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Internal Communication in an MNC

an underestimated key to success

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Success... it's what you do with what you've got.

~Leroy Van Dyke~

ABSTRACT

Internal communication is a major constituent in any organization, and it can actually be seen as the lifeblood of the organization. In the multinational corporation, MNC, the importance of well-functioning internal communication is even more vital than in the domestic company, due to the fact that, among other things, its units are dispersed across national borders. At the same time as the complexity of the MNC requires an effective internal communication, it is the complexity that makes it difficult to accomplish.

The purpose of this thesis is to describe and explain aspects within an MNC that create barriers to an effective internal communication. The case company, MODUL Service AB, has operations in Sweden, Slovakia and China and is, therefore, suitable to study when trying to find out how an MNC can achieve an effective internal communication.

From the study, we have found that the main barriers to an effective internal communication within the MNC are related to the natural characteristics of the MNC, as well as that the barriers have consequences that to a large extent are interrelated. One possibility for diminishing the identified barriers and its consequences is to establish a communication strategy, that takes into consideration the essential parameters of by whom, how, when, and what information is to be communicated.

Keywords: internal communication, multinational corporation, effective, barrier, information, communication channel, strategy, MODUL Service AB

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TABLE OF CONTENTS

1	INTRODUCTION.....	1
1.1	RESEARCH BACKGROUND.....	1
1.2	PROBLEM FOCUS.....	2
1.3	PURPOSE.....	4
1.4	THE CASE COMPANY – MODUL SERVICE AB.....	4
1.5	STRUCTURE OF THE THESIS.....	5
2	METHODOLOGY.....	9
2.1	RESEARCH METHOD.....	9
2.2	SCIENTIFIC APPROACH.....	11
2.3	RESEARCH STRATEGY.....	11
2.3.1	<i>Case Study Design</i>	12
2.3.1.1	Structure of the Case Study.....	12
2.4	SAMPLE SELECTION.....	12
2.5	EMPIRICAL DATA COLLECTION.....	13
2.5.1	<i>Secondary Data</i>	14
2.5.2	<i>Primary Data</i>	14
2.5.2.1	Interviews.....	15
2.5.2.2	Observations.....	17
2.6	DATA ANALYSIS.....	18
2.7	QUALITY OF THE RESEARCH.....	19
2.7.1	<i>Internal Validity</i>	19
2.7.2	<i>Construct Validity</i>	19
2.7.3	<i>External Validity</i>	20
2.7.4	<i>Possible Errors</i>	21
2.7.5	<i>Reliability</i>	22
3	THEORETICAL FRAMEWORK.....	23
3.1	INTERNAL COMMUNICATION.....	23
3.1.1	<i>The Communication Model</i>	24
3.1.2	<i>Criteria for Effective Communication</i>	26
3.1.3	<i>Functions of Internal Communication</i>	27
3.1.4	<i>Channels for Internal Communication</i>	28
3.1.5	<i>Categorizations of Internal Communication</i>	29
3.1.6	<i>Barriers to Internal Communication</i>	30

3.2	THE MULTINATIONAL CORPORATION	31
3.2.1	<i>Types of MNCs</i>	32
3.2.2	<i>Control and Coordination Mechanisms of the MNC</i>	34
3.3	INTERNAL COMMUNICATION IN MNCs	36
3.3.1	<i>Centralized vs Decentralized MNCs</i>	37
3.3.2	<i>Control and Coordination in MNCs</i>	37
3.3.3	<i>Categorization of Internal Communication in MNCs</i>	38
3.3.4	<i>Barriers to Internal Communication within MNCs</i>	39
3.3.5	<i>Impact of Culture on Communication</i>	40
3.3.5.1	Cultural Dimensions	41
3.3.6	<i>Ethnocentrism</i>	42
3.4	PLANNING FOR INTERNAL COMMUNICATION	43
3.5	THEORETICAL MODEL.....	45
4	EMPIRICAL STUDY	47
4.1	MODUL SERVICE AB	47
4.1.1	<i>Introduction of MODUL Service AB</i>	47
4.1.2	<i>Relationship with IKEA</i>	50
4.1.2.1	The Range and Purchasing Department	51
4.1.2.2	Centralization / Decentralization	53
4.1.2.3	Type of MNC.....	54
4.1.2.4	Control and Coordination	55
4.1.3	<i>The Internal Communication within MODUL Service AB</i>	56
4.1.3.1	Channels of Communication	57
4.2	BARRIERS TO THE INTERNAL COMMUNICATION	64
4.2.1	<i>Geographical Distance</i>	64
4.2.2	<i>Time Difference</i>	68
4.2.3	<i>Culture</i>	68
4.2.4	<i>Ethnocentrism</i>	72
4.2.5	<i>Language</i>	74
4.2.6	<i>Lack of Formal Structure</i>	76
4.2.6.1	Lack of transmission of general information.....	78
4.2.7	<i>Communication within the Purchasing Department</i>	80
4.3	SUMMARY	83
5	ANALYSIS	85
5.1	BARRIERS TO INTERNAL COMMUNICATION	85
5.1.1	<i>Geographical Distance</i>	85

5.1.2	<i>Time Difference</i>	87
5.1.3	<i>Culture</i>	88
5.1.4	<i>Ethnocentrism</i>	89
5.1.5	<i>Language</i>	90
5.1.6	<i>Lack of Formal Structure</i>	92
5.1.7	<i>Communication within the Purchasing Department</i>	93
5.1.8	<i>Lack of a Feeling of Togetherness</i>	94
5.2	IMPLICATIONS ON EFFECTIVENESS	95
5.3	SUMMARY	97
6	RECOMMENDATIONS	99
6.1	GEOGRAPHICAL DISTANCE / TIME DIFFERENCE	99
6.2	CULTURE / ETHNOCENTRISM / LANGUAGE	101
6.3	PURCHASING DEPARTMENT	103
6.4	FORMAL STRUCTURE	104
6.5	SUMMARY	108
7	CONCLUSIONS	109
7.1	GENERAL CONCLUSIONS.....	109
7.2	THEORETICAL CONCLUSIONS.....	111
7.2.1	<i>Future Research</i>	113
7.3	FINAL REFLECTIONS FOR MODUL SERVICE AB.....	114
8	LIST OF REFERENCES	117
9	APPENDIX	123
9.1	INTERVIEW GUIDE.....	123

TABLE OF FIGURES AND MODELS

FIGURE 1: ABDUCTIVE RESEARCH APPROACH	10
TABLE 1: SOURCES OF EVIDENCE: STRENGTHS AND WEAKNESSES.....	15
FIGURE 2: SHANNON-WEAVER COMMUNICATION PROCESS MODEL.....	24
FIGURE 3: THE CENTRALIZATION –DECENTRALIZATION CONTINUUM.....	33
FIGURE 4: THEORETICAL MODEL: INTERNAL COMMUNICATION IN AN MNC	45
FIGURE 5: THE ORGANIZATION OF MODUL SERVICE AB	49
FIGURE 6: RANGE & PURCHASING DEPARTMENT	52
FIGURE 7: EXTENDED THEORETICAL MODEL.....	111

1 INTRODUCTION

In this chapter the background of the study is presented. Further, the problem focus in form of the main problem and the research problems are described, as well as the purpose of this study. Moreover, the structure of the study along with a brief presentation of the chapters is presented in order to give an overview of the thesis.

1.1 Research Background

Internal communication is a major constituent in any organization, and its importance is elucidated in a statement by Bartlett and Ghoshal (1989) who refer to internal communication as being *the lifeblood of the organization*. In other words, the maintenance of an organization requires an effective¹ internal communication. The importance of having an effective internal communication is not only relevant for the basic maintenance of the organization, but also because internal communication can act as a source for exchanging knowledge and ideas. The reason for this is that information is the currency of communication. Therefore, the rapid and steady flow of information enriches and empowers an organization, just as the flow of money creates wealth.²

Today's business environment is characterized by intensifying competition. To stay competitive, many companies³ view the option of taking its business outside the safe and well-known domestic market as the solution. This option can be an attractive one for reasons such as the closeness to raw materials, the availability of resources, large untapped markets and also the so-called "follow your customer" principle (Tayeb 2000). Compared with the domestic company, the MNC also has to deal with the regular internal organizational issues, problems, and challenges in coordinating, integrating, and controlling its activities, however, in an even more complex form.

¹ Definition of effective according to The American Heritage Dictionary: producing or designed to produce the desired impression or response.

² www.km-review.com

³ These companies are throughout the thesis referred to as multinational corporations; MNCs.

Further, the MNC faces multinational, multi-linguistic, and multicultural environments (Monye 1997). Due to these different environments, there are likely to be conflicts between the headquarters and the foreign units of the MNC regarding whether issues such as management style, decision making, and operations should be centralized at the headquarters or decentralized and adapted to local practices in the foreign units. The mentioned dilemmas have as a consequence that communication difficulties within MNCs are nothing extraordinary (Tayeb 2000). The simple fact that there are physical distances among the subunits complicates clear and effective communication (Monye 1997). No longer is it possible to meet the colleagues over a cup of coffee and discuss different issues face-to-face; instead new and efficient solutions must be found.

Apart from the physical distance, there are likely to be other factors that complicate the achievement of an effective internal communication within an MNC. Hence, it is of great importance that the MNC puts time and effort into analyzing the internal communication in order to be aware of barriers that might exist in their internal communication.

1.2 Problem Focus

There is a multitude of research conducted in the field of organization and strategies of multinational corporations and also in the field of internal communication. However, there seems to be a scarcity of studies that combine the theories on MNCs and the theories regarding internal communication. Based on this background, we have formulated a main problem that will guide us in our study of the internal communication within an MNC.

MAIN PROBLEM

How can an MNC with operations in different national settings achieve an effective internal communication?

The reason for choosing this problem is, as mentioned above, that in the existing literature there do not seem to be many studies conducted regarding this specific problem area, internal communication within MNCs, apart from a few articles. What has been written primarily concerns either internal

communication as a concept or intercultural communication in face-to-face situations. What is missing is a study that combines these two fields of research into a theory regarding internal communication within an MNC. In order to solve the main problem and to provide a clear structure for the thesis, the main problem has been divided into three research problems.

It is vital to have an understanding of how the internal communication is presently organized in the MNC. Therefore, this is the first research problem. This understanding is a prerequisite for analyzing it in depth and it will serve as a main cornerstone for the following study.

RESEARCH PROBLEM 1

How is the internal communication organized within an MNC?

For an MNC that is operating outside its domestic borders and thus has geographical distances among its units, there are likely to be barriers that are preventing the internal communication from functioning in an effective manner. In the second research problem we identify the areas that act as barriers to an effective internal communication in an MNC, as well as what the consequences of the barriers are.

RESEARCH PROBLEM 2

What barriers to an effective internal communication exist in an MNC and what are their consequences?

After having identified the existing barriers to an effective internal communication, the study will ascend to a higher level. Here we will analyze the consequences of the existing barriers by applying the theoretical framework on the empirical data.

RESEARCH PROBLEM 3

How can the consequences of the existing barriers to an effective internal communication in an MNC be explained?

1.3 Purpose

The purpose of this thesis is to describe and explain aspects within an MNC that create barriers to an effective internal communication between the headquarters and the foreign units. Further, our aim is to complement the current scarcity of studies that combine the theories on MNCs and theories regarding internal communication. A more normative purpose is to present recommendations for how to reduce the consequences of these barriers in order to enhance the effectiveness of the internal communication within an MNC.

1.4 The Case Company – MODUL Service AB

In order to solve the stated main problem and the underlying research problems we will conduct a case study. The reason for choosing a case study is that this research method gives the researcher the possibility of studying in depth the concept in question. Since internal communication is an ambiguous concept, the case study will give us the opportunity to observe the internal communication within an MNC, in other words within its context. Further since internal communication is a process the case study is a suitable design according to Merriam (1998). A deeper explanation of the choice of research method and approach will be given in the methodology chapter.

MODUL Service AB, the case company, suits our purpose well since it has operations in more than one country and, hence, can be classified as an MNC. MODUL Service AB was established in 1985, as an independent subsidiary to the IKEA Group. MODUL Service AB is a global wholesaler of furniture fittings, such as screws and plugs, to IKEA's suppliers of furniture. Since the customers of MODUL Service AB are the suppliers of IKEA, it is of value to be close to IKEA's suppliers. In line with this purpose, the company has, apart from its headquarters in Älmhult, Sweden, set up offices in Malacky, Slovakia, and in Shekou, China. The company currently has approximately 300 employees in its three units. MODUL Service AB has been growing rapidly over the last few years, and during this rapid development the two foreign units were established. As a consequence of this rapid growth, there has been no time for the company to really look into and evaluate its internal communication and

plan its execution in accordance with its new structure. Therefore, MODUL Service AB is very suitable as the object for our case study.

1.5 Structure of the thesis

The thesis is divided into seven chapters, which are introduced below:

Chapter 1 Introduction

This first chapter of the thesis has been devoted to giving an introduction to the research area in which we have chosen to conduct our study. Therefore, the background to the main problem and the three research problems that will act as the guidelines throughout the thesis have been presented. Furthermore, a brief presentation of the case company has been given.

Chapter 2 Methodology

In the second chapter, the research approach and research design are presented with a thorough description of how the study has been conducted along with an argumentation regarding the quality of the study.

Chapter 3 Theoretical Framework

The third chapter presents the main theories we have studied in order to have a profound basis from which to conduct the empirical study. Further, the theories in this chapter will be applied to the empirical findings in the analysis.

Chapter 4 Empirical Study

We have chosen to present our empirical findings in two separate sections. In the first section, the first research problem “How is the internal communication organized within an MNC” is answered. Whereas the second section is devoted to the second research problem “What barriers to an effective internal communication exist in an MNC and what are their consequences?”. The reason for structuring the empirical study into two separate parts is to make it more comprehensible.

Chapter 5 Analysis

The analysis of the empirical data is conducted in order to answer the third research problem “How can the consequences of the existing barriers to an effective internal communication in an MNC be explained?”. In this chapter, we compare the theories presented in the theoretical framework with the findings collected in the empirical study.

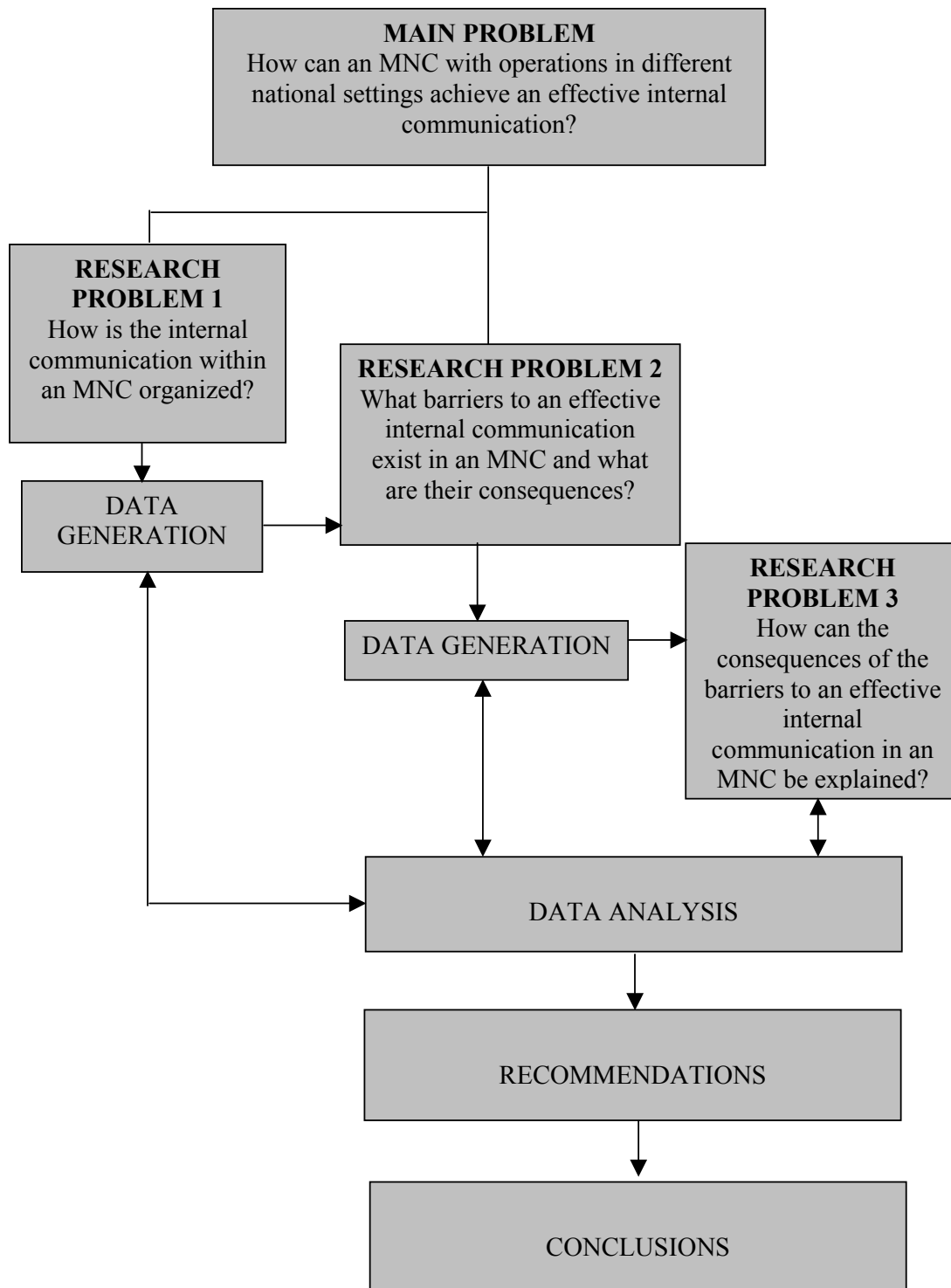
Chapter 6 Recommendations

We have decided to present our recommendations to the case company in immediate connection to the analysis of the existing barriers. The reason for choosing this sequence is that having the recommendations before the conclusions is a rational and logical choice for this study. The recommendations will provide a case specific answer to the main problem “How can an MNC with operations in different national settings achieve an effective internal communication?”.

Chapter 7 Conclusions

In the final chapter of the thesis, we present the conclusions we have been able to draw from the conducted study. The conclusions are divided into three groups: general, theoretical and final reflections for the case company and will present an answer to the main problem “How can an MNC with operations in different national settings achieve an effective internal communication?” from a general perspective.

To visualize how the main problem and the three research problems are connected to each other, as well as how they constitute the foundation for the thesis work, we have created a model. The first two research problems required an extensive collection of data that was simultaneously analyzed. The information from the first research problem enabled us to move into the second research problem. The third research problem required an application of the theoretical framework on the results from the second research problem, as this problem represented the main part of the analysis in the thesis. The analysis enabled us to give recommendations and to draw conclusions.



2 METHODOLOGY

This chapter explains the specific research approaches and methods with the intent of clarifying the different steps in the research process. The chapter first discusses the research method, approach, and strategy, and thereafter explains the data collection process and, finally, there is a discussion regarding the quality of the research.

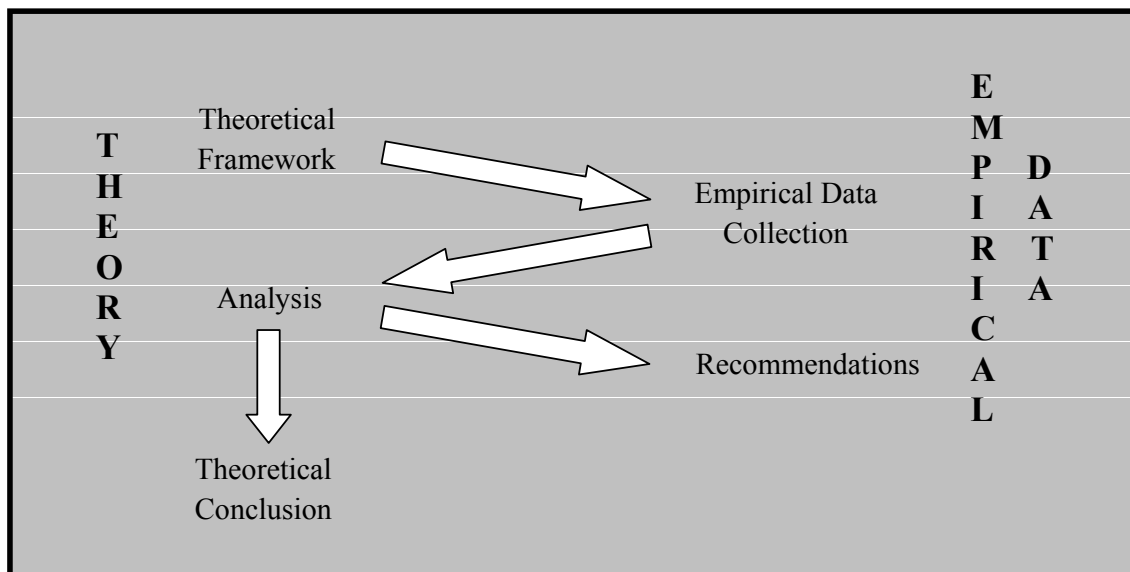
2.1 Research Method

The overall purpose of our study is to get a higher degree of understanding of the factors that can act as barriers and thus prevent an effective internal communication within an MNC. Since qualitative research, as pointed out by Merriam (1998), “can reveal how all parts work together and form a whole”(p 6), this approach is the most appropriate for serving the purpose of our thesis. Further, since internal communication is a very vague concept that is difficult, if not impossible to quantify we choose the qualitative approach. The reason for this is that when studying a vague concept such as internal communication, it is preferable to use a method that makes it possible to understand, describe, and discover meaning at the same time as it is a flexible and evolving method. Another reason for choosing a qualitative strategy over a quantitative strategy is that the goal of our thesis corresponds well with the goals of a qualitative research investigation, which is to create an understanding, description, discovery, and meaning (Merriam 1998).

Throughout the thesis work we have applied an abductive approach, which means that we have constantly been alternating between an inductive and a deductive approach. When using an inductive approach the researcher derives a theory from regularities in the empirical findings of the study and applies this where there is no existing theory that adequately can explain a phenomenon. The deductive approach, on the other hand, implies that the researcher has an existing theory as the point of departure for the study, because it is possible to deduce hypotheses from the theory to guide the investigation to be undertaken (Merriam 1998).

Since our aim is to complement the current scarcity of studies that combine the theories on MNCs and theories regarding internal communication, our point of departure was deductive reasoning. As there were no established theories applicable for our study, apart from a few articles touching the subject, we had to confront the field of internal communication in MNCs from another approach. With a deductive reasoning we therefore developed a theoretical framework by combining existing theories on MNCs and internal communication. The theoretical framework constituted our theoretical reality with which we confronted the reality of the case company. The confrontation composed the frame for the analysis where the theory was applied on the empirical findings. The analysis showed that most of the theoretical truths were also truths in the reality of the case company. However, in the real world we discovered additional aspects that were not covered by the theoretical framework. Thus, the empirical study gave rise to a number of theoretical conclusions. Further, the analysis made it possible for us to provide recommendations for the case company.

Figure 1: Abductive Research Approach



Source: Our Own (2001)

2.2 Scientific Approach

The work when conducting this thesis has been a parallel process in regards to the three research approaches; exploratory, descriptive, and explanatory, discussed by Yin (1994). The significance of the various approaches has fluctuated throughout the different phases of the thesis work.

The exploratory research approach was more significant in the beginning of our study where we needed to increase our knowledge of internal communication. Due to the fact that there were no theories directly applicable to our study, we needed to explore what theories would be appropriate to combine in order to have a good basis from which to continue. Also, during the exploratory phase we strived to identify and understand the characteristics as well as the operations of the case company, MODUL Service AB.

