market. Since consumers tend to experience different simulated existences there has to be a tolerance towards diverse life styles and ways of being. The postmodern time commits to an expansion of fragmentation and the postmodern consumer are not to conform, nor commit, to any unified and centred idea, narrative or regime of truth.

Fragmentation is present in the everyday life of the individual consumer and the markets growing influence on the human life submit the consumer with a series of fragmented self-definitions determined by what they consume. The consumer is defined by the experiences he or she gets from consumption. What reproduces these fragmented self-images is the market. The market itself is fragmented and appears to have no unified agenda which leads to only momentary relationships and shallow commitment on the part of the consumer, which the company has to deal with and find a way to balance in order to stay compatible in the market. Scholte (2007) argues that the western concept of globalization implies that the Western modernity is spread all over the world and in the process eliminating pre-existent cultures and so called local self-determination. Similar to this is colonisation and the critics talk about the spread of Western modernity as a hegemonic discourse, a progress that masks far-reaching destruction and subordination. Contemporary globalization derives from forces of modernity, such as technology, knowledge and capitalist production and has implemented pattern of modern, western social relations across the planet.

Peng (2009) support these statements by pointing to the fact that you find people wearing Levi's jeans, using an iPod and watching MTV all over the world. These three things are said to be more than just clothes and objects, these are brands with underlying values. Furthermore the other hand westernization in consumption does not mean that there is westernization in values, saying these factors do not come hand in hand. The popularity of Western brands in the Middle East for example will not change the Muslim values, and the popularity of Asian food in the west will not convert Western values into Asian values. Of course, there is a middle way, a mixture of the above described views. The end of the cold war, the development of Internet, and the ascendance of English are all evidence of some convergence in culture, at least among the young individuals. Therefore Peng (2009) points to the possibility of a cross-vergence, a compromise. The validity of both sides needs to be acknowledged. Scholte (2007) means that globalization could take non-western directions, for example Buddhist globalization. It is also by no means clarified that globalization is essentially imperialist, as there are emancipatory global social movements and a global process. Westernization, modernization and colonization have a longer history than contemporary globalization and globalization as we know it could be seen as an aspect of modernity.

Homogenized culture and decrease in national differences

Barney (2004) argues that nations are moving towards post-nationalism, which is often associated with globalization. This means that countries and nations are influenced by technology that facilitates global distribution and consumption of mass-produced cultural products and a decreased ability to care for indigenous culture. Furthermore the author implies that companies bring their own culture to the new markets and mix them with the new home market and culture that gives birth to a differentiated and diverse culture. Scholte (2007) agrees with Barney (2004) and points out that globalization will not necessarily lead to a homogenized mass culture, where cultural diversity is inhibited and the characteristic values being erased. In globalization the local is combined with the regional and the regional combined with the national, the formation of new combinations of sets of culture creates diversity and heterogeneity. According to Hammond and Grosse (2003), globalization could be seen as the homogenization of people's preferences all around the world due to increased communication- and transport possibilities. Individuality is something that is absent in the globalization trend and some parts of national differences must be sacrificed in order to share the benefits of globalization. The differences among nations and countries are threatened by the decrease in differences in language. Furthermore the authors imply that homogenization of

people's preferences leads to the loss of nation's independence and sovereignty, this is also derived from the decrease in differences in language. The homogenization of culture due to globalization is though something that Scholte (2007) states could be exaggerated. A language that might appear similar may in fact hold several different vocabularies and not least understandings across different social contexts. People tend to perceive messages and signs differently and companies still have to adapt their advertisement, even if not adapting their product. The transplanetary and supraterritorial relations are able to create cultural heterogeneity. Ruggman (2000) though implies that globalization and the continuously homogenizing market is nothing but a myth. He gainsays that MNCs are the dominant and conveyors of this phenomenon. This he explains by the fact that the giant companies, the MNCs, have the highest sales rate in their own region. MNCs placed in Europe sell mostly to Europe, MNCs in America sale mostly to America. Ruggman (2000) argues that there is no such thing as an MNC that are able to dominate local markets through the development of a homogenized product and efficient production system. As a matter of a fact, MNCs have to adapt their products to the market. There are regionally based factories from different countries which are supported by local regional suppliers whom provide the inputs for the product.

According to Scholte (2007) companies must adapt to the cultural environment in which they intend to do business, the trans-territorial operations have an inevitable impact on both corporate as well as human culture. It is not globalization *per se* that determines whether the culture is diversified or not, it depends utterly on the context around the events. The social power relations that inevitably characterize the business environment helps to create the culture and the values that characterize the environment. Most people today do have a strong bond the geographical boundaries. Some observers agree on that territorial identity has increased its importance since the territorial barriers are decreasing. This would imply that even if we enter a time of territorialism, this only is not the start of globalism. The contemporary globalization is linked with what Scholte (2007) refers to as reterritorialisation, which means that regions are becoming important and a kind of regionalization is emerging where regions are growing inside nations. Green and Ruhleder (1995) mean that due to the transition towards a borderless world there will be voluntary alliances between individuals and organizations for mutual benefit. They argue that the world today is increasingly driven by the people as knowledge becomes more accessible due to advanced technology. Technology helps to overcome cultural and linguistic barriers. The development of advanced technologies enables to think about the world as one unit, an integrated biosphere that can be monitored and protected.

3.1.4 Opponents of Globalization

According to Stiglitz (2002) there is s a strong movement of discontent towards globalization moving across the world. People in the developing part of the world have protested against the programs imposed on them, though the protest were unheard by the west. The protest partly derives from the fact that the programs, such as banana quotations and help countries in crisis, only were of interest of a few. Even though opening up and facilitating trade between countries has brought many good consequences, international trade helps economic development and has reduced the sense of isolation felt in the emerging part of the world. Opening up markets for foreign entry sometimes might hurt the local market but keep prices low and lead technology towards new innovations. IKEA is as stated an MNC. In opposition to the argument that MNCs exploits workers and undermines wages, IKEA is well aware of their impacts on the society and therefore work hard in order to give something back to the communities and societies. They cooperate with UNICEF and Save the Children in order to

actively work to prevent child labour. There is a code of conduct, The IKEA Way of Preventing Child Labour that all subsidiaries and suppliers have to follow. Stenebo (2009) though argues that the wages at IKEA are lower than in the average same size company, and that the production of furniture and exploitation of the forest is too heavy – the planting of trees cannot keep up at the same pace. Despite the positive aspects of globalization, it often fails to deliver the economical benefits that are promised. The divides between rich and poor is still a huge problem and the high aspirations following colonial independence in Africa, have not been fulfilled, instead Stiglitz (2002) argues that Africa is going deeper into misery. Furthermore the author argues that if globalization has not been able to create a stabile economy, it has not been able to ensure stability for the developing countries. The critics accuse the Western society of hypocrisy, which the rich countries have pushed the poor countries to eliminate their trade barriers while keeping their own barriers high. Even when not guilty of hypocrisy, western countries are the ones driven globalization forward, making sure they will take part of the benefits.

3.2 Empirical data and Theoretical analysis

3.2.1 Definition of Globalization

As Peng (2009) argues, globalization is part of our time. It is what characterizes the postmodern era of today, the integration of countries and people is closer than might be apparent. Machado confirm this by explaining that people working in IKEA see the world as their working place, like a global working place. He also encourages co-workers to seek their way across borders, since moving across nations and meeting different cultures is a fantastic opportunity to learn. This is, as Bartlett and Ghoshal (1998) argue one of the implications for the forth going of globalization. In order to capture the global-scale economy, the market place need o be unified and this is achieved partly by changing people's social pattern. As Scholte (2007) proposes the shift in social space is embedded in the social change, or in other words interchangeable with proceed of globalization. Machado further implies that in the future the mobility of people will be of even greater importance for IKEA as the organization expands into new territory, such as South America or Africa. As Fröding puts it, you move so much that you lose track of the amount of times, in the end you end up coming back as a tourist to your own country. Geographical and territorial spaces have been important for human history. Scholte (2007) means that there is a new phenomenon emerging, a supraterritoriality that marks a break from the territorialist geography and this makes part of the earlier mentioned change in the wider social construction. This is strengthened by Åström who implies, when working in Älmhult, the heart of the IKEA organization, there is a very frequent contact with purchasing department that are all from different parts of the world.

The *across-the-planet* relations that Scholte (2007) declares links people together all around the world are of great importance for IKEA. This is confirmed by Machado who declares that it is important to have a network of contacts in order to do successful business. Scholte (2007) also means that relations and networks have always been of importance, but today these have become more dense and the communication is more frequent than earlier, much as a consequence of advances in technology.

3.2.2 MNCs – Multinational Companies

When defining globalization it is according to Peng (2009) important to take into consideration the impact of multinational companies. Since multinational companies tend to work towards an integration of people and markets, globalization is in favour of these

companies. The statement of Peng (2009) is highlighted by Åström and Machado whom claims that co-workers float over borders taking different knowledge and experiences with them and then later on integrate these in the new country. Hence, Scholte (2007) means that the transportation and implementation of new cultures in new countries leads to diversity and the emergent of new cultures. It is also argued that the multinational companies conduce to the loss of national sovereignty but also to the gaining of the individual independence. Thus Machado indicates that the process of the globalization of IKEA holds many obstacles, and one of them is the regulations and the suspiciousness from the countries where the company wants to enter. In order to enter a country as Portugal, and set for land, the process was long and complicated, all due to the independence of the country. Machado stresses that it took two years only to investigate the market and buying the land. As Hammond and Grosse (2003) put it, the possibility for the MNCs to circumvent the national authorities has increased, and less consideration is taken to the national governments concerns. This is according to Machado a short-term strategy that they do not adapt at IKEA. Machado means that they want to do everything the IKEA-way, and that is not the short cut-way. However, Fröding emphasizes that in places where IKEA is already known it is much easier to enter since the governments often want IKEA to open there and thereby the process of setting location and building a trust in the society is much easier. According to Machado IKEA is always planning for expansion. Portugal is following the European level and thereby he argues that the company will be able to open more stores. Thereby this is in coherence as Hammond and Grosse (2003) imply, the multinational company turns a conveyor of globalization.

According to Woods (2001) the conditions for the organizational structure of organizations in the global business has changed during the last thirty years. Networks are becoming more important, strategic alliances and joint ventures. The strategic planning must adapt in order to handle competition and just as Scholte (2007) implies there is great importance in the building of relationships across borders and as part of the strategic planning. As in the case of IKEA Åström implies that in the corporate group of IKEA there are several different companies involved, but they are all part of the IKEA corporation. They have a massive network of subsidiaries, suppliers and buyers and Åström point out that there is an ongoing change in the way Älmhult controls the purchase departments and subsidiaries.

As a consequence of the restructuring and adaption to comprehensive time, decentralization and centralization have become two important elements in the understanding of globalization. As Hammond and Grosse (2003) imply, individuals today defines their own kingdoms, as to say every man is an island. Machado told us about a very determined co-worker who said that within one year she would not work as a normal co-worker at IKEA. She wanted to broaden her visions and one year later she had succeeded. Fröding said there are many ways for the individual to set up high goals since there are development goals set up by each co-worker. IKEA has follow up meetings with their co-workers around the world, and these are supposed to work in the same way. Furthermore Fröding enlighten that during these meetings the employee is able to set their individual goals and make a plan on how to reach these.

Hill (2005) means that when expanding the international organization transfers its core competencies to foreign subsidiaries. Headquarters remain somewhat centralized while some operations are decentralized. In the international organization the need for a universal corporate culture is fairly low since the knowledge needed to be transferred carries with it the culture and values. Global organizations however has a strong headquarter and are characterized by centralization in order to organize the dispersed production- and value chain. Fröding corroborate the statement made by Hill (2005) by implying that IKEA has some

centralized, and some decentralized management in for example human resources. Machado interject that IKEA works according to several main strategies, communicated from Holland, Helsingborg and Älmhult. According to Machado, IKEA has a global strategy that is communicated from one of the head offices in Älmhult and later become *en suite* with the local market. Since the organizational structure of IKEA is splattered and everything but centralized, there are strategies that are the same for all, but some national strategies are developed for a specific country and market but of course with involvement from headquarter. Further on, Hill (2005) argues that the transnational organization is an extreme variant of the international and the global organization. The transnational organization is said to pursue local responsiveness, global learning and at the same time retain their position on the market. Due to this, the centralization needs to be in focus, at the same time as decentralization is important in order to apply local responsiveness. If the organization manage the local in a centralized way this would not be socio-cultural sustainable. In order for the core competencies to be transferred in a correct way, and the value production chain coordinated, pressure is put to centralize the organization in order for the corporate culture to be strengthened and sustained. This leads to a balance between the formal and informal, the centralized and the decentralized. The centralized and formal aspect of management in the organization might lead to high bureaucratic costs due to control.

“IKEA-way is important” (Machado 2010-04-20).

Therefore it is important to create a strong corporate culture that in itself encourages coordination and cooperation between units. The corporate structure of IKEA is complicated, many of the different companies are owned by foundations and IKEA is not listed on the stock exchange. Moreover Åström explains there is a high level of contact between countries and different units. As Machado explains, Portugal and Spain used to be under the same organization but the differences made them separate and now Portugal is working on building an organisation of its own. It is a time consuming work but will generate in benefits for both Portugal and IKEA.

Williams and van Triest (2000) state that in the 1950s and 1960s there were a shift in the management of organizations. The new dogma was that organizations' structure should derive from its strategies, from the purpose of the company. A heavy centralized view grew and it was important to transfer knowledge into the new markets when expanding internationally. During the last thirty years there has though, as stated earlier, been a change. Today much of the decision-making is in the hands of subsidiaries when talking about MNCs. The hierarchical structure is flattened and decentralization is emerging as a new dogma. This is verified by Åström who explains that all decisions concerning the development of products derive from Älmhult in Sweden, and these decisions are later communicated back and forth between the countries. Älmhult is the *spider in the web* and Åström who is situated in Paris need to manage relations and negotiate between suppliers worldwide and the office in Älmhult. William and van Triest (2000) interject in the matter and argues that transnational management turns very important for sustaining the advancement and growth of the multinational company. Foreign subsidiaries are treated as their own companies since it is important to care for the local market and exploit global efficiency. As understood from the interview with Åström, IKEA is constructed by several different corporations, but they all work together towards the same goal. As Fröding says, the beliefs and culture is deeply rooted in the organization and that is something they take with them when expanding and this is part of the success in globalizing that IKEA has had. This is according to Williams and van Triest (2000) one important aspect of decentralization and the new beliefs concerning organizational

structure. When subsidiaries are set free from headquarter it gets really important that they share the same values and beliefs. Williams and van Triest (2000) also emphasize the importance of reversed knowledge transfer in order to be local sustainable. Accordingly, Machado elucidates that the IKEA culture invites the ideas of the co-workers and as Fröding implies, all people are of the same value in the IKEA organization. She though means that it is important to remember what your responsibility is in the organization. The co-worker knows his or her responsibility in the organization in order for the organization to progress smoothly. This is however might be hard to implement in cultures that are used to authoritarian leadership. Åström says in the matter that even if IKEA work hard in order to create the same culture all over the world in their company, the words though have different meanings and co-workers tend to vary in the degree they adapt to the values. This facilitates the reversed knowledge transfer and helps spreading and strengthens the corporate culture.

