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**Cultural awareness in the internationalisation process:
IHRM strategies and the effect of a support organisation.**

A case study of Scandinavian companies in Murmansk, Russia

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A sincere thank you!

I would like to begin by extending my gratitude to everyone who has helped me through the process of making this study. Thank you to SIVA and Mr. Geir Reiersen for inviting me to collect material for the study in Murmansk, Russia. The insights gained from this study trip undoubtedly added an extra dimension to this study, and the hospitality of the SIVA staff in the Murmansk office is rare to find. Also, I would like to thank all of my respondents for sharing their time, knowledge and views with me; without you, I would not have been able to write this thesis. Thank you also to my supervisor Roger Schweizer, who has given me constructive feedback from the first draft to the finishing touches.

Lisa Christenson

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Abstract

Title “Cultural awareness in the internationalisation process: IHRM strategies and the possible effect of a support organisation. A case study of Scandinavian companies in Murmansk, Russia”

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Keywords (S)IHRM, Russian management, cross-cultural management, BRIC, cultural values, SME internationalisation, support networks, governmental business support

Purpose – The purpose of this study is to examine international human resource management (IHRM) strategies among Scandinavian companies in the culturally distant market of Russia. Secondly, the link between an internationalisation support organisation and the creation of IHRM strategies – particularly for small and medium enterprises (SMEs) - in a context of high cultural distance is explored.

Design/methodology/approach – The research problem was examined through a case study, and qualitative interviews were conducted with five respondents. Four Scandinavian companies of varying sizes and one Scandinavian internationalisation support organisation were sampled in the location of Murmansk, North-West Russia.

Findings – The companies often lack IHRM strategies, and the level of cultural distance is dependent upon the industry a company is active in, and on the qualifications needed in its Russian staff. The companies do not consider using the internationalisation support organisation as a partner who can inform cross-cultural competence. The organisation shows a willingness to support cultural awareness but is dependent on demand from the companies.

Originality/value – The study puts focus on management in Russia, thereby contributing to a currently under-researched theme within the field of cross-cultural management. A contribution is also made by updating SIHRM research with perspectives on SMEs. Last, the un-established link between internationalisation support programmes, cross-cultural management and SIHRM is examined.

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1. Introduction

1.1 Cultural values and international management

The rapid pace of globalisation leads to strategic advantages for companies that understand the value of *culture*, a word of which there are numerous definitions. One of the more popular is Hofstede's: "Culture is the collective programming of the mind which distinguishes the members of one human group from another" (Hofstede, 1980, p. 25). There are two opposite lenses through which theorists as well as practitioners look at culture. According to *divergence theory*, global differences in value systems, behaviour, economic development and distribution of wealth conserves a state of cultural diversity in the world (Warner and Joynt, 2002). In contrast, *convergence theory* assumes that globalisation leads to a homogenisation of cultures, which in turn affects management, thereby making efforts to enhance cross-cultural competence superfluous (ibid.).

Older research shows that companies tend to internationalise gradually by choosing culturally, often also geographically, close markets as a first stop (Johansson and Wiederheim-Paul, 1975; Johansson and Vahlne, 1977). However, this is challenged by the shifting economic balance in the world, as the rapid economic growth in the BRIC¹-countries together with the saturation of home markets have made many Western companies look further away when internationalising. Also, the so called *born globals* view the world as their business arena from the beginning (Knight & Cavusgil, 2004). The question is, does this imply that the importance of national cultures is fading off, as would be expected from convergence theory? Noted work within cultural values research suggests otherwise.

Many of the most prominent studies of national cultures and management focus on *national cultural values* (e.g. Hofstede, 1980; Trompenaars, 1993, the GLOBE project, 2004). Taras et al. (2009) go as far as to claim that national values sometimes better explain a person's workplace behaviour than both age, gender, level of education and even personality. On the contrary, Gerhart and Fang (2005) argue that the role of national cultural values is exaggerated by researchers, and may in fact be less significant than for example the effect of parts of the national institutional environment or organisational culture. Cultural values

¹ BRIC = Brazil, Russia, India and China

research is also criticised for failing to recognize agency, i.e. that individuals can shape their environment (Braun and Warner in Warner and Joynt, 2002).

Hence, the views and accounts of how national cultures impact on management are conflicting, which marks a challenge for companies when planning for internationalisation. This especially holds true for the designing of IHRM strategies.