In the next phase, the descriptive research approach dominated. It was used to describe how the internal communication is presently structured in the case company, MODUL Service AB, and where problems are currently experienced. Finally, in the last phase of our study the explanatory approach took command when the relations between the key findings were explained by applying the theoretical framework, in order to analyze the barriers and their consequences that are prohibiting an effective internal communication within the case company.

2.3 Research Strategy

Early in the process of conducting this study we decided that the research strategy most suitable for our purpose was the case study. The reason for this is that the purpose of our study requires us to study the internal communication within its real-life context. The case study made it possible for us to identify and analyze the factors that might act as barriers to an effective internal communication within an MNC. The purpose of this thesis thus corresponds well with how Merriam (1998) defines a qualitative case study according to the end product that is an “intensive, holistic description and analysis of a single instance, phenomenon, or social unit” (p 27).

2.3.1 Case Study Design

A researcher can choose between different designs when conducting a case study: a single case design or a multiple case design. Also, a choice must be made between a holistic and an embedded design. The holistic design implies that only one unit of analysis is investigated, whereas the embedded design involves several units of analysis (Yin 1994). Since we are concentrating on the internal communication within one case company, the research design applied in this case study is a single case design. Moreover, as we have analyzed the internal communication between the headquarters of the case company and its two subsidiaries, our case study, is a single embedded case study since there are three units of analysis.

2.3.1.1 Structure of the Case Study

In order to facilitate a comprehensive composition of the case study, it is useful to follow an established structure. For us it was most convenient and suitable to use a linear-analytic structure, which is a standard approach when composing research reports (Yin 1994). The reason for this choice is that it is applicable for explanatory, descriptive, and exploratory case studies and, as mentioned above, our study has traits from all three research approaches. In the linear-analytic structure “the sequence of subtopics involves the issue or problem being studied, a review of the relevant prior literature, the methods used, the findings from the data collected and analyzed and the conclusions and implications from the findings” (Yin 1994, p 138).

2.4 Sample Selection

The selection of the case company was discussed in the introduction of the thesis and, therefore, the focus here is to describe the sample selection within the case company, MODUL Service AB. Within a specific case study there are numerous sites to be visited, events or activities to be observed, people to be interviewed, and documents to be read (Merriam 1998). In our embedded single case study we visited all of the three units of the case company; however, we had to choose the relevant times for visiting the units and also which people to interview. Our method for sampling was non-probability

sampling, meaning that we choose specifically which people would be most relevant and interesting for us to interview⁴ with regards to the research problems.

Within the frames of this non-probability sampling, we conducted a purposeful sampling. The selection of samples was based on our research problems, which required us to discover, understand, and gain insight into the internal communication of the case company. Hence, we had to select a sample from which we could obtain the necessary information. The form of purposeful sampling applied in this case study was a mix of convenience and snowball sampling. The former was used because of the available resources and also the availability of respondents, and the latter was used since it allowed the chosen respondents to give us suggestions of other people that could be appropriate to interview for our study.

2.5 Empirical Data Collection

During our study, our intention was to gather information from as many different sources as possible in order to gain a wide perspective when investigating the internal communication within the case company, and also for the study to be as comprehensive as possible. Therefore, as in most case study research, our data collection involved several different strategies of gathering information such as conducting interviews, and observations as well as analyzing documents. We consider it to be of importance that we used different ways of gathering information in the study, since there is no single source of information that can provide a comprehensive and complete perspective on the study (Merriam 1998). Using different strategies for collecting data, as we have done, can be referred to as triangulation. Triangulation is considered to be an exceptionally beneficial method when collecting case study data since it uses many sources of evidence (Yin 1994). During our collection of data, we utilized secondary as well as primary data that will be discussed in more detail below.

⁴ Out of the 300 employees of MODUL Service, 140 are working in the office and 160 are working in production and warehouse. Out of the 140 in the office we chose the ones with regular contact with the other units.

2.5.1 Secondary Data

In the first phase of the research process, various forms of secondary data were studied. We collected internal company material in order to learn as much as possible about the case company. Apart from the company material, we also studied literature regarding internal communication. The reason for studying literature was that it helped us to obtain a deeper knowledge and understanding of internal communication, which was a new concept for us. However, the disadvantage with using this type of data is that the information was collected for other studies that might not have had the same focus as our study.

2.5.2 Primary Data

Conducting interviews with the employees of MODUL Service AB were the main source of primary data in our study. Apart from compiling raw data for our study, the interviews made it possible to obtain “direct quotations from people about their experiences, opinions, and feelings” (Merriam 1998, p 69). Interviews were conducted in the three locations where MODUL Service AB has offices, in Älmhult, Sweden, in Malacky, Slovakia and in Shekou, China. In total 53 interviews were conducted.

According to Merriam (1998) there are, apart from conducting interviews, two other means of collecting primary data; namely, through observations and analyzing documents. At our visits in Älmhult, we had the opportunity to inspect the Intranet of MODUL Service AB as well as a number of issues of the internal magazine Modulan, which provided us with supplementary data to that collected during the interviews. Further, at all three sites we simultaneously made personal observations.

There are strengths and weaknesses with most types of data collection and the following table gives an overview of the strengths and weaknesses according to Yin (1994) of the various source of evidence that we used throughout the study.

Table 1: Sources of Evidence: Strengths and Weaknesses

Source of Evidence	Strengths	Weaknesses
Documentation	Stable - can be reviewed repeatedly Unobtrusive-not created as a result of the case study Exact - contains exact names, references, and details of an event Broad coverage - long span of time, many events and many settings	Retrievability - can be low Biased selectivity, if collection is incomplete Reporting bias - reflects (unknown) bias of author Access - may be deliberately blocked
Interviews	Targeted - focuses directly on case study topic Insightful - provides perceived causal inferences	Bias due to poorly constructed questions Response bias Inaccuracies due to poor recall Reflexivity – interviewee gives what interviewer wants to hear
Direct Observations	Reality – covers events in real time Contextual – covers context of event	Time –consuming Selectivity – unless broad coverage Reflexivity – event may proceed differently because it is being observed Cost- hours needed by human observers

Source: Yin (1994, p 80)

2.5.2.1 Interviews

Collecting data by conducting interviews is one of the essential sources of gathering information for a case study, which is also true for our case study.

In the early stage of our study, we had the opportunity to participate at the yearly kick-off at the headquarters of MODUL Service AB where we got a chance to present our project and ourselves. Apart from presenting ourselves and the project, we had time to mingle and listen to presentations from all of the departments, as well as from the foreign units. On this occasion, we collected a lot of valuable information, which provided us with a good understanding of MODUL Service AB and its operations, as well as future goals and activities within the specific departments. At the kick-off, we not only had the opportunity to collect facts and figures, but also to grasp the general atmosphere of the company and to talk to some of the employees in an informal way, since the kick-off ended with a dinner party.

By having seen us and heard about our project, most of the interviewees were prepared for our questions and aware of the purpose of our study when the interviews were conducted. In addition, we sent a letter to all the respondents in Malacky and Shekou, since not all of them were present at the kick-off, with a brief re-introduction of the project and ourselves, as well as a general overview of the subject and topics we wanted to cover during the interviews.

In the beginning of our study we conducted a couple of unstructured interviews with different people in various departments and positions at the headquarters in order to gain a deeper knowledge and insight about the organization and its operations. These unstructured interviews consisted of open-ended questions, and thus were a flexible and exploratory type of interview.

Thereafter, we interviewed people at the strategic, tactical, and operative levels of the different departments at the headquarters in order to understand the flow and the structure of the internal communication, as well as to get the opinions of the respondents regarding the condition of the internal communication. By conducting interviews with people at different levels and departments, we got a good overview of the internal communication within the company.

In addition to the interviews conducted at the headquarters, we visited, as stated above, the two foreign units of MODUL Service AB in Malacky and Shekou where interviews were conducted with people from different departments. Once again, we first interviewed the managing director and the departmental managers followed by interviews with most of the other employees. The people chosen were the ones that are in regular contact with Älmhult and, thus, communicate frequently with the headquarters.

These interviews were mainly what Merriam (1998) refers to as semi-structured interviews. This concept refers to a mix of more or less structured questions, where the interview is guided by a set of questions and issues to be explored. However, we had neither predetermined the exact wording nor the order of questions in these interviews. We had a couple of topics to be explored during each interview (see appendix) but left the respondent free to bring up other issues he or she thought were related to these specific topics. The advantage of conducting the interviews in this manner was that it allowed us to ask follow-up questions when the answers were unclear, and also to penetrate certain issues more deeply.

During most of the interviews we used a tape recorder in order to grasp all the mentioned details. This made it possible for us to concentrate on the respondent's answers and, thus, not miss out on the opportunity to ask follow-up questions. In situations where we felt that using a tape recorder would be inappropriate, one of us concentrated on taking notes while the other concentrated on asking questions and having a discussion with the respondent.

We choose to collect primary data by conducting personal interviews and not surveys due to the fact that internal communication is a delicate matter and we were afraid that valuable information would be lost if we distributed a survey. By conducting interviews, we were able to get a better understanding of the respondents' opinion about the internal communication, which is a highly subjective topic. As with all types of data collection, there are strengths and weaknesses with conducting interviews (see table 1). However, when put against each other, the advantages for conducting interviews clearly offset the disadvantages since the information we were able to receive by conducting interviews, we believe, would not have been possible to grasp in any other way. These issues will be discussed in more detail later on in this chapter.

2.5.2.2 Observations

In connection with conducting the interviews, observations were made during the visits to the headquarters in Älmhult. By spending entire days at the headquarters, we not only conducted interviews but also got to observe the everyday life at the office. In October, we arrived in Slovakia with the goal of visiting MODUL Service s.r.o for a week in order to conduct our interviews. However, as we spent six days in the office we also got insights into the routines and activities going on in this unit. The final collection of observations was done in November when we visited the representative office of MODUL Service AB in Shekou, China. Similar to the above described occasions, we were able to watch the normal working day of the employees in connection to conducting our interviews.

These observations, composed of descriptions of people's actions and behaviors as well as the general atmosphere, were recorded on a regular basis. By regularly discussing and taking notes of our observations, we further enriched our database of interviews. The advantage of conducting observations is that the events observed are covered in real time within its natural context.

However, as everything has two sides, there are also a couple of disadvantages with observing, such as that the people we observed might have behaved differently due to our presence.

2.6 Data Analysis

During the collection of the primary data, we were very systematic in organizing it in order to have a well-structured database, from which we would later conduct an analysis. In immediate connection to the interviews we, therefore, transcribed the data and organized it in topical order according to the respondent's name. We also added our own thoughts and observations in the different documents. These separate documents were all structured in a similar manner by using the same subheadings. In addition, the data was categorized according to the country and date of interview.

For each country, we picked the most salient features in order to find the main areas of interest for our research problems and combined these in a new document. After having done this, we constructed a number of categories out of these salient features. These categories were complemented with additional information from the interviews where needed. In order to present the empirical data in a clear and structured manner, we structured the data by using the first two research problems. In order for the respondents to speak openly we decided not to reveal the names of the respondents when presenting quotations from the interviews.

A comprehensive analysis began when all the empirical data had been collected with the aim of answering the third research problem by applying the theories presented in the theoretical framework. In this process, the data was structured in the same way as when dealing with the second research problem. Thus, throughout the empirical study and the analysis we were consistently following a red thread of the thesis.

From the analysis of the empirical data, we were able to present a number of recommendations to the case company. Further, the data analysis provided us with a proper foundation from which we were able to draw conclusions as well as to discover various theoretical implications.

2.7 Quality of the Research

When measuring the quality of our study, we face the dilemma of ensuring that our study is reflecting the truth in regards to the way in which the empirical data has been collected, analyzed, and interpreted. Hence, we have tried our best to make the study valid and reliable. In the process of enhancing the quality of our study, we considered certain concepts and strategies for dealing with these as presented by Merriam (1998).

2.7.1 Internal Validity

Internal validity is necessary if the case study is to be considered to match the reality in which it has been conducted. High internal validity implies that the research findings match the reality and, in addition, the extent to which what was set out to be observed has been observed. Internal validity is threatened by researcher bias, since the perceptions of the researcher will have a direct effect on how reality is defined. Further, the theoretical framework behind the study should be relevant and valid for providing an explanation of reality.

Factors that support the internal validity of our study are that we have used multiple sources for gathering data and that we are two different people with different perceptions of reality who have conducted the study together. Since we conducted as many as 53 interviews with employees of MODUL Service AB and received consistent responses to the majority of our questions, we dare to claim that our internal validity is high. Further strengthening the internal validity is the fact that we are two individuals conducting the research, so the subjectivity of the interpretations made has been decreased. Areas where we have had different opinions have been discussed in depth in order to understand our differing perspectives and to determine what is correct. Furthermore, we have had regular contact with our supervisors in order to continuously receive feedback in form of suggestions, which adds to the likelihood that our study is internally valid.

2.7.2 Construct Validity

Ensuring the construct validity is the most problematic criteria in case study research and concerns whether we have succeeded in establishing the correct

operational definitions for the concepts being studied. Further, it deals with the issue of whether we have had an objective judgment when collecting and analyzing the data. In order to ensure the construct validity of our case study, we have used multiple sources by conducting several interviews with people in both different departments and in different positions in all of the three units of the case company. The same issues were discussed with all of the persons that we interviewed. Therefore, the collected data can be compared and contrasted. When putting together the interview guide, the theoretical framework was used as a source in order to create a connection between the theoretical framework and the empirical study. In addition, we tried to maintain a chain of evidence by consistently following our stated research problems throughout the different chapters of the thesis in order to facilitate a clear red thread to guide the reader.

2.7.3 External Validity

This test deals with whether or not the findings of our study can be generalized beyond the immediate case study. However, in order for it to be of value to discuss the external validity of a study it must first fulfill the criteria for internal validity, since being able to generalize meaningless information serves no purpose. The reason for us choosing a single case design was because we wanted to gain an in-depth understanding of our specific case company and not to find out what is true of the majority. Since we have been conducting a single case study, it is problematic to make generalizations and we can only speculate regarding the extent to which our findings and conclusions are possible to generalize. We believe, however, that our general as well as theoretical conclusions are also valid for other companies and not only for the specific case company, since MNCs face similar difficulties regarding their internal communication. Since a case study can be a source for analytical generalization, we have during our investigation been striving to generalize a particular set of our results to some broader theory. In order to increase the external validity and be able to generalize, we have followed Merriam's (1998) suggestion and presented a rich, thick description of the internal communication in our case company so that it is possible for the reader to determine whether the findings are transferable.

2.7.4 Possible Errors

Connected to the discussion regarding the validity and reliability of a study is the risk of possible errors. One of the main areas for possible errors when conducting a case study is the bias of the researchers, since the researcher has a certain perception of reality that will affect the way he or she experiences reality. However, since we are two people, with different backgrounds and perceptions of reality that have together conducted the study, the risk of bias is diminished.

Also, the way interviews are conducted is an area where there is room for bias, although interviewing has as its strength that it is focused directly on the topic of the case study. The weakness of interviews is the risk of bias due to poorly constructed questions and also the risk that the interviewee says what he or she thought we wanted to hear (Yin 1994). In order to avoid bias due to bad questions, we used the theoretical framework as a basis and in addition consulted our supervisor, who gave us valuable assistance as to how the questions could be improved in order for us to find the relevant information. When conducting the interviews, we tried to avoid multiple questions, leading questions, and yes-or-no questions. The reason for this is that multiple questions can lead to the respondent becoming confused and only answering one of the questions, and leading questions might influence the respondent to accept our point of view as researchers. Finally, we avoided posing yes-or-no questions since responses to this kind of questions would give us almost no information (Merriam 1998). In situations where we felt that the respondent did not completely understand the question posed, we rolled up our sleeves and tried to pose the question in a clearer way.

It is worth mentioning, that a source for possible error is the truthfulness of the persons we interviewed. Since the internal communication in some aspects is a somewhat sensitive issue, the risk of the respondents not being completely truthful and avoiding raising critical opinions cannot be eliminated. Another possible error regarding the interviews is the misinterpretations that might have occurred due to language problems when interviewing the Chinese and Slovakian respondents. Since these interviews were conducted in English, which is not the mother tongue of neither us nor the respondents, there might have been a possibility for misinterpretations and misunderstandings. In order to avoid these possible errors we listened carefully during the interviews so as

to be able to follow-up with questions, and, in addition, tape-recorded or took notes of each interview as well as discussed them in depth afterwards.

2.7.5 Reliability

The existence of possible errors in our study would directly affect the reliability of the study, since if we have been biased, posed the wrong questions and misinterpreted the answers from the interviews, the reliability of our study would be completely absent. The reliability of a study is further closely connected to the internal validity, in that the way that the study will be more valid if repeated observations in the same study or if replications of the entire study have produced the same results. However, if the observations are constantly made in an erroneous way they are not valid regardless of how consistent they are (Merriam 1998). The connection between reliability and internal validity in our study is found in the interview questions, which were composed with the theoretical framework as a foundation, and also in the analysis where the theories are applied on the empirical data. Since we are of the opinion that our study is internally valid and that we have been aware of possible errors and therefore able to try to avoid them, there is a good chance that our study is also reliable.

The goal of reliability is to minimize errors and biases in a study and it deals with whether or not a study can be repeated by a different researcher who would receive the same results. Ensuring this concept of quality is problematic in case studies since human behavior is not static but dynamic, which can lead to the opinions of the respondents changing. Due to dynamic human behavior, , instead of ensuring that an outsider can get the same result by doing the same test, we have tried to ensure that the results are consistent with and dependant on the collected data. By ensuring this consistency, our results should make sense to an outsider who has made use of our empirical data. Therefore, we have explained the assumptions and the theories behind the study and used multiple methods for collecting data, triangulation, in line with Merriam's (1998) recommendations. Further, we have created a database where all the conducted interviews have been structured so as to be easily retrievable. By taking these steps, we are confident that our study is reliable.

3 THEORETICAL FRAMEWORK

In this part, the different relevant theories that combined have provided the perspective from which the internal communication within an MNC has been analyzed are discussed.

3.1 Internal Communication

In the existing literature on internal communication, there are numerous definitions of the concept trying to describe and understand the communicative phenomena. Larsson (1997) defines internal communication as patterns of meanings and the human interaction that take place within organizations. Other researchers see the concept of communication as essentially a social affair (Corner & Hawthorn 1993). Further, Fiske (1990) defines communication as a social interaction through messages; whereas Rogers (1981) presents another definition of communication and perceives it as “a process in which participants create and share information with one another to reach a mutual understanding” (p 43).

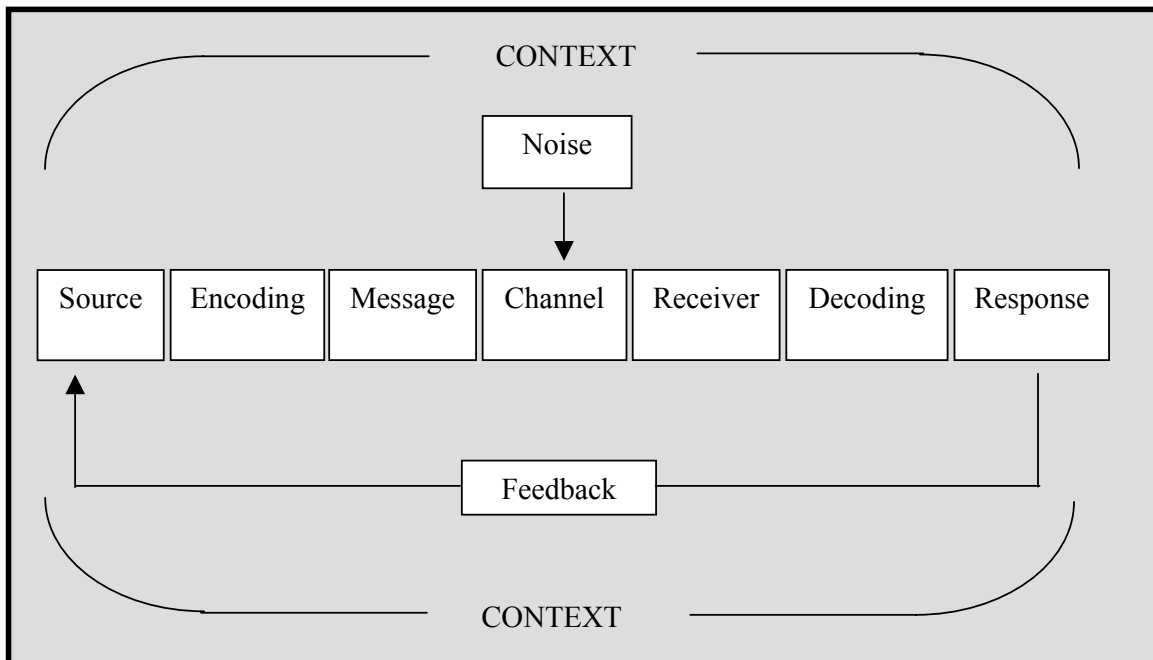
Internal communication can serve different purposes for companies. Larsson (1997) presents four basic functions that internal communication can fulfil in a company: an expressive function, an informative function, a social function, and a control function. In addition, internal communication provides a fundamental incentive in a company that enables and strengthens employees to carry out their tasks.⁵ Bartlett and Ghoshal (1989) view internal communication as being of major importance since they refer to communication and information flows as *the lifeblood of the organization*. The importance of internal communication, the exchange of information and the transmission of meaning, is also discussed by Katz (1978) who refers to internal communication as *the soul of an organization*. The importance of communication can be explained by the fact that it is the tool that can both reveal and eliminate problems.

⁵ www.melcrum.com

3.1.1 The Communication Model

To be able to study how an MNC with operations in different geographical settings can achieve an effective internal communication, it is helpful to make use of an already existing model. The studies on communication have, to a large extent, grown from the model presented below (figure 2). This model was developed during the Second World War in the Bell Telephone Laboratories in the US, and the reason for its development was to work out how various channels of communication could be used most efficiently (Fiske 1990). Even though Shannon and Weaver's model was developed half a century ago, it is still useful when studying communication due to the division of the communicative process into components that can be analyzed separately.

Figure 2: Shannon-Weaver Communication Process Model



Source: Fiske (1990), modified by the authors

The components of the communication model are explained in more detail below.

- *Source* is the person that has some kind of information that he or she wants to communicate. The source, as well as the receiver, are

influenced by their communication skills, knowledge, social background, cultural belonging and also by their attitudes toward different things.

- *Encoding* is the process of putting the information into a symbol that can be communicated. This symbol may take the form of words, but it is also possible to encode information into non-spoken symbols such as body language.
- *Message* is the result of the encoding process.
- *Channel* is the media through which the encoded message is being sent, such as telephone, fax or e-mail.
- *Noise* is anything that disturbs and distorts the message that is being transferred. A noise can take different forms and misunderstandings are likely to occur, for example, where there are different knowledge levels, communication skills, experiences and prejudice.
- *Receiver* is the one to whom the message is directed.
- *Decoding* is the process the receiver undertakes when allocating meaning to the symbols sent by the source.
- *Receiver response* is the resulting response from the receiver after having decoded the message, and it may involve taking some kind of action or doing nothing at all.
- *Feedback* is what the source knows about the receiver's response and this is required in order for communication to be a two-way process.
- *Context* is the environment in which the communication process takes place. We have chosen to add this concept to the communication model by Shannon-Weaver due to that, according to Fiske (1990), it is vital to comprehend that communication differs considerably according to the context in which it takes place.

The model of the communication process is to a large degree occupied with finding out to what extent the message received corresponds with the message

sent by the source.⁶ Consequently, communication is considered to be effective when the receiver ends up with the same message that the source intended to send, since during the communication process incidents may occur that confuse the meaning of the message being transmitted (Robock & Simmonds 1989). Misunderstandings can occur when the message was encoded incorrectly, transmitted inaccurately, received inaccurately, or decoded incorrectly. Engquist (1992) states that there is only one method to measure the effectiveness of communication. According to him, only the communicator can measure the effectiveness according to his or her subjective opinion as to how well the message was received.