Furthermore Williams and van Triest (2000) argue that innovation, and the knowledge for innovation derives from the independent subsidiary. This can be compared with the statement of Åström that the idea for the product, which is the main concept of IKEA, is developed from Älmhult. This though contradicts the statement made by Williams and van Triest (2000) of subsidiaries as entrepreneurs since Åström implies that the product development is tightly controlled but it is getting more adaptable. All the product ideas and all concepts derive from one place but as Fröding puts it, people all over the world have the same need when it comes to furnishing and this is why the concept of IKEA does not need to be decentralized. Williams and van Triest (2000) argues that for the shared values and the objectives to be unified, managers need to be rotating between units and the communication need extensive. Fröding, just as well as Machado, points out that when opening a store somewhere in the world there is always someone from Sweden involved. Machado implies that many co-workers in IKEA often take the chance to go and learn, which is good, since the culture strengthens and spreads over the world.

3.2.3 Globalizations impact on Core Values and Corporate Culture

Peng (2009) argues that cultures always evolve and change, but the question is in what direction. Companies and organizations are under impact of regulations steaming from supranational organizations operating in the same region where the multinational company operates. Fröding implies that the expansion and internationalization has been facilitated since the upcoming of the European Union, especially for companies that have employees and subsidiaries in other countries. IKEA do adapt somewhat to the culture where they open their stores, but it is an adaption more towards regulations and pricing levels. It has previously in the text been stated that the countries are integration with each other and that there is convergence towards the western culture. As Peng (2009) and Scholte (2007) mean, westernization in consumption does not has not imply westernization in values. Åström is of the opinion that leadership and communication need to be somewhat adapted to the foreign cultures when entering new markets. Fröding gives to understand that the values are followed but might need to be pushed a bit more and stated more clearly in order to be adapted by the co-workers and executives abroad. This is because in the bottom they do not hold the same values close to heart as the Swedish people do. The cross-vergence that Peng (2009) point out as a middle way where both ways are acknowledged is what Fröding refers to when explaining that they do adapt the marketing, the outlining of what to expose in the catalogs for example. She implies that even if the culture is different in the country, they are still able to sell the same products with a bit of adjustments in the exposure. The can though be required to suite some details in some furnishing for example in order to suite a certain markets home environment.

Even if IKEA takes a little bit of *Småland* into every country they enter, it can be questioned how globalization and the culture of the host country affects the culture of IKEA. As Machado implied, they learn the people about the concept of IKEA as they enter the country or region. They learn their customers about the IKEA values, and even if as Fröding and also Åström argue they do adapt somewhat to the local conditions these are mainly for the economical benefits of IKEA. As Machado puts it

“IKEA is a fun company but we need to have good results... this is real industry” (Machado, 2010-04-20).

Both Åström and Fröding mean that IKEA adapt very little to the host culture but as stated all people have the same basic needs and therefore the concept of IKEA suits everyone. Also, as Fröding proposes there is something for everyone in their assortment and where IKEA opens, the interest for home furnishing usually grows.

Barney (2004) argues in the matter that the integration of people and countries leads to the mass-production of products and less ability to care for the indigenous culture. Fröding explains that since the culture of IKEA is based on values one can very much say that the products of the company carry along with them a high degree of Swedish values. The brand of IKEA takes the Swedish values into the homes of people all around the world, this makes part of the convergence towards western culture. This is discussed by Machado who is of the opinion that strategies and plans need to be focused on a long-term perspective, therefore the company need to adapt and respect the host culture in the construction of new stores. Furthermore he implies that the Swedish values are fairly easy to adapt to and accept since Sweden stands for many good things such as quality, family and trust. Fröding argues that even if there are national cultures to take in consideration, the concept of IKEA is to fulfill the everyday needs of people. She argues that people all over the world has the same basic need during the day. They get up in the morning, go to work or school and later on returns home. It can be argued that the expansion and growing of IKEA has implemented a little bit of *Småland* in homes all around the world. Therefore it is more likely that IKEA influences the foreign culture than it is for the foreign culture to have an impact on IKEA. When talking about the expansion and globalization of companies, it needs to be taken into consideration that, as Ruggman (2000) states, multinational companies has the highest sale in their own region. According to Åström IKEA is as biggest in Europe, and Fröding alleges that the European Union has facilitated the expansion. IKEA is not that big on other continents, Åström means that IKEA in Asia is still very small scale. Åström declares that the main idea of IKEA is to sell large scale, in bulks. Therefore they are never in the frontier of releasing new products nor can they take much consideration to the preferences of the other country. He though implies that they are beginning to let the countries choose between more colors and so on. As IKEA focus on selling in big bulks, they first need to take great consideration in the development of the product. This takes a lot of time and therefore IKEA is according to Åström seldom the first ones on the market with the product.

Scholte (2007) suggests that globalization not necessarily will lead to homogenization of cultures and as Ruggman (2000) argues, it cannot be taken for granted that the multinational company will take over the market through rational and efficient mass productions of goods. The discussion of Scholte (2007) and Ruggman (2000) is deepened by Åström who argues that IKEA is getting better in adapting their products and the production chain according to the markets. Since there are great differences between Europe and Asia, strategies had to be

revised. Fröding accentuates in the matter that even though IKEA is established in many different countries the assortment is the same. In order for a local IKEA to buy a locally produced product they need to get permission from IKEA in Sweden. Furthermore Fröding argues that if IKEA would step away from this mass production concept, they would lose their benefits in purchasing in bulks and thereby prices increase. She explains that the rational production chain enables the low prices but also an improved product development.

3.2.4 Opponents of Globalization

As declared there is an opposition and a discontent towards globalization and multinational companies moving across the world. Among the main arguments is the lack of respect towards sustainability and the socio-cultural aspects, but also the rage against the exploitation of the environment. As Stenebo (2009) implies IKEA exploits a lot of wood, and this is something that IKEA is well aware of and they work hard in order to replant. Without wood there are little possibilities to continue the furniture production. They also recycle and work with materials that otherwise would go unused. Åström explains that they have strict regulations for their suppliers and other involved in different operations. Factories are under tight control both due to the environmental aspect and the socio-cultural aspect. IKEA cooperates with UNICEF and Save the Children and work persistently to be a part of the resolution, not sit passively being part of only the problem.

Machado explains that IKEA intend to aim their concept and reach all people, not only a small part of the people. With low prices, and locations that can be reached by the majority of the people they intend to break some of the barriers existing between the rich and the poor people. However, he also implies that in Portugal they have not yet succeeded. Still they cannot reach the majority of the people. Stenebo (2009) conforms that the wages in IKEA are lower than in the average same size company, Fröding though implies that in this aspect they follow the economical framework that exist in the company. They keep prices at the normal level of the country, and as Machado states their long-term strategy is to lower their prices as sales increase.

3.3 Personal reflections

3.3.1 Definition of Globalization

The importance of transfer and movement of knowledge and workers in IKEA is expected to increase as the convergence towards a unified market and the supraterritoriality continues its progress. As IKEA aims to capture the global scale economy in order to keep their prices low and their assortment wide, they need to be playing on the global field and proactively work to facilitate and encourage people to move. As the reversed transfer of knowledge is important for IKEA and part of their values, a multifaceted base of co-workers will increase the level of cultural intelligence in the company. As we see, the fact that IKEA operates in twenty five different countries they have a broad base of knowledge and good opportunities to learn, but they also need to be managing the same IKEA, towards the same goal, in possible twenty five different ways.

As we have seen IKEA is as strongest and most expanded in the European market, much due to the facilitation of transfer of economical and human resources across borders. They manage to have good contact between the purchasing departments and the suppliers due to the fact that the structure is dispersed across the world. The good contact leads to a strict control of the suppliers, facilitates negotiation of prices and makes the product development more

efficient. The heart of the organization is still situated in Älmhult, Sweden, but the network is wide and the transplanetary relations are of great importance in order to keep a competitive strength on the international market. As communication technologies improves the communication will improve and according to us this might lead to less need of being in total control and the purchase departments and suppliers may gain more independency without slipping away from the core values and main regulations of IKEA. Although we see a future risk as the network of relations and the advancement in technologies, this requires that the company is always a head in these aspects.

3.3.2 MNCs Multinational Companies

Multinational companies are seen as the conveyors of globalization since they integrate markets and people in order to take shares of the global scale economy. As IKEA sequent enter new countries, the co-workers and managers transfer across borders in order to set the IKEA culture when new openings are about to take place, this leads to the integration of different cultures. It has been stated that this might lead to the emergence of new cultures, loss of national sovereignty and the increase of individual sovereignty. This might be a drastic way of analysing the progress of the expansion of IKEA, as the culture of IKEA is based on soft values that most human being are able to adapt to. According to us, due to the fact that IKEA holds the same assortments worldwide it may seem like IKEA do not work for the sovereign individual. But if truth be told, they do. At IKEA there are a lot of variety in design and styles, even though with a thoroughgoing Scandinavian style, a part of their concept is to be able to supply all people with a smart and affordable living.

IKEA is a multinational company that aims its concept towards the majority of people in the country it exists in, they also need to create a good reputation among the citizens. As IKEA had to lobby for a long time in order to be able to buy land in Portugal, the start up was complicated with a lot of work done in temporarily set offices. This shows that it is important for IKEA not to run over anyone. According to us, this cannot be done by circumventing the authorities and the will of the people. They work to sustain and increase local wellbeing where they operate, they learn as they expand and are very careful of preserving and strengthen the corporate culture by encouraging communication between levels of the company and transferring core competencies. IKEA works according to a long-term strategy, and thereby sustainability is an important matter and also as stated the environment for multinational companies is tough, and the economical shares are limited. According to us, IKEA is still growing strong since they handle their external environment in the right way. By adapting a long-term planning, short term economic thinking and actions are delimited. The founder of IKEA is known for being ahead of his time and strategically plans every move IKEA makes. In our point of view, Kamprad has seized the opportunities in the external environment, such as the flat packages when people started to use cars, shopping on-line, home delivery and so on. All these aspects we consider being an important ingredient to become a successful actor on the market. It shows us that it is not always about the product *per se*, but about the strategies surrounding the additional services.

The limited market leads to changes in the management of the organizations either internationalizing or the ones that already are set in the international market. The changes in the organizational structures come along as a consequence of increased internationalization, the emergence of comprehensive globalization and the facilitation of communication and transfers across national borders. The environment becomes more dynamic and therefore there is also a need for change in the structure and management of companies. In our point of view, the managerial positions of IKEA are today multinational as a consequence of the above

outlined statements. In Europe managers float across borders just as much as normal co-workers, if not more. According to us it is more likely that managers move across borders and take advantage of the internationalization, since it is often managers whom have the highest ambition to make a career. As we have seen, the willingness to move is of great importance in IKEA and the phenomenon of a multinational management is a consequence of these aspects.

According to us IKEA has some of the best prices in the market. As they strive to lower their prices in a world where prices usually rise, we see that they have to differentiate their strategies from competitors. IKEA is still changing their structure and adapts to the economical environment in terms of pricing and wages and they are decentralizing to a more open communication and becoming more open to the preferences of the new cultures. According to us this is a good way in order to keep a good reputation and work in a long-term perspective.

As we have seen, IKEA creates its own network, instead of connecting with companies outside they have created a long chain of firms involved in the IKEA Corporation. This is part of the strategic planning and as we see it, IKEA remains in control of the entire product development chain due to this aspect. By implementing the same values and the same culture in the firms within the network of IKEA, they assure to be perceived as one genuine company. Also, the fact that they have the same values and culture facilitates communication and makes the organization more adaptable and flexible, something that is of great importance in postmodern times. According to us, these aspects not only provide control, but also flexibility that in turn derive the ability to change according to the external environment.

Depending on what organization structure, and not least the size of the company, the need for decentralization and centralization varies. According to us, IKEA is a multinational company that depends on both informal and formal mechanisms. They heavily depend on the transfer of knowledge in order for the culture to be sustained. IKEA in Portugal first belonged to the Spanish organization, this was though not long-term sustainable since the countries differ in many ways even if they are situated next to each other. This gives greater autonomy to the Portuguese country, even if it develops successively. In order for something to develop into a long-term strategy one cannot hurry and only have in mind the economical benefits. When developing a new organization in a country there are both Swedish people involved, and people from the country where developing, this is a long-term strategy to ensure the implementation of the corporate culture in order for the organization to work somewhat autonomous. The transfer of management and knowledge and the social control increases the chances for the company to stay competitive and strong when expanding.

By having the own national organization of IKEA in each country established, there is more opportunities for innovation and the reversed transfer of knowledge back to the head office increases. By giving the subsidiaries more freedom, the uncertainties increase for the head office. It is a balance to handle but it is facilitated if the culture is strong and thoroughgoing. This way IKEA finds more efficient solutions to develop their products and rationalize their production, which in the long-term is supposed to lead to economical benefits and shareholding of the global economy. This is according to us possible since they in Europe have great shares of the market. We see that they due to their good reputation among suppliers they have benefits in the production process.

3.3.3 Globalizations impact on Core Values and Corporate Culture

The corporate culture reflects the management behaviour in the organization, this is something IKEA has taken in deep consideration. IKEA is known for their leadership and the informal style of management. Observers mean that this represents the structure of the organizations, as when decentralization is implemented. According to us, IKEA is a semi-centralized structure but with a decentralized way to manage and lead co-workers, a firm hand leading the way through the rocky road of internationalization and globalization. The core values are never to be forgotten and the substantial strategic work in order to maintain the strength of the culture impregnate the structure. They do adapt and encourage innovation, since these factors are important for being able to handle interchangeable environments, like the environment of multinational companies. Since globalization partly is about gaining competitive capabilities and handle fast competition, IKEA need to have the knowledge of experts of the markets therefore the development of somewhat autonomous subsidiaries would benefit the organization.

In order to handle the influence of the supranational an international organizations, such as the European Union IKEA cooperates with many organizations supported by the supranational. UNICEF and Save the Children are two organizations the cooperate with, and this affect the corporate culture of the company since they need to live up to not only their own values, but also the values of these organizations. If the UNICEF for some reason would not cooperate with IKEA this would severely damage the reputation of IKEA. This is one of the reasons the corporate culture of IKEA is under impact of globalization, but of course it is crucial to take into consideration that firms that have some parts of, or the entire, business situated abroad always will be under impact of powers bigger than themselves. Since IKEA has 123 000 co-workers around the world, the culture and the jargon among the workers is more of an international context. They also need to handle the fragmented market, as to say the not so faithful customer that as a true pioneer of post modern times refuses to commit to one brand. It is a good thing for IKEA that globalization leads people and culture towards the western way of thinking and living, towards the western culture. According to us this is something that is an advantage for them. IKEA was founded in a neutral country, and is based on Swedish values that can be seen as the middle way of everything and therefore the eliminating of the non western cultures are not accurate for the expansion of IKEA. Since the core values of IKEA are neutral, and their concept is to provide something everyone needs and in great variation we do not see that the development of the organization will harm other cultures. It is true that globalization takes technology, knowledge and capitalist production to another level, but according to us the corporate culture of IKEA is strong and will not let go of the long-term strategy thinking it has today and always have had. As globalization and westernization has occurred before in other contexts this is the comprehensive and postmodern variant of the phenomenon. According to us the popularity of IKEA is partly a consequence of the western origin, but also from the human touch of its concept and communication, it is an organization that people around the world can connect with, without feeling that they are in the claws of globalization, needing to change their own values and culture.