1.1.1 Strategic international human resource management

HRM is arguably the management function that is most affected by culture (Braun and Warner in Warner and Joynt, 2002), thereby it's critical that companies can create culturally informed strategies for this function. Gerhart and Fang (2005) argue that globalisation has created a discussion about the effects of national environments - in addition to such contextual factors as company size and industry - on *strategic human resource management* (SHRM). SHRM is used to coordinate HR policies and practices and incorporate them in the company's overall business strategy, thus creating strategic management processes. *Strategic international human resource management* (SIHRM) is the integration of such coordinated HR activities to a company's international strategy (Taylor, Beechler, Napier, 1996). The key challenge is to create IHRM strategies that give the benefits of global efficiency while simultaneously being responsive to the local environment (Schuler et al. 2002).

Kaput and Singh (1988) argue that companies are concerned with their ability to manage subsidiaries when going international. The degree of concern is a result of (1) whether their own culture fosters low or high levels of uncertainty avoidance, and (2) the cultural distance between the national cultures involved. This suggests that IHRM strategies are especially important when entering a culturally distant market, which marks an interesting challenge to companies in regions with supposedly high cultural distance between nations.

Although company size is recognized as one of the context-specifics that have to inform SIHRM, most of the research in the field focuses on multinationals (ibid.) while little is known about SIHRM in small and medium enterprises (SMEs). However, lack of management skills is noted as a common reason for SME foreign venture failure (e.g. Scullion and Linehan, 2005; The European Commission, 2008). Overall, the smaller the firm, the less likely it is to a) have clear strategies, and b) to internationalise (The European Commission, 2005). Simultaneously, the idea of SME internationalisation as a key to economic growth and global innovation has gained support from the academic world as well as from governments and intergovernmental organisations. Many governments have programmes for SME

internationalisation in addition to export programmes. These might focus on network building, innovation or provision of real estate. Very few – if any – offer support for international human resource management, even though this function is noted as critical for overseas success.

In conclusion, the above leads to the following premises; (1) a strategy for IHRM gives an advantage in the internationalisation process, and (2) cross-cultural competence is central to forming a successful, implementable and flexible strategy, and (3) when there is high cultural distance and low familiarity between countries, companies might need support in order to shape such strategies.

1.2 Problem discussion

The reality of globalisation has since long overtaken the idea of gradual internationalisation. Rather than implying that this makes the question of cultural distance obsolete, new internationalisation patterns forces us to pay careful attention to culture in arguably more culturally distant markets. Management issues regarding cultural differences between Western economies and the BRIC-countries have frequented business literature over the last decade. For example, there is an abundance of research on Chinese human resource management (Lamond and Zheng, 2010). One of the lessons from this research is that the culturally charged Chinese celebration of the paradox gives room for many interpretations of context-responsive HRM strategies, all though Western companies benefit from understanding how Confucian ethics permeates all of Chinese society, including management (Warner, 2009). Indian HRM is marked by the traditional caste system, lack of collective bargaining, and pressures to adopt Western management. Also, spiritual frameworks such as the connection between the *desa-kala-patra* (location-time-circumstances) and the *gunas* (attractions/orientations) elements are used to assess manager as well as employee actions and relationships (Chatterjee, 2007). Companies who are considering entry on these two markets can study the countries' history to find spiritual ideas that are echoed in modern HRM. However, the confusion of what marks 'Russian' as opposed to 'Soviet' cultural values makes these spiritual ideas that inform management are more difficult to find in Russia. Also, management in Russia has not quite received the upsurge in interest that could be expected, which means that companies who want to enter the Russian market are less likely to find guidance in academic research when shaping their IHRM strategies for this market. The most noted research on the subject is from as far back as the 1990's (e.g. May et al., 1998; Naumov, 1996, Elenkov, 1998), an era in which the country experienced rapid societal and

economic changes as a result of the Communist system breakdown. This calls for an update of Russian management research.

Russia is the geographically closest BRIC-economy for Scandinavian enterprises, making it a potentially attractive market. However, the Scandinavian countries and Russia have proved to be opposites in cultural values research (Inspireimagineinnovate.com, 2007) which inclines that cultural distance between the countries is high. Russia is also noted as a country whose business culture is hard to penetrate for Western companies. Macro-environmental obstacles for co-operation are said to be legal uncertainty and incomprehensible bureaucracy because of high level corruption (Bdoconsulting.com, 2012), protectionism (Reuters.com, 2012), the degree of personal relationships necessary to strike deals, and unclearness in what constitutes an agreement as well as ownership of assets (Worldbusinessculture.com, 2013). All in all, these factors suggest that entry on the Russian market is simultaneously desirable and frightening for Scandinavian companies. This opens up to a discussion of how these companies should gain the cross-cultural competence needed to create successful HRM strategies for this market. Arguably, companies – especially SMEs – need more support to internationalise in culturally distant markets, which calls for the culturally affected HRM function to become a prioritised point for support. However, the connection between SIHRM and business internationalisation support programmes doesn't seem to be common in practice, neither is it established in research. Are the companies being pro-active themselves, or do they – especially SMEs - need support? Can governmental internationalisation support programmes inform and alleviate such company specific processes as the creation of IHRM strategies? Most importantly, can they help companies overcome cultural distance?