3.1.2 Criteria for Effective Communication

Katz (1978) argues that the number of people reached by the message, the receivers relationship to each other, the type of channel used, the type of message sent, and whether or not the receiver needs to respond to the message, are all factors that have an influence on whether the internal communication will be effective. In order to determine how effective the internal communication is in an organization, it is central to understand the criteria that determine the effectiveness. There are numerous opinions regarding how to define an effective internal communication. As mentioned, Engquist (1992) considers the measurement of effectiveness to be a highly subjective matter.

According to Erikson (1992), the internal communication must meet a number of different criteria in order to be effective. Firstly, the communication has to be *concrete* in order for the receiver to understand the information. The reason for this is that the coding of the message will be affected by the receiver's culture, background, language, and frame of reference. Each and every one of us has our own way of transmitting and decoding messages. The internal communication must also be *concentrated*, meaning that it is focused on the most important aspects of the information, as well as it should be *coordinated*. Coordinated communication is needed in areas where several managers need to be able to communicate a message to co-workers in an identical manner.

In addition, the communication has to be *consequent* and *continuously* transmitted over time. The information must be transmitted continuously in

⁶ www.cultsock.ndirect.co.uk

order for the employees to consider it to be trustworthy. Therefore, it is essential to communicate facts on a continuous basis rather than sporadically. Lastly, Erikson (1992) argues that information must strive to *create contacts* leading to a dialogue. However, the importance of creating a dialogue depends on the type of information. It is probably less important to create a dialogue when facts are transmitted, compared to the communication occurring between two co-workers on the operative level regarding how to solve a specific issue. Unfortunately, it is more common that the communication is transmitted on the sender's conditions and does not take the receiver's interest into account. To conclude Erikson's position, the criteria for effective internal communication can be summarized with three words: objective, trustworthy, and instilling confidence.

3.1.3 Functions of Internal Communication

Internal communication can, according to Erikson (1992), be divided into five different functions. *Work communication* is the communication needed for each of the employees to conduct their daily tasks. *News communication* deals with informing the employees of the latest news in the company. *Control communication*, in order to steer the company towards the goals, is composed of among other things budgets, manuals for production, and policies regarding the working environment. *Change communication* is based on extraordinary events that are outside the regular news communication, such as changes in goals or strategies. Lastly, *culture communication* is more or less invisible and is shown in the way the company regards leadership, equality and similar issues.

Hence, the internal communication serves many different functions in an organization. From the perspective of management, according to Larsson (1997), there are three functions of internal communication. The first function is to spread the goals, tasks, and rules of the company. The second function is to coordinate the activities of the company. The third function is to provide management with information regarding the condition of the company and the reliability of downward information flow from the management. Larsson (1997) further argues that an effective internal communication brings a feeling of belonging to the employees, which increases motivation. Erikson (1992) also presents some motives for a company to spend time and effort on the internal communication that are in line with those presented by Larsson. The motives

brought forward by Erikson (1992) are that: internal communication provides the employees with a general view of the business; it creates unity among the employees regarding the goal of the business; it facilitates delegation; and, in the end, it contributes to higher results.

3.1.4 Channels for Internal Communication

For a company to facilitate its internal communication there are several media or channels to be utilized. Larsson (1997) presents a number of methods for communicating internally. These methods are oral communication in meetings and conversations, written communication through PMs, internal magazines and newsletters, as well as electronic communication through Intranet and e-mail. In addition, information can be displayed through notice-boards and in different kinds of social activities. Nowadays, other ways of interactive channels are also used within MNCs, such as videoconferences and phone conferences, in order to facilitate direct conversations between people located in dispersed units.

Electronic communication can in many ways assist a company since it makes it possible to rapidly process information (Erikson 1992). Further, it gives the employees instant access to valuable information needed in their daily work. A prerequisite for information technology (IT) to be of advantage is that the IT systems are easily accessible and easy to utilize. Additionally, it is necessary to have the IT systems continuously updated with relevant information. E-mail is one of the IT tools available for a company to use for its internal communication. The positive side of using e-mail is that it can save time since there is no risk of not getting hold of the receiver (Bolander & Steen 1996). Intranet is another tool that, according to Högström (1999), should be utilized to develop and strengthen the internal communication, ease the existence and exchange of knowledge and information, and function as a tool to support processes and work situations.

Different communication channels give the sender different possibilities for transferring information in terms of the degree of information that is received. The channel with the highest degree of information being transferred is direct communication between two persons, due to its ability to allow immediate feedback. The channel with the lowest degree of information is a regular written letter (Larsson 1997).

3.1.5 Categorizations of Internal Communication

A popular way to categorize internal communication is by dividing it into formal and informal communication (Strid 1999, Ludlow & Panton 1992). Formal communication is initiated from the management level, whereas informal communication simply exists without specific initiation (Strid 1999). Formal downward communication is set up by the organization and consists of policies and procedures, orders and requests that are passed down the hierarchy. Formal upward communication takes the form of reports, requests, and complaints. Informal communication channels develop through common interests between members of the organization. The grapevine is a powerful example of an informal communication channel (Ludlow & Panton 1992).

Another categorization of internal communication is conducted by Katz (1978) and Larsson (1997) who discuss four categories: downward, upward, horizontal, and transverse communication. *Downward communication* follows the pattern of authority and descends through the hierarchical levels and is the traditional one-way communication found within a formal structure. The information that is transmitted downward is related to the employee's tasks and performances, and information about procedures and practices. *Upward communication* ascends through the hierarchical levels. An example of such communication is when the employees report on their performance. This communication is often utilized for control purposes. However, the basic problem with upward communication is the nature of the hierarchical organization. Employees are less likely to express their true feelings if it might affect them negatively. *Horizontal communication* refers to the communication occurring among employees at the same hierarchical level. *Transverse communication* acts independently of the formal organizational structure and, thus, represents informal communication (Katz 1978).

In all the discussed categories, there is a potential for barriers to appear and disrupt the effectiveness of internal communication.

3.1.6 Barriers to Internal Communication

Insufficient or inappropriate communication creates irritation, insecurity, disintegration and the spreading of rumors.⁷ When determining what barriers might exist to an effective internal communication in a company, it is beneficial to utilize the communication process model developed by Shannon and Weaver (see figure 2) since it makes it possible to determine where potential barriers exist. Previous studies show that there are various potential barriers to the internal communication within a company.

Many problems in an organization occur due to inadequate and imperfect communication. Brooke (1996) states that encoding and decoding processes are the main barriers for effective internal communication both between individuals and groups, as well as between different levels in the organization. Furthermore, Ludlow and Panton (1992) present a number of barriers to communication. Semantic problems that occur when people use the same word in different ways or when people use jargon typical for their position or occupation can be a barrier. Another barrier is the status effect, which occurs when one person is considerably higher in the hierarchy than the other person involved in the communication. Both semantic problems and status effects can be seen as noise in the communication process model. Poor choice of communication channels can also present a barrier to communication. Finally, cultural differences can be a barrier in that they effect the communication between people from different departments in the organization; for example, the R&D department has a long time horizon whereas the production department is concerned with achieving daily targets.

Ludlow and Panton (1992) categorize various potential barriers to an effective internal communication into three distinctive groups:

- Barriers to reception: environmental stimuli, the receiver's attitudes and values and the receiver's needs and expectations.
- Barriers to understanding: language and semantic problems, the ability of the receiver to receive and listen, the length of the communication and status effects.

⁷ www.uct.nu

- Barriers to acceptance: prejudices and interpersonal conflicts between sender and receiver.

Potential barriers to an effective internal communication are likely to be present in all sorts of organizations where there are a number of individuals who are dependent on information from one another. Also, the larger the company the more potential there is for barriers to disturb the internal communication. Hence, the internal communication is likely to be more complex the more individuals there are that need to be satisfied. If the internal communication is intricate in a large domestic company, it can be expected to be even more perplexing in an organization that has subunits in other countries. In order to get a deeper insight regarding the characteristics that makes an MNC different from a local company, the next section discusses the characteristics of MNCs, with subunits spread over national borders, as well as control and coordination tools for this type of company.

3.2 The Multinational Corporation

The multinational corporation, here referred to as MNC, is defined by Mead (1998) as a corporation that is headquartered in one country and has production or service subunits in one or more other countries. This type of company is obviously different from a domestic company, which has all of its operative units kept within the borders of one single nation. Since the MNC is operating across markets, nations, and cultures, it will face different problems and situations from the ones a national company is likely to face. These problems and situations are far more diverse than those even the largest domestic companies will face (Egelhoff 1991). The concept of MNCs is not to be seen as a homogenous group of companies, rather it is important to be aware of the fact that these companies are organized and structured diversely in accordance with the strategic intent of their internationalization. In order to give a picture of the variance of the organization of MNCs, the well-known categorization of Bartlett and Ghoshal will be presented.

3.2.1 Types of MNCs

Bartlett and Ghoshal (1989) categorize companies with activities outside their home countries according to their strategic characteristics. The three characteristics MNCs are categorized after are global efficiency, national responsiveness, and worldwide learning. Through this categorization, a separation of four different types of organizational models is possible.

The Multinational Company, also referred to as a decentralized federation, is very responsive to differences between the national settings in which the company has entities. This implies a decentralization of organizational assets and capabilities, which makes it possible for the foreign entities to respond to their specific national settings. The control and coordination process of the Multinational Company is defined by a simple financial control system, which is overlaid informal personal coordination. The relationship with the subunits can be illustrated by the fact that the MNC sees its foreign entities as a portfolio of national businesses.

The Global Company is driven by a need for global efficiency and is, therefore, centralized to a large extent in both its strategic and its operational decisions. In the Global Company, products and strategies are developed to exploit an integrated world market, and it is based on a centralization of assets, resources, and responsibilities. Hence, the headquarters in the Global Company is described as a centralized hub. The foreign entities are utilized to reach foreign markets in order to build global scale and their role is to implement plans and policies developed at the headquarters.

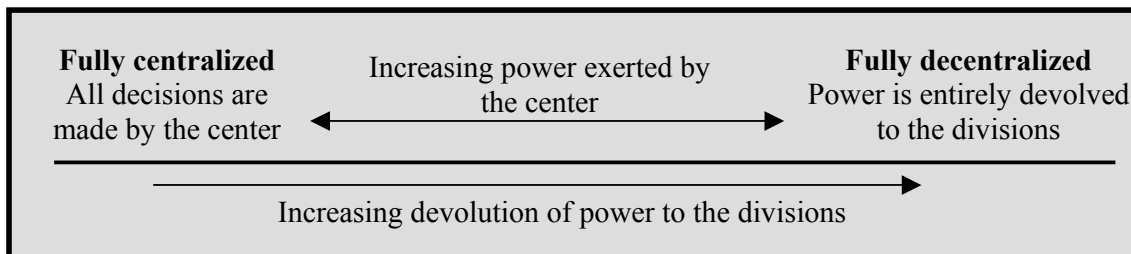
The International Company has a strategy based primarily on transferring knowledge and expertise from the parent company to its subunits in foreign markets. The parent company thereby retains considerable influence and control, less so than in the Global Company but more so than in the Multinational Company. The International Company is described as a coordinated federation where many assets, resources, responsibilities and decisions are decentralized but controlled by the headquarters. This implies that the foreign entities of the International Company, to some extent, are dependent on the headquarters for new products, processes, knowledge and information. The management process is defined by formal management planning and

control systems and the foreign entities are viewed as appendages to a central domestic corporation.

The Transnational Company is a form that brings the three strategic capabilities of the Multinational, the Global and the International Companies together in an ideal way. The Transnational Company recognizes the merits of each of the mentioned three, but also that no one represents the whole truth. Regarding centralization and decentralization, these concepts are applied where most suitable, with the reason being that some resources may be best decentralized whereas others are better when centralized. The result is a complex configuration of assets and capabilities with significant flows of products, resources, people and information. Hence distinctive features of the Transnational Company are rich and complex communication linkages, work interdependencies, and formal and informal systems.

The categorization presented by Bartlett and Ghoshal mainly deals with the extent to which the company is centralized or decentralized. The figure below visualizes the continuum of centralization and decentralization, where the Multinational Company is found on the right-hand side of the continuum and the Global Company is situated on the left-hand side. The International and the Transnational Companies are located in between the two extremes.

Figure 3: The centralization –decentralization continuum



Source: Stonehouse et al. (2000, p 311)

The degree to which an MNC centralizes or decentralizes its decisions can be connected to Perlmutter's theories on ethnocentrism and polycentrism. Ethnocentric managers assume that their ability to internationalize emanates from the home country where people know better, and are more qualified to develop the right products and to develop appropriate strategies. Polycentric managers, on the other side of the continuum, assume that nations and people are so different that it is not possible to fully understand them all. Therefore,

according to the polycentric manager, each local unit must be managed differently (Ridderstråle 1997).

3.2.2 Control and Coordination Mechanisms of the MNC

The decision on whether to centralize or decentralize the resources and capabilities of an organization with foreign subunits will have repercussions on how the headquarters will control and coordinate its activities. According to Roth et al. (1991), the different types of control and coordination mechanisms that exist are suitable to varying extents depending on the strategy and structure of the MNC. For example, an MNC pursuing a global strategy most often use a high degree of integrating mechanisms, a high degree of centralization and formalization together with a concentrated configuration, a shared managerial philosophy and a high coordination. On the other hand, an MNC following a multinational strategy needs a low degree of integrating mechanisms, a low degree of centralization and formalization, combined with a dispersed configuration, country specific managerial philosophies and a moderate to low coordination. In general, the more dependent a subunit is on resources from headquarters, the tighter is the required control over the subunit likely to be.

Independent of the level of centralization and decentralization, it is according to Robock and Simmonds (1989) of special importance for all MNCs to have an effective control system for knitting together the geographically dispersed units. The control system of an MNC should preferably fulfill certain objectives, such as supplying the adequate data needed for top management to monitor, evaluate, and adjust its strategy and providing means for coordinating the subunits to work towards a common goal.

An issue contributing to the complexity of coordination is the fact that managers of the MNC are separated by geographical distance and time differences. One way to handle this, proposed by Bartlett and Ghoshal (1989), is to create a shared management understanding, which according to these authors, often proves even more powerful as a coordination mechanism than the formal structure or systems. Tayeb (2000) discusses the traditional device of having expatriate managers placed in the subunits and training local managers as a way to coordinate the activities of the dispersed units.

Marschan (1996) goes deeper in her discussion of mechanisms for control and coordination purposes by dividing them into formal and informal mechanisms. Formal control mechanisms include organizational structure and procedures for activities such as financial reporting, business planning, and budgeting. Informal control mechanisms incorporate devices such as personal relationships and corporate culture. Bartlett and Ghoshal (1989) also discuss different means of coordination and control and focus on three separate coordinating processes. *Centralization* implies substantive decision making by the top management. *Formalization* suggests that systems and procedures are institutionalized in order to guide choices. In other words, formalization prescribes allowable and non-allowable behavior, which defines the nature of acceptable task performance and criteria for decision making (Roth et al. 1991). The final process is *socialization*, where a framework of common purposes and values are established among managers to influence their judgments (Bartlett and Ghoshal 1989).

Martinez and Jarillo (1991) describe socialization as a mechanism that aims at building a corporate culture of known and shared values through actions such as training, transferring managers and reward systems. The corporate culture can be seen in symbols, social practices, and vocabulary norms within a company and it influences the employees in the ways they think and act. According to Grant (1998), the value of corporate culture can be seen in that it facilitates both cooperation and coordination. Further, research has shown that in large decentralized corporations, the corporate culture has also assisted in creating a sense of identity among employees that facilitates communication and the building of organizational routines, even across national borders. Grant (1998) further argues that the advantage of using corporate culture to assist with coordination is that it allows for flexibility in the types of interactions that need support.

The three coordinating processes of centralization, formalization and socialization are often used simultaneously where, for example, the flow of components and products are managed through formalized systems and the flow of information and knowledge is managed through mechanisms of socialization (Bartlett and Ghoshal 1989).

The fact that MNCs work across national and cultural borders implies that the various approaches to controlling the MNC are likely to be differently

appropriate in different national cultures. One system of control may work extremely well in one national culture, whereas in another national culture the same system may actually impede performance (Robock and Simmonds 1989).

The above section discusses the characteristics of an MNC with a focus on its control and coordination mechanisms, and the degree to which the management decides to centralize or decentralize. However, irrespective of the perspective taken by the management of the MNC, the internal communication will be more complex and require more work than in a domestic company. As noticed previously in this chapter, the larger the company the more complex the internal communication. Further, it is likely to be even more intricate in a company with subunits spread over national borders. Therefore, the characteristics that make the internal communication within an MNC different from that within a local company will be discussed in the following section.

3.3 Internal Communication in MNCs

The various functions of internal communication are even more important in an MNC where the employees are spread across the globe. The distance between the subunits of the MNC implies that it will be more difficult to create a feeling of belonging. With an effective internal communication, this can be facilitated through spreading the goals, tasks, and rules of the company. As mentioned previously, Erikson (1992) argues that internal communication provides the employees with a general view of the business and, therefore, creates unity among them. Internal communication, as a tool for coordinating the activities as discussed by Larsson (1997), will most likely be even more difficult in an MNC where the activities are spread over national borders.

In addition, internal communication is affected by the maturity of the MNC. An MNC, with certain characteristics, that is experiencing swift growth implies that it will be even more complicated to control, compared with a mature and stable MNC. Ahrens and Partners define a fast growing company as “a company that has grown organically at least 20% in turnover on a yearly basis over a time period of at least 5 years” (Bolander & Steen, 1996 p 3). Further, a key question for these expanding companies compared with mature companies is how to create flexible and efficient resources in order to handle the learning

and start-up problems that come with rapid increases in volume. For a mature MNC, the internal communication is a more natural part of the organization since it has had time to settle in accordance with the preference of the employees.

3.3.1 Centralized vs Decentralized MNCs

The categorization of MNCs into four types of organizational models conducted by Bartlett and Ghoshal (1989) has implications for the internal communication. The reason for this is that the organization of the internal communication in a centralized MNC will most likely be different from that in a decentralized MNC. Centralization implies that the internal communication is mostly occupied with transmitting high volumes of orders, commands and advice to the subunits. The downside of centralization is the length of time it takes to refer decisions to headquarters and to receive an answer, which is very costly (Hennart 1993). A decentralized MNC, on the other hand, is more likely to have an internal communication that is limited both to and from the headquarters due to the fact that the foreign units are to a large extent working independently of the headquarters (Humes 1993).

3.3.2 Control and Coordination in MNCs

The different devices for controlling and coordinating the activities of an MNC discussed in the previous section, such as Marschan's informal control mechanisms including building personal relationships and spreading the corporate culture of the MNC, and more formal devices such as financial reporting and institutionalization of procedures are dependent on the internal communication. This dependency is due to the fact that the formal devices provide the headquarters with information on the situation in the subunits. By knowing the situation, the headquarters is able to control that the subunits work in line with the previously established goals. The headquarters is also able to make sure that the different subunits work in a similar and coordinated manner. Informal devices, on the other hand, are dependent on the internal communication, since this is what enables the company to build a relationship between the units and between the co-workers. Other control devices brought up were the three different processes of centralization, formalization and socialization (Bartlett and Ghoshal 1989). The relation to internal

communication can be seen in that if these various mechanisms, formal or informal, are to work in an efficient way, a well-functioning internal communication is necessary.

Also, in the discussion on control and coordination it is important to separate stable mature MNCs from fast growing MNCs. The reason for this is that a fast growing MNC, according to Ahrens (1992), has certain characteristics that imply it will be even more complicated to control. The management of fast growing companies cannot just communicate through economical key figures when controlling the company. Instead, throughout the expansion the internal communication has to serve as a tool to get all employees focused on the same goal. Moreover, internal communication is often argued to be one of the key success factors of fast growing companies (Bolander and Steen 1996). In mature MNCs, the internal communication is more like a tool that unites the organization's activities. Furthermore, mature MNCs do not experience the same large problems with a constant lack of time that fast growing companies experience. The mature MNCs have time to spend more energy on smaller problems and issues that are often ignored by the fast growing companies. The administration in these companies can, therefore, not relax; instead, there must be a serious prioritization regarding which routines and systems that must work efficiently (Ahrens 1992).

Before venturing deeper into the field of potential barriers to an effective internal communication within an MNC, a glance will be directed at a categorization of internal communication discussed by Marschan (1996).

3.3.3 Categorization of Internal Communication in MNCs

Marschan's categorization of the internal communication is specific for an MNC, whereas the categorization by Katz (1978) and Larsson (1997) previously discussed is a more general categorization of communication in a company. Marschan (1996) organizes the internal communication within an MNC into vertical and horizontal communication. Vertical communication refers to communication that occurs between the staff at the headquarters and at the subunits at different hierarchical levels. Vertical communication can take the form of subunits sending financial reports to headquarters, of visits to and from the headquarters and also of subunits participating in the planning process. Horizontal communication, on the other hand, is the communication

between individuals at the same hierarchical levels, but in different organizational units. The methods or mechanisms for encouraging horizontal communication can include establishing communication channels, direct managerial contact between different units, meetings and temporary teams. One by-product of these methods may be socialization and a dissemination of shared corporate values, which is important for an MNC when trying to create a feeling of togetherness and avoid the isolation of the dispersed units (Marschan 1996).

3.3.4 Barriers to Internal Communication within MNCs

For an MNC, it is of special importance to have an effective internal communication due to its special characteristics discussed above. The geographical distance among the subunits of the MNC is the first and most obvious explanation for why the internal communication is likely to be more difficult than in a domestic company. Further, the fact that the managers of the MNC are separated by geographical distance and time differences implies that regular communication will be more difficult than if the managers were located at the same place. Foreign managers are known to complain that they are kept unaware of subjects when the information, in fact, has been sent to them. An investigation conducted by Brooke (1986) showed that almost 90 percent of these types of complaints are unfounded. However, there are also numerous other areas, besides the physical distance, that might act as barriers to an effective internal communication.

In a study of the company KONE Elevators conducted by Marschan (1996) a number of barriers were found in its internal communication. These were a lack of language skills, feelings of isolation and disconnectedness, limited knowledge about the right communication partner, and also strongly perceived organizational boundaries. Ethnocentrism is, according to several authors, among them Marschan, a major barrier in MNCs with different cultural groups. The country of the headquarters governs the way communication is carried out, which in the worst-case scenario can lead to a feeling of isolation in the foreign units.

Högström (1999) describes potential barriers to effective internal communication as being a lack of feedback, transmission of irrelevant information, and that the communication does not satisfy each unit's and/or

department's needs, lack of coordination as well as lack of synergy of the information, the message, and the used channel. The IABC (International Association of Business Communicators) has identified five primary barriers to an effective internal communication (Geddie 1994).

1. Failure to recognize that communication must be integrated into the strategic planning
2. Failure to communicate challenging issues openly, thus eroding commitment, credibility and empowerment
3. Failure to trust co-workers
4. Failure to kill the belief that power comes from storing information
5. Failure to recognize that communication is more than "what the company's publication does".

Robock and Simmonds (1989) discuss other types of barriers to internal communication and claim that, in addition to the geographical distance, cultural barriers and the formal organization structure may also act as impediments for the communication to work effectively. Since diverse national cultures are often mentioned as barriers that impede the internal communication within an MNC, special attention will be paid to this in the following section.