3.3.4 Opponents of Globalization

We believe that big companies require big resources. The question of sustainability is a hot topic today and companies are met with resistance when trying to finagle with socio cultural sustainability and the protection of the environment. According to us it is in the interest of IKEA to work actively in order to maintain a high level of replanting since they heavily rely on the existence of wooden supplies. According to us, post-nationalism has strong affect on

IKEA and vice versa since they are dependent on global distribution of resources. Material, just as well as human resources and funds are transported from one country to another, from one culture to another. Even if IKEA has expanded and opened new stores all over the world, entering a store in South America, is supposed to be the same as entering a store in Scandinavia. Where IKEA expands there will be a high degree of mixture between local national culture and the foreign Swedish culture. Since IKEA uses modern technology and distribution systems in order to be cost efficient and long-term sustainable we think that they are able to adapt to the fast moving consumer.

4. EXPANSION

In this chapter the reader will get a thorough understanding for expansion. We will outline for some critical concepts that are important to comprehend in order to assimilate for the concept. We will touch upon the motives for expansion, but also declare some of the difficulties organizations are faced with when integrating on the global market. After the theoretical framework there will be an empirical discussion and theoretical analysis in order to give the reader a good picture of the studied phenomenon. Our personal reflections are outlined for in the end of the chapter.

4.1 Theoretical framework

Jacobsen and Lien (2003) argue that expansion is not to be confused with growth, since growth is possible without establishment on new markets. The usage of the term expansion has a lot of times been confused with the term growth and thereby a declaration of the term is important. When expanding, the company enters competition on new product markets. Expansion can be divided into three categories; Internationalization which is expansion into new geographical markets, Vertical integration which means expansion into vertical connected markets and finally diversification which is expansion in new products that are not vertically connected to existing products. No matter which type of expansion the company is heading for, there will be a need for new resources and renovation in the usage of the old resources. Even if there is a difference between the terms expansion and growth, they are not completely detached from each other. Expansion is a way for companies to reach growth, by establishing on new markets. This is a risky way and therefore most companies prefer growth through fixating their position on the already existing market.

4.1.1 Market-entry mode

Mülbacher *et al* (2006) state that one essential part for a company that is going to expand is to know what position the company wants to have on the new market. When a company is expanding into a new market for the first time, the entry will be a learning process that will lead to the intended position on the market. Woods (2001) implies that market entry modes refer to the way that products are sold into a certain foreign market. It can be an advantage for a company that is expanding to rank different entry modes to see what risks there are and what mode will fit the company in order to achieve best success. Mülbacher *et al* (2006) argue that there is a variety of market-entry modes that companies can choose between when they are going to entry a market. Companies can sometimes have some problems when choosing mode, it depend on for example if the local government only agrees on market entry if the company will join a joint venture. Therefore it is crucial for the organization to choose a market-entry mode that will fit the intended market position and also what resources the company can use.

According to Albaum *et al* (2005) it took IKEA thirty years to grow and expand from being a seven –store chain in Sweden and penetrate foreign markets. When starting their expansion, they decided to enter the market that they considered as the most conservative, Switzerland. Worldwide expansion has brought many new challenges, such as entering unknown territory, product levels and assortment of needs. Furthermore Albaum *et al* (2005) clarify that a market entry strategy is consisted of two different aspects, there is one *entry mode*, and a *marketing plan*. The mode of entry is used in order to penetrate a target country, while the foreign marketing plan is used for penetrating the target market. The entry mode determines how much control a company will have of the marketing mix and somewhat the degree of

commitment on the target market. When entering a new market, Albaum *et al* (2005) imply that the methods being used must be in consistency with the companies' overall objectives. This strategy is also under influence of the companies' international strategy even if the entry strategy is supposed to facilitate the companies' international strategy for each foreign market. The entry plan should be considered a comprehensive plan, based on the objectives, resources, and policies that are the guidelines for the companies' international marketing operations. This plan is to be followed until the company can secure growth on the host market, the author suggests between three and five years. Furthermore Albaum *et al* (2005) emphasize that managers for expansion on foreign markets need to work out an entry plan for every product in every foreign market. Even if the plans in the end might look similar, this is not something that can be assumed.

The market-entry mode can be divided into two main dimensions depending on if the market-entry is supposed to be directly or indirectly. These main dimensions are then divided if they involve marketing simply or if both marketing and production is involved on the host market. When a company decides to go with an indirect entry mode that involves marketing actions, some different types of organization forms can be used. For example a company can sell their products through catalogues, telephone or internet sales. In recent years e-commerce has been a popular way of selling goods. Today many people are familiar with booking their own vacation online or order books online at Amazon.com. The authors declare that this form presents the lowest level of risk but at the same time least market control.

Direct entry that involves marketing occurs when a company is directly involved in marketing its products and services on the host market. This entry mode perceives more risk than the indirect entry mode and the company needs to invest in more resources in the host market. Example of organization forms that uses the directly market-entry mode involved with marketing is representation office. A representative that works for a company on the host market has as a mission to come in contact with potential customers and important stakeholders. Another essential mission for the representative is to maintain relationships so that the company will be able to continue to flourish on the host market. Mülbacher *et al* (2006) continue to consider about the two last market-entry modes, indirect entry involving marketing and production and direct entry involving marketing and production. There are three different indirect market-entry modes that the authors discuss, these are *licensing*, *franchising*, and *production or management contracts*. Licensing means that an organization on the host market gets the chance to license technology rights, patents, and trademarks etcetera from a company that is licensing their brand to them. If a company does not have the capacity, when it comes to production and marketing, to expand into many foreign markets at the same time they can offer another organization to license their brand. For example some clothing brands have licensed their brand to organizations in Asia, the clothing brand can by this reach a market in Asia that they would not able to reach without a license. Franchising is another way for a company to enter a foreign market quickly. Franchising can be a good way of entering a market since the organization that is franchising gets support and help in the management of their business from the main company.

“Franchising strikes a balance between adapting the marketing mix to local conditions and maintaining a high level of international standardization” (Mülbacher et al, 2006:421).

Mülbacher *et al* (2006) state that franchising means that the original company does not need the same control of the franchised company as they would need if they themselves entered a

foreign market. Woods (2001) argues that the success of franchising is the brand, people around the world recognize a strong brand and that will lead to an advantage for the franchisee. Mülbacher *et al* (2006) mean that before using this kind of entry mode it is important that the company ensure what laws and regulations occur in the country that they will enter. According to the authors production contraction in short is when a company transmits their production to another country. For example many fashion companies have their production in Asia, the company will give the production company their patterns and know-how and then it is up to them to accomplish the work. One reason why using this kind of market-entry mode is for example that the fashion industry is very complex and fast changes is a common phenomenon. Management contract on the other hand is concerning when a company provides their knowledge about management to a market in a foreign country where they do not have that knowledge. A company may have products and resources but to be able to create a business they need knowledge how to manage the business.

The last market-entry mode that Mülbacher *et al* (2006) are discussing is direct entry involving marketing and production. This entry mode is preferable if the company wants to control their international activities. The authors discuss that one way for a company to enter a market is to start up a subsidiary. Subsidiary means that the company is hiring personnel from the host country. In this case there will probably be some cultural differences that can lead to a problem within the organization. Hollensen (2008) implies that IKEA has for many years used subsidiaries when they have expanded in a foreign market. One rule that IKEA followed was that they did not want to enter a market by opening a retail outlet. As an alternative they wanted to establish a contractor relation on the host market. By using this method they can reduce the risk concerning political decisions, cultural risks, and economic risks due to the fact that they have a good relation with the host country and they in turn have good contact with the government. The latest years IKEA also has used franchising as a way of entering new markets. They use franchising to enter risky and unknown markets. To be able to communicate IKEA's core values and believes to the franchisees, they continuously are trained and at the same time they also get support from the headquarters of IKEA. Jonsson (2007) agrees with Hollensen (2008) concerning franchising and that IKEA uses franchising on markets they believe are too small or a market that is difficult to enter. The author also implies that to be an IKEA franchisee can be restricted because IKEA wants to be able to keep control over their concept. When IKEA is expanding either on an existing market or a new foreign market there will be a long process before they can open a store. Many times a country manager is hired to negotiate with the host government so that they can come up with a good solution.

Hollensen (2008) argues that when companies are expanding in quite a fast pace they will be faced with some challenges through the expansion process. When IKEA is expanding they might face challenges in their logistic system since more stores need products. Another challenge might be to answer the local need that will rise and at the same time cultural issues might be clearer when they are operating on different markets. An additional actor that might play a role is if the franchisees start to demand more control. All these challenges might be a threat to IKEA, it can lead to that some rearrangement has to be done in order to maintain and still keep its core values and believes. Peng (2009), as Mülbacher *et al* (2006), states that there are various entry modes, which one the company chooses depends on what kind of company it is in question and also their mission with the expansion. The author mentions four diverse entry modes; nonequity modes: exports, nonequity modes: contractual agreements, equity modes: partially owned subsidiary; equity modes: wholly owned subsidiaries. These entry modes are the same as Mülbacher *et al's* (2006) description of market-entry mode.

Hollensen (2008) discusses three different rules concerning what entry mode a company should use. The first one he mentions is *naive rule*, if a company uses this mode it means that they will use the same entry mode for all foreign markets. This rule might not be the best entry mode since it does not consider that every foreign market is different. The second rule is the *pragmatic rule*, the company uses a practicable entry mode for each foreign market. In the early phase of expansion it is common to use an entry mode that does not perceive a huge risk for the company. The third rule is the *strategy rules*, which means that a company compares all entry modes so that they will find the most profitable and suitable.

4.1.2 Strategies

According to Albaum *et al* (2005), in the 1960s IKEA was forced to expand abroad, outside of the borders of Sweden, since local Swedish furniture producers claimed that the low price strategy of IKEA was unfair competition. Instead of abandoning their strategy, IKEA sourced their goods outside of Sweden. Today they source 1800 suppliers in 55 countries. According to Bartlett and Ghoshal (1998) there was a turbulent international environment in the 1970s, which *boiled over* into the 80s. This released a reaction of new studies and recommendations telling managers how to best run their business in the emerging global environment. Bartlett and Ghoshal (1998) argue that the new strategies and new structure also derive new processes in management in order to respond to the environment. A few players have succeeded to turn the environment to their advantage while few are surviving on the market, struggling to adjust to complex and contradictory demands. The authors further emphasize that few companies entered the market in the 1980s with the flexible and adjustable organization that is required today. In order to be able to expand the business in a successful way, many companies are forced to cut down in product lines and make the manufacturing process easier. Bartlett and Ghoshal (1998) refer to one of the management and strategy manners as *global chess*. This is a game that only can be played by the organizations that manage their worldwide operations as independent units, but still guided by the global strategy. The decentralization eases the corporation of worldwide operations.

Mülbacher *et al* (2006) state that the international marketing process of a company starts with a strategic analyzes. The assessment of potential markets is based on the corporate policy. One of the most important aspects to consider is if the corporation's policy can be successfully implemented according to the assessment. The business philosophy draws from the policy and formulates the basic values and rules of behaviour, and these values and norms leads management to avoid certain markets. Countries are classified by numbers in order to narrow down the number of possible markets to enter. Every assessment process derives from the definition of the firm's business. If the statements of the corporate policy are successfully implemented, they will become the constitution of the company. The strategic analysis starts by assessing the country market where the company is about to enter. The parts important for analyzing are among others economic, social and cultural and from this assessment decisions are made. Jakobsen and Lien (2003) state that the entering strategy of a company will determine if the expansion will be profitable or not. The decision to expand is divided into different steps and they are all of importance if the company is to expand profitably.

According to Peng (2009) the expansion of companies is highly about the ever continuing search for the best location. Having a favourable location may give companies advantages. A company might have certain strategic goals when finding the best location, like finding the best and the most efficient market. In addition to the strategic goals, the company should consider the importance of cultural and institutional distance. In the first stages of

internationalization companies enter markets that are not too distant in these aspects. Entering markets that are not too distant in culture may give the company the courage and confidence to enter markets more distant in later stage. There are though theories suggesting that the strategic goals, such as market and efficiency are more important than taking culture and institutions in consideration. Companies searching for natural resources are more prone to enter countries with a distant culture. A strategy that gives competitive advantage is according to Hollensen (2008), to have specialized knowledge of the market that the company is about to enter. Specialized market knowledge and access to information is a factor that distinguishes the successful company from its competitors. This knowledge strategy includes knowledge about the foreign customer, the market place and the market situation. This knowledge comes from international researches, contacts or simply being at the right place at the right time. Woods (2001) though implies that the only way of completely knowing a country's culture is by having experienced it personally. However it is important to have employees with different nationalities in the organizations around the world. Furthermore Hollensen (2008) claims that the international competitiveness develops and takes place within the environment of the company. To be able to compete on the global and international arena, the company needs to have established a solid competitive base in the meaning of resources, competences and relations, in comparison to other actors on the arena.

According to Dahlgren (2009) IKEA always chooses its own paths, the company struggle not to follow the same stream as competition. In good times many companies expand and the market turns saturated and crowded with similar companies trying to grow strong. On the contrary, in bad times there are much more openings for companies to enter the market. When other companies are being affected and held back by economical recession, IKEA expand and grow. IKEA has during the last years continued its expansion plans around the world since the bad economical time leads to lower costs for supplies and transports. This way the company will have a head start when the bad times turn good again. According to Dahlgren (2009) it is the ownership behind IKEA that enables this long-term planning and decrease of short term economical profit.

4.1.3 Motives for expansion

Jacobsen and Lien (2003) argue that the fundamental starting point for business expansion is that it is in some ones interest. The question that follows is thus whose interest since there may be that of clients, employees, and shareholders for example. It might be a risk with expansion if the decision is not derived from the shareholder or the community. If it is only in the interest of the management of the company there will be a conflict which in long-term will hinder the company from successful expansion. Woods (2001) states that reasons why a company chooses to expand their business into foreign markets are potential growth and profit. Even though if expansion creates more risks for companies when they expand it will also generate many opportunities that a company can gain plenty from.

Woods (2001) implies that it can be hard for a company to be competitive on the domestic market. A motive to expand into foreign markets is to challenge the competition to make sure that the company will survive in a long-term perspective. The author continues and argues that there are various factors to why a company wants to expand into foreign markets. Internal factors concerning growth or resource availability are some factors that many times lead companies to expansion. Economy is a further reason for expansion, companies may for example seek to produce their products to a lower cost, if a company can produce cheaper products in high volumes they will take benefit of cost reduction and at the same time they will probably be able to sell more products. If the company has very unique and diverse

products they will probably grow and be able to sell more products if they will expand into new markets. By expanding they will find target groups that will get benefits from their products. Internal factors are not the only factors that will make an impact on a company's expansion. External factors in addition also have an effect on expansion. The macro environment of a company may have positive influences on expansion. It is easier to transport both products and people since trade barriers have been eliminated. Some areas in the world have had a great economic growth which leads to a positive impact on expansion. Technological changes have also affect companies concerning their production techniques or selling techniques. The growth of Internet-based selling has allowed many companies to sell their products to new markets around the globe no matter where the company is located. According to Bartlett and Ghoshal (1998) it is not only the economical factors that drive companies to expand globally. The preferences of the customers that used to differ between countries started to homogenize. This is derived from the companies which manages the worldwide standardization relatively easy. Thus, forces driving companies to international integration spread from organizations that easily adapt to external change, this is a force for globalization as well as for expansion of companies.