1.3 Study purpose

The purpose of the thesis is to explore (1) the effect of high cultural distance on the shaping of international human resource management strategies, and (2) if a business support organisation can be helpful in the process of facilitating these. In order to fulfil my purpose I have to begin by researching how the cultural distance manifests itself in the daily life of Scandinavian-Russian organisations.

Research question 1: *What IHRM strategies can be found in Scandinavian companies who have entered the Russian market, and in which ways does cultural distance influence the strategies?*

Research question 2: *How can an internationalisation support organisation inform the*

process of developing IHRM strategies in these companies?

2. Method

In this chapter, the process of writing the thesis will be presented. I will begin by clarifying what the thesis does and doesn't attempt to study. Before any of the steps of the research process can be presented and discussed, I will explain the factors that influenced my choice of research area. Following this, the research process will be outlined, and the steps in the research process will be connected to literature on scientific method in business and management studies. The reasons to study a case using qualitative method will be described and evaluated. I will then go on to explain how the research problem was generated, show how subsequent sampling was done, and account for the data collection method and the subsequent analysis of the results. Finally, there will be a discussion about the quality of the research.

2.1 Clarifications

Country-clustering: The reasoning for treating the Scandinavian countries (i.e. Norway, Sweden, Finland and Denmark) collectively is the relatively small differences between the national cultures within Scandinavia. This choice is justified by the vastness and diversity of the object of comparison, Russia, with its multitude of peoples, cultures and religions. Country-clustering on the basis of attitudes of the countries' populations is not uncommon, and the Scandinavian countries usually get placed in the same category (e.g. Hofstede 1982; GLOBE, 2004) Thus, there is arguably good reason for treating Scandinavia as one unity in international management studies.

Focus on Russian culture: The purpose of this study is not to compare theories on Scandinavian culture and management with the accounts of the participants. Thus, the literature will focus on Russian culture and management, only occasionally covering aspects of Scandinavian ditto. The principal group of readers of this study are assumed to be familiar with the common traits of the latter.

Cultural layers covered: My aim is to investigate how Scandinavian and Russian culture co-exists within an organisation as opposed to in a seller-buyer relationship. Therefore, business culture will not be central to the study. However, the divergence between Scandinavian and

Russian business culture carries with it implications that shape both conceptions and the reality of organisational culture, and will at times be brought up.

Cultural and psychic distance: These terms are often used interchangeably in research (Sousa and Bradley, 2006). I have chosen to use the term ‘cultural distance’ also when referring to works where the other term is used, in cases where the phenomenon described is the same.

2.2 Research area

The relative lack of interest in Russian management in current business research is arguably the first argument for studying it, and the scarceness of studies comparing Russian management to other styles than American, or the more generic “Western” management makes Scandinavia a theoretically interesting object of comparison. Theoretical interest guided me to search within the broad research fields of HRM and internationalisation. My preference for interpersonal relationships over numbers and statistics is evident in me choosing the subject of HRM, which is also researched in the field of sociology. This subject would me to analyse the experienced instead of the ‘hard facts’. Personal interest in Russian language, history and culture made me investigate the state of current research on Russian management. Researchers’ personal values and experiences affect their research choices (Bryman and Bell, 2011). Being Scandinavian and having an interest in Russia, my pre-understanding of cultural conditions in these countries was deemed beneficial. Choosing Scandinavian companies was also a consequence of the greater likeliness of gaining access to cases to study. Since much attention has been paid to discussing macro level factors causing Scandinavian – or indeed other Western – companies to fail with their Russian ventures, the research problem sprung out of the necessity of also evaluating micro level factors that affect cross-cultural cooperation between Russians and Scandinavians in cases where obstacles on the macro level are overcome.

As made clear from the above, the reasons for choosing the research area are theoretical and practical interest as well as personal experience and interests. As will be explained later, the chosen research area was later connected to the research area of networks, to make a better fit with the chosen case. In the early phase however, an interest for internationalisation, HRM and Russian management spawned the idea of finding a research problem connected to these fields. Subsequently, I found that there was a research gap in current cross-cultural management literature, and proceeded to search for relevant theories and previous research.