3.3.5 Impact of Culture on Communication

An area that will expose the MNC to communication difficulties is the national culture. The reason for this is that in an MNC there are employees from different cultures who do not share the same underlying codes of meaning. This can create complexity, confusion, and also misunderstandings (Forsgren et al. 1997). Culture refers to a shared system of meanings and dictates what people pay attention to, how they act, and what they value (Trompenaars 1997). Different cultures have different cognitive frames that determine what is considered to be logical and rational, resulting in people in different cultures tending to have different ways of thinking, dealing with problems, as well as different ways of communicating (Varner 2000).

Culture influences the different components of the communication process (see figure 2) to different extents. Both the source and the receiver are influenced by

their cultural heritage.⁸ The cultural context surrounding a person is likely to determine the purpose for communicating and the meanings attached to certain words. When communicating across cultures, it is not unusual that a message is being encoded in the language and the nonverbal elements of the sender's culture, and then being decoded with the meaning that these give in the language of the receiver (Mead 1998). Further, the access to long-distance communication channels can make the need for cultural adjustment less obvious and, thus, increase the potential for misunderstanding (Gundling 1999).

However, the cultural differences among the headquarters and its units do not have to create problems in the internal communication. In a situation where the subunits are largely independent from the headquarters, the cultural differences do not cause as many problems due to the fact that the units are autonomous and, therefore, do not have intensive contact with the headquarters. This is the case when the MNC is structured like the multinational company described by Bartlett and Ghoshal (1989), where the foreign units have few interactions with the headquarters and, therefore, the clashes between the national cultures are limited. On the contrary, when the subunits are dependent on the headquarters, which is the case in the international and the global company according to Bartlett and Ghoshal (1989), there is a high level of interaction with the headquarters, with the consequence that the potential for conflicts due to cultural difference increases.

3.3.5.1 Cultural Dimensions

Hofstede (1991), Trompenaars (1997), and Hall (in Jandt 1998) are researchers who have developed dimensions after which a culture can be categorized. The dimensions that are likely to be most influential for the internal communication are listed and described below:

- **Individualism/Collectivism:** The degree of individual or group orientation, including the concepts of shame, face, and honesty. The collectivistic culture is a shame culture where it is important to save face and individuals of a group feel ashamed when rules have been broken.

⁸ www.brocku.ca

Contrary, the individualistic culture values honesty and is more of a guilt culture.

- **Power Distance:** The level of preference for equality or inequality within groups. Low power distance regards managers as skilled in creating goals and visions for the employees, whom thereafter individually take many decisions. High power distance, on the other hand, implies that managers are able of taking fast decisions and, hereafter, getting the employees to carry out the decisions.

- **Certainty:** The preference for risk versus structure. Cultures that are high in uncertainty avoidance have a lot of formal and informal laws, rules, and regulations. Managers in these cultures are expected to issue clear instructions. On the contrary, people in cultures that are low in uncertainty avoidance have a greater readiness to take risks and less virtue is attached to loyalty to the boss.

- **High/Low Context:** Context influences how members of a specific culture group communicate. In a low context culture, the messages tend to be highly specific and detailed. In a high context culture, on the other hand, most of the information is to be found in the physical context or internalized in the person communicating (Jandt 1998). Generally, Asian countries, countries in the Mediterranean and in the Middle East are claimed to be high-context cultures whereas US, Scandinavia and Germany are claimed to be low-context cultures (Mead 1998).

3.3.6 Ethnocentrism

In the previous section, Perlmutter's theory on ethnocentrism was discussed, with a focus on how it affects the control of the subunits of the MNC. However, the concept of ethnocentrism can also be applied to internal communication within an MNC. Mead (1998) states that all cultures carry an ideal about the superior way of communicating. This leads to communicative difficulties when members of one culture expect their ideals to be perceived the same way by members of other cultures. Another explanation of ethnocentrism is when people view members of their own group as the center of the universe and evaluates beliefs, behaviors, and values from this own group more positively than those of other groups (Cox 1994). Further, an ethnocentric

person judges people from other cultures from his or her own cultural norms (Hofstede 1991).

To conclude, there are a number of areas within and surrounding an MNC that may act as potential barriers to an effective internal communication. For the MNC to be able to avoid these obstacles, it is necessary to really look into and plan for the internal communication.

3.4 Planning for Internal Communication

If the MNC is to achieve an effective internal communication and avoid the mentioned potential barriers, it is advantageous to establish a well-defined communication strategy.

An effective communication strategy should fulfill a number of criteria. First of all, it must incorporate clear goals for what the internal communication is to achieve in order to engage and align the employees with the organization's business goals. Further, the communication strategy should be flexible so as to give space for maneuvers (Larsson 1997). Since information can be described as the currency of communication, the communication strategy should also ensure that individuals and groups within the MNC receive the information they need and that they are not burdened with an overload of information and/or distracting information (Thunberg et al. 1982). How much information should be communicated between the headquarters and the subunits further depends to a large extent on the degree of uncertainty that is facing the MNC, argues Egelhoff (1990). Thus, for fast growing MNCs there will be a higher demand for a rapid exchange of information since these corporations continuously face changes and new problems (Ahrens 1992).

When planning the internal communication, a large part should be devoted to establishing the required channels for the internal communication to be able to work in a convenient manner. Erikson (1992) argues that each organization must choose its own combination of communication channels based on the company's resources and qualifications. Further, it is important to be aware of the distinct difference between strategic and operative communication and that these have to be approached differently. When developing a communication

strategy there are certain areas that should be taken into consideration. The availability of technology, the preferences of the receivers, and the goal of the communication are examples of such areas. Further, in an MNC, the channels, use of technology, content and style of the communicated information will be influenced by cultural considerations (Varner 2000). Therefore, when developing a communication strategy it is crucial to consider the amount of context available through different types of interaction. In low context cultures, the verbal content of a message is more important than the medium through which the message is delivered. In high context cultures, on the other hand, the context or setting, with its multiple nonverbal cues, can convey far more meaning than the literal words of a message. Thus, in these cultures high value is placed on face-to-face interaction. Context is, according to Gundling (1999), perhaps the core intercultural issue when using communication technologies. It is, moreover, essential to select the communication style that is most suitable for the employees and the purpose involved.

It is important that the communication strategy clarifies the responsibility of each of the employees for the communication that is appropriate for their positions. Further, these defined responsibilities should, in an explicit manner, address how information is to be received and sent and in addition what information that is to be communicated to whom, when, how and why.⁹ The communication strategy should further supply for a regular pattern so that employees know when to expect messages and in what form (Gundling 1999).

Mead (1998) proposes a standardized communication plan that enables the MNC to structure the internal communication according to the headquarters' and the subunits' different perceptions of goals, resources, and strategic priorities. When creating the communication plan there are three parameters involved:

- *Who* in the headquarters, as well as in the subunit, has responsibilities for communicating with whom given a particular topic
- *What* topics should be communicated by whom to whom
- *How* messages should be communicated: what medium is appropriate

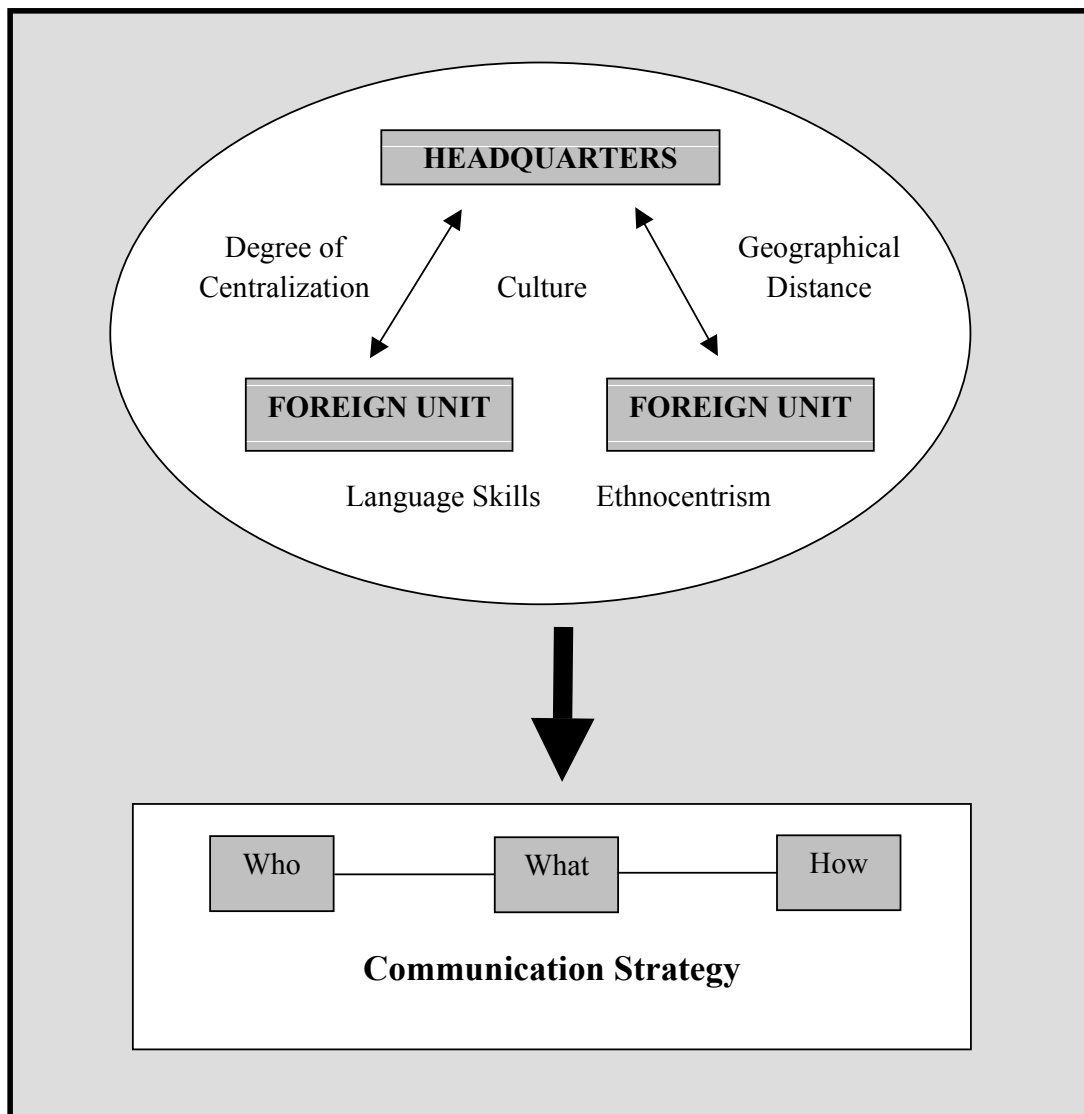
⁹ www.km-review.com

When these parameters have been clarified, the MNC should be in a good position to reduce the existing barriers to an effective internal communication and, thus, improve its internal communication.

3.5 Theoretical Model

To conclude the theoretical framework, a model has been constructed to capture the main aspects discussed in the chapter that are related to the internal communication in an MNC. This model will serve as the point of departure for the empirical study.

Figure 4: Theoretical Model: Internal Communication in an MNC



Source: Our Own (2001)

4 EMPIRICAL STUDY

In this chapter, the empirical findings that have been collected during the case study are presented. The chapter is divided into two parts in which the first two research problems are addressed. Throughout the following chapters, we make a distinction between vertical communication and horizontal communication. The vertical communication refers to the information being communicated regarding general information about MODUL Service AB as a whole and horizontal communication refers to the information being exchanged between employees within the same department in different units.

4.1 MODUL Service AB

The first part of the empirical study is assigned to describe the characteristics of MODUL Service AB, as well as how its internal communication is organized. Hence, the purpose of this part is to answer the first research problem.

RESEARCH PROBLEM 1

How is the internal communication within an MNC organized?

4.1.1 Introduction of MODUL Service AB

MODUL Service AB is active as a global wholesaler of furniture fittings and it is the first independent subsidiary of the IKEA Group, the famous Swedish home furniture company. The reason for its establishment in 1985 was that as an independent subsidiary MODUL Service AB would be subject to competition instead of being an internal company operating in a monopolistic situation. MODUL Service AB would make sure that the fittings would be bought to the best overall solution, so that MODUL Service's customers, that at the same time are IKEA's furniture suppliers, would have access to good quality products at competitive prices.

The headquarters of the company is located in Älmhult, Sweden, and its two subunits are located in Malacky, Slovakia, and Shekou, China. Currently, the company employs around 300 people in its three different offices, where

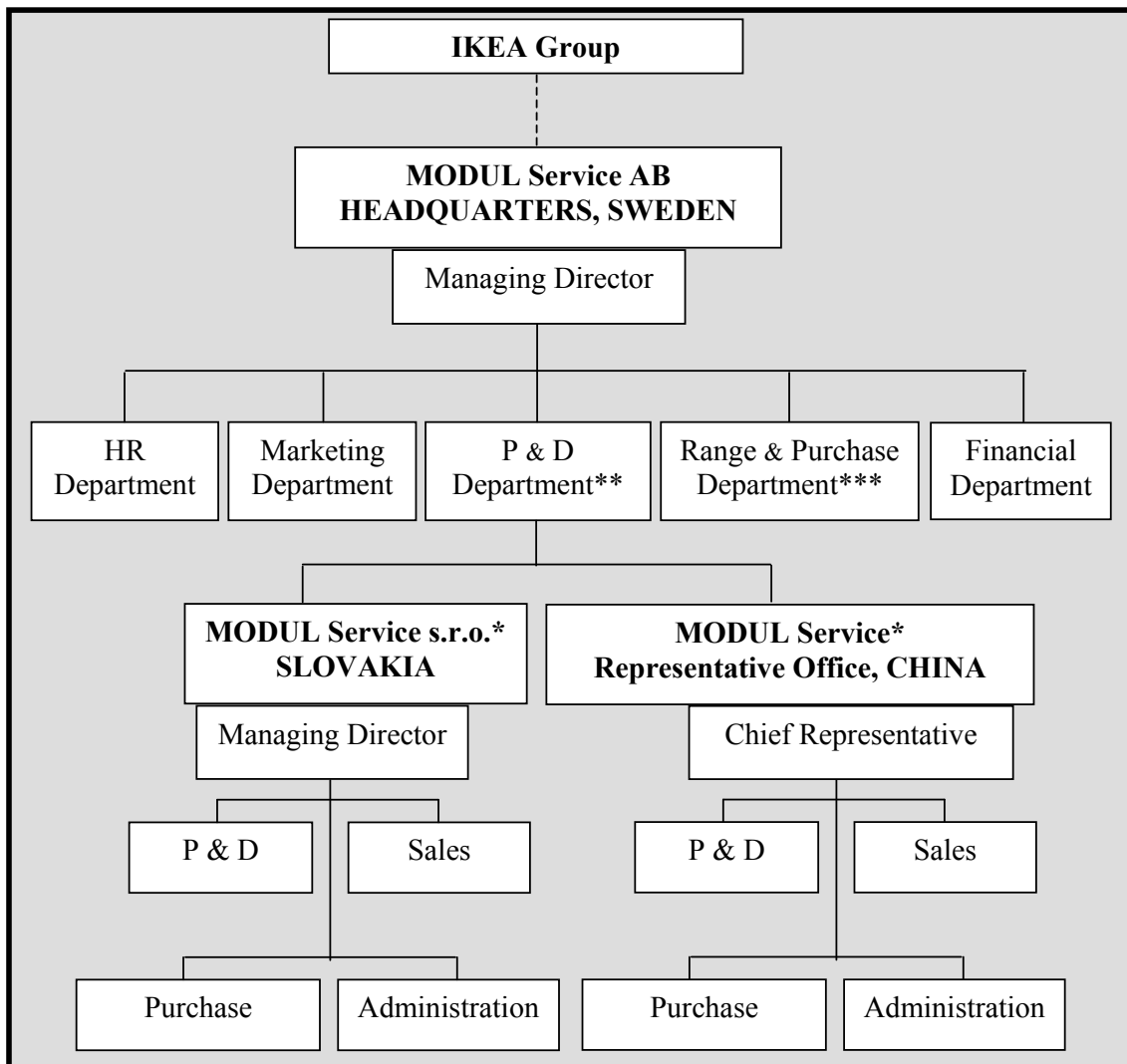
around 200 people work in Älmhult, 80 people in Malacky, and about 20 people in Shekou. MODUL Service AB is, as mentioned, a global wholesaler of furniture fittings such as screws, plugs, and handles in all various shapes. The company purchases fittings in bulk and, thereafter, packs the fittings into smaller bags. The process of packing the fittings into bags is in the company referred to as production. The specification of which types of fittings are to be packed into the bags is determined by the type of furniture that MODUL Service's customers produce.

The role of MODUL Service AB is illustrated by the following example. If MODUL Service's customer is a producer of the IKEA cupboard "Billy", then MODUL Service AB packs the required fittings in the small bags that are needed for the end-user when he or she assembles "Billy" at home. These small bags are sold to the furniture producers who include them in the furniture packages that are delivered to IKEA. Sometimes the producers prefer to purchase the fittings in bulk and in cases, like this, MODUL Service AB acts as a distributor. In reality, there is nothing that prevents the producer of the furniture from purchasing the fittings directly from the producer. However, MODUL Service's competitive advantage is that the company is able to purchase larger quantities to reduce costs, as well as it can guarantee the quality of the products according to IKEA's standards, and deliver the products when the fittings are required, meaning that the furniture producer does not have to keep a large inventory of fittings.

MODUL Service AB has grown rapidly during the last few years. Over the years 1997-2001, the company experienced a yearly growth rate of in average 20% in turnover. The reason for the considerable growth is the fact that the company is part of the IKEA Group and, therefore, following the paths of IKEA. The step from handling the international operations from Älmhult to locating them abroad has evolved gradually. It has been a stepwise process in both the Far East and in Eastern Europe. In the Far East, MODUL Service AB began with having their own purchaser in Hong Kong where IKEA had a trading office but, when IKEA moved out of Hong Kong and into mainland China, MODUL Service AB decided to move along. Consequently, the representative office in China was established in Shekou in the late 1990s. The plan is to expand this office with both production and warehouse in 2002. In Eastern Europe, MODUL Service AB at first had a salesperson as well as sales administration at IKEA's trading office in Warsaw, Poland. However, in the

year 2000 MODUL Service s.r.o was established in Malacky, Slovakia, and it has from the beginning included both production and warehouse. By having a production unit in both Malacky and Shekou, MODUL Service AB will be able to achieve better lead times as well as lower prices and costs. In order to clarify how MODUL Service AB is organized into its various departments and also to illustrate the relationship with IKEA, the organization of MODUL Service AB is visualized in the chart below.

Figure 5: The organization of MODUL Service AB



*Always additional member of MODUL Service Management group
 ** Production and Distribution divided into Technique & Development, Product Team Assembly Kits, Production, Warehouse/Distribution, and Logistics/Customs/Forwarding
 *** Strategic, Tactical, and Operational Purchase

4.1.2 Relationship with IKEA

MODUL Service AB is closely connected to its owner IKEA, which is indicated in its slogan of being “in line with IKEA”. The business connection between the two companies is that MODUL Service’s customers are IKEA’s suppliers of furniture. The relationship that exists between the companies is at a strategic level where business strategies and ideas are exchanged. There are, however, also other areas where the relationship between the companies is seen. For example, within MODUL Service’s range and purchasing department there is an area called business development, and the person in this position is located at the office at IKEA of Sweden. Via this channel, MODUL Service AB receives a lot of information about products, customers’ needs, and the future of the industry and this gives the company a competitive advantage over its competitors. This understanding makes it possible for MODUL Service AB not only to launch new products, but also to improve existing ones, either in price or in added value in accordance to the demands of the customers. Thus, the advantage the company has in comparison with its competitors is that it is aware of new products, trends, and forecasts ahead of the competitors. To assist MODUL Service AB, IKEA provides the company with the specifications for the required fittings. MODUL Service AB, on the other hand, sometimes provides IKEA with information about available fittings that are most suitable and economical for the furniture.

Since MODUL Service AB is part of the IKEA Group, its main purpose is to support IKEA by being close to IKEA’s suppliers of furniture who, as pointed out, are the customers of MODUL Service AB. It was in line with this purpose that MODUL Service AB, apart from its headquarters in Älmhult, established offices in Malacky and in Shekou. Since IKEA is currently purchasing more furniture in China and Eastern Europe, the subsidiary offices of MODUL Service AB are strategically located to facilitate and reduce the lead-time for the fittings to reach the customers, i.e. the producers of furniture. IKEA is a demanding customer regarding lead-times, and sends orders to the furniture producers for the coming four-week period (eg. week 40 IKEA sends the orders for week 43-47), which also affects MODUL Service AB who must be able to deliver the fittings with the most suitable lead-time for the suppliers of IKEA.

The relationship with IKEA effects not only the way MODUL Service AB conducts its daily business, but the internal communication of the company is

also, to a large extent affected by this relationship. The reason for this is that the specifications for the fittings demanded by MODUL Service's customers originate from IKEA. In order for MODUL Service AB to be able to respond quickly and develop fittings required for new furniture, there is a high demand for an effective communication with both IKEA and internally within MODUL Service AB. In this study the focus is, however, only directed at the internal communication that takes place within MODUL Service AB and not at their communication with IKEA. The reason for this delimitation is that by focusing on a separate company it is possible to go deeper in our study of the concept of internal communication.

4.1.2.1 The Range and Purchasing Department

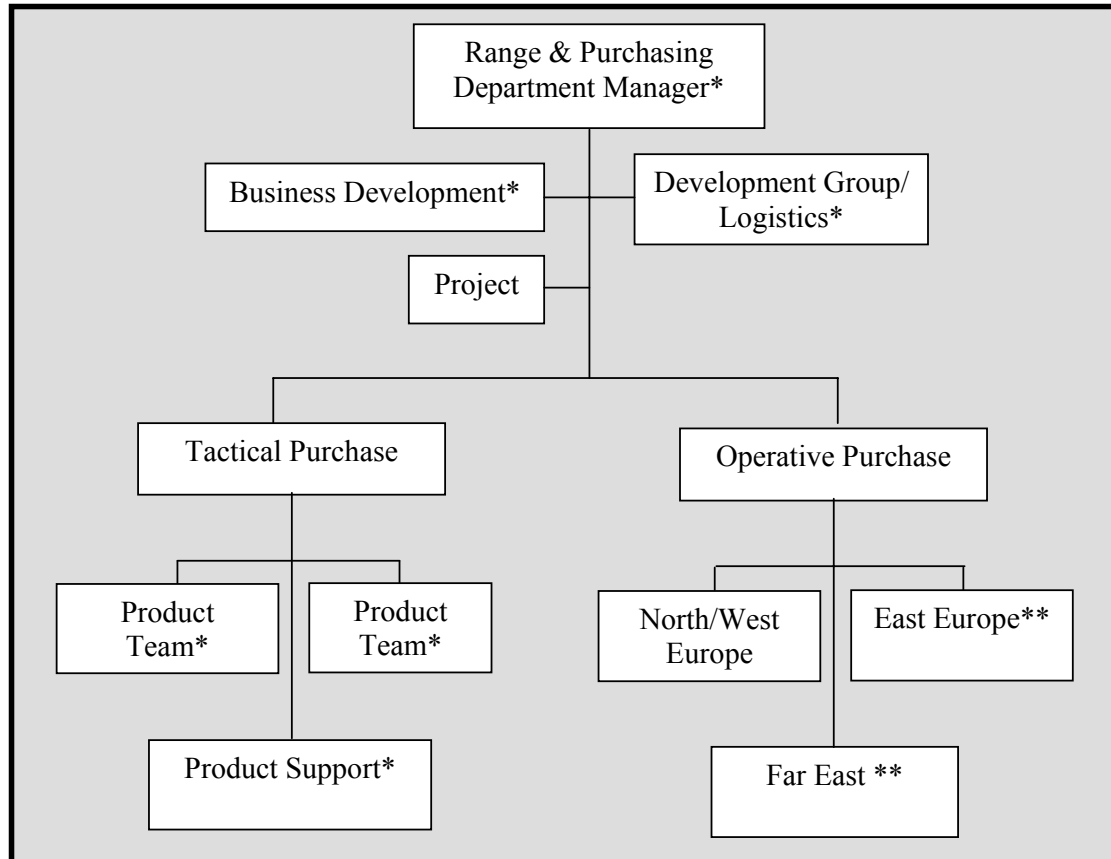
As seen in the organizational chart, MODUL Service AB is composed of the headquarters in Älmhult, and the units in Malacky and in Shekou. The company is structured after its functions; human resources (HR), marketing, production and distribution (P&D), range and purchasing, and finance.