According to Hollensen (2008) there are some proactive and some reactive motives for companies turning international and expanding their business to foreign markets. The proactive motives represent stimuli that actively attempt to change something in the company environment, for example if the company enters the global market with exploitation of unique technological knowledge. The reactive motives indicates that the company reacts to pressure in its environment, on the home market or on the foreign market, the company asserts to this pressure by changing their strategies and way of working. Furthermore, Hollensen (2008) states that the forces that motivate the internationalization are found within the organization and therefore these forces are dependent on the managements' weaknesses and strengths. It is not the external environment that has the main influence of the internationalization activities, even though it does have an impact. This means that by having a management with good skills and capabilities, the expansion is likely to proceed better than if the management was not prepared for internationalization. The author though implies that there are links between the internal and external activities that encourages and triggers internationalization. Hollensen (2008) implies that the market demand is an external trigger to expansion. Growth on the market, a higher demand for products pushes companies to internationalize faster and to a higher degree.

4.1.4 Difficulties to overcome

Peng (2009) states that companies need to overcome numerous of inherent disadvantages in order to enter new markets. There are both formal and informal differences in regulation concerning this subject and local firms are already well aware of these regulations, while foreign firms need to enter a quick learning process. There is also the aspect of discrimination to take in consideration, as customers might be somewhat suspicious when it comes to foreign companies entering a new market. Furthermore Hollensen (2008) implies that the increasingly interconnected world leads to the expansion of many companies into foreign markets. This international expansion provides new and potentially more profitable markets, it increases competitiveness, facilitates product development, manufacturing development, and the latest technology. Hollensen (2008) although implies that if the company is not prepared for internationalization, it is unlikely to be successful. According to Woods (2001) there are challenges to face for organizations wanting to expand their international operations. As the freedom of world trade is increasing, the competition is also arising, there are ongoing changes in the distribution of economical activity, and there is a need for changes in the

corporate structure in order to survive in the global market. Hollensen (2008) points to the risks of expansion. Insufficient finances, knowledge, connections to the market, lack of productive capacity to dedicate to the foreign market, insufficient distribution channels, perhaps management focuses too much on the domestic market. If the management see that there is fully sufficient business opportunities on the home market, the need for international expansion decreases. Sherman (2007) states that are some different obstacles that a company need take account for when they are entering a new foreign market. One thing that a company needs to consider is language barriers. For example when a product is about to market in a foreign country it is essential to understand that some words that mean something in the home country may not mean the same in the host country. That needs to be considerate when a marketing strategy is about to take form. An additional obstacle concerning language is that a company needs to be alert when it comes to jokes. For a company that wants to use jokes in their marketing, it is crucial that they know what the host country consider funny or not. Culture is something that also can be a problem when a company is expanding. It can be important to understand that needs and wants that their potential customers have do not look the same as in the home country. To understand the target audience is a good start for a company that wants to expand abroad. When they do that they can create an offer that will match customers' needs and wants. Coyle (2009) agrees with Sherman (2007) and says that it is of great importance when a company s expanding that they understand the host country's culture, laws and regulations, language, and lifestyles. Many times a company that enter a market needs sometimes to adapt their offerings so that it will fit the host country. This due to the fact that customers' buying behaviour may vary around the globe.

4.2 Empirical data and Theoretical analysis

4.2.1 Entry modes

Mülbacher *et al* (2006) state that entering a new foreign market will be a learning process for a company. Machado was a part of this learning process since he had to move to Madrid to learn and cooperate with the Spanish organization. Machado states that it was a long process to start up the first IKEA-store in Portugal. For the first two years in the process of building an IKEA organization in Portugal, Machado and a co-worker worked together in order to establish the organization. Mülbacher *et al* (2006) declare that when a company is entering a market it can be good to compare different entry modes to what risks there might be and what mode that will fit the company the best.

*“And during the first two years I work with him in order to start the process and the company, to find a land, to buy the land, to assert the first license, commercial license, and after we start to build”
(Machado 2010-04-20).*

Commercial license had to be applied for in order to be able to build a new IKEA-store. Hollensen (2008) agrees that there are difficulties when expanding, when a company is expanding many times they might face some challenges in the process of establishing the new company. As Machado told they need at least eighteen months and up to two years to be able to build a store. Even though Machado is Portuguese he had not been living in the country for over twenty years. Machado explains that he had difficulties to understand the legal process that took place when the first store was about to be established. Fröding implies and says that another way to open an IKEA store is to franchise the IKEA brand. This means that a businessman can manage his own company under the IKEA brand. Af Ugglas indicates in the matter that many of the stores abroad are franchised which means that local persons manage

the store with support from INTER IKEA Systems. INTER IKEA Systems is part of the IKEA cooperation and is in charge of the franchising of the brand. This organization ensures that the core values and cooperate culture is spread and strengthened and they make sure that the process is IKEA-way from the beginning.

Fröding argues that it is important that there are some native people that work with the start-up process when IKEA is expanding into foreign markets. This due to the fact that people work differently in all cultures and by having a person from that country it will be easier to negotiate with the government and the whole organization will get a better understanding for the process. Machado agrees with Fröding and says that it is different to be a tourist in a country than to work in a country. In the beginning when Machado first came back to Portugal after being in France for twenty-five years he had some problems with the French mentality, he mixed the French and the Portuguese.

4.2.2 Strategies

An essential thing that Machado worked with when we first came to Portugal was to analyse the market. Hollensen (2008) implies that knowledge strategy is about the foreign customers, the host market place and the host market situation. Mülbacher *et al* (2006) agree with Hollensen (2008) and argues that when a company starts their international marketing process they will probably start with a strategic analyze. Machado had to make a strategic analyze and investigate the Portuguese market and what the Portuguese people's living condition looked like. This is in line with Hollensen (2008) who argues that if the management of a company that is about to enter a new market it is prepared and have good skills and capabilities the company will be able to succeed better than if they were not prepared. In this part of the process Machado got help from the Spanish organization, the commercial team from Spain came and helped Machado to analyse the market and to visit Portuguese apartments in order to understand the living conditions. In order to strengthen the above discussion it could be enlightened that Hollensen (2008) argues that a competitive advantage for a company that is about to enter a market is to have specialized knowledge about the market. The author continues and states that specialized market knowledge is a factor that differentiates flourishing companies from others. Machado states that Portugal and Spain was one unit at the time when Portugal opened their first store. And many decisions were made in Spain, which had an impact on the start-up process since they do not have the same culture. Fröding remembers that it was some hassles when the first IKEA-store was planned in Portugal. She says that they had problems with the landowners, she continues and says that they had to do a lot of lobbying with the government. Machado states that it was a long process when IKEA expanded into Portugal. The whole process took four years from the start to the day when they had a splendid new IKEA-store to open. Not only did they have to work hard in order to buy land and set for the construction of the store, they also had to convince the Portuguese people that it was a Swedish company – not a Spanish company. Machado explained that most Portuguese people do not want on any more Spanish big corporations entering the market therefore they had to develop a teaching strategy in order to converge the people of Portugal with the concept of IKEA. The Portuguese market, Machado explains, is saturated of Spanish banks and companies, therefore it was important for people to learn and understand what IKEA is. Once it was understood that it was a Swedish company it became very popular since Sweden has a very good reputation and is Swedish perceived as quality. Machado says that he believes that the Spanish and Portuguese organization did a very good job when it comes what they accomplished and shortly after they opened the first store in Portugal.

Fröding clarifies that is very essential to have an expansion strategy when entering a foreign market. Long-term thinking is crucial, and it is important that the company knows what they

want to accomplish in a certain market. A group that works with expansion questions needs to be assigned the task to find out what market conditions there will be. This is enlightened by Woods (2001) who states that the only way of totally knowing a country's culture is by having experienced it personally. It is important to have personnel that can establish a solid and good organization. Fröding implies that when an organization then is ready to be established on a foreign market it is of importance that people from the IKEA organization with experience go to the new market and work there for a few years. This to help the new organization to start up but also to anchor IKEA's values and believes in the new foreign market, this is reflected in what Fröding tells about when she worked in Spain a lot of Swedish co-workers with good knowledge and experience worked there to establish the culture and then they moved after a couple of years. She also says that all these parts are important to be able to establish a good and solid organization but then there are more aspects that come in to account for a successful expansion for example you need the right plot of land on the right place and a good long-term strategy.

According to Peng (2009) it is of great importance to find a good location, this might give the company that is expanding some advantages. Fröding say that an additional factor that has to be included when buying a lot to build a store on is to think long-term so if some day in the future they want to build larger they can do that on the lot and they do not have to buy a new piece of land.

“I do not think we have reached the peak yet. There are quite a few markets that are not yet developed, we are not in South America, not in Africa, we exist to a small extent in Asia. It is clear that there is enormous potential still. So far I see no limits to how much can be IKEA”²(Åström 2010-05-19).

It also needs to be considered how big market area IKEA has on the market and how many new stores can they establish on that market. Many questions have to be considered and a lot of research has to be done during the expansion process but also after they have been established. Machado adds to the matter that in Portugal there can be six to eight IKEA stores, but in the next fifteen years he sees the potential to open many more.

4.2.3 Difficulties to overcome

Machado alleges that a lot of research about the country and the culture has to be done in order to expand on a new market successfully. As they want to reach the majority of the people, they also have to be located so that the majority of the people are able to come to them. This is part of their strategic goal when expanding and opening new stores. Sometimes it seems that it does not matter how well IKEA is adapting to the host culture because people tend to travel over land borders to visit the store. According to Machado IKEA plans to open a new store, situated on the Algarve coast. Evaluations and surveys show that more than half of the concentration of potential customers will be Spanish, Englishmen, Swedes, Germans and Dutch.

Fröding implies that it is always easier expanding in Sweden or the northern countries since IKEA tend to be a money maker for the city. The city welcomes IKEA with open arms as the company tend to favour the competitive market. On the contrary, Machado enlightens that the process of expansion is long and complicated for IKEA when expanding to new, unknown,

² Own translation

territory. The expansion into Portugal took four years of intensive work, investigating the market and learning about the Portuguese people. Furthermore Machado explains the difference in language and culture will always be a difficult aspect for IKEA to overcome. Peng (2009) implies and states that when a company is expanding into a new foreign market there will be plentiful differences that they have to overcome. There might be differences in language, cultures and an additional factor that needs to be considerate is the local customers' needs and wants. The author also points at the importance when marketing products on a foreign market to understand the words. Some words might not have the same meaning in different countries. This needs to be considerate when for example a company wants to use jokes in their marketing. It is of great importance to understand the target market and how various processes work in foreign markets. Due to this fact Sherman (2007) states that customers' buying behaviour might vary depending on for example culture, religion, and lifestyles. When expanding into a foreign market it is of importance that the company understands the host market's culture, laws and regulations, and lifestyles. If the company that is expanding does that they will be able to adapt their products so it will fit their wants and needs. Fröding implicates that the expansion processes can be very difficult and a lot of political decisions take part of the process which will make it more complicated. She continues and says that in some countries the expansion process can be very long. One example she mentions is Switzerland where the cantons have a lot of power in such a process. A further example is in Spain where the government have some restrictions concerning big hypermarkets and their establishment. In some areas where there are a lot of big international stores the government do not allowed big stores open to open, this due to the fact that they want to protect the small domestic stores. Machado implies in the matter and declares that the process of expansion in Portugal also was difficult since they had no land and had to lobby in order to convince authorities.

In Sweden on the other hand there is another situation, many regions and counties want IKEA to open in their part of the country. IKEA draws a lot of people to a region and the county could get an advantage if IKEA opens a new store in their region. It leads to that other stores want to open and establish in the area. Åström states that every time IKEA is building a new store they need to consider the local authorities and they need to have them on their side to be able to expand on that market. IKEA's product line is on the other hand pretty much the same all over the world. That is something that has changed a little in the recent years. It does not mean that the products will vary that much but it can for example be some differences in colors. Åström implies that this have changed more since they entered the Chinese market. It will for example be too expensive to ship products that have been made in Europe to China. It is then cheaper to produce a common product in China and sell it on that market. Different cultures also affect the way people design their homes. IKEA is nowadays trying to look at a more market adapted perspective. A more market adapted perspective means that countries in the future will be able to choose more so that product will fit their country and culture. Fröding declares that when IKEA is expanding and opening a new store somewhere around the world most of the things will be the same as in other IKEA-stores. When a new store is built the layout and the interior design in an IKEA-store will look somewhat the same no matter where it is located. After a while when the store has been open IKEA can look at for example how people live and then adapt for example the kitchen style. According to Albaum *et al* (2005) when a company understand their target market and adapt to it they will be able to create an offer that will fit that market's customers.

Fröding continues and says that in southern parts of Europe kitchens are smaller and usually they do not eat in the kitchen. For example in Sweden kitchens are large so we can eat and

socialize with friends and family. Fröding continues and states that even if they do not change the product line they may adapt it to the culture of the country and by this promoting products that will fit their culture in a better way. In some markets for example in big cities where people tend to live more on smaller spaces they might sell more storage products. People are looking for smart storage wherever they live and whatever culture they live in.

4.3 Personal reflections

4.3.1 Entry mode

Concerning what market to enter and how to enter the market is according to us an important aspect to consider when a company is expanding. For IKEA to enter the Portuguese market it took four years which can be seen as a long time but that time was needed to be able to enter the market in an appropriate and sustainable way. One advantage that IKEA had when they entered the Portuguese market was that they had Machado as a manager for the expansion process. Even though he had not live in Portugal for over twenty years he knew the culture but not the way that the Portuguese people make business. An additional aspect that will contribute in a superior way is that he speaks the same language as the people he is making business with. These aspects are important when it comes to the expansion process and another important aspect is that he has great experience within the IKEA organization. According to us it is important to have experienced leaders that know the IKEA-way by heart, since contemporary times tend to be wobbly. Therefore we see that when entering a new country or market, leaders that are solid in the culture is good. Machado has essential knowledge that is of importance when it comes to running a store and managing a store. His knowledge is thereby important when they are in the process of negotiating with the government. He then knows accurately what they will need to be able to establish an organization and then open IKEA-stores. It would have been very hard to establish a new IKEA organization without any employees that have previous experience from IKEA. It will be easier to negotiate with the government and local landowners and at the same time when having Portuguese people in the organization with IKEA experience it will be easier to establish a solid foundation for the organization. Even though IKEA has such a long experience of expansion the expansion process in Portugal shows that even if they have knowledge about how to enter a market and experienced people there will many times be problems on the way. If IKEA do not let the expansion process take the time it needs they will probably face many greater problems after they have opened the store. This could affect the customers in a bad way which can lead to that they will not have a good experience of IKEA. That would not be any good for IKEA since their customers are an important piece for the whole company. They want to be able to reach out to the people and if they are not able to do that they lose their position on the market. According to us franchising is alternative solution when entering new markets. The advantage with it is that the person running the store has great knowledge about the market and we also believe that he or she has an advantage due to the fact they already have an existing network. One potential risk with franchising might be that the owner ignores the true concept of IKEA. It is important that IKEA is perceived as one unified concept and organization which will not make an impact on customers' experience.