In our study, we look at two different aspects of internal communication; the vertical information that is being communicated from the headquarters, as well as the horizontal communication within the departments between the co-workers at the headquarters and the co-workers in the foreign units. Regarding the latter aspect, the main focus will be on the Range and Purchasing department, as this is the department with the highest amount of interpersonal communication between the units. Therefore, the organization of this department will be explained in more detail next.

The Range and Purchasing department, (figure 6), has centralized decision making. The department underwent a reorganization in September 2001 and it is now structured in the following way: the strategic and tactical levels are located at the headquarters whereas the operative level, the purchase teams, is located in each of the three units. The strategic purchase is responsible for all overall strategic decisions whereas the tactical purchase takes all decisions in regards to which products need to be purchased and from where they should be purchased. Within the tactical purchasing there are two product teams, plastic/wood and metal, which are in charge of the products within its range, and a product support group. From tactical purchase the operative purchase teams receive inquiries for products that are demanded. It is the operative

purchase teams that are active on the individual markets (North and West Europe, Far East, and East Europe) in order to find the most suitable suppliers to each inquiry. For most products, there are at least two suppliers, one main supplier and one or more minor suppliers. The organizational structure of the range and purchase department, which is shown below, implies a stiff competition between the three operative purchase teams.

Figure 6: Range & Purchasing Department



* member of management group
** employed by other MODUL-units

Although MODUL Service AB is a part of the IKEA Group, as an independent subsidiary it is an MNC in itself. Even though MODUL Service AB is not as big as corporations with operations in numerous countries, it is by definition an MNC and, therefore, faces similar problems as huge multinational corporations. As discussed in the theoretical framework, the MNC has certain characteristics, which differentiate it from a domestic company. Therefore, the next section will be dedicated to a description of these characteristics within MODUL Service AB.

4.1.2.2 Centralization / Decentralization

As mentioned in the theoretical framework, one essential dilemma for an MNC is the decision regarding the extent to which its activities should be centralized or decentralized, which in turn is linked to the dilemma of whether the MNC should be globally integrated or locally responsive.

In MODUL Service AB all of the major decisions, such as the strategic directions for the company, are centralized at the headquarters in Älmhult. The major decision making is synchronized through the management group that consists of the managing director, MD, and the strategic level managers of the different departments, as well as the managers of the foreign subunits. This centralization is illustrated in the statement made by one of the managers in Shekou:

“We are very dependent on information and decisions taken in Älmhult.”

On the other hand, some of the operative decisions regarding specific matters in the foreign offices are decentralized at the two subunits in Malacky and in Shekou. This situation is seen in the following remark made by another of the managers in Shekou:

“We are rather independent, we do not contact Älmhult for every single thing since the managers here have experience from MODUL Service AB. We take our own decisions as long as everything is OK according to budget and goals.”

Hence, there are traits of both centralization and decentralization in MODUL Service AB and the degree of centralization versus decentralization depends on how each department is organized. Centralized decision making is apparent in, for instance, the purchase department, where the operative level hardly has any decision making power. As one person in Malacky stated:

“We [one of the operative purchasing teams] have no real freedom to take any decisions so we always have to wait for a response from Älmhult.”

Another respondent from the marketing department in Malacky agreed:

“On the purchasing side, they are very dependent on the tactical team in Älmhult. They cannot do anything by themselves. I would go crazy if I were them.”

The purchase organization is thus the one department that is most centralized in terms of decision making since all decisions, including the operative ones concerning issues such as signing up new suppliers, are taken at the headquarters where, as already pointed out, the strategic and tactical levels are located. The departments of finance, human resources, and production & distribution have traits of both types, being decentralized in regards to day-to-day operations, but centralized in regards to the major decision making, such as strategic decisions. The marketing department is rather decentralized and the sales teams in the three offices are responsible for most aspects of their own operations. For example, the sales teams have the power to set the final prices for their customers.

4.1.2.3 Type of MNC

When applying Bartlett and Ghoshal’s (1989) categorization of organizational models, discussed in the theoretical framework, to MODUL Service AB, the company matches the criteria for being an international company. MODUL Service AB has, as does the international company described by Bartlett and Ghoshal, some of its assets, resources, and responsibilities decentralized at the foreign subunits, but are at the same time controlling them from the headquarters in Älmhult. The subunits in Malacky and Shekou are, therefore, dependent on Älmhult regarding new products, new work-processes, knowledge and information, which is typical for subunits of an international company. To clarify this dependency an illustration of how the sales team in Shekou is dependent on the headquarters in Älmhult is given below. First of all, the sales team in Shekou is dependent on the purchasing department for finding suppliers that are able to deliver the products to reasonable prices and with short lead-times. Second of all, it is dependent on the production & distribution department to ensure that they are able to pack the products, as well as ship the products, on time. Furthermore, the team is dependent on logistics/custom/forwarding to send the correct documents to the correct place, and finally on the financial department to compose credit agreements for the customers.

As discussed in the theoretical framework, the strategy and structure of an MNC will influence what control and coordination mechanisms are likely to be suitable. For MODUL Service AB, being an international company where the subunits are dependent on the headquarters, a high degree of centralization and formalization together with a shared managerial philosophy and high coordination is recommended by Roth et al. (1991).

4.1.2.4 Control and Coordination

MODUL Service AB utilizes all of the three different means of coordination and control mechanisms presented by Bartlett and Ghoshal (1989) in the theoretical framework. The degree of centralization is high in that there is a substantive decision making by the top management. Regarding formalization, which prescribes allowable and non-allowable behavior, this is a coordination process that is very prevalent in MODUL Service AB, for example, on the Intranet where a lot of space is dedicated to the so-called “Ratten”, (the Wheel), where more or less all procedures within MODUL Service AB are described in a very detailed manner. Socialization is also present within the company, since there is a framework of common purposes and values established among the managers who all have long experience of working in the company. Both of the highest-level managers in the foreign units are Swedes, which facilitates the spreading of the MODUL way of thinking and thus enhances this informal control mechanism. A possible disadvantage of having Swedes as managers is that the degree of local responsiveness might be reduced since the Swedes do not have the same knowledge about how to do business in a foreign country as a domestic manager.

MODUL Service AB does not have an explicit vision, which if it existed probably could be an instrument for strengthening the socialization process. Therefore, the statement “In line with IKEA” should not be understood as the vision of MODUL Service AB. Rather this statement represents the company’s business idea. Interestingly, it is not only the vision that is absent in MODUL Service AB, the company has also in other aspects not followed the path for development and success prescribed by the literature, but rather done everything in the opposite way. It was, for example, not until after ten years of existence that the company formulated an explicit business plan. The reason that a business plan was actually formulated at this stage was that a new managing director with new ideas came to MODUL Service AB. Currently, the

management is working on what they refer to as a “goal picture” that will give the directions for the coming five years and thus move MODUL Service AB closer to having an explicit vision.

Until now, the company has obtained its direction from the business plan that in turn is divided into yearly action plans for each individual department, as well as for the subunits in Malacky and Shekou. These action plans function as guidelines for the activities and actions of MODUL Service AB for the coming year by describing the budget and the activities to be undertaken. The control exercised through the business plan and the action plans can be considered to be a formal control mechanism. There is also a growing awareness of the importance of implementing the right way of thinking, the MODUL way of thinking. The MODUL way of thinking can be described as an informal control mechanism, which was presented by Marschan (1996) in the theoretical framework. This can be considered to be a significant part of the corporate culture, which according to the literature sometimes has proved to be the most efficient tool for an MNC to better control its organization.

Internal communication is, as discussed in the theoretical framework, another way of exercising control and of coordinating the activities of the dispersed subunits of an MNC as well as it is a tool for socialization.

4.1.3 The Internal Communication within MODUL Service AB

Apart from MODUL Service AB being an international company, another clear characteristic of the company is that it has been experiencing a rapid growth during the last few years. As mentioned above, the company has, during the last five years, grown in average by 20% yearly in turnover. During this rapid expansion, MODUL Service AB established its foreign units and these factors together have had an impact on its internal communication. The fact that MODUL Service AB is no longer a small company located only in Älmhult where everyone can meet on a regular basis has resulted in that the information and communication must be handled in another manner.

There is a steady flow of information between the headquarters of MODUL Service AB in Älmhult and its units in Malacky and Shekou both in the form of vertical information being transmitted from the headquarters and in form of questions regarding day-to-day tasks, as well as more formal reporting, such as

monthly reports. Due to the fact that there is a high level of dependency on the headquarters to take decisions, the subunits are regularly sending questions for approval. Further, what has been made clear during the interviews is that the main reason for communication to take place between the headquarters and the foreign units is generally that a problem has occurred and needs to be solved. As one of the managers in the Shekou office revealed:

“I do not believe that it has ever happened that someone from Älmhult has ever called us just to check how we are doing...”

The internal communication within MODUL Service AB is conducted through various communication channels. In the next section, the channels of communication for transmitting information within MODUL Service AB will be described in more detail.

4.1.3.1 Channels of Communication

The company has established various channels, oral, written, and different electronical means to facilitate the transmission of information throughout the organization.

Management Team Meetings

The management team has ten scheduled meetings a year in Älmhult. However, if there are other important issues that need to be discussed, additional meetings are arranged. At these meetings, major strategical issues are discussed and decided upon. The goal of the management team meetings can be connected with the wish for centralization of decision making as well as to the wish for socialization. The information from the management team meetings is distributed to the rest of the organization via the members of the management team. It is not considered to be appropriate to transmit all the information from the management team meetings since some of it is strictly confidential. Therefore, it is up to the managers to select the information that they want to transmit to their respective units and departments. As a manager in one of the foreign units stated

“When the notes from the management team meetings are distributed, I go through them and select the information that I want to transmit to my

management team within the department. The departmental managers then transmit the information to their respective department. The information is thus selected at each level that it passes.”

Kick-off

Once a year, there is a kick-off held at the headquarters in Älmhult that occurs in conjunction with the end of the fiscal year. This is a significant method for transmitting vertical information. At this event, all departments located at the headquarters are represented and so are the two foreign subunits. Each department presents an evaluation of its action plan from the previous year, as well as presenting the action plan with its major goals for the coming year. Apart from the presentations, a dinner is held where the employees are able to socialize in an informal manner. The intent of the kick-off in terms of control and coordination is connected with the wish for formalization in the form of goals and strategies being discussed and for socialization in the way that employees from all the units and departments are gathered. Thus, the kick-off can be considered to be both a formal and an informal coordination mechanism in terms of Marschan's (1996) categorization, as discussed in the theoretical framework.

Due to the fact that the office in Malacky has grown so rapidly and all employees can no longer be present at the yearly kick-off in Älmhult, the office arranged its own kick-off in 2001.

Local Information Meetings

Älmhult

At the headquarters, the most important channel for regularly communicating vertical information to the employees about the company's status and current situation is the “fikamöten” (coffee meetings), which are held by the managing director on a monthly basis. The “fikamöte” is about 20-30 minutes in length, and this channel of communication is very appreciated among the employees because of its clear and simple structure. Further, this is a good way of transmitting general information and most of the employees consider the “fikamöten” to give enough information about the general situation. The intent with the “fikamöten” is to present the direction of the company in terms of sales figures and other key figures, which can be described as formalization

when connected to the theoretical framework. Apart from being a method for formalization, the “fikamöten” is, in addition, a kind of socialization as it is an informal and relaxed meeting, which contributes to a feeling of togetherness.

“We [the employees in Älmhult] probably have a very unique situation in the “fikamöten” since the MD transmits more information than I think is normal in large organizations. It is a sign of trust and people appreciate it. The information is also communicated in an easy and understandable way and gives the employees an overall view of the organization and the present situation.”

The advantage in attending the meetings is that it gives an opportunity to raise questions. The disadvantage with the meetings is that many key figures are discussed and all employees are not familiar with these terms, and therefore, cannot understand all that is being discussed. However, the company is planning a basic course in economics for the employees. The information given at the “fikamöten” is later published on the Intranet and in the local internal magazine Modulan.

Malacky

There are no “fikamöten” in Malacky and there are various opinions as to how often there are formal meetings. According to the MD in Malacky, formal meetings are held about once every third month. In these meetings there is no general follow-up, instead it is up to the different teams to conduct follow-up on the situation. In the beginning of MODUL Service s.r.o.’s existence, there were so called “minutes of meeting” held regularly as well as frequently. These were very appreciated among the employees and considered as being a good method of getting everyone familiar with the general situation in Malacky. At present, the MD arranges more informal meetings when there is something extraordinary that he needs to inform the employees. Since the general follow-up is only conducted within the different departments, the employees only see their own figures; in other words, only a small piece of the cake. In Malacky the best way to receive general information is, according to some of the respondents, by going through informal channels, which requires that you know whom to ask.

Shekou

In the office in Shekou there are so-called monthly “office meetings” held by the chief representative where all the employees are present.

“The goal with having these meetings is to make everyone in the office aware of what is happening in all of the departments, since everyone is focused on their own tasks in the daily work.”

The office meetings in Shekou are very well organized as the employees receive a yearly schedule of when the office meetings will take place so that everybody can plan for the meetings. In order for the employees to be prepared for the meetings, there is an agenda posted on a common space in the network, which makes it possible for every person to prepare and add issues for discussion. After the meeting, the protocol is published on the common space in the network so that it is possible to go back and review what was discussed during the meeting.

Memo

A lot of the horizontal communication and exchange of information within MODUL Service AB is through memo, which is a system similar to e-mail. Memo is seen as a positive tool by most of the employees. The advantage of using memo is that what has been written is saved.

“It is easy to create a folder and store the information, so when memo is used in the right way it is a very good tool.”

This gives the possibility of going back and seeing who was right if there is a misunderstanding, people cannot say that they did not receive the information, and it is possible to go back and look for information when needed. The employees can also see when the receiver reads and/or deletes the messages. Memo is considered as a good tool for transmitting information since it is possible to attach reports including numbers, pictures, and drawings.

The disadvantage of using memo is that it is very easy to send it to a larger number of co-workers than the ones that the memo really concerns.

“The overload of information is sometimes the problem with memo, you are afraid of missing someone so you send more information instead of prioritizing the recipient.”

Another disadvantage is that people can be rather short when writing the message and not include all relevant information.

“. . .since I am better at talking than at writing, I write very short memos and sometimes it is, therefore, not understood very well”

The memo is a preferred communication channel to use since it is the cheapest way to communicate between the headquarters and the subunits. Another reason for the heavy usage of memo is that it is the preferred way of communicating with someone you have never met face-to-face. It is also easier to explain things via memo than via phone since the message is sent in a foreign language and it is sometimes difficult to understand each other's accents over the phone.

Intranet

MODUL Service AB has an Intranet where various types of information, general as well as specific, is to be found. Here product changes and exchange rates are frequently updated. In addition, the Intranet includes information on rules and policies regarding more or less all procedures that are published under the heading “Ratten”, (the Wheel). The amount of procedures is not appreciated by everyone:

“There are too many procedures so people do not bother to read them. There is an overflow of information. Some think that it is only the procedures for bathroom breaks and how to get coffee that are not stated on the Intranet.”

But there are two sides of the coin;

“On the Intranet you can find everything. Here you can find product information and procedures that we used to receive on paper.”

Further, organizational charts and company presentations used during external meetings are also found on the Intranet. In addition, there is a heading called “latest news” where coming events are presented along with changes regarding personnel, such as people leaving and newly hired people. Thus, the Intranet is mainly a channel for transmitting vertical information. The majority of the Swedish respondents considered the Intranet to be a good channel for finding general information.

Intranet is, in general, only used intensively by newly hired employees who use it to find information about rules and procedures. Among the other employees, the frequency of using the Intranet varies. Most of the employees in Älmhult are regularly looking at the “latest news”. However, this is not valid for all employees due to the lack of time and/or interest.

In Malacky, the Intranet is not a medium that is checked regularly. In fact, most of the employees never look at it and are, therefore, not familiar with all of the information that is available apart from the content regarding product news and exchange rates.

In Shekou, the frequency of utilizing the Intranet varies from person to person and similarly in Malacky they mostly look at product news and exchange rates. A number of respondents claimed that they regularly look at the “latest news” however one of the managers stated:

“I do not believe that the Intranet is being frequently used in this office. For myself, I do not look at it very often although I probably should”

The reason for the infrequent usage of other parts of the Intranet is, according to the majority of the respondents, lack of time.

“The reason for why we do not look at the Intranet is that we do not have the time. There is no time to search for information”

A factor that has a major influence on the low frequency of looking at the Intranet in the foreign units is the fact that parts of the information on the Intranet are only available in Swedish.

Internal Magazine

Modulan

In Älmhult there is an internal magazine for the employees called Modulan that is distributed once a month. Modulan is published in Swedish and consists of a foreword by the MD followed by a report from each of the different functional departments in Älmhult and sometimes of a report from the foreign units. Further, personnel changes are published in this magazine. Modulan is by many respondents considered to contain good information and to be easy to read. The fact that each department is represented in the magazine contributes to the creation of a “we-feeling” and, thus, it can be considered to be a socialization mechanism.

In Älmhult, there were many positive comments made about the articles from the foreign units since it gives an opportunity to get to know the employees as well as the operations in the foreign units. However, there were some comments made about how the internal magazine only describes and presents past events and does not give much information about the future plans of the company. Furthermore, since opinions are diverse, one voice actually questioned Modulan’s right for existing, due to its contents.

Modulak

The unit in Malacky has its own magazine, Modulak, which is published in Slovakian and distributed among the employees. Modulak mainly publishes information regarding MODUL Service s.r.o and does not regularly include information regarding the development in Älmult and Shekou. However, sometimes there are articles written in English by employees from other units.

The Shekou office does not have an own magazine. The Swedish Modulan is sent to the office. However, it is only the Swedish-speaking managers that are able to read it since it is in Swedish. The employees in both Malacky and in Shekou expressed a desire to be able to read the Swedish magazine.

The Grapevine

At the headquarters in Älmhult, a lot of information is being spread through the “grapevine”, which is the informal small talk that takes place in the corridor, at coffee breaks, and during lunch. The grapevine is considered by a majority of

the respondents in Älmhult as being the best channel for receiving the latest news. The amount of information that is possible to hear this way depends on the width of the person's informal network. Almost all of the employees that we interviewed in Älmhult receive some information through the grapevine. A lot of the discussions prior to major decisions and changes occurs in the form of this informal communication, with the consequence that by being a node in the grapevine it is possible to be much better updated on what is going on than when not being part of the grapevine. This situation has as a direct consequence that the employees in the foreign units who are not able to take part of the grapevine at the headquarters miss out of this regular update. As one of the respondents in Shekou stated:

“Regarding the informal corridor chat, we totally miss out of this. This is the disadvantage of working far away from the headquarters.”

4.2 Barriers to the Internal Communication

After conducting our interviews we have identified a number of barriers that prevent the internal communication from working frictionless in MODUL Service AB. These are presented in the following section, which is devoted to answering the second research problem.

RESEARCH PROBLEM 2

What barriers to an effective internal communication exist in an MNC and what are their consequences?

The found barriers are, to a large extent, similar to the aspects captured in the top of the theoretical model (figure 4), and are thus basic characteristics of an MNC. We have chosen to structure this part of the empirical study according to these found barriers.

4.2.1 Geographical Distance

The geographical distance existing between the headquarters and the subunits of MODUL Service AB, is an area that creates a very distinct barrier to the

internal communication, vertical as well as horizontal, because the sender and the receiver are spread across national borders.

Consequently, many of the problems that effect the internal communication in MODUL Service AB exist due to the geographical distances. One of the most obvious problems is that it is not possible for the all of the employees to meet and discuss issues face-to-face. The geographical distance implies that instead of having face-to-face meetings, the employees have to communicate via other channels such as memo, phone or fax. The disadvantage of these different channels is that it does not allow for an instant two-way dialogue to the same degree as in a direct face-to-face situation. In the horizontal communication, where most information exchange occurs through memo, an obvious barrier is that it takes longer time to receive a response via memo than to receive it during a face-to-face dialogue. Also, there is no possibility for immediate feedback where employees have a chance to ask follow-up questions or clarify the information. Further, when communicating over geographical distances the sender is not able to see the receiver's expressions and gestures. This type of non-verbal communication is a very good tool to really make sure that the receiver has understood the message. The lack of feedback and control creates a large barrier for the internal communication to be effective.

Further, it is not possible for the foreign managers to be present at all meetings that are held in Älmhult, and as mentioned by the chief representative in Shekou:

"I don't participate in all of the management team meetings, but only in 5 out of the 10 meetings that are held yearly. Here I receive a lot of information. This is fairly new, my predecessor was not part of the management team, which made the geographical distance very obvious. By being a part of the management team this has improved a lot."

The geographical distance is, furthermore, a problem for the departmental managers in the foreign units, who also cannot be present at the different meetings held in Älmhult, during which many decisions are taken. As mentioned by a manager in Shekou:

"This is actually the major disadvantage by having a geographical distance...it is not possible to influence the decisions taken. This is not

only relevant for the decisions taken at the management team meetings, but also for things that are decided about as they appear.”

Since it is not possible for the managers to be present at all meetings in Älmhult, the only way they can get their voice heard is as stated by one of the managers in Shekou:

“I can only read the agenda prior to the meetings and add some points that I want them to discuss and after the meeting I can read the protocol. However there is no possibility for me to take an active part in the meetings. This presence I really miss since it is easier to influence when you are present.”

Connected to the above mentioned difficulties is the situation where it happens that decisions taken at the headquarters sometimes come as surprises for the foreign units and because of this they do not have time to make necessary preparations in order to avoid possible problems.

Further, according to some of the interviewees in Älmhult, it is a fact that it is easier to solve problems when you can talk to people located at the same place. It has been mentioned during many interviews that when the employees visit each other it is easier to understand and solve various issues. As one of the Slovakian employees stated:

“My visit to Sweden was very positive. There were some problems in the communication within the purchasing department. We talked a lot about this in Sweden and it really helped and solved a few things.”

Another consequence resulting from the geographical distance is that it is difficult to get to know the co-workers in the other offices. Most often, the co-workers are just names on the organizational chart, who are responsible for certain tasks. A connected problem that one of the employees in Älmhult has noticed is that:

“It is easy to forget about them [the foreign units], information is forwarded to the people in Älmhult but the employees in the other offices are forgotten.”

This situation can be summarized with the saying “out of sight, out of mind”.

Further, the employees in the foreign units cannot persuade the co-workers in Älmhult to prioritize their needs to the same extent as those of the employees in Älmhult. As one of the respondents in the sales department in Shekou stated:

”Of course it is easier for the sales personnel in Älmhult to get their orders prioritized by the warehouse since they can just walk over to the people there and talk to them. This is not possible for us due to the geographical distance and, therefore, it sometimes happens that the warehouse in Älmhult does not prioritize our orders even if they are urgent.”

Furthermore, the geographical distance makes it impossible for the employees in Shekou and Malacky to be updated on all the issues as they miss out on the opportunity to take part of the casual talk, the grapevine, that takes place in Älmhult. Sometimes the informal talk is as important as formal meetings when certain issues are discussed. There is a lot of additional information that is exchanged during these informal meetings about the general situation in the company and in the market, as well as about the situation in IKEA that the foreign units cannot receive.