4.3.2 Strategies

Just like it is important to know what entry mode to use when entering a foreign market it is also very important to try to understand the market that the company is about to enter. If they do not know what the market will be like when they enter it will be hard to expand in a successful way. In IKEA's case it is of great importance that they will understand how people live on certain market. When they entered the Portuguese market they had done a market

research which lead to that they could get a better understanding for how people live. For example employees from the IKEA organization went to a typical Portuguese apartment so that they could in a better way understand the living conditions in Portugal. This shows that the only way to get information about the people is to come close to them and visit them in their home environment. IKEA is trying to come close to their customers and by doing that they can offer products that will fit in no matter what country or culture their customers are situated. When IKEA was studying the Portuguese market they got help from Spain. Spain and Portugal was by this time one unit and many decisions were made in Spain. According to us when two actors cooperate one of them will be the leading one. In the case of Spain and Portugal, Spain had the advantage of already having an existing organization. This made Portugal fall back and we believe that this could be a reason why the Portuguese expansion process took a long time. This does not have to mean that some procedures will work in Portugal. In the case of the Portuguese expansion it is shown that IKEA had to convince their customers that IKEA was not another Spanish company that was going to enter the market. This shows that Portugal and Spain are two different countries with different cultures. A further aspect that is of great importance when expanding is to think in a long-term perspective. We believe that if IKEA did not think in a long-term perspective they would not have been as successful as they have been when they have expanded. It is important that they think in a long-term perspective when it comes to many different aspects. For example it is essential to establish a good and solid organization and that is something that takes quite some time. It is also good to be able to reach out to their potential customers and convince them that IKEA is a great company that can make their life much easier.

When an IKEA organization is about to take form on a foreign market it is vital that people with great knowledge share that to the employees in the new organization on the foreign market. To be able to establish a strong and solid organization that will work according to IKEA's values and believes it is necessary to get help from those with the right knowledge. It can be hard especially when IKEA is expanding into a new market to establish a good organization without people with experience, if they are not used to the IKEA-way.

According to us there will be much easier for a new organization to understand the IKEA-way if Swedish people will be a part of the process. This due to the fact that IKEA is a Swedish company and Swedes will understand the way of working in a better way since they are so used to this kind of culture. Then of course people with great experience from the IKEA organization can in the same way as a Swedish person communicate IKEA's core values to the new organization. The start-up process when a new organization is established is of great importance since it is then the core values are set and the employees within the organization begins to understand the unique way of doing business. One of the most important aspects when making an expansion strategy is according to us the long-term thinking, the company needs to know what they want to do on the market and how they want to accomplish this. IKEA is a great example when it comes to long-term thinking due to the fact that they consider many aspects when they are entering a market.

4.3.3 Difficulties to overcome

To understand the market is a good way to come closer to the target audience. When a company is expanding to a foreign market there will certainly be many various difficulties to overcome in order to be a successful company. Culture is for example a phenomenon that can be very hard to understand. The way that a company is making business on their domestic market may many times not work in a new foreign market. Therefore it is of importance that a company tries to understand they way that the host country do business. If they do not understand how the host community in the host country works the company will certainly be

faced with many challenges. These challenges might be too hard for the company to deal with and then the expansion will not be successful. According to us it will always be easier for a company to expand on their own domestic market but they will not be faced with challenged that they have to overcome and if they do so the company will grow and the profit will rise. This is a motive for expansion and that is why many companies turn international. On the domestic market they will not be faced with for example language difficulties or cultural crashes. Language can be a problem when a company is expanding. The meaning of a word on the domestic market may not have the same meaning on the new foreign market. For IKEA it is important to work with language, they need to make both customers and employees aware of their special language. For employees it is very important that everyone interpret words in the same way so that it will mean the same to everyone. It is also important for IKEA to adapt their language to the host market so that customers will understand their message. To be able to understand the language of their customers is also a way of getting closer to their customers. It is not that much about the talking language but it is the meaning of the language.

IKEA has the same product line all around the world. This can be seen as they do not adapt to different cultures. Even though they have started to change this a little more for instance countries can now take some decisions about products. There are some points where the country's preferences are considered. We deem that if IKEA would consider different preferences too much they would probably lose some of their core values. They would not be able to offer their customers low price furniture with high quality. Even though that IKEA do not change their product line that much they consider some aspects on the host market. They have to do that because homes do not look the same all over the world. They can do that by expose some products more that fit in the foreign market and therefore they sell more of some products on some markets. We see that in all aspects of expansion it is of great importance that a company knows the market they are about to enter.

5 CORPORATE CULTURE

This is the final theme chapter and we intend to fully give the reader the accurate picture of how corporate culture blends and changes with globalization and expansion of business. By alleging for the importance of considering different cultures and being aware of how the external environment affects the internal environment of the company, we aim to reach a conclusion. The theoretical framework is followed by an outlining of empirical data and theoretical analysis and personal reflections.

5.1 Theoretical Framework

5.1.1 Definition of culture

Mühlbacher *et al* (2006) define culture as believes, perceptions and behaviour that a group of people share. Culture can affect different parts of a society, it can have an effect on what kind of design a person likes or different attitudes toward diverse products. According to Barney (2004) businesses are challenged by globalization and the economic activities moving across territorial borders almost without boundaries. Businesses are governed by international regulations and the sense of identification with the own country, the sense of belonging, is today in many places low. The flow of people, goods and services is growing steadily and what once belonged to the nation hardly exists today, the National has become International. Barney (2004) argues that this shift has affected all levels of capitalist activities, as well as the social culture and identity for the country. Companies have been forced to drop a bit on the political, economic and cultural autonomy they have worked hard to create.

Cultural intelligence

“I was born in Braga, but I took a long trip” (Machado 2010-04-20).

This quote shows us how globalization and post-nationalism affect the everyday life of individuals working in multinational companies. By taking a long trip, and not staying put where born, individuals tend to increase the strength of the rampage of globalization and contribute to the increasing importance of cultural intelligence. Peng (2009) points to the fact that it is very important for managers to have a high degree of cultural intelligence, since the informal culture and norms govern the organizational behaviour. These institutions have a great impact on whether the company will succeed on the global market or not since it allows an individual to adapt and understand other cultures. He acknowledges that nobody can become an expert or taken for a native in a foreign country, however a genuine interest in foreign culture will ease management work. Cultural intelligence is crucial in order to understand and adapt to changing norms globally. Peng (2009) points out that the norms around the globe are more culturally sensitive and ethically demanding today than thirty years ago.

Institutions and contexts

According to Peng (2009) culture is one form of informal institution. An institution can be defined as the structure of human interaction devised by human made constraints. An informal institution is based on norms, cultures and ethics while as the formal institution is based on laws, regulations and rules. These two different institutions originates from the home country and the host country, but supranational organizations such as World Trade Organization also

influence the performance of companies in form of do's and don'ts. An institution based view of global business focuses on the interaction between institutions and firms and considers the firms behaviour as the outcome of such an interaction. The institutions communicate which conduct the company, or individual in the company, should adapt in certain situations and thereby reduce uncertainty. They are however not static, institutions change. The force of institutional transition is widespread in the world, especially in the emerging economies. An institutional transition means that fundamental and comprehensive change is introduced to the informal and formal rules that the companies and individuals in the companies need to conform to. The author refers to Swedish a manager working for IKEA in Russia that once said that Russia is like a rollercoaster.

*“...you don't know exactly what will happen tomorrow”
(Peng, 2009:32).*

Peng (2009) implies that this though did not stop IKEA from investing billions of dollars and operating eight megastores, in Russia. Much of global business is affected by the context, the cluster and dimension approaches to cultural differences. There is high-context, and low-context cultures and these are the fundamental conditions where interaction takes place. Low-context cultures are for example European countries as these cultures do not have much reliance to the unwritten word, the unspoken context. On the contrary, in the high-context culture communication relies on the unwritten context as much as the written. Context is an important aspect of understanding organizational culture, as it differs between countries and to be able to negotiate between the contexts, organizations need to have a deep understanding of how the other part interpret for example gestures and unspoken communication. According to the author, there is a dimension approach to the understanding of culture and its influence on organizations. The dimension approach recognizes the fact that in all contexts, and all clusters, in one cluster there are many countries with somewhat similar cultures, there are different dimensions. By analyzing all dimensions, limitations are erased and a greater understanding can be built.

Sources of corporations' culture

According to Hill (2005) corporation culture springs from different sources. Leader's impact on values that are implemented in the company and the national culture in context, the social culture, are two important factors in determining an organizations culture. The author also implies that leaders with impact not necessarily need to be the founder of the company. Dahlgren (2009) implies that due to changing times and a strong headquarter in Holland, the presence of Kamprad is decreasing. As a consequence of the decreasing contact between the co-worker and the founder, less and less people refer to him as person but more to the IKEA values. The IKEA way grows more important as the presence of the founder decreases. The problematic aspect of relying to the IKEA way and the values is that the meaning of these aspects shifts over time. Leaders' impact on the organizational culture and the inevitable impact the founder has on the culture is something that can be discussed from several views. According to Bartlett and Goshal (1998) companies need to understand its history and be clear with the background of the company in order for the administrative heritage to proceed in a successful way. Further on, Bartlett and Goshal (1998) mean that among the forces shaping the organizational values, norms and practices, it can be found that the impact of leadership, the impact of home country culture and the organizational history are the greatest. The way of working, the corporate way, is often derived from the founder. Lewis (2006) reveals that the values and thoughts about the corporate culture that Ingvar Kamprad had in 1976, he put into blueprints and these very same ideas and thoughts are still handed out to

new co-workers in the organization. According to Bartlett and Goshal (1998) the choices and decisions that are made today unavoidably influence choices and decisions that are yet to come. This influence, the authors say, are above all important for international companies.

A history telling culture

Mühlbacher *et al* (2006) argue that there are three additional factors that make an organization unique; *rituals, heroes, and symbols*. By using these factors the culture can be understood and explained. Jackson and Carter (2002) though imply that all usage of symbolic way of communicating has its complications. The interpretation of these rituals, heroes and symbols are all arbitrary and the interpretation depends on who the sender is and who the receiver is. There is nothing stated that one symbol has to sign a certain thing, clear examples of this is the difference in meaning of different colours, or manners. Acting one way in one culture may be inappropriate in another.

Rituals are common activities for example a business meeting, these rituals are a way of spreading the norms and behaviour that an organization has. Rituals are also a way to get together and build stronger bonds within the organization. Kamprad states IKEA's core values and some important words that have a central role in the organization. In the booklet Kamprad states that IKEA's emotive words and values have a great importance to the organization. One of the first words that are described in the booklet *A furniture dealer's will* is humility which is all about respect. Respect to competitors and their knowledge which leads to that IKEA always has to be better so that they not will loosen their market share to them. Mühlbacher *et al* (2006) argue that heroes are people that can either be dead or alive, these persons symbolize the organization and they are ideal for what an employee should act like. Symbols can be language or logos, these symbols have a meaning for those who work within the organization. In the booklet *A furniture dealer's will* Ingvar Kamprad states all the important words that have a powerful meaning within the organization and for the employees and declares for the values, norms and informal rules of IKEA. According to Firat and Schultz (1997) the postmodernist meaning is that all social experience is founded on a narrative, or in other words, a story constructed by a social group and its life, conditions and requirements. This story is believed and followed by the community and thereby turns into social reality. Therefore it can be said that postmodernism is open and tolerant of all narratives.

For many years, IKEA has been a pioneer when it comes to intern storytelling. Telling the story about IKEA gives the personnel the right comprehension and deeper understanding of the company culture and their underlying values, so that they will act the IKEA-way. In the recent years, education for new employees has been established where they learn about the IKEA-way and the history of IKEA. This due to that new employees should learn from the beginning how to proceed and be a god employee. According to Lewis (2006) the "IKEA-way" means that the employees are given some kind of freedom in their performance but predicted that they always consider if they are acting according to the "IKEA-way". Lewis (2006) writes that it can be described as a simple outline for a piece of furniture from IKEA, a flat package that is left to its destiny it is then up to the employees to pull it together. The author continues to say that the employees are given a lot of responsibility but at the same time a lot of freedom. They have a goal that they need to reach but how to reach it, it is up to each and every IKEA- store. Lewis (2006) argues that IKEA is an organization that is tolerant to mistakes every employee should know what is wrong and right in different situations. If a mistake is made the employee should learn new things about that and then in the future make better decisions to avoid the same mistake. In the IKEA organization it is important that employees try different professions this will give them a greater understanding for each other

(2006). Lewis (2006) argues that the language and the Swedish culture are essential aspects for IKEA's internal communication and way of working. One way to keep Swedish traditions that IKEA work with is for example to celebrate feast traditions. Midsummer Eve is a Swedish tradition is celebrated around the world at IKEA stores. The bigger IKEA gets it is harder to maintain the culture in particular since IKEA is such an international company. One of IKEA's strategies is to offer same products all over the world. They consider that if they change their offerings to the country they operate in they will be to similar to local stores. They will then loose the idea of being different and unique. IKEA is not only selling products around the world they are also selling their philosophy, this is how we do it in Sweden.

5.1.2 Difficulties to overcome

According to Hollensen (2008), culture is the most obvious source of differentiation between countries and international markets. Some aspects in culture are easier to overcome than others. For example, the obstacle of language can be reduced if parts involved in the expansion know how to manage a common language, English for example. Stenebo (2009) tells that during the last decades, IKEA has developed its own language, a mixture between Swedish and English terms. Also typical for the IKEA organization according to Stenebo (2009) is that the jargon among the co-workers, never among the highest executives, is a vague and unclear language. Furthermore Stenebo (2009) declares that this is a consequence of the Swedish culture, our way of never really taking a stand for, or against, something. Parts that appear more difficult to overcome are the aspects of values and underlying attitudes. The culture develops slowly and these cultural differences do not have to be visible, it is more likely that most of them are subtle under the surface. Hollensen (2007) means that for a company that is expanding it can be hard to understand and work in an environment with different cultures. It can be hard for example to understand the underlying attitudes and values that might occur in a business situation. This is how the learning and adapting to the IKEA culture could be explained. Hollensen (2008) outline what could be seen as the most important characteristics of culture. Culture can be learned, this means that people in groups transmit their culture from generation to generation. Furtheron, Hollensen (2008) argues that culture is interrelated, meaning that one part of culture is connected with another part, and they are dependent on each other in development, for example, business and social status. Finally, Hollensen (2008) argues that culture is shared, values and underlying attitudes are shared with a group, and passed on between the members. Furthermore Hollensen (2008) states that the best way of defining and analyzing cultural influences is to examine the cultures in a matter of high and low context, with other words, analyzing whether the company comports to the spoken language or the unspoken language. The fact that MNCs need to overcome whatever constrains that communication between high- and low contexts might imply, is a question of management of national differences, the greater the difference in context, the harder it is to communicate. Dahlgren (2009) though implies that since the head office, which is located in Holland, leads to a partly more centralized management which makes the network of contacts that Kamprad has worked to build less important.