“We [the office in Shekou] really miss out on the informal communication going on in Älmhult. This is especially relevant for the purchase team, who has a clear disadvantage compared with the team in Älmhult, which has a clear information advantage.”

Finally, the geographical distance contributes to the fact that the employees in MODUL Service AB are rather unaware of what is going on in the other units. From the interviews we conducted, it is rather clear that there is not a regular communication about the development and situation in the other units.

As a consequence, it is difficult to know what the other offices have done or are planning to do regarding certain issues. There might be issues that are similar to the issues faced by another office, but since there is no communication between the different offices, each unit tries to solve the problems individually.

4.2.2 Time Difference

One area that causes problems mainly in the horizontal communication and that is related to the geographical distance, is the time difference of seven hours between Älmhult and Shekou as well as between the units in Malacky and Shekou. The time difference creates a barrier to the internal communication, since the employees in the different units will not receive information and/or responses to their questions as fast as desired. Even though questions and issues are urgent, the employees that need a response have to wait until the co-workers in the other unit are in the office. From the perspective of Älmhult, the time difference implies that other pressing matters often have to be put aside and wait until the urgent issues between Älmhult and Shekou are solved. These are two examples from our interviews in Älmhult:

“The time difference creates a lot of pressure on me since I have to take care of the Chinese’s questions and issues first thing in the morning. I only have a few hours where I can get things organized before they leave the office. During this time, many urgent matters can come up in both Älmhult and Malacky that just have to wait.”

“It is important to make sure that the issues and questions that arise in China are not pushed to the future, so that the Chinese do not feel less assisted.”

In the Shekou unit, the employees are adapting their work according to the time difference:

“I send a memo with a long list of questions at once so that these can be answered during the working day in Älmhult.”

4.2.3 Culture

Another factor that often acts as a barrier to the internal communication in an MNC is the different national cultural backgrounds of the employees in the dispersed units. Although some people are of the opinion that with the ongoing globalization the diverse national cultures are merging and that the differences are being blurred, there are still differences impacting the way people from

various cultural backgrounds think, act and communicate. Therefore, culture is a factor that should be highlighted when barriers to internal communication are being discussed.

In our interviews with the employees of MODUL Service AB, there was a clear tendency for the cultural differences to be noticed not at the management level but at the operative level. Most of the Swedish managers stated that there are no cultural barriers to the internal communication that are worth mentioning and that

“The Chinese and the Slovaks are human beings just like us”

However, at the operative level some comments were made regarding cultural differences and how it effects the internal communication. At the same time most of the respondents added that this of course is an individual issue. The comments made about the experienced differences have been divided after the country being discussed.

Sweden

The Swedish management style is very informal and the management cares about the employees on a personal level, which is uncommon in both Slovakia and China. The same goes for the fact that the communication style is informal and employees are allowed to state their opinion and be quite direct towards the managers. Further, MODUL Service AB has a rather flat organization where the employees work in close cooperation with the management. For the employees in Shekou and in Malacky, this is a new phenomenon and at first they did not comprehend that it was for real. From their previous experience, they were used to a more hierarchical organization structure.

Regarding the Swedish mentality, some of the respondents in Malacky were of the opinion that the Swedes try to hide their true self and that they are very self-controlled. Further, the Swedes want the employees in Malacky to share information and to be open, but the Swedes themselves do not always have the same openness, which is considered by the respondents as ambiguous.

There is a general feeling in Malacky that the Swedes are very relaxed and not as hardworking as the Slovaks.

“The Swedes take it more easy, even if there are problems with customers they still finish at 16:00. Here, we work until the problem is solved.”

The employees in Shekou also felt that the Swedes were more relaxed and one of them had an explanation for it:

“There is a big difference between Shekou and Älmhult. Shekou is in a developing stage where things are done quick and with more flexibility. Älmhult, on the other hand, is a mature company where everything is settled.”

Slovakia

According to the respondents in Älmhult, the Slovaks are at times hesitant to make decisions and afraid of making mistakes. Their unwillingness to take decisions affects the internal communication since they tend to ask more questions, which results in what Älmhult considers an overload of information to be transmitted.

“In Slovakia you rather ask an extra time to make sure you will do it in the correct way and it becomes time consuming when they ask too many questions.”

However, this opinion clearly contradicts what another Swedish respondent stated:

“Slovaks are afraid of asking questions and telling you their actual opinion.”

The diverse opinions are explained by the fact that it is not possible to measure a whole group of people after some set out dimensions since a group of people is composed of a variety of individuals who are different.

Another noticed difference between the Swedes and Slovaks is that the Slovaks are more willing to work hard, whereas the Swedes are quite satisfied and harder to motivate. Further, according to a number of Swedish respondents it is important to be very clear and direct when communicating goals to the

employees in Malacky. It is necessary to not only state the goal but also describe the steps required to reach the goal.

Further, another statement that was made in one of the departments in Älmhult related to cultural differences that effect the internal communication was that:

“The Slovaks are not always concerned about meeting deadlines, and furthermore they do not inform you when they will not be able to meet the deadlines. When you then ask them why it was not ready or why they did not tell you, you do not get a clear answer.”

China

In some aspects, the respondents in Älmhult considered the Chinese to be similar to the Slovaks since they are afraid of making mistakes and making decisions.

“The Chinese have an enormous respect for the manager, and it is therefore easier to make them do different tasks than it is to get Swedes to do the same thing.”

Further, it was mentioned that when the employees in Älmhult communicate with the co-workers in Shekou:

“It is important to not be too direct and straight to the point, instead it is advisable to talk around things before the point is reached.”

Most of the employees in Shekou agreed with the above statement and stated that:

“Chinese are not as direct as Swedes. When we say NO, we might mean YES, so you have to learn and adapt [the way you communicate] to each other.”

A manager in Shekou gave another example of the difference between how the Chinese and the Swedes communicate by giving an example of the way in which one of the employee's expressed himself when communicating with the headquarters.

“One of the [Chinese] employees wrote, “please give me instructions” where a Swede would have written, “please send me the information”. The opinion about the person who sent the message is different depending on the choice of words.”

Furthermore, according to the employees in Älmhult, the Chinese are prone to send a large amount of memos, sometimes regarding what the employees in Älmhult consider to be self-explanatory issues.

“Before Shekou had had visitors from MODUL Service AB, they sent a lot of unnecessary memos, but when this issue was discussed it became much better. The reason for sending many unnecessary memos can be traced to that they need a lot of confirmation since they are afraid of making mistakes.”

“To one of the inquiries from the tactical unit, one of the Chinese employees had written about 11 meters of correspondence with questions via memo. These questions had been non-existing if a Swede had received the same inquiry.”

The fact that the Chinese tend to ask a lot of question should, according to one of the Swedes working in Shekou, not only be seen as a cultural difference, but it can also be because they are under pressure from the customers who want immediate answers.

“Sometimes they say that the Chinese are asking the same things more than one time. I do not think that this has very much to do with cultural differences. It is rather due to the fact that we are under pressure since the customers are calling us once an hour until they get an answer. Älmhult must understand that we are facing the customers and we are not just complaining.”

4.2.4 Ethnocentrism

Connected to national culture and its associated problems is the concept of ethnocentrism. In MODUL Service AB, it is especially at the headquarters in Älmhult that there are clear traits of ethnocentrism. Ethnocentrism is revealed in the fact that it is more or less always Älmhult’s way of doing things that is

considered to be the one and only correct way. This sometimes creates barriers to the internal communication because,

“It is not always that they [Malacky] ask us [Älmhult] how we have solved this or that but find their own way of doing it. This could be a danger that they work in one way and we in another way. They start using systems without asking us how we are using it.”

Another trace of ethnocentrism is the fact that almost all protocols from meetings at the headquarters are available only in Swedish, which in some aspects is a source of power. This prevents the internal communication from flowing effectively since it is difficult to communicate issues where the information is only available in Swedish, and therefore needs to be translated. As one of the managers in Shekou stated:

“It is very important to realize that more information is needed in English. This would help a lot. The reason is probably that the headquarters considers Älmhult to be the centre of the universe.”

In Malacky, there is a feeling among some of the employees that the headquarters do not trust them and, therefore, do not give them much responsibility. As one of the respondents stated:

“The fact that most decisions are taken by the headquarters makes it difficult for us to perform our duties since we must wait for an answer before we can move on.”

Further, according to the employees in Malacky there is a tendency in Älmhult to blame Malacky for the majority of the mistakes. As two of the respondents said:

“The people in Älmhult cannot do anything wrong. It is always Malacky that does the mistakes.”

“All mistakes are blamed on us... it is always Modul Malacky that is responsible for everything. I guess it is normal. They [Älmhult] have been working there for 10 years and have experience and do not think that we in Malacky have any knowledge. Älmhult should give us a chance to prove

that we are good and have experience and they should take us seriously. Maybe it would be good for them to come here and see how we are working. It was mostly in the beginning that people were here, but most of them do not know how Malacky operates now. We are preparing a video for them to see how we work here in Malacky.”

The employees in Shekou also felt that there were traits of ethnocentrism at the headquarters in Älmhult that effected the internal communication, since

“In Älmhult there is a lack of understanding regarding how to do business in China and it is really important that Älmhult understands how it works in other cultures, that there are different ways of doing business. Currently the situation is that if Älmhult says no, there is no way to change it and if that way does not work in China the door [for doing business] is closed.”

4.2.5 Language

Language, together with the geographical distance, is the area that is considered to be a major barrier among the respondents in all of MODUL Service’s three units. The corporate language is English; however, this is not the mother tongue of any of the employees.

First of all, language poses a problem in some of the channels utilized for the transmission of vertical information within MODUL Service AB. Since many of the publications on the Intranet are in Swedish, it is impossible for the non-Swedes to take part of the information communicated via this channel. Further, the internal magazine in Älmhult, Modulan, is a good source of general information regarding developments and issues at the headquarters but it is not translated into English, which makes this channel a non-option for the employees in Malacky and Shekou. As stated by two Swedish respondents, where one of them works in Malacky and one in Shekou:

“They do not understand any of it since it is in Swedish. It is not translated which is bad since there are more and more people who do not speak Swedish in the company. There are now almost 80 people here [Slovakia] of which 3 speak Swedish, then in China you have an

additional 20 people so it is almost 100 out of 300 people that cannot read the information.”

“I just wonder when Älmhult will realize that we are a large company and 1/3 of all employees speak another language [than Swedish]. So many of the employees do not receive the information. At the same time they speak about the Modul-spirit and I got a memo from someone at the headquarters that talked about a big family and that we do things together. That makes me rather sick!”

Another respondent in Shekou indicated that

“They have to rethink in Älmhult. If they want us to feel like one big company, they have to make sure that the information is available in English for everyone to be able to understand.”

The language is also a problem in the horizontal communication between the units. This is displayed when an employee in Malacky or Shekou poses a question to someone in Älmhult, the response from Älmhult is sometimes sent in Swedish to one of the Swedes in Malacky or Shekou although the question was put forth by one of the local employees. Therefore, it takes a longer time before the right person gets the answer. Meanwhile, the person cannot continue with the specific task.

“This is very frustrating to the person that poses the question. Here [in Malacky] it is a requirement that the office personnel speak English, so they almost take it personal – why don’t they [in Älmhult] respond to me, do they not like me? It is not that they don’t like the people here, it is just that they are uncomfortable to speak English, so there is definitely a problem there.”

Another issue related to the language problem is that complaints regarding someone in Malacky are often directed to the managing director when he visits Älmhult because it is easier to talk to him in Swedish.

Further, in the horizontal communication it is considered to be especially difficult to explain technical terms in English. Certain terms are complicated to explain even in the mother tongue and require experience and familiarity with

the different products. The problem with not being able to communicate in their mother tongue makes people prefer to communicate in a written manner and, therefore, via memo rather than via telephone. However, this also causes difficulties according to one of the employees in Shekou:

“Swedes are much better at speaking English than the Chinese, but the Chinese are much better at writing in English than the Swedes”.

Apart from the experienced difficulty of communicating in English, there is also a ”MODUL” language that people who are new to the organization are not familiar with and which sometimes leads to misunderstandings. This language can only be learned by experience and time. It is a part of the organization and its atmosphere.

4.2.6 Lack of Formal Structure

There are currently no formal policies or guidelines for the internal communication within MODUL Service AB. Its absence can be seen as the root of some of the problems that are preventing the effectiveness of the vertical as well as the horizontal internal communication.

The confusion regarding whom to contact about different issues is one consequence of the absence of formal guidelines. If MODUL Service AB had formal guidelines, it would be easy to say that if X happens then A should take care of it, or if Y happens then B should take care of it. Currently, there are situations where several people work on the same issue as well as situations where nobody deals with the issue since it is expected that someone else does it.

Regarding the horizontal communication between the foreign units and the headquarters, the lack of structure for the internal communication is further observable in that it is difficult for newly hired persons who do not have the right contacts to know whom to ask, what channel to chose and from where the information needed to conduct their job should be received. This has led to the employees in both Malacky and Shekou with prior experience of working in MODUL Service AB having the role of being mediators. These people are often assisting the more recently employed people when they have questions in regards to whom to contact or how certain things are done.

Further, since it is sometimes difficult to know whom to contact as well as to receive rapid responses from employees in Älmhult, the result is that people in Malacky try to solve their own problems before they contact Älmhult in order not to bother them with every single thing. The problem of not knowing whom to contact is not only relevant for the newly hired, but also the new purchasing organization has led to difficulties since not everybody is familiar with the employees' new positions.

“...it has been a problem and the person in charge has changed several times. It is totally insane with so many changes. Also, when there is a new person we do not know about it. Sometimes over a week can pass before we find out that there is a new person in charge.”

Additionally, the lack of structure and the fact that there are no directions as to when and how to send confirmations upon receiving a message causes the sender to wait for a long time before he or she receives a response. The lack of a system for giving feedback or acknowledgement after having received the information, forwarded the information, or taken care of it creates a barrier. One of the employees in Älmhult mentioned that:

“On occasion, questions that one employee sends via memo to several recipients are ignored due to that one recipient assumes that some of the other recipients will take care of it, whereas the other recipients in turn assume that someone else will take care of it and respond to the memo.”

Further, as a result of not receiving any feedback, there is a feeling among the employees in Malacky that:

“The headquarters do not understand the importance of the issue or ignore the question because it was not posed in Älmhult.”

In Shekou it sometimes happens that the messages sent to Älmhult are only partially answered.

“Another problem is that when you send a memo they only answer one out of four questions.”

Since the employees are unaware of whether the other questions will receive a response, they send the same memo again with the other three questions in order for them to be answered. This results in the employees in Älmhult complaining over the Chinese sending so many memos.

4.2.6.1 Lack of transmission of general information

The lack of a formal structure on how to communicate internally also has consequences for the transmission of general or vertical information from the headquarters. In Älmhult, there are rather well established channels that make sure that most of the vertical information reaches the employees. The “fikamöte” and the Intranet are the main channels that are utilized in Älmhult. Thus, the “fikamöte” is the only channel where the vertical information is transmitted directly to the employees. As one of the respondents stated regarding whether or not the employees received enough general information:

“Some people can never get enough information, but if you increase the volume some think it is too much but other still do not think there is enough”

Further, as previously pointed out, more vertical information is available on the Intranet but this channel requires that the employees actively search for the information, which sometimes creates a problem since not all of the employees are looking at the Intranet frequently.

Regarding the transmission of vertical information to the units in Malacky and Shekou, the headquarters is of the opinion that these units are well informed about the general situation of MODUL Service AB. However, the main channel for transmitting vertical information is, according to the employees in the foreign units, considered to be the kick-off in Älmhult, which occurs once a year. Therefore, most employees in Malacky and Shekou sense that there is a lack of general information. One of the employees that used to work in Älmhult but now works in the Malacky office has noticed a big difference:

“It works quite well to work in Malacky, although I miss a lot of information down here that I used to have or receive when working in Älmhult.”

The following are statements from one employee in Malacky and from one in Shekou.

“I really like the kick-off. During the year, I do not get this [general information about all departments] information at all. Well, if I am interested I ask, but often people do not have time to talk about these matters.”

“The kick-off is the only time when the information about the other departments is communicated. The rest of the time there is not enough information given about Malacky and Älmhult.”

The additional channel, apart from the kick-off, through which the vertical information is transmitted is through the local managing director. However, since the managing director in Malacky is often traveling and, furthermore, occupied with many different tasks, the result is that there is not enough time to convey the vertical information in a timely manner. The transmission of general information to Malacky is thus in need of improvement. As one respondent in Malacky stated:

“ I think we get most of the important information from the managing director here in Malacky, but I guess that there is some information about the general situation that could be of interest to us that we do not get, but how can we know that it exists if we do not get it?”

The situation is somewhat different in Shekou where there are monthly meetings. Even though there are monthly meetings, there still seems to be a lack of information about the other units and also about the corporate values. As two of the employees in Shekou felt that:

“It would be good to have the vision, values, and goals stated on a paper to make it really clear what this company is and what it wants.”

“I would like to have more information regarding the goals and long-term strategy as well as some information regarding the competitors of MODUL Service AB.”

Apart from the “Fikamöte”, the Intranet, and through the managers, some general information is published in the internal magazine Modulan. The barrier hindering this channel to be an effective way of transmitting general information to all three units is the language, as discussed in a separate part of this chapter.

As mentioned previously, we have chosen to study the internal communication within the purchasing department in more detail since this is the department with the highest amount of interaction between the three units of MODUL Service AB. The following section can, hence, be seen as a case study within the case study.

4.2.7 Communication within the Purchasing Department

The purchase organization is, as pointed out above, the department that is most centralized in terms of decision making since more or less all decisions including the operative ones are taken at the headquarters. Further, there is stiff internal competition between the operative purchase teams regarding who will present the best solution in terms of price, lead-time and quality to the inquiry distributed by the tactical purchase. The best proposition from each operative team is sent to the tactical level that decides which team that will be awarded the order. After deciding, the tactical team is responsible for notifying the operative teams about who received the order and why. Until now there is no structure for how to send feedback. As shared by an employee in Shekou:

“We are lacking feedback on the orders we did not get. It would be very useful to know why we did not get a specific order.”

This lack of feedback is also experienced in Malacky:

“I have no idea of who gets the deals...no feedback at all is given”

Due to the internal competition among the operative purchase teams, it is imperative that they receive the same information in order for the competition to take place on equal terms.

The main problem in this communication is that there is currently no standard form for the inquiries or for which channel to use when sending the inquiries to

the operative units. This is connected to the lack of formal structure that was discussed above. An example of the confusion that occurs when the inquiries are not sent via the same channel was given by an employee in Malacky.

“When an inquiry is being sent, person A sends it via memo, person B sends it via fax, person C, who has the same responsibility as person A, sends it via fax and so on. It is difficult to know through which channel the inquiry will be transmitted”

Another barrier to the internal communication is that the inquiries are sometimes incomplete and the operative teams need more information. It is not just the operative team itself that might need additional information, but also the team’s suppliers who tend to ask for supplementary information if they are not familiar with a certain type of fitting.

“Sometimes our mates in Sweden feel that we do not come back to them in time with our answer to the inquiry. When they inquire about prices for some fittings, it might be difficult for us to get answers from the suppliers within 3-4 days. The team in Älmhult has a very large supplier database, with suppliers that are already producing many fittings for MODUL Service AB. Here in Eastern Europe nothing is really running. There are some suppliers, but if I want to inquire for a certain item I first have to find the suppliers, and then it often takes a long time for them to make the price offer because there are other sub-suppliers involved to make the final price. Due to this fact our Swedish colleagues feel that we are late with answers.”

Additionally, the information from the tactical level to the operative units is, according to the respondents in Malacky, not equal since sometimes the co-workers in Malacky do not receive the information at all or they receive the information too late. An example of when this happened was when the purchase unit in Malacky received information from a supplier, information that should have been communicated by the tactical level at the headquarters. As stated by one of the respondents in Malacky:

“It is very, very seldom that Malacky gets any information at all, sometimes we see some differences and changes in Movex [the computer

system] such as that a new tool has been ordered. In this way we spot about 1% of the changes.”

In Älmhult, we were informed that all teams are not supposed to receive all of the inquiries since the tactical level is already aware of the best areas for where to purchase certain types of products. Since the operative teams do not seem to be aware of this fact, many misunderstandings occur. Further, in Älmhult there is a feeling that the purchasing department in Malacky is very often not heard from and that people in Älmhult therefore tend to forget about them. Due to the mentioned problems, the communication between operative purchase in Malacky and tactical purchase in Älmhult is somewhat tense and has led to a “we and they” state.

The operative unit in Shekou indicated that they believe that Älmhult and Malacky receive more information than the operative team in Shekou.

“We [in Shekou] believe that the purchase management should be more engaged in what is happening here, and that it currently is much more engaged in the operative units in Älmhult and Malacky.”

However, they believe that the new organization of the purchasing department will facilitate their daily work since there are now fewer contact persons. Additionally, for Shekou another barrier that prevent the internal communication to work well is

“The lack of understanding for the way of doing business in China leads to that we feel that the tactical purchase has too large expectations on us. They believe it to work the same way as in Sweden and that everything should work smoothly from the very beginning.”

4.3 Summary

To summarize the existing barriers to the internal communication within MODUL Service AB and to illustrate in what channels they have a presence, a graphical overview is presented in the figure below.

Channels Barrier	Intranet/ Internal Magazine	Local Meetings	Memo	Interpersonal Communication	Informal Channels
Geographical Distance		√	√	√	√
Time Difference			√	√	
Culture			√	√	
Ethnocentrism	√		√	√	
Language	√		√	√	
Lack of Structure	√		√	√	

5 ANALYSIS

As discussed, the barriers identified in the previous chapter have a large impact on the internal communication within the case company. In this section, we analyze the consequences of the existing barriers. Hence, this section is devoted to the third research problem.

RESEARCH PROBLEM 3

How can the consequences of the existing barriers to an effective internal communication in an MNC be explained?

5.1 Barriers to Internal Communication

The barriers that were found in the empirical study are all connected to the basic characteristics of the MNC that were discussed in the theoretical framework. These barriers have consequences for both the vertical and the horizontal communication within MODUL Service AB to various degrees. The consequences are structured after the barriers from which they result.

5.1.1 Geographical Distance

The geographical distance is a factor that, as discussed in the previous chapter, creates many problems in the internal communication for MODUL Service AB. This is valid for both the vertical communication and for the horizontal communication. Geographical distance as a barrier to internal communication in MNCs is not a new discovery, since the theoretical framework introduced Robock and Simmonds (1989), who also identify the geographical distance as one of the factors that prevent the internal communication from flowing effectively.

Due to the geographical distance, it is not possible for all of the employees to meet and discuss issues face-to-face. Therefore, instead of having face-to-face meetings, the employees have to communicate via other channels such as memo, phone or fax. The geographical distance thus demands a lot regarding

choosing the most suitable channel, which Katz (1978) argues to be a criterion for an effective internal communication. At present, the existing channels of communication within MODUL Service AB are not utilized in the most efficient way. An example of misuse is the heavy usage of memo, which sometimes leads to an overload of information. The reason for the overload is that the information is not kept concentrated, focused on the point, and that it is sent to more people than the ones who really need to receive the information. These are all factors that Erikson (1992) identifies as being criteria for effective internal communication. The overload of information in the horizontal communication within MODUL Service AB can also be connected to the problem of transmitting irrelevant information that Högström (1999) regards as a barrier to internal communication. This situation is related to the lack of a formal communication strategy since people are not sure of whom the information concerns, which is what Marschan (1996) refers to as having limited knowledge about the right communication partner.