As Bartlett and Goshal (1998) pointed out, the core values derive from the founder and it is for the coming leaders to pass it further to others involved in the organization. Here Hill (2005) points out that even if the founder has an effect on the values, it is not necessarily the founder that passes them on. The author does emphasize that it is much more difficult to change the culture, the values and beliefs, no matter how strong the leader appears to be. Continuing to describe the elements influencing the corporate culture, we see that the corporate culture in the social culture, takes on a certain form. The apple does not fall far from the tree and most corporations are results from the social context in which they were founded

National differences

According to Mühlbacher *et al* (2006) organizations have their own culture due to the fact that the organizations are composed by a group of people. Many times the corporate culture depends on the national culture where the organization has its headquarters. According to Hollensen (2008), the behaviour of the members in the company becomes very important when the organization goes international. When people with highly diverse cultures and backgrounds meet and integrate in the organization, this creates a new common framework from the different layers of culture. This framework is meant to provide an understanding for the various differences in behaviour, and their decision making process when doing business. According to Hollensen (2008) the national culture establishes the values that influence the industry and business culture, which in turn determines the culture of the company. The national culture gives the overall framework of legislation for business activities, the business and industry culture implies that every business has its own way of conduct within a certain competitive framework. Occasionally the frameworks overlap, but the organization should be able to clarify which business it is in. Here the behaviour is similar across borders since industry culture is much related to branch of industry. The company, Hollensen (2008) proceeds, is often containing subcultures of various functions, these functional cultures are expressed through shared values, beliefs and norms of the members of a function within the organization.

Cultural distance

Mühlbacher *et al* (2006) define business culture as all cultural issues influencing business behaviour. It is very important for a company that is operating in a country with a different culture than the organization is used to, to adapt to the culture they operate in. If the organization has problems with adoptions it can be a disadvantage for them and the local business then have an advantage on the market. Albaum *et al* (2005) also imply about cultural distance, conforming to the importance of taking the aspect of cultural distance in consideration. To take in consideration how close the market area is to the marketers' home country. Even if the geographic proximity is important, other variables such as psychic, cultural or psychological are becoming more and more important. These three concepts have though started to become interchangeable and psychic distance, as it is viewed now, is another name for psychic distance. Psychic difference refers to the difference in the perception of need and offer and is strongly affected by the culture. The difference between psychic and cultural distance is according to Hollensen (2008) the macro cultural level of a country and is defined as the degree to which cultural values in one country differs from another. The psychic difference refers to difference in the individual managers' perception of the distance between the home market and the host market. This is a highly subjective interpretation and cannot be measured in the same way as level of education, religion, language and so forth. According to Hollensen (2008) the understanding of manners and customs are extremely important when entering in negotiations between countries. Interpretations made solely on an individual's own references may lead to incorrect conclusions, to be able to communicate abroad one needs to know how to communicate.

Woods (2001) implies that organizations need to avoid cultural misunderstandings in order to be flourishing on the international market. Since organizational culture is characterized by the national culture and the beliefs and behaviour of the people, it is clear that also management styles differ from one country and another, even though there are some common aspects. Woods (2001) alleges that in order to analyze the implications for management, the differences can be narrowed down into clusters. These clusters demonstrate similar behaviour and might facilitate for the business person. Peng (2009) though argues that the usage of

cluster is risky, as it might facilitate too much and make the importance of different nation cultures and its characteristics fade away. Woods (2001) also takes this aspect in consideration when implying that it is dangerous to make assumes that are too generalized. Further on the author states that the only way to get full knowledge about a countries culture is by personal experience.

As earlier stated, nations are clustered in high- and low contexts and these contexts managers need to be aware of, if negotiating and operating cross borders. Geppert *et al* (2002) mean that the low context perspective sees structure of corporations as a consequence of the market, thereby seen as multiunit business enterprises. This is seen as the dominating, homogeneous pattern of organizing. Low context cultures also put emphasis on the importance of information technology and imply that all human beings are common in their need and how they are motivated. The high context perspective sees organizations as institutions well-established and highly embedded in the national culture. National cultures and institutions very much influence organizations and MNCs emanating from another context. Further, Geppert *et al* (2002) state that globalization strengthens the argument of low context perspective, as globalization tend to lead to homogeneous markets and organizations, as well as standardization of market conditions and management of human resources. Conversely, globalization also makes the difference between national cultures more visible as it often brings different context closer together.

Once again the question of national differences becomes important as Hill (2005) stresses that a culture that lead to high performance in one culture and country, might be seen as unfamiliar and be seen with a slight distrust when attempting to implement it in another context. The need for a culture that is universal and applicable for all subsidiaries and the entire network depends on the organization, and the strategies it uses. A common culture and shared norms and values will however ease the informal communication and lead to a more effective way of operating.

5.1.3 The importance of shared culture

According to Mühlbacher *et al* (2006) it is essential for a company that is expanding abroad to share the same corporate culture. When a company expands and hires people with different cultural background it is crucial to work with the same framework of norms and values. An employee that works in one place should act the same when it comes to norms and values as an employee that works in another country. Hill (2005) stresses that in a strong corporate culture, the majority of managers' share values and norms concerning the way of doing business and how this way should develop. Having a strong corporate culture, new employees are more easily integrated in the company and its way of working. Further on, Hill (2005) points to the fact that a strong culture is not necessarily equal a good culture. The culture, as stated earlier, depends on the context and the appropriateness of the culture depends on the social context. What was seen as a good culture in the middle of the 19th century is not the same as today, as external factors affect the organizations to a much larger extent. A strong culture is often associated with a certain way of working and a certain way of being.

The more differentiated organizational units, the more difficult it is for managers to make goals and objectives understandable, meaningful and implementable. According to Bartlett and Goshal (1998) management need to continuously reinforce and elaborate the core vision of the company, so that it never fades or fall out of focus. The grand visions need to be translated into understandable and action-friendly objectives. The authors Bartlett and Goshal (1998) declare the importance of managerial commitment in order to overcome the

international pressures and constraints that transnational and global companies are affected by in today's society. Without this commitment to implement visions and objectives, companies will lose their unified values. This vision must be shared by all people involved in the organization, otherwise there will be confusion and in the long run inefficiency and a decrease in competitiveness. Hill (2005) though implies that a little bit of inconsistency is to prefer, as it shows that there is life in the organization, it is a vital sign to have a little bit of discrepancy. Bartlett *et al* (2004) imply that corporate leaders and managers accept that national culture does have an effect on the softer aspects in the company, in other words the values and norms. They are thus less convinced about the effect on the harder aspects of the organization, the structure and so on. According to Hill (2005) the culture of the firm must be reflected in the structure and the architecture of the organization and all elements need to be in coherence with each other in order for them to be perceived as reliable and trustworthy, this also lead to efficiency and superior performance. Bellin and Pham (2007) imply that leaders all over the world are being more and more concerned with the corporate culture as competition is growing and the pressure is increasing on companies to stay presence on the global market. Widely shared values and beliefs make it easier for companies to translate their values into practical and understandable guidelines. These shared mindsets create a common identity, which makes it easier for companies to share with new employees when entering new regions and it facilitates to focus on shared goals. The shared mindset forms a strong link that makes it possible for organizations to communicate their values by clear decisions, actions and results.

Bellin and Pham (2007); Hollensen (2008) and Mühlbacher *et al* (2006) all argue that focus on creating a solid corporate culture is especially important for companies expanding international as mindsets in the long run help companies to develop a unique way of operating. Bellin and Pham (2007) stress that when the right mindsets are implemented throughout the organization, managers are able to communicate, plan and implement strategies and activities on a global scale. This unique way creates opportunities for the culture to be codified and thereby easier to share among new employees when entering new regions, it facilitates operations in diverse cultures. By developing shared mindsets, managers at all levels and in all regions are able to focus on the same common goals. It facilitates to understand and accept tradeoffs involved in structuring a company to compete internationally. Furthermore, Bellin and Pham (2007) emphasize the importance of having a corporate culture that can overcome the national, cultural and linguistic boundaries that will appear, and that will make a barrier to success, leaders must work to reinforce similarities across the global organization. It is often the managers closest to the operations that are responsible for translating the shared values and the mindsets into local practices. Thereby they need to be able to handle the organizational changes that come along with internationalization and be able to articulate and implement the restructuring that might be entailed. In other words, the managers close to the operations need to be in coherence with the goals of internationalization and the means by which it will be achieved. This will create a competitive advantage and according to Bellin and Pham (2007) managing and creating a solid corporate culture will be the key factor that separates the winners from the losers.

Hatch (2002) questions if it is really possible to control and manage cultures to whatever extent. Some research avows that if culture affects behaviour through norms and values it should be possible to shape these aspects in a way that is preferable to the organization. One of the means to do this is hiring personnel that have norms and values that comport with the ones of the organization. Other research implies that it is not possible to control and manage the culture, since this is something that is very profound set in assumptions and approaches

that are taken for granted. Bartlett *et al* (2004) imply that the multinational mentality develops as managers start to recognize and emphasize the differences among national cultures and markets. By implementing a multinational mentality, the approach to their operations turns more flexible in terms of strategies and management. The practices turn more sensible to the national markets as they enter new regions. Furthermore, Bartlett *et al* (2004) state that the strategies developed are multinational as the world wide strategies are based on the multiple and nationally responsive strategies of the companies' worldwide subsidiaries. Companies with a multinational mentality often tend to be managed by highly independent entrepreneurs, often nationals from the host country. These have the specific knowledge of the host market and can use their knowledge to build significant local growth and independence from headquarters. Andrén (1997) allege that the term corporate culture is a rather diffuse phenomenon and is as most tangible in the way of behaviour in the company, but also at an external level. Furthermore Andrén (1997) states that successful companies these days have an outstanding way of creating their own personalities inside the company by educating and training personnel. According to Stenebo (2009) the culture of IKEA was established in the very same moment Ingvar wrote down the nine dogmas that were to become the ground pillar for the culture of IKEA. Before these nine theses, Ingvar was a strict business man, a man of his time Stenebo (2009). Just as Sweden was changing and the Swedish welfare state grew, Ingvar changed his appearance and way of being in order to be perceived as a laidback leader. Stenebo (2009) implies that the founder of IKEA has always had the capability of seeing changes in society and adapts the business and leadership according to these changes.

International Human Resource Management

Woods (2001) implies that Human Resource Management is a way for organizations to gain competitive advantage. As all people are different in many aspects such as behaviour and beliefs, so too are companies. Thereby it is not possible to prescribe a best practice-approach on how to handle personnel and the human resources of the company. As stated earlier, management style differs from one g culture to another and this will also apply to their human resource management. Woods (2001) states that the staff is the most important resource for the company, as it is essential to exploit other company assets. Therefore international businesses need to pay close attention to how they handle their staff across the world. According to Woods (2001), international human resource management is about recruit, train, and reward the personnel that operate in more than one country, and understanding that these aspects are going to evolve and change over time. This is done in a variety of different cultural contexts and the department in charge of these operations, the HRM-department, needs to be sure that managers have a clear understanding of the staff, in both cultural and linguistic aspects. The approach to HRM that admits that the choice of strategy is dependent upon external and internal factors is a contingency theory. It is the external and internal factors at each location.

Hatch (2002) implies that there is always more to a company than is obvious at first recognition. Technical, social, and physical structure are important element, but in the postmodern time that we find ourselves present in, processes and relationships are getting more and more important in the company. The organizational culture, the corporate culture, is formed by processes performed by different actors in the environment. These different operations are performed by the personnel, which makes them a very important aspect in defining organizational culture. According to Stenebo (2009), IKEA has clear guidelines on how the new employee is expected to behave, these guidelines are an important part of the overall corporate culture.

5.2 Empirical data and Theoretical Analysis

5.2.1 Definition of culture

Louise af Ugglas states that the definition of the IKEA culture is outlined in the nine dogmas Ingvar Kamprad outlined in 1976, *A furniture dealer's will* is still very important in order to keep a genuine and strong corporate culture. Fröding explains that in order to keep the genuine and strong corporate culture new employees have to go through an introduction when enter the organization. During the introduction new employees get several brochures with IKEA's core values and information about the founder Ingvar Kamprad and his vision of IKEA. All new employees get the brochure "*A furniture dealer's will*". In this booklet which was written in 1976, Kamprad gave account for IKEA's core values and important words that have a central role in the organization. The culture of IKEA and the importance of powerful words in the organization are based on the booklet. Af Ugglas continues on and says that IKEA has for many years worked to create ONEIKEA, the core values and believes are a fundamental part of this regardless if you work in Sweden or in another country. Åström means that the culture of IKEA is influenced by values that are typical for the small town. It is a simple culture where people throughout the organization are at the same level, everyone listens to everyone and are able to say their mind. One thing that is very characteristic for the culture of IKEA is the cost mindfulness. According to Åström this is very important and clearly originates from the small city mentality.

The definition of culture is as Mülbacher *et al* (2010) explain the unified believes, perceptions and behaviour that a group of people share. It is part of our society and influences the everyday life of people. As businesses today are challenged by the comprehensive post modern phenomenon *Globalization*, Barney (2004) implies that businesses are governed by international regulations and the sense of a common national culture is in many places low. IKEA though works hard to keep a thoroughgoing culture but according to Åström there are notable differences between co-workers from different countries working in the same IKEA organization. The national culture is deeply rooted in the individual and it is hard for a company to take away. Despite this, Barney (2004) furthermore implies that the national has become the international and national companies are forced to give up some of the political, economic and cultural autonomy they have worked hard to create. According to Machado this is met with resistant from the national companies and when entering a new market IKEA strives to teach the individuals about the concept and culture of IKEA. This is to minimize the resistant and a part of long-term strategies. Not only is it important for IKEA to teach about their culture, according to Machado it is also crucial for them to learn about the new culture where they intend to open a new store. This decreases the cultural distance and increases the cultural intelligence.

Machado explains the difficulties he had to face when coming back to Portugal after long time in France. Even if he emphasizes the importance of changing culture and country if you have the chance, he also implies that meeting and understanding a new culture is all but obstacle free. Getting to know how people live, and what their daily routines and preferences are is hard work – especially if you come from another culture. As many of the people working in the IKEA organization change country and culture this multicultural and the transfer of human resources aspect becomes part of IKEA. This is something that the organization has learned to cope with and to encourage. Machado implies that IKEA is a fantastic opportunity for people to learn about other cultures and countries. He also argues that in the future the movement of people and the importance of cultural intelligence will increase. Machado describes the importance of being able to move around the world and work in different parts of the world

and also in unfamiliar cultures. Fröding agrees with Machado and says that since IKEA is such an international company many employees are moving around to different stores. When a new IKEA-store is opening, employees from example Sweden go to the new store for some years in order to help and implement the core values of IKEA and thereby strengthen and make sure the corporate culture is sustained.

In the case of IKEA, Machado argues that the Swedish values are very easy to adapt to, since many people tend to think good things about Sweden.

*“Swedish is quality, Swedish is trust, Swedish is family, Swedish is democracy, you understand? This symbol, Swedish, is very strong”
(Machado 2010-04-20).*

According to Peng (2009) the force of institutional transition is widespread through the world, especially in the emerging economies. This means that the fundamental and comprehensive change affects the culture of companies and human beings. This is strengthened by Fröding who states that the culture of IKEA is based on values that makes the culture stand strong in a time where change is the only constant thing. The vision of IKEA is tightly connected with the business idea and this makes them strong.

According to Machado the source of the IKEA culture is the Swedish values, and as Fröding implies the core values are naturally inside of us.

“IKEA is Swedish and there is much that is in the culture of IKEA that is linked to our roots in some way, this is not so much rocket science, really”³(Fröding, 2010-05-07).

Fröding implies that IKEA is a Swedish company and a lot of things in IKEA's corporate culture come from our roots and it is very natural for us. The Swedish culture is something that we Swedes are very familiar with and we might not see IKEA's way of doing business as revolutionary as many other cultures might do. Machado ads that the Swedish culture is important for the corporate culture of IKEA since Swedish values intertwine with the corporate culture. IKEA is communicating the Swedish culture through different campaigns for example midsummer eve. Since the corporate culture derives from the national culture, it is as Åström argues, the Swedish co-workers often lead the way for the others to follow, they communicate the core values of IKEA by the way they act. Åström implies that they often have visitors at the office in Älmhult, in order for workers around the world to see where the culture springs from, and thereby be able to share it and adapt more deeply to it. By seeing where the values come from they also turn more realistic.