Further, the geographical distance contributes to the fact that employees in MODUL Service AB are rather unaware of what is going on in the other units. The lack of knowledge regarding what the other units are doing or have done has not only led to the units feeling far apart, but also to there being little sharing of experiences between them. Thus, they cannot take advantage of each other's experiences. According to some of the respondents, this was evident during the set up of the unit in Malacky. Many problems occurring during the set up could have been prevented if the employees in Älmhult had shared more of their experiences. If this situation is not improved the same might happen when the production and warehouse are established in Shekou.

Further, the geographical distance implies a disadvantage for the foreign units in that it is impossible for the managers of these units to be present at all meetings held in Älmhult, during which many decisions are made. According to Bartlett and Ghoshal (1989), the organizational structure does have an impact on the internal communication, and centralized decision making implies that the internal communication mostly is occupied with transmitting, for example, commands and advice to the subunits. This is also true for the foreign units in MODUL Service AB. The fact that the decision making is centralized to the headquarters is accepted by the subunits. However, what is missing is the opportunity to take an active part in the decision making. At present, the units in Malacky and Shekou most often only receive the final decisions, which can

come as a surprise leading to that there is no time to prepare and prevent possible connected problems.

Another problem is the information that the foreign units miss since they are not able to be present during the informal meetings, such as “corridor chat” and lunch or coffee breaks. According to Ludlow and Panton (1992), these informal meetings are an informal communication channel, which develops through common interests between members of the organization. This also holds true within MODUL Service AB, since the informal communication is developed by the employees and simply exists without specific initiation, as also stated by Strid (1999).

5.1.2 Time Difference

The time difference, which is a barrier that was not identified in the theoretical framework, is also a factor that, due to the organization of an MNC, cannot be prevented. Although not discussed in the studied literature presented in the theoretical framework, this is a factor that is very important for our case company since there is a seven-hour time difference between the headquarters and the unit in Shekou. Thus there is only a small window of opportunity, two and a half hours, to communicate urgent matters between the two offices. If issues and problems are not solved during these hours it is pushed forward to the next day instead of being solved in a timely fashion. The situation where the employees in Shekou have to wait during a longer time period for an answer from the headquarters is a clear example of the downside of centralization, which according to Hennart (1993) is very costly. The employees cannot continue to work efficiently until they have received the information from the headquarters and since time is money the cost increases. At present, there appears to be two main determinants, cost and the attitude towards communicating in a foreign language, for the employees within MODUL Service AB when selecting the channel for communicating with the employees in the foreign offices. These two determinants lead to that memo is the channel most frequently utilized.

5.1.3 Culture

As mentioned in the theoretical framework, the affect of cultural differences on the internal communication of an MNC varies with the degree to which the organization is centralized or decentralized. Since MODUL Service AB is categorized as being an international company with a lot of communication between the headquarters and the units in Malacky and Shekou, there are likely to be some cultural clashes. According to Robock and Simmonds (1989), cultural barriers are likely to effect the internal communication within an MNC and this is the case in MODUL Service AB. The effects of culture within the company are more present in the horizontal communication than in the vertical communication.

The previous chapter showed that the cultural differences among the employees in Älmhult, Malacky, and Shekou are not really noticed at the management level. The explanation for this is found in the fact that most of the higher managers do not have any direct contact with the operational level, but only with the managers in Malacky and Shekou, who are Swedes. Further, the information that is transmitted among the management is strategic information that is not influenced to a large extent by cultural clashes.

The main problems that the cultural differences lead to are misunderstandings in the horizontal communication. This can be explained by Varner's (2000) argument that people in different cultures have different ways of thinking, dealing with problems as well as different ways of communicating. Cultural differences can be observed to various extents in the components of the communication process model developed by Shannon and Weaver since both the sender and the receiver are influenced by their cultural heritage. The reason for why some of the employees do not consider the misunderstandings to be connected to cultural differences can be partly explained by Gundling's (1999) argument that long-distance communication channels can make the need for cultural adjustment less obvious. This argument further supports our opinion that some of the misunderstandings in MODUL Service AB thus can be explained by cultural differences since the long-distance communication channels utilized actually can increase the potential for misunderstandings.

The fact that the units in Malacky and Shekou state that they do not receive enough information might be explained by the fact that Slovakia and China are

high context countries whereas Sweden is a low context country. The reason for why Malacky and Shekou need more information might thus be due to that when transmitting information over geographical distances it is not possible to interpret the context of the sender. Another possible explanation for the different needs of information is various degrees of Hofstede's (1991) dimension uncertainty avoidance among Sweden, Slovakia and China. Cultures that are high in uncertainty avoidance have a need for a lot of formal and informal laws, rules and regulations as well as requiring managers to issue clear instructions.

When doing business across national borders it is important to be aware of and to understand cultural differences since these affect the internal communication, which is a critical success factor for a company.

5.1.4 Ethnocentrism

Ethnocentrism is a concept that can explain many of the misunderstandings that occur in the internal communication between the headquarters and the foreign units of MODUL Service AB. Ethnocentrism also was identified in Marschan's (1996) study of KONE Elevators as one of the barriers to internal communication. One trace of ethnocentrism is, according to Mead (1998), when members of one culture expect that their ideal way of communicating is perceived the same way by members of other cultures. Ethnocentrism and its consequences for communication can be connected to Ludlow and Pantou's (1992) barriers to reception, where the receiver's attitude and values influence the way information is received. Further, ethnocentrism is a barrier to acceptance, since it contains prejudices.

Connected to the phenomenon of ethnocentrism is the fact that during the interviews it was on many occasions mentioned that "they" (Malacky and Shekou) have not learned the right way of working, i.e. Älmhult's way of working. There are many unwritten rules that the Chinese and Slovaks have to learn. This is part of the corporate culture that Grant (1998) states as being something that influences the employees in the way they think and act. These unwritten rules and procedures are only possible to learn through experience and socialization and, therefore, take a long time to learn. Thus, there is a clear "big brother" syndrome where the foreign units are not considered to be able to do the right thing when they do things in a manner that deviates from that of

the headquarters. The attitude problem can be connected to Hofstede's (1991) view that the employees at the headquarters judge people by their own norms, or as discussed by Cox (1994) that the employees at the headquarters believe Älmhult to be the center of the universe.

Moreover, since the employees at the headquarters have more experience, they sometimes take things for granted when transmitting information to the foreign units. This is especially noticeable in the horizontal communication where the lack of information from the employees in Älmhult generates unnecessary memos from the foreign units who need more information. Even though the employees at the headquarters are aware of the fact that the MODUL way of thinking is not established there and that many of their co-workers in the foreign offices are newly hired with less experience, they do not always take this into consideration when forwarding information. It is necessary for the co-workers to communicate the information differently depending on how much knowledge the receiver has. Further, the fact that the way of doing business in Slovakia and China is different from the way business is done in Sweden has implications for the amount of information necessary. In certain countries, it might be essential to provide a high amount of information to the customers whereas for customers in other countries the need for information is lower. The different information requirements have to be considered if the internal communication is to satisfy all units of MODUL Service AB.

Furthermore, regarding the vertical communication, the foreign units do not consider that enough information is being transmitted. One reason behind this could be the fact that the headquarters is in a mature stage whereas the foreign units are in a developing stage, which means that the employees at the headquarters might need less information than the employees in the foreign units. This is a definite result of ethnocentrism, where the headquarters considers its reality to be the only reality, whereas the employees in the foreign units are likely to have a deviating opinion.

5.1.5 Language

The language issue is, as mentioned in the preceding chapter, a root of many of the problems in the internal communication within MODUL Service AB. In the beginning of its existence, MODUL Service AB was an entirely Swedish company, and its international expansion with the set up of the foreign units in

Malacky and Shekou has, first of all, been very fast and, second of all, it occurred not very long ago. Therefore, most documents circulating within the company are still in Swedish. This is an obvious problem because all of the employees do not know Swedish, and hence there is a lot of information they cannot understand. However, since all the managers on the strategic level have knowledge in the Swedish language, translation has not been a top priority. Instead, as it is right now, the managers in Malacky and Shekou spend part of their valuable time translating documents into English in order to be able to pass the information forward to the employees. This is a waste of their time, which could be utilized for better purposes.

The language barrier regarding the vertical information is observable on the Intranet where most of the publications are in Swedish. There is an English version of the Intranet; however, this version does not cover all the publications, which makes it impossible for the Slovaks and the Chinese to take part of all the information. This has led to these employees in general not looking at the Intranet on a regular basis. Further, there is a possibility for misunderstandings due to the fact that all of the procedures and rules published on the Intranet cannot be interpreted. When the procedures are not available in English, the non-Swedish speaking employees need a translation from one of the Swedes, meaning that the translated information is subject to the Swede's personal interpretations and, therefore, unintended changes of the information might occur. The language barrier is also apparent in the internal magazine at the headquarters, *Modulan*, which is not translated into English. This is unfortunate since *Modulan* also could be a tool in the socialization process of bringing the different units together.

The problem with different languages has, as mentioned in the theoretical framework, also been noticed by Marschan (1996) and Ludlow and Panton (1992) and, thus, it is not an uncommon problem in corporations with units dispersed across national and linguistic borders.

Using a second language in addition offers more potential for misunderstandings due to that the employees do not share the same linguistics systems and have different intonations. Another problem is that even though the same words are used the sender and the receiver might attach different meanings to a message. This can be explained by applying the communication process model developed by Shannon and Weaver, which was elaborated on in

the theoretical framework. A sender who thinks he or she being very clear might not be as clear as intended just because the receiver does not interpret the words in the same way. This can be explained as the sender and the receiver have differing encoding and decoding processes; the information is very much dependent on the personal preferences of the sender and the receiver, as also argued by Brooke (1996). Differing encoding and decoding processes can further be explained by cultural differences between the sender and receiver and, as Forsgren (1997) argues: interaction between people who do not share the same underlying codes of meaning is likely to lead to complexity, confusion and misunderstandings.

5.1.6 Lack of Formal Structure

One of the consequences of not having a formal plan for how to carry out the internal communication is that the extent to which the employees receive vertical information is not the same in all of the three units. This is connected to the advantage the employees at the headquarters have compared to the employees at the foreign units discussed under the heading, “Geographical Distance”. The best-informed employees regarding the general situation of MODUL Service AB, by far, are the ones working at the headquarters. The reason for this is the possibility they have to attend the mentioned “Fikamöten” which is the preeminent source of this type of information. At present, the vertical information from the headquarters to the foreign units is being delivered via the managers at the units. As a consequence, the information that is actually received by the employees is very much dependent on the manager and his ability to prioritize, which puts a lot of pressure on him. Therefore, there is a risk that not all of the relevant information reaches its receivers. Further, there is a risk that information could be delayed should the manager be out of office. From the interviews with the employees in the foreign units, it is clear that there is a wish for improving the amount of vertical information as well as the manner in which it is being communicated.

However, although the employees in Älmhult have a better understanding of the overall situation of the company, they still have limited knowledge of the situation in the foreign units. This situation is somewhat similar in Malacky and in Shekou where the employees know what is happening in their own office, but do not have an extensive knowledge about the other offices or the overall situation of the company.

Further, the lack of a formal structure for how the internal communication is to be carried out sometimes leads to confusion in the horizontal communication. The outcome is that it is not always clear what has to be communicated to whom and through which channel to expect information. These factors can act as obstacles to an effective internal communication, as has previously been discovered by Marschan (1996) and Högström (1999).

The lack of structure indicates that the management has not integrated communication within the strategic planning. Failing to recognize the need for including internal communication in the strategic planning is a common mistake among companies as it, as mentioned in the theoretical framework, was one of the top five barriers to effective communication according to the International Association of Business Communicators, IABC. Since MODUL Service AB is categorized as an international company according to Bartlett and Ghoshal's (1989) categories, with the strategy primarily based on transferring knowledge and expertise from the parent company to units in foreign markets, it is crucial to have a structure in order for the information to flow effectively. If the information cannot flow effectively, employees can neither receive horizontal information from co-workers in regards to their work, nor vertical information from the management in an efficient manner.

The most likely reason for the lack of a formal structure for the internal communication within MODUL Service AB is that the company has grown rapidly the last years, and, as a consequence that time has not been allocated to plan for the internal communication. Further, the lack of a formal structure exacerbates the barriers that have been discussed above.

5.1.7 Communication within the Purchasing Department

The new structure of the purchasing department implies a centralized decision making, where all decisions are taken at the strategic and tactical levels at the headquarters. This structure has led to a situation that is similar to Humes' (1993) argument that centralization implies an internal communication that to a large extent is occupied with transmitting high volumes of orders, commands and advice to the subunits. Thus, there is a high level of interaction between the headquarters and the foreign units that, according to Bartlett and Ghoshal (1989), can have the consequence that the potential for conflicts due to cultural differences increases. This is true also for the purchasing department of

MODUL Service AB where there is a high level of interaction and many problems existing. It is difficult to tell whether these exist due to the lack of a formal structure or due to a lack of understanding each other and the way of doing business in each region. The internal competition between the units makes it important to have the information well coordinated so that none of the teams feel left out.

At present, the general feeling in the foreign units is that the other teams receive more information and engagement. Consequently, improvements are needed in order for the teams to feel that they compete on equal terms. Since the information is so crucial within the purchasing department and especially for the operative purchase teams, the lack of information and structure create many unnecessary problems.

5.1.8 Lack of a Feeling of Togetherness

All of the above mentioned barriers that have consequences for the internal communication within MODUL Service AB contribute to a difficulty in creating a feeling of togetherness.

The lack of success in creating a real feeling of togetherness between the headquarters and the units can to some extent be explained by the rapid growth of MODUL Service AB. Another reason might be that the headquarters took too many things for granted when the foreign units were set up and saw things mainly from an Älmhult-perspective. The general opinion among the employees in Älmhult is that the management level probably is trying to make the foreign offices feel as a part of MODUL Service AB, but that the geographical distance always will keep them apart. At present, the employees wish to receive more information.

“More information is needed from the other units in order to feel as one.”

It is rather clear that even the managers believe that not enough is done in order to make Shekou and Malacky feel part of MODUL Service AB. It was actually mentioned during one of the interviews that everything could be done better.

In Malacky, the lack of a feeling of togetherness might be due to the fact that the employees in Malacky believe that some of the employees in Älmhult

consider MODUL Service s.r.o to be more of a burden than assistance, since Malacky needs a lot of information and help. This is related to the tendency for Älmhult to blame the unit in Malacky for a lot of mistakes, which further contributes to the difficulty of creating a feeling of togetherness.

In the unit in Shekou, the opinion differs among the employees whether or not there is a feeling of togetherness between the units. The employees that have been to Sweden feel more a part of the whole organization than the ones that have not yet visited Sweden. The visits to Sweden seem to be a very good way of establishing a feeling of togetherness.

An additional factor that adds to the problem of creating a feeling of togetherness is that there are a number of employees at MODUL Service AB that have not met each other in person. Those of the respondents that have regular contact with the other offices mentioned that they would like to meet the colleagues more often in order to get to know them better, and in this way enhance the feeling of togetherness. It is really only during the yearly kick-off that there is a true “one big company” feeling; the rest of the year there seems to be more of a “we and they” feeling.

To conclude, the areas acting as barriers to the internal communication directly affect the extent to which there is a feeling of togetherness. In order to enhance the feeling of togetherness, it is therefore important to deal with the mentioned issues that act as barriers.

5.2 Implications on Effectiveness

To look at the barriers and their consequences from a slightly different perspective, we will put them in relation to the extent to which the internal communication within MODUL Service AB can be considered to be effective. In order to do this, we will compare how well it corresponds with the criteria for an effective internal communication presented in the theoretical framework.

Erikson (1992) has, as pointed out previously, developed a number of criteria that the internal communication of a company has to fulfill in order for it to be considered as effective. When comparing some of Erikson’s criteria with the

status of the internal communication within MODUL Service AB, it is clear that in some aspects there are gaps both in the vertical and in the horizontal communication. According to Erikson (1992), the information communicated must be *concrete* and *concentrated*, which means that the information must be focused on the most important aspects. In the horizontal communication of MODUL Service AB this is not the case since many of the employees claim to be subject to information overload as they receive memos that are not really intended for them. Also, in the vertical communication, concentration is not present as the information from the headquarters is mainly delivered through the managers in the foreign units who determine what to pass forward, meaning that it is not necessarily the same information that reaches the employees.

In addition, the fact that the managers in the foreign units independently decide which of the information from the headquarters to pass forward collides with the criteria of *coordination*. Coordination of information is required if several managers are to be able to communicate it in an identical manner. However, there is currently no formal way for how to forward the vertical information in MODUL Service AB resulting in the units not receiving the same amount of information. Well-coordinated information is of major importance, since it can act as a method for delimiting the barrier created by the geographical distance.

Further, the geographical distance and the time difference make it necessary to really consider and choose the most suitable channel for transmitting various types of information. This is connected to the criteria that an effective internal communication has to be *consequent and continuous* in order for the information to be trustworthy. This is presently not the case in MODUL Service AB for the same reason as was discussed above regarding having the managers in the foreign units acting as links for transmitting the vertical information. Another area where the lack of consequence and continuity is apparent is in the discussed problems within the purchasing department, where the inquiries are not sent in a consequent manner and where continuity in the form of feedback is missing.

Conclusively, the internal communication of MODUL Service AB does not fulfill the criteria discussed by Erikson (1992). A factor with major influence on this is that there is currently no formal structure regarding how the internal communication is to be organized. The absence of a formal communication strategy for the internal communication can thus, according to our analysis, be

seen as the cause to some of the problems that are preventing the effectiveness of the internal communication. The lack of a formal structure within MODUL Service AB is further aggravated by the barriers discussed above; geographical distance, time difference, cultural differences, ethnocentrism and the language problem.

5.3 Summary

The analysis has provided explanations to the consequences of the barriers to an effective internal communication within MODUL Service AB. The background to a majority of the current difficulties can be found in the fact that MODUL Service AB has been expanding rather quickly and that it has disregarded the importance of planning its internal communication. These two factors have lead to a state where there is room for the discussed barriers to have a major impact on the internal communication within MODUL Service AB.

6 RECOMMENDATIONS

This chapter presents a number of recommendations to MODUL Service AB regarding actions to be taken in order to reduce the consequences of the barriers that are currently inhibiting the internal communication. The recommendations will provide a case specific answer to the main problem of the study “How can an MNC with operations in different national settings achieve an effective internal communication?”, whereas the conclusions in the following chapter will answer the main problem from a general perspective.

In this section, we have arranged the barriers and their consequences into groups requiring similar remedies to be reduced. By enhancing its internal communication, MODUL Service AB will get a lot in return. Regarding the vertical communication, this will give the employees a general overview of the business, a unity regarding the goals of the company, and in addition an increased feeling of togetherness among the employees, which will increase their motivation. As for the horizontal communication, reducing the existing barriers and their consequences will facilitate a more effective communication among the employees.

6.1 Geographical distance / Time difference

The geographical distance as a phenomenon cannot be reduced, but structuring the communication appropriately can weaken its effects. This is applicable for both the vertical communication and the horizontal communication within MODUL Service AB.

In order to decrease the problems resulting from the geographical distance in terms of the foreign units not receiving the same amount of vertical information, the existing communication channels should be utilized more efficiently. The Intranet is an example of a channel that could be made better use of, and the reason for why more effort should be put into improving the Intranet is that it is a channel every employee in MODUL Service AB can access. The Intranet is currently not utilized to its full capacity partly due to the fact that all employees cannot understand all of its contents since some of it is published only in Swedish. Hence, a translation of all relevant documents into

English is needed in order not only for everyone to understand the information, but also in order for nobody to feel excluded.

The problem existing today regarding the feeling of isolation in the subunits is that they are not given the possibility to be involved in, among other things, decision making at the headquarters is something that needs to be considered. In order for MODUL Service AB to reduce the present feeling of isolation, we have a number of suggestions.

As the foreign members of the management team and the foreign departmental managers cannot be physically present at all meetings held in Älmhult a possibility could be to have either phone- or videoconferences. By using these channels of communication, the foreign members of the management team and the foreign departmental managers would be able to take an active part in the meetings even though they are not physically present. These channels can actually have advantages over meeting in person. First of all, they are cost-saving compared to having the foreign managers traveling to the headquarters and, second of all, it is often more efficient than meeting in person since the discussions are focused on the issues on the agenda.

Further, since there are few opportunities to meet in person with the consequence that information is not being exchanged as often, a bulletin board on the Intranet can be a possibility. The bulletin board is an interactive media, where all employees should be able to add information. Various bulletin boards could be established for the management team as well as for the different departments. In addition, having this kind of exchange will most likely have as a positive side effect that the cooperation within the separate departments across national borders increases and improves.

Another recommendation to reduce the feeling of isolation would be to emulate a method that was used by the purchasing department to other departments of the company. The procedure that the purchasing department used was that, in connection with the last kick-off, the department held a 2-day seminar where employees from all units met. This seminar was very appreciated and considered to be an excellent opportunity to discuss different issues as well as to solve problems. Apart from solving problems, the seminar was also an exceptional way for employees in the purchasing department to meet and get to know each other better. This way of getting together is thus a socialization

mechanism. In MODUL Service AB, there are three events during the year when all units are represented at the headquarters, which are, apart from the mentioned kick-off, the Christmas party and the spring party. These occasions provide a good opportunity for having seminars of this kind.

Regarding the impossibility for the employees in the foreign units to take part of information from the grapevine at the headquarters, the only opportunity would be for them to establish personal networks with the Swedish co-workers, from whom this information can be received. However, in order for this to happen personal relationships are needed, which can only be created by meeting in person.

The fact that the time difference is not possible to delimit makes it necessary for the employees to take it into consideration when communicating with co-workers in another time zone. They need to adapt the way they are working so that crucial matters are dealt with while the employees in the other unit are present. Further, the mentioned determinants of cost and attitude towards communicating in a foreign language should not be allowed to interfere in the selection of channels for communicating with the units located in different time zones. It is more important to consider the effectiveness of the internal communication and the speed in which the response or question needs to be answered.

Recommendations

- ⇒ use the communication channels to their full capacity
- ⇒ video / phone conference
- ⇒ bulletin board in network
- ⇒ increase cross-unit departmental meetings/contacts

6.2 Culture / Ethnocentrism / Language

The presence of ethnocentrism in MODUL Service AB is hard to reduce. This will be a matter of changing opinions, which is not done overnight. However, in order to speed up the process of changing attitudes a good idea would be to increase the contacts over national borders including having more personal

contact in order for the employees to get to know each other. First of all, by visiting the foreign units, the understanding of the fact that there *are* cultural differences, and second of all that these cultural differences must be taken into consideration, would reduce the problems that occur due to a lack of cultural understanding. More personal contact will lead to an increased understanding for each other as well as for the different ways of working and, in this way, improve the feeling of togetherness. Another issue related to ethnocentrism is that the employees in Älmhult should bear in mind that the co-workers in Malacky and in Shekou want/need more information than might be the case for the Swedes and, therefore, they should take the receiver into consideration when transmitting information to Malacky and Shekou.

To diminish the presently weak feeling of togetherness, which partly has its explanation in the fact that the majority of documents and publications are in Swedish, it should be of top priority for MODUL Service AB to increase the amount of information that is translated into English. This is the most obvious way to reduce the barrier that language creates. Since English is stated to be the corporate language, it is imperative to make this a fact and not just a fad. Given that it takes time to translate all documents, to start with, there could be a prioritization of which reports and documents that should be translated first. Eventually, over time, all documents and reports would be translated into English. Apart from more personal contact, which due to the long distances is not possible to arrange frequently, MODUL Service AB should create a method for continuously updating the employees on the situation in the other units. A measure to be taken to increase the knowledge about the other units and thereby reduce the presence of ethnocentrism could, for example, be to have the internal magazine at the headquarters, Modulan, translated into English where an update of the development and events in all three units are included. This will also have an effect on reducing isolation. The new Modulan could be distributed both in paper form and on the Intranet.

Regarding the language issue in the horizontal communication, it is important to have the communication problems connected to it brought up for discussion at MODUL Service AB. As previously mentioned, it has occurred in both of the foreign units that when one of the local employees pose a question to someone in Älmhult, the answers from Älmhult are sent in Swedish to one of the Swedes. This is an untenable situation for two reasons. First of all, the person who posed the question is stuck before he or she receives an answer

from Älmhult due to the delay of the answer going via a Swede. Second of all, there is a risk that the person who posed the question takes it personally that the answer is not given directly to him or her. The same risk is valid for the situation, which has occurred where complaints regarding some of the employees in Malacky are put forward to the manager instead of directly to the person concerned. Both of these circumstances need to be dealt with so as to avoid that the trust and respect between the co-workers are evaporated.

Recommendations

- ⇒ increase cross-unit contacts with more personal visits
- ⇒ increase translation into English
- ⇒ establish English as the corporate language
- ⇒ establish a corporate Modulan

6.3 Purchasing Department

Regarding the horizontal communication within the purchasing department, there is a clear need for an establishment of a standard system of the way to handle the inquiries as well as for giving feedback and acknowledgement. At present, there is no formal system as to when and/or how inquiries as well as feedback to these inquiries should be sent. Having a formal system would help to eliminate the fact that the purchase teams in Shekou and Malacky feel as though they do not receive the same amount of information as the team located in Älmhult.

Another important factor, already mentioned in the previous section, is to increase the amount of personal visits to the operative teams in Malacky and Shekou, which would enhance the understanding of the way of doing business in different countries. This is especially crucial in the purchasing department since there are a great amount of contacts between the tactical level and the operative level.

Recommendations

- ⇒ standard form for sending inquiries
- ⇒ standard form for sending feedback
- ⇒ increase personal visits

6.4 Formal Structure

Finally, as mentioned on several occasions throughout the analysis, a planned formal structure for how the internal communication, vertical as well as horizontal, should be carried out is missing in MODUL Service AB. One of our conclusions is that the background to a majority of the current problems concerning the internal communication within the company is connected to the lack of a formal structure. This lack gives the discussed barriers a greater opportunity to distort the effectiveness of the internal communication within MODUL Service AB.

In order for MODUL Service AB to achieve an effective internal communication between the headquarters and the foreign units we, therefore, suggest that it would be advantageous to establish a communication strategy. A successful communication strategy requires a fair amount of planning since there are a number of areas to be considered. First of all, MODUL Service AB should ask itself the question “What goals do we wish to fulfill with our internal communication?”. As mentioned in the theoretical framework, there are various functions that the internal communication can fill, such as work, news and control functions. Second of all, it is important to have a dialogue among the units so that as many opinions as possible are considered regarding how to enhance the vertical as well as the horizontal communication.

In order for MODUL Service AB to be able to structure its internal communication so as to fit the headquarters’ as well as the subunits’ perception of what goals and strategic priorities should be fulfilled, it is useful to consider Mead’s (1998) standardized communication plan. This plan has three parameters:

- ❑ *Who* in the headquarters, as well as in the subunits, should communicate with whom given a particular topic
- ❑ *What* topics should be communicated by whom to whom
- ❑ *How* messages should be communicated: what medium is appropriate.

However, during our study of the internal communication within MODUL Service AB we have come to the conclusion that there is a parameter missing in Mead’s communication plan; namely the parameter *when*.

□ *When* messages should be communicated

Below, we give concrete suggestions for how MODUL Service AB could improve its internal communication by contemplating the four parameters of the communication strategy. In doing this, a basis for the structuring, planning, and execution of the internal communication will be provided.

Who

One important part of the communication strategy is to make the responsibilities clear regarding which people, at the headquarters as well as at the foreign units, that are to be liable for transmitting the vertical information. It is not just a question of designating a person to be responsible for forwarding the information, but also to follow up and make sure that the responsible persons have the actual time required to perform the task. This would be one way of ensuring that the employees in the foreign units receive the same amount of vertical information as the employees at the headquarters.

Further, the responsibilities for each one of the employees regarding the horizontal communication should be made clear. This would prevent the current situation where employees are unsure of who is to communicate what to whom. When planning and deciding on the communication responsibilities, it is important to take areas such as the availability of technology, the preferences of the receivers, and the goal with the communication into consideration.

What

The type of information that is being communicated must be evaluated and determined to be appropriate for each situation. This is significant in order for the employees to neither receive an overload of information nor to have a lack of information. Thus, a critical question is how to properly balance the amount of information that is communicated. The importance of determining what information is to be transmitted is valid for both the vertical and the horizontal information. Regarding the horizontal communication, the sender should evaluate the information to keep it more concentrated and send it only to the co-workers that need to obtain it. As for the vertical communication, it should transmit the same amount of general information to all employees irrespectively of their location. An improvement is required since many

employees in the foreign units expressed a wish for more information regarding MODUL Service's goals, mission (what the company is really about), and its planned direction.

How

It is vital for MODUL Service AB to devote a large part of the planning phase to consider its various communication channels and how they are to be used in order to be more efficient. Using the most appropriate channels for communication will, among other things, facilitate the daily work and also assist in providing the employees with information regarding the general situation of the company. A *meeting* is the best channel for communicating urgent and very important information since this is the only way where it is possible to ensure that the information is received. Further, holding a meeting is the best method for informing the employees regarding issues that include uncertainty and, therefore, are likely to cause questions. *Memo* is a channel that is most appropriate for horizontal communication. However, as already pointed out, the information should be concentrated and only sent to the concerned co-workers. The reason for why memo is not as suitable for vertical communication is the fact that a substantial amount of information is already being communicated via this channel.

The *internal magazine* at the headquarters, Modulan, is currently utilized in a good way and it is a good tool for socialization, which aims at building corporate culture. However, socialization is also needed at the foreign units, who currently feel that they are somewhat excluded, partly due to the fact that Modulan is in Swedish. Therefore, an extended and translated Modulan that is focused on the entire company and not only on the headquarters could be advantageous. An alternative to an internal magazine in paper form would be to have an electronic magazine published on the Intranet. The advantage of having an electronic magazine is that it, first of all, has lower production costs and, second of all, it makes continuous updates possible. A possible disadvantage is that it is not possible to bring this magazine home and thus requires the employees to read it at work, which might not be possible due to lack of time.

The *Intranet* is an excellent communication channel since all the employees can access it. Therefore, it is appropriate to use the Intranet for transmitting information that is relevant for all employees. Specific information that is not

of interest for all employees should be separated from general information in a distinct manner. The recommended *bulletin board* could be used for exchanging information among the employees. There could be various bulletin boards for different kinds of information. The disadvantage with using Intranet for transmitting information is that it is not possible to verify that the information has been received by the intended audience since it is up to the employees to decide when and if they will take part of the information. Therefore, the Intranet might not be the suitable channel for information that requires urgent transmission. At present, it is not common practice among the employees at MODUL Service AB to look at the Intranet frequently. In order to change this habit and take further advantage of the Intranet, a facelift is needed. The Intranet could be transformed into an information center from which much information can be retrieved, which also would increase the likelihood of people looking at it more frequently. In order to make this a reality, it is important to investigate what kind of information is demanded by a majority of the employees in all the three units and, at the same time, prioritize the information published so as to avoid an overload.

The parameters of ‘how’ and ‘what’ are influenced by the fact that, when developing a communication strategy in an MNC such as MODUL Service AB with units in low and high context cultures, it is important to consider the amount of context available through different types of interaction. As earlier discussed, in low context cultures the verbal content of a message is more important than the medium through which the message is delivered. Whereas in high context cultures, high value is placed on face-to-face communication. Therefore, the vertical information from the headquarters must be adapted and transmitted so that all units can easily understand it. As for the horizontal communication, this factor must be taken into consideration when the co-workers in the different units communicate so as to avoid misunderstandings due to the fact that the messages are sent and received in different cultural contexts.

When

Apart from the mentioned parameters the communication strategy should also clarify when various types of information are to be communicated. The vertical information should be transmitted on a regular basis so that it is continuous. This has implications, for example, on the information published on the Intranet, which should be continuously updated. The timing of the horizontal

communication, on the other hand, must be evaluated on a case-by-case basis since the appropriateness of sending information varies according to the work tasks of the employees.

When considering the parameters ‘what’ and ‘when’, it is important to bear in mind that many of the employees are currently experiencing a shortage of time. The lack of time has an impact on the amount of time available for searching for and obtaining vertical information. Therefore, MODUL Service AB should ensure that the vertical information is rather effortless to access and that it is transmitted on appropriate occasions.

6.5 Summary

A formal strategy for the internal communication will assist MODUL Service AB in bridging most of the barriers that have been discussed. Making information available to everyone regardless of where they are situated will diminish the problems connected to the geographical distance and the time difference. By truly implementing the corporate language of English, the current problems connected to language will be limited. Regarding culture, there is no structure in the world that can circumvent cultural differences, and the only way to bridge this problem is by increasing understanding at an individual level. Further, the strategy will clarify to all of the employees in an explicit manner what information is to be communicated by whom, when, and how. Altogether, a formal structure could diminish the current state of “out of sight - out of mind”. Furthermore, the recommended increase of personal visits, extension of Intranet, a corporate Modulan and the various means of letting the foreign units be more involved, will most likely improve the feeling of togetherness.

It is imperative for MODUL Service AB to consider our recommendations for enhancing its internal communication since it is an instrument for spreading goals, tasks and rules in an efficient way, for coordinating the activities of the dispersed subunits, as well as an instrument for providing the management with information regarding the condition of the company. Further, since MODUL Service AB is a fast growing company, it is of particular importance to look over its internal communication, vertical as well as horizontal, among its units since the company is likely to continuously face changes and new problems.

7 CONCLUSIONS

From the theoretical framework, the collected empirical data and the analysis of this data we have been able to draw a number of conclusions regarding the internal communication within an MNC. The following conclusions answer the main problem from a general perspective:

MAIN PROBLEM

How can an MNC with operations in different national settings achieve an effective internal communication?

To make the conclusions distinct we have divided them into general conclusions and theoretical conclusions, including suggestions for future research. At the end of the chapter some final reflections for MODUL Service AB are presented.

7.1 General Conclusions

The general conclusions we consider to be applicable not only for the case company but also for other MNCs independently of industry, since MNCs with operations in different national settings face similar difficulties regarding their internal communication.

The first conclusion regards the control and coordination of activities within an MNC. As stated by Roth et al. (1991), it is the degree to which the MNC is centralized or decentralized that decides the suitability of various control mechanisms. This implies that the higher the degree of centralization, the higher is the need for coordination of the dispersed activities within the MNC. From the conducted study, we have come to the conclusion that a high degree of centralization also requires a well-functioning internal communication. This is due to the fact that, as centralization implies, the subunits are dependent on the headquarters for new products, work processes, knowledge and information; therefore, a well-structured internal communication is crucial.

The second conclusion is that most of the difficulties in achieving an effective internal communication within an MNC are, first of all, consequences of the nature and characteristics of the MNC and, second of all, they are interrelated. Most of the difficulties in the internal communication within the studied company are to a large extent, related to geographical distance, ethnocentrism and language skills, all of which are characteristics of an MNC. An example of the interrelatedness among the barriers is the language factor, which has consequences on the difficulty of bridging the barrier that the geographical distance implies. The interrelatedness among the barriers implies that the consequences of the barriers are in some aspects similar.

Our third conclusion from the study is that ethnocentrism is a major barrier to an effective internal communication in an MNC. An example of this is when the headquarters assumes that the foreign units need the same amount of information as the headquarters itself. This is, as stated in the theoretical framework, something that has been proved in various studies and its relevance is further strengthened by the results of our study.

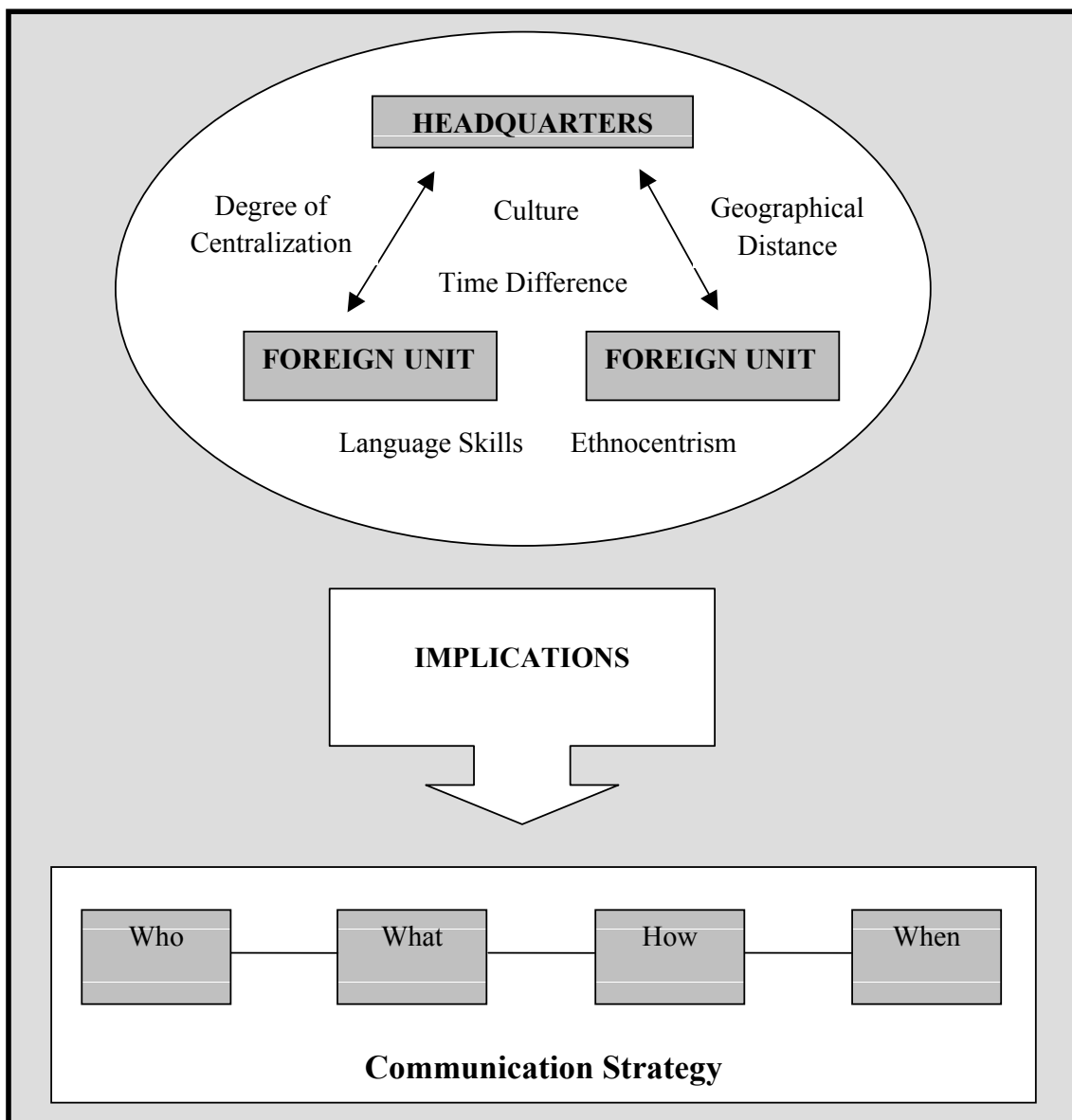
The fourth conclusion that we have drawn from our study is the necessity to plan for the internal communication in an early stage in a company's life cycle. The reason for this is that with time the company grows and becomes more complex and this is also true for its internal communication. By planning the internal communication in an early stage, future problems/difficulties can be avoided.

Connected to the fourth conclusion is that the lifecycle or rather the different phases in the lifecycle are associated with different needs for information. In an MNC, the various subunits are likely to be in different phases of the lifecycle, which implies that there will be different requirements for information among them. A unit in an early phase of the lifecycle is likely to require more information due to its lack of experience; whereas a unit in a later phase has more experience and, therefore, does not require the same amount of information. This is a fact that has repercussions on the internal communication within the MNC in that it must cater to various needs.

7.2 Theoretical Conclusions

As mentioned in the introduction, there is not an exhaustive base of theories regarding the field of internal communication in MNCs. In order to conduct this study we, therefore, combined existing theories on MNCs and theories on internal communication, which ended up in a theoretical model. From our study we have detected certain aspects that are currently not covered in the existing literature. Below we have extended the theoretical model with our own thoughts and opinions, which arose during the case study.

Figure 7: Extended Theoretical Model



Internal communication within an MNC is likely to be more complex than that in a domestic company. The reason for this is the characteristics of the MNC, such as the facts that all of its activities are not located within a limited geographical area, and that its employees are coming from various national and cultural backgrounds, implying different ways of thinking, acting and communicating.

In our study, we observed a number of areas that need special attention when formulating and implementing a formal communication strategy. The standardized communication plan developed by Mead (1998), which was discussed in the theoretical framework, has a number of gaps and weaknesses according to our study. Therefore, we have developed a more extensive model on how to go about when developing a communication strategy. In our model, the areas requiring special consideration when planning the internal communication are visualized in the top of the figure. These are geographical distance, time difference, language skills, cultural differences, ethnocentrism and the degree of centralization. All of these factors are natural characteristics of the MNC and are likely to have consequences in the form of communication difficulties. The empirical study has also shown that the barriers often exist in reciprocal action, with the implication that similar difficulties are resulting from the barriers.

The arrow visualizes the fact that the areas discussed above have inevitable implications for the formulation and implementation of a communication strategy. The reason for this is that the difficulties resulting from the identified barriers affect all of the four parameters in the communication strategy. The degree of centralization is a factor that has an effect on all four parameters due to the fact that this factor determines how much communication is likely to be necessary in the first place. The other factors have more specific implications for the parameters and are explained below.

Who: when determining communication responsibilities it is of advantage to have one person in each unit of the MNC that is responsible for the transmission of vertical information. The value of having one person in each unit is that this makes it possible to cater for differences in regards to language and cultural differences, as well as for the geographical distance and time difference. *What*: deciding what is to be communicated between the headquarters and the subunits requires that potential ethnocentrism is taken into

consideration. Since if only the requirements of the headquarters decides the amount and type of information transmitted, the needs of the subunits might be ignored. *How*: the channels of communication for transmitting information among the headquarters and the subunits must be able to overcome the geographical distance and provide for efficient communication despite the time difference. Further, planning which channels to utilize necessitates that cultural differences are taken into consideration since the suitability of various channels might be different in different cultural settings.

When: This last parameter is an extension of the standardized communication plan developed by Mead (1998). The reason for why we believe that an extension is needed is that Mead's plan lacks this important parameter. When planning for the internal communication it is not enough to consider the parameters *who*, *what* and *how*. It is also necessary to take the parameter *when* into consideration. It is essential to consider the parameter *when* since the vertical information must be continuous in order for it to be considered effective and trustworthy. Further, it is important that work related to horizontal information is transmitted in a timely manner. The importance of when to transmit information is not only relevant in the complex internal communication within an MNC but is equally important in a domestic company.

The problematic areas can be difficult to completely circumvent. However, being aware of them and taking them into consideration when formulating a communication strategy will increase the likelihood of achieving an effective internal communication.

7.2.1 Future Research

This thesis has described, explained, and analyzed the areas within an MNC that create barriers to an effective internal communication between the headquarters and the foreign units. However, there are some additional areas that could be of interest for both MODUL Service AB, our case company, and for future researchers to investigate.

One area for future research would be to study the interdepartmental communication within an MNC. This thesis has focused on the internal communication between the headquarters and the subunits in an MNC, with

emphasis on the vertical information. Another interesting area would be to study the horizontal communication within various departments in different national settings.

Further, this study has only focused on the internal communication within one single MNC. However, it could be of interest to study the internal communication within a larger corporation, where the subsidiaries themselves are MNCs.

Another suggestion for future research is to conduct a study where a comparison is made between a centralized MNC and decentralized MNC, in regards to the function and importance of the internal communication.

7.3 Final Reflections for MODUL Service AB

In our study of MODUL Service AB we have realized that there are problems and difficulties in its internal communication. During the study, we noticed that the problems in the internal communication are more or less obvious to the employees in the company. However, we have been able to analyze the problems from an objective outside perspective and make recommendations on how to improve the internal communication.

The existing difficulties are all consequences of what we have referred to as barriers, such as geographical distance, ethnocentrism, and language skills, all of which are natural characteristics of an MNC. Our analysis showed that the lack of a formal structure for the internal communication within MODUL Service AB gives the existing barriers further scope for inhibiting the internal communication.

Another conclusion regarding the difficulties that we have drawn from our study is the necessity for a company to plan the internal communication in an early stage of its life cycle. In MODUL Service AB, this was not done with the consequence that, due to its fast growth, the company has been experiencing problems in its internal communication.

MODUL Service AB must realize that it is no longer a small local company but has operations across the world. If the intent is for all employees to feel part of a larger corporation, this must also be reflected in the internal communication. There can no longer be information withheld from the foreign units due to that they are far away, or because transmitting the information would cause extra work for the headquarters. In the modern society of today there are many different methods that can be utilized to better include the units in important decisions or meetings.

Further, having an effective internal communication creates harmony and trust among the employees, which contributes to a stronger company atmosphere with an increased feeling of togetherness. MODUL Service AB should, therefore, begin to establish systematic flows of credible, timely, and relevant information – up, down, and across its structures – to get all employees involved to work together towards the same goals.

Change starts when someone sees the next step...

~William Drayton~

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9 APPENDIX

9.1 Interview Guide

This interview guide served as a guideline for us during our interviews with the employees at MODUL Service AB. These are the main areas of questions that were asked. In addition to the listed questions, we complemented these with follow up questions if there were answers that were vague or difficult to understand. We further tried to adapt the questions so that they would be more relevant for the employees in their positions, i.e. if they had a lot of contact with headquarters we asked more detailed questions about the direct contact with co-workers, whereas if they had little contact with Älmhult we emphasized more on the general situation.

Introductory information

What position does the employee hold within the company?

What are the respondent's assignments?

Contact with Älmhult

1. How often are you in contact with the people in Älmhult?
 - with whom?
2. What is the most common reason for contacting him or her?
3. What channel/s do you use to contact them?
 - advantages of these channels
 - disadvantages of these channels
4. How do you know who to contact?
5. How do you think the communication works between you and the people at the headquarters?
6. Have you experienced any problems when communicating with Älmhult?
 - can you give us any examples?

7. Are you dependent on information or guidelines from Älmhult in your daily work?
- to what extent do can you make your own decisions?

General Information

8. How do you get information about the general situation about your office?
- through which media?
9. How do you get information about the general situation about MODUL Service AB?
- through which media?
10. Do you use the Intranet?
- if yes, what do you look at?
 - If no, why do you not look at it?
11. What can be improved with the Intranet?
12. Are you missing information about the general situation?
- What type of information?

Cultural Differences

13. Have you experienced any difference between Swedes and Slovaks/Chinese?
14. Can you give us an example of any cultural differences that have occurred, related to the job?
15. Do you adapt the information that you send depending on where you send it?
16. Have there been any misunderstandings due to bad IC between HQ and its subsidiaries?

Feeling of togetherness

17. Do you feel part of MODUL Service AB, the big company?
18. What is done to make the foreign units feel part of MODUL Service AB?
19. How is the MODUL way of thinking forwarded to the units?

Additional Questions to the Managers

20. What is your role in the communication?
21. How do you transmit the information to the employees in your unit/department?
22. Is there a policy of how the information should be transmitted?
 - if yes, can you give us an example?
 - if no, why do you think there is not one established?
23. How do you make sure that the information reaches the intended receivers?
24. How do you receive the information from the other departments/units?
25. What channels is the information transmitted through?

Decision Making in the Foreign Units

26. What decisions are you allowed to make in the office?
27. Who makes the decisions that you are not allowed to make?