Also an important aspect of the origin of the corporate culture of IKEA is of course the founder himself, Ingvar Kamprad. According to Åström the spirit of Kamprad is still strong, even if the company has expanded globally. The strong and encouraging spirit of Kamprad enabled for the company and the co-workers to be innovative and find new solutions to new problems arising with time. It is part of his spirit, to never be fully satisfied but always striving forward. Fröding agrees with Åström and describes the founder of IKEA as a good example of a hero. Kamprad is a living legend and he is still a part of the organization even if

³ Own interpretation

he has reached the age of 84 years. Fröding continues and says that many people within the organization probably have a picture in their minds together with Kamprad. She declares that Kamprad is a very vivid person who knows exactly what he wants and he still makes a lot of decisions even if IKEA has a new president and CEO, Mikael Ohlsson. There are many stories about Kamprad and as Åström implies the founder is present everywhere, even if not in person. Dahlgren (2009) though implies that the headquarter in Holland is growing stronger and the presence of Kamprad is decreasing the IKEA values are more often referred to and the IKEA way is growing stronger. Fröding believes that Kamprad is trying to anchor his life work so that in the future when he is no longer with us, the company will have the same vision and values, it can be explained as Machado states

“With our new leader, like Mikael, there is no risk, because he is a good ambassador for IKEA, and we need good ambassadors, this is why I think we need to continue... But we need IKEA values on top of the organization” (Machado 2010-04-20).

Furthermore Fröding implies that one thing that is important is that IKEA will have leaders that will continue to direct the company in the same way as Kamprad. Trust is another essential thing that is very important, Kamprad need people that he can trust and believe in. The problematic aspect of relying to the IKEA way and the values is that the meaning of these aspects shifts over time. As Lewis (2006) declares, the values and norms of IKEA originate from 1976, when Kamprad put the nine dogmas into blueprints. These very same ideas and thoughts are still handed out to new co-workers in the organization, this is something Fröding means helps conveying the culture into the new stores of IKEA opening up around the world.

5.2.2 Difficulties to overcome

According to Åström the IKEA culture is always present in Älmhult, but out in the big world IKEA needs to work harder in order to implement the culture and keep it as a constant present factor. This is strengthened by Hollensen (2008), who states that culture is the most obvious source of differentiation between countries and international markets. Åström implicates that they are not always met with understanding in the real world, therefore adaption need to be made and the Swedish mentality sometimes have to take one step back. He emphasizes the need for compromising and blending the local method with the methods of IKEA. As Hollensen (2007) proposes the expansion of a company put hard pressure on companies to work in, and understand, the new cultural environment. Additionally, Machado declares that business is made differently in all cultures. Hierarchy is a very common phenomenon in many countries and organizations, in many cases leaders think that their way is the only way. Machado continues and says that in the IKEA organization the co-workers are encouraged to have ideas and say their mind.

Woods (2001) agrees with the previous discussion and confirms that since organizational culture is characterized by the national culture and the beliefs and behaviour of the people, it is clear that also management styles also differ from one country and another, even though there are some common aspects. Af Ugglas declares that IKEA has global Human Resource strategies, even though this has to adapt to some extent, to suite the formal institutions of countries. The underpinning norms are though the same in the entire organization. Fröding adds to the matter and explains that the management of human resources depends on the need in the host market, if there are many stores in one country the human resource strategies turns more complex.

Fröding explains that different cultures demands different type of leadership and different degrees of authority. As she has worked long periods in cultures different than the culture from where IKEA origins, she clearly see the difference. In other countries the leadership must be more tight, more authority, while in Sweden the leadership is more informal. Though it is implied by Åström that since it is part of the IKEA values that everyone is supposed to be on the same level, and the level of bureaucracy has to be kept low and under control, the cultural differences between countries need to be under attention. On the other hand, Åström is of the opinion that in Europe, IKEA has managed to implement the culture and make sure workers understand the meaning of a more informal leadership and way of communicating. Fröding points to the fact that the leaders have to be a good example of how to implement the culture into tangible actions in order for the culture to stand strong and develop in the right direction. Kamprad is a very vivid and determined leader and Fröding highlights the good example and role model he is. Hence, Machado states that he does not see any obstacles in the fact that Kamprad is not involved as much as before. He continues and states that the present president and CEO, Mikael Ohlsson, is a good ambassador for IKEA, therefore Machado does not see any problems with the fact that in future there might be less Swedish people working in the top of the organization. He states that what kind of nationality the leaders have is not the most important, the essential is that IKEA's values and believes still remain in the top of the organization.

Fröding has experience of working at IKEA in both Spain and Sweden and emphasizes that all countries have their preferences and believes. She stresses that there is often a difference in the working process between countries. Additionally she says that in Spain for example, where she has been working for many years, a leader has to be clearer and follow up more through a process. They have a very high working moral in Spain and they have a lot of enthusiasm but the way of working and motivating differs. Managers need to work more thoroughly when implementing the value based words of IKEA, and this implementing process need to be followed up in order to be assured the employees fully understand what it is all about. The explanation of cultural differences in leadership Fröding gives, is supported by Hollensen (2008) that argues that the corporate culture grows into a central role when expanding abroad and entering negotiations with other countries. Machado agrees with Fröding and says that people works in different ways around the world. That is why it is so important to communicate IKEA's values and norms from the beginning. Hollensen (2008) though emphasizes the danger if interpretations are made solely on an individual's own references, since this might lead to incorrect conclusions. As Machado argues that it is important for managers, and co-workers, to travel and learn about other cultures in order to be able to interpret situations occurring between cultures and to be able to understand other people. He also explains that it is not easy to adapt the mentality in a new culture, it takes a long time.

According to Mühlbacher *et al* (2006) it is very important for a company that is operating in a country with a different culture than the organization is used to, to adapt to the culture they operate in. If the organization has problems with adoptions it can be a disadvantage for them and the local business then have an advantage on the market. Seen to the products, that are the main concept of IKEA, Fröding indicates that they do not have to change their assortment too much in order to suite a country's preferences. If they would change the assortment for every market they would lose their ability to offer products at a good price, which is the core vision of IKEA. They would not be able to cut prices like they are able to now when they order huge amounts of products from a producer which lead to a reduced price. She continues on and implies that people are different but they have the same needs and wants. Everybody needs to

get up in the morning, they need food and water and at night they go to bed. That is the same with furniture and home styling.

5.2.3 The importance of shared culture

Fröding says that when new employees are hired they have to go through some introduction days. During these days the new employees get different brochures with IKEA's core values and information about the founder Ingvar Kamprad and his vision with IKEA. All new employees get the brochure *A furniture dealer's will*, a booklet which was written in 1976 by Kamprad, founder of IKEA. Besides education and introduction, Fröding argues that it is very important that the person being recruited is capable of sharing the values of IKEA. She proposes the importance of the person's individual values being consistent with the core values of the organization, otherwise there will be a conflict between what that person expects and what is truly given. When recruiting people that holds the same values as IKEA the organization will be strong from the inside, and people will work in a unified way.

Hollensen (2008) argues that culture is shared, values and underlying attitudes are shared with a group, and passed on between the members. As Åström explained, the Swedish co-workers often take on the role as pioneers of the corporate culture of IKEA, but Fröding also implies that all new co-workers are always very enthusiastic about working at IKEA, this facilitates the implementation of the culture. Also, IKEA has standard material that are provided to every new worker, material that the worker read, watch a DVD, and absorb in order to get an understanding of not only the culture of IKEA, but also the culture of Sweden. This she says has developed during the years, earlier there were not as much tangible material to use in order to communicate the IKEA culture. Further on Af Ugglas tells that the way of handling their co-workers has developed due to the change in society, but the nine dogmas are still durable and constant. She also emphasizes that the values and norms are in this way handled out to new recruits. Furthermore she implies that these values are often painted to the walls in the lunchroom, and the name for the conference rooms and meeting rooms refer to power words, such as *Simplicity* or *Together*.

Fröding means that it is essential that core values and beliefs get anchored in the organization. She continues and says that it is not all about knowledge it is also about an employee's values which needs to be coherent with IKEA's corporate culture. In order to keep co-workers motivated and the IKEA culture alive, Kamprad sometimes visits the stores and his presence is a motivation factor for many involved in the organization. Fröding tells that Kamprad takes time to talk to people working in the store, visitors at the store and not least the truckers delivering products to the warehouse. This she implies, is a strategy in order to establish the culture further more and ensure that when he is no longer among us the culture will still stay strong. Everyone has their role in the organization and that it is essential that all employees know their responsibility. Everyone needs to be responsible so that IKEA can reach their goals and therefore also expand to new markets. Af Ugglas explains that there is an IKEA museum in Älmhult where visitors can take part of the amazing history of IKEA and thereby the culture is communicated in a more involving way.

5.3 Personal reflections

5.3.1 Definition of culture

From our perspective, IKEA has worked up a strong corporate culture, a corporate culture that is directly derived from the national culture of Sweden. The beliefs, perceptions and behaviour of the IKEA co-workers are affected by the fact that the founder of IKEA originates

from a small town and the everyday life in that town. As the phenomenon *Globalization* takes strong hold of companies, both national and international as stated in previous text, tangible and intangible resources are floating across borders. As for IKEA, they have expanded mostly in Europe and as stated this facilitates the flow of resources, but also the flow and spread of elements affecting their corporate culture. Since co-workers in IKEA are highly encouraged to travel and change cultural environment, they are part of the resources coming from the external environment entering the internal environment of the national IKEA. Even if they are taught and well aware of the corporate culture of IKEA, they still hold their own personal ideas and values close at heart. Since nobody can become an expert on the foreign culture, one must presume that the only experts in the corporate culture of IKEA are the Swedish people. Cultural intelligence is important for all co-workers to have, and develop, in order for the culture to grow strong. We see that cultural intelligence is of great importance for the company due to the aspects of resource dependency from international suppliers. The capability of the workers to adapt to different cultures helps strengthen the corporate culture of IKEA. As IKEA keeps expanding, we believe that the importance of implementing the culture always will be solid, but where IKEA already is deeply set the culture is always present.

As we see it, the meaning of the values and the power full words that make out for the culture of IKEA, change over time. What is cost efficient today might not be tomorrow. And since the culture of the company is attached to the culture of Sweden all changes in the image and how Sweden is perceived will in the long run affect IKEA. The Swedish values are of great advantage for IKEA since they are easy to adapt to. One of these values is that everyone in the organization is at the same level. The picture of an informal leadership and the flat organization makes it, according to us, easier to communicate the values and norms of behaviour to the workers since they are more open to directives if these are communicated in a more informal way. The sense of being at the same importance for the company as the boss, at least in the lunchroom is a great motivating factor. Another reason why IKEA's corporate culture is so accepted and shared by the employees is that it is implemented in the whole organization and not just among the ones that work on the floor in an IKEA-store, everyone must follow the dogmas, and the leaders have to be a good example.

5.3.2 Difficulties to overcome

According to us the main difficulty that IKEA has to meet proactively in order to stay strong is the difficulty of cultural and national differences and at the same time balance adaption of culture with the keeping of a firm and genuine Swedish IKEA culture. IKEA is still rather small in other continents where the cultural distances are as biggest but there are still noticeable differences in Europe. One of the norms of IKEA is to listen to everyone, at all levels. If the IKEA organizations continues to encourage reversed knowledge transfer and the ideas of the workers on the floor there will be knowledge and influences from the national culture affecting the organization as a whole, but it needs to be taken into consideration that part of the IKEA-way is to listen and be open minded to others.

Also different cultures require different types of leadership, as the structure of IKEA is worldwide spread it also involves management with different levels of authority and formality. The typical leadership we see in Sweden is the more informal that builds on open communication and the equally treatment of everyone. This is a cost saving leadership since there are no costs for bureaucratic control mechanisms, which make the informal and open leadership in double naming suitable for IKEA. IKEA has cut some risks of cultural distance among management by developing their own suppliers and a network that is built with the

IKEA corporate culture from scratch. It is important that the culture in an informal and open way is derived from the top of the organization, as long as the nine dogmas are solidly implemented among the management they can control the changes and the post modern influence on the global market. There are different opinions of the importance of Swedish people in the top organization.

It is important that the implementation of the corporate culture followed up and made sure it is integrated thoroughgoing, especially when new opening a store or building a new organization. Therefore is important that the management is fully understood with the responsibility that the brand IKEA bears with it. Since the brand IKEA also is for franchising there is a need for control of the brand, derived from management on top.

5.3.3 The importance of shared culture

We believe that new employees within the IKEA organization from the beginning understand what IKEA is all about. All information that they get from the start is a base to work from and then form their own IKEA identity. In IKEA's case, Kamprad is a very important leader but also the leader of the company. This has leded the success of IKEA as a big and popular furniture- and home styling company.

Leaders of IKEA often transfer from one country to another. They learn as time goes by and spread their knowledge throughout the company due to the open communication. According to us it is crucial for a company that is of the size of IKEA, uses both formal and informal ways of communication in order to transfer knowledge. Knowledge is important in order to keep up with changes and make strategic well based decisions, since making the wrong decisions or stepping away from what is seen as IKEA-way would be bad for the company. The transfer of knowledge that occurs when co-workers and management position change to IKEA organizations in other countries leaves marks on IKEA. They have to stay stable and keep a solid culture in an environment where change and flexibility are two constant present factors and this external environment is the marketplace and game field of IKEA. Not only does the external environment if IKEA change, so do the internal environment. The internal environment, the social context in the company change as more and more knowledge is created in other cultures and thereafter implemented in others. Another change in the company is that the founder, Ingvar Kamprad, is decreasing his visible role in the organization. The power sequent shifts to head offices in Sweden and Holland and this makes the origin of the culture a little bit more distant to the co-workers, which are the ones supposed to convey it into the future. According to us it is crucial the workers know about their heritage, not just what IKEA stands for, but from where these values origin. As every new employee receives a great amount of IKEA material, DVDs, brochures and papers they will know from where the IKEA-way comes from. The stories about the founder will always be present and as he is compared with both an icon and hero, the anecdotes will keep the spirit alive and also convey the Swedish aspect of IKEA.

6. Conclusion

In the following chapter we will provide an outlining and answer to the purpose of this thesis and we will answer the research questions by successively declaring for the conclusions of each theme, leading down to a figure, demonstrating the connection of the themes.

6.1. Main Conclusions

6.1.1 Globalization

In this conclusion of *Globalization* we will answer one of the research questions.

- *How does globalization affect the corporate culture and core values of a company?*

Globalization affect the corporate culture due to the fact that corporate cultures derive from the national culture, this in the end will lead to globalization impacting the cultures of all companies. There are always resources such as people and products, and cultural influences entering the company from the external environment. They are also under influence of the supranational and international organizations controlling this flow of resources, such as the European Union. We have seen that despite the facilitating factors of more open borders helps emerging and strengthen relationships and networks. These relationships and networks enables for both tangible and intangible resources to float across borders freely. One implication that we see though is the fact that all resources, of all kind, are in some way influenced by their natural environment. Even if globalization is meant to have a homogenizing affect on markets, the factors that constitute the phenomenon still have their own characteristics.

From the empirical and theoretical framework we are able to draw the conclusion that co-workers of IKEA transfer between countries and cultures they contribute to the phenomenon of globalization. The individual is defining its own kingdom, and is more sovereign today than ever due to the internationalization of companies and the spread of communication technologies. Due to the fact that individuals are able to move they increase the level of cultural intelligence in the company, if the co-workers and managers take on the role as pioneers of the IKEA culture they will strengthen the corporate culture in the same time as they will bring multinational characteristics into the company. As we have seen the managers are most prone to change environment and it is them whom have been in the IKEA culture for most time, we propose that they are more resistant to the external environment. As managers move between cultures, they are ambassadors for the IKEA culture and thereby they deepen and make the corporate culture of IKEA more settled. Even if the managers of IKEA are able to pass on the culture of the company, it is more difficult for them to pass on the culture of Sweden. As IKEA relies heavily on the Swedish culture, and not least the culture of *Småland*, we see that it is crucial for the company to keep having a Swedish management highly involved in the top. According to us, transferring culture, is just as important as transferring knowledge. The transfer of knowledge across borders is more complicated than the transfer of knowledge in the same country, since in the same country you probably already share values and norms. Due to the geographical spread of IKEA there is a need for control of the communication of culture and knowledge, but it also puts pressure on decentralization in order to be able to adapt to local condition. IKEA tend to balance these elements in order to keep costs of control low and the corporate culture strong. Since the organization is spread,

subsidiaries need to analyse markets and the environment in order to see how IKEA is to expand and settle. Giving the subsidiaries greater autonomy and creating IKEA organizations in each country they enter the flexibility increases and they are more adaptable to change.

Hence the above outlined analysis, our conclusion is that globalization does have an effect on the corporate culture but the affect is mainly focused on the variation of strength. We see that in contemporary post modern times IKEA works to strengthen their culture in order to be resistant to competitors and strong on the interchangeable market. We do however see tendencies of variation, the effort to strengthen the corporate culture varies with time, since the global cyclical is interchangeable.

6.1.2 Expansion

In this conclusion of *Expansion* we will answer one of the research questions.

- *How does expansion affect the corporate culture and core values of a company?*

Since IKEA is expanding in a rather fast pace, they will have to develop deeper knowledge concerning the rules and regulations, the legal aspects of expansion and this will have a changeable effect on the structure of the company.

According to us the choice of entry into a market is crucial for the future of the company. IKEA uses two different modes, franchising and subsidiaries. According to us these entry modes provide the biggest control of the expansion process. When entering a market the company faces several different obstacles. Culture is one of the main challenges as it is an informal institution hard to reform, therefore IKEA has to develop strategies in order to create knowledge and get a deeper understanding of the host market. According to us the strategies that they use are good for sustainable development since they work successively building up knowledge first for the organization, and later on they teach the market about them, the concept of IKEA. We see that IKEA wants to take part of the everyday life of their customers, therefore they are inclined to learn and understand the consumer. This leads to a less hierarchical structure and the corporate culture is able to spread freely, since informal communication methods enables for co-workers to assimilate the culture. According to us there will be much easier for a new organization to understand the IKEA-way if Swedish people will be a part of the process. This due to the fact that IKEA is a Swedish company and Swedes will understand the way of working in a better way since they are used to this kind of culture. Then of course people with great experience from the IKEA organization can in the same way as a Swedish person communicate IKEA's core values to the new organization. Whilst a new IKEA organization is established on a foreign market there is an increase in the importance of sharing knowledge. Knowledge has to be passed on among co-workers and also the market. In order to institute a strong and solid organization that will operate in line with the corporate culture of IKEA it is essential to get assistance from experienced individuals within in the IKEA organization. This is in order to overcome the obstacle of ignorance when expanding into unknown territories. Not only is it important to be assisted with local knowledge, it is also important that the culture of IKEA is carried along with the expansion. Hence it is important that there are Swedish people in the organization when emerging a new organization abroad on new markets. Since the management of IKEA is turning more and more multinational, we feel that the IKEA-way ought to increase its importance in every day routines, and always be emphasized as guidelines. Due to this, the presence of Swedish people facilitates the increase the setting of the culture since the corporate culture is part of our national culture. One aspect to take into consideration is that the start up process is a critical

moment, therefore it is important to already from the beginning implement the IKEA-way, long-term thinking and sustainable market strategies.

We consider that IKEA stands for simplicity and since they have extended assortment they are able to offer the majority of the people products that will suite their preferences. Our analysis from the above sentence is that IKEA is expanding therefore they need to consider more splattered preferences. Thus they manage to be of everyone's liking due to the fact that they have a wide assortment and well appreciated Scandinavian design and of course their low prices.

Hence through this analysis we have come to the conclusion that the expansion of IKEA has an effect on their corporate culture since entering new territories demands the development of new pioneers of the IKEA culture. This requires the development and spread of knowledge in order to strengthen the corporate culture and secure that the core values will be followed. As the IKEA culture is spread, this also increases the risks of developing a perception of not being one unite.

6.1.3 Corporate Culture

To conclude the chapter of corporate culture we will not focus on a research question since corporate culture is included in ambos research questions. We though consider it essential to emphasize that corporate culture is one of the three thoroughgoing themes and therefore requires its own conclusion.

Globalization is an external effect that expansion is part of, therefore we see that these two phenomenons together set the rules for actors on the market. When there is a lot of turbulence and movement on the market, the rules are changed and tighten the leeway for companies. This emerges in companies striving to develop strong corporate cultures that are resistant and strong towards competitors. As the phenomenon Globalization takes strong hold of companies, the flow of multinational resources affects the corporate culture. The corporate culture of IKEA fosters co-workers that appreciate meeting new cultures and being part of the flow of resources across borders. We believe that this contributes to the flow of resources coming from the external environment entering the internal environment of the national organization of IKEA. We are able to see that even if the co-workers are well integrated and aware of the corporate culture of IKEA, they are still highly influenced by their own personal ideas and values. This strengthens our theory about the importance of Swedish people in the organization, leading the IKEA-way forward. We also see that knowledge is imperative in order to cope with the interchangeable market. The knowledge that the co-workers have cannot be obtained in any other place than inside the IKEA organization, and all the knowledge that is inside the IKEA organization cannot be replaced by knowledge coming from the outside. Blending tacit and explicit knowledge is important. Decisions need to be well thought-out if not they risk to weaken the corporate culture. The organization is affected by the continuously transfer of managers and co-workers since they for every country they work in, increase their cultural intelligence. According to us this is an advantage when setting strategies. We also see that the transfer of human resources requires a strong and solid corporate culture, norms and values that are deeply rooted in the company and cannot be taken away. According to us, IKEA has grown and expanded to that extent that they are now institutionalized, meaning that if the IKEA organization stopped working tomorrow, the IKEA-way would still subsist.

Due to the above made analysis we can draw the conclusion that the corporate culture is affected by the phenomenon *Globalization* and *Expansion*. The strength of the corporate

culture influence how well the company manage the dynamic external environment. According to us, the external environment and the internal environment of the company depend on each other, as the external environment change, so does the corporate culture. Although we do not imply that they change in the same direction. We have seen that IKEA works to strengthen their corporate culture in order to be competitive and strong in the market and this makes them a competitive actor in the progress of globalization.

6.2 Summarizing conclusions

By constructing a general model that concludes the three thoroughgoing themes we intend to answer to the purpose of the thesis. In this model the three key words will be emphasized. The purpose of this thesis is:

The purpose of this thesis is that through a case study examine the connection between globalization, expansion and corporate culture. We want to specifically highlight how globalization and expansion affect the company's corporate culture. In order to do this we intend to demonstrate by using IKEA as a case study.

Since the society, consumers and the company will converge in terms of cooperation and increased interaction, the company becomes part of a cultural ecosystem. The structure of IKEA is as such that it enables for the workers to transfer between units and countries, sometimes it might even be necessary to relocate due to expansion and new openings. This is a circle, the themes are braded together and are interchangeable as an ecological unit where one feeds the other. Since without the ability to move the progression of globalization stops, and it is the ability to move that conveys expansion. Expansion then provides more opportunities to transfer across borders, countries, nations, and regions. Shifts in social spaces and social changes in junction with globalization, lead to companies emerging change in the corporate culture.

The three themes, *globalisation, expansion and corporate culture* are connected and lead us to the developed figure.

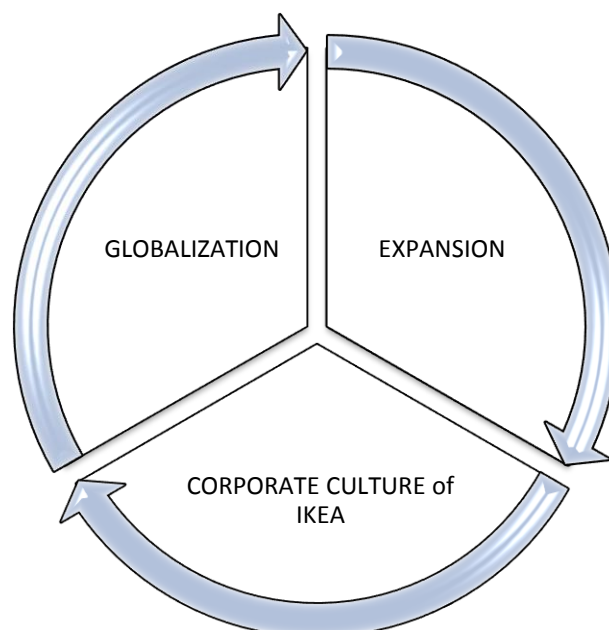


Figure 1. The Ecosystem of Corporate Culture.

Reference: Own

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2010-05-06 13.00

Non literal references

Karin Fröding 2010-05-07

Antonio Machado 2010-04-20

Daniel Åström 2010-05-19

Louise af Ugglas 2010-05-04

Appendix

Interview questions Antonio Machado

Questions about expansion

Can you describe the process of expansion?

Do you see any obstacles or opportunities in the external environment for companies wanting to enter the Portuguese market?

How do the Portuguese consumers feel about foreign companies?

How does the local market in Portugal react to companies entering the market?

Have there been any changes in the conditions for companies wanting to enter the Portuguese market?

Are there any companies that don't succeed when expanding? Due to for example cultural differences?

Are there any limits in expansion in Portugal?

Questions about core values

Do you consider that the Swedish core values are functioning in your culture?

Do you have any internal marketing to create a better working environment and a better corporate culture?

Have you had to adapt Swedish core values so that they will fit IKEA in Portugal?

Can you see any difficulties in the differences between Swedish and Portuguese culture?

Can you see any difficulties that IKEA was founded in Sweden?

How can you convey Swedish core values to the Portuguese consumers?

Do you have any internal education in how to communicate Swedish core values?

Do you see any changes in core values when the company expands?

Questions about marketing

Do you use the same marketing as for example Spain?

We have noticed that some marketing here in Portugal has strong connections with Swedish traditions, does it have a purpose?

Since IKEA is expanding a lot how do you cope with the ever changing societies?

Intervjufrågor Karina Fröding

Vad är din nuvarande position inom IKEA, och vad har du för bakgrund?

Företagskultur och personalfrågor

Hur skulle du beskriva IKEAs företagskultur?

Har den företagskulturen förändrats då IKEA utvecklats?

Hur skulle du beskriva IKEAs kärnvärderingar?

Hur förmedlar Ni denna företagskultur, respektive kärnvärderingar, till nyanställda och nyrekryterade inom företaget?

Hur mycket ”Kamprad” finns kvar i den kultur som råder idag? Märker man av någon förändring i ledarskapsstilar?

Då IKEA är ett multinationellt företag, hur förmedlar Ni företagskultur och kärnvärderingar till arbetsplatser utanför Sveriges gränser?

Arbetar IKEA med personalfrågor på en central nivå eller sker det inom respektive marknad? Finns det en Human Resource-avdelning?

Har det skett en förändring av personalfrågor under IKEAs utveckling?

Hur motiverar du din personal?

Expansion

Vilken är IKEAs främsta resurs vid expansion?

Vilken är IKEAs främsta strategi vid expansion?

Hur hanterar IKEA olika nationella preferenser vid expansion?

Har expansion blivit lättare sedan uppkomsten av EU?

Finns det marknader som IKEA ännu inte gett sig in på? Om ja, varför?

Övriga frågor

Hur tar IKEA hänsyn till länders särpräglade seder och bruk?

Hur skiljer sig IKEA gentemot konkurrenter?

Hur ser du på framtida ledarskap inom IKEA?

Ser du att det finns några gränser för hur stort IKEA kan bli? Vilka barriärer ser du?

Hur hanterar IKEA det lokala ansvar som uppstår då varuhus byggs? Vad har ni för lokalt ansvar, även i Sverige?

Ser du att IKEA gör så att nationella kulturer börjar likna varandra i preferenser? Blir marknaden homogen?

Hur skiljer sig IKEA i Sverige från IKEA i Spanien?

Intervjufrågor Louise af Ugglas

Hur skulle Ni beskriva IKEAs företagskultur?

Har den företagskulturen förändrats då IKEA utvecklats?

Hur skulle Ni beskriva IKEAs kärnvärderingar?

Hur förmedlar Ni denna företagskultur, respektive kärnvärderingar, till nyanställda och nyrekryterade inom företaget?

Då IKEA är ett multinationellt företag, hur förmedlar Ni företagskultur och kärnvärderingar till arbetsplatser utanför Sveriges gränser?

Förmedlas den svenska kulturen vidare utomlands?

Har det skett en förändring av personalfrågor under IKEAs utveckling?

Vilken är IKEAs främsta resurs vid expansion?

Vilken är IKEAs främsta strategi vid expansion?

Hur hanterar IKEA olika nationella preferenser vid expansion?

Hur tar IKEA hänsyn till länders särpräglade seder och bruk?

Arbetar IKEA med personalfrågor på en central Nivå eller sker det inom respektive marknad?

Intervjufrågor Daniel Åström

Vad är din nuvarande position inom IKEA, och vad har du för bakgrund?

Hur skulle du beskriva IKEAs företagskultur?

Hur skulle du beskriva IKEAs kärnvärderingar?

Hur förmedlas IKEAs kultur och kärnvärderingar?

Hur mycket ”Kamprad” finns kvar i den kultur som råder idag?

Märker man av någon förändring i ledarskapsstilar mellan de olika länderna?

Hur motiveras du inom företaget?

Hur är det att ha arbetat i två så olika kulturer, refererat till Europa och Asien?

Hur anser du att IKEA hänsyn till länders särpräglade seder och bruk?

Hur anser du att IKEA skiljer sig gentemot konkurrenter?

Hur ser du på framtida ledarskap inom IKEA?

Tror du att det i framtiden måste finnas svenskar som jobbar högt uppe i organisation för att IKEAs kultur och värderingar ska kunna bibehållas?

Ser du att det finns några gränser för hur stort IKEA kan bli? Vilka barriärer ser du?

Hur hanterar IKEA det lokala ansvar som uppstår då varuhus byggs? Vad har ni för lokalt ansvar, även i Sverige?

Ser du att IKEA gör så att nationella kulturer börjar likna varandra i preferenser? Blir marknaden homogen?



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Linnaeus University
SE-391 82 Kalmar/SE-351 95 Växjö
Telephone +46 772-28 80 00