2.2.1 Literature search

The chosen research area called for an extensive literature search. In the beginning of this process, I focused mainly on previous empirical findings, i.e. articles in which Russian culture and management, cross-cultural management and IHRM had been studied. I organised the literature after research problems to spot any reoccurring themes. I also used previous studies, working papers, and student theses to find out which theories were most often used. Most of the theories I considered are *mid-range theories*, i.e. theories that are more specific and less abstract than grand theories, but still seek to explain and understand aspects of an object of study as opposed to pure empirical findings (Bryman and Bell, 2011). However, I decided to let both theories and previous empirical findings be part of the theoretical framework, supported by the notion that the latter is “conditioned by and directed towards the research questions that arise out of an interrogation of the literature” and that “the literature acts as a proxy for theory. In many instances, theory is latent or implicit in the literature” (ibid, p.10).

Cultural values and management

I began my literature search within the field of cross-cultural management, and found that much of the noted work used cultural dimensions or referred to previous studies using this method. This is one of the reasons why I chose to focus on how cultural values affect management. I went on to search for articles on Russian management, and found that many of these had also used cultural dimensions measuring. I decided to concentrate on these as it would be a way of comparing cultural values shaping management between countries. From literature reviews, I could tell that the most noted research on Russian management was from the 1990's, i.e. less than a decade after the fall of the Soviet Union. Hence, many of the articles focus on differences rather than similarities. A reoccurring theme was the difference in mentality between Russians and ‘Westerners’ (few articles compare Scandinavian and Russian management) rather than labour laws, the level of skills or working procedures. This strengthened my decision to focus on cultural values. Once I decided upon a case to study, I found that there were other research fields that had to be considered for the theoretical framework, and thus decided not to search for cultural dimensions studies of Scandinavian management. An inclusion of the latter would give the study too heavy a focus on culture.

Strategic international human resource management

I looked for research on HRM, and subsequently found the research field of SIHRM. The idea of HRM as a strategic tool at the point of internationalisation further sharpened the research problem. This made me focus not only on how the cross-cultural management turns out

(practices), but also on how companies plan for it (the strategy). However, I quickly found that much of the research in this field focuses on MNCs, which makes theories little applicable on SMEs. I picked out articles that dealt with IHRM strategies in relation to both culture and to the phases of internationalisation. The latter was a result of wanting a balanced theoretical framework that offers other explanations than degree of cultural compatibility as to why companies choose one particular IHRM strategy, or none at all. The outcome of the literature search on SIHRM is that theories and previous research could mostly be used to describe the actions of MNCs, and possibly SMEs with ambitious internationalisation strategies. Since I was also interested in smaller companies, I had to look elsewhere for literature on IHRM in SMEs. I looked for research with this focus within the field of SME internationalisation literature, but did not find any theories that dealt exclusively with IHRM strategies for SMEs.

Networks

Later on in the process, after I had decided upon a case that included a business support organisation, I looked for literature on network participation ('hard' and 'soft' networks, strategic alliances and support networks) in the internationalisation process, and found that the field of SME internationalisation overlapped with the former. With the chosen case in mind, I focused on 'soft' support networks, and found that governmental internationalisation support programmes were rather common. I searched for articles on IHRM in relation to this, i.e. how support network participation can influence or inform IHRM. This seemed a less common theme: in fact I did not succeed to find any articles at all that dealt with this subject.

For all of the different themes, I tried to find books (e.g. student literature) and literature reviews. These were consulted to make sure I hadn't overlooked any important work within a field. In this way, I could also see if the literature I had chosen was relevant, and where it could be placed in relation to other studies. One of the greatest challenges was to find theories that were relevant to all of the parts of the case and could provide a holistic framework: this proved impossible. Thus, the fit between case design and theoretical framework could have been better. However, the fact that theories and literature stem from different research fields case also makes theory triangulation, i.e. considering more than one theoretical position when interpreting data (Denzin, 1970), possible.

In my literature search, I also searched for books and articles on research methods, and decided to turn mainly to Bryman and Bell's "Business research methods" and Gummesson's

“Qualitative methods in management research” since these are widely acclaimed, cover a wide range of themes, and focus specifically on methods for business and management research.

2.3 Research strategy: qualitative research

Since my aim was to explore a subject rather than quantify it, I opted for a qualitative research method. Bryman and Bell define qualitative research as “a research strategy that usually emphasizes words rather than quantification in the collection and analysis of data” (2011, p. 386). According to Gummesson, qualitative methodology and cases studies are valuable within business and management research (2000, p.1) and the author further claims that “studies in management are concerned with understanding and improving the performance of a business” (ibid p. 5). This is in line with my aim, which is to gain a deeper understanding of the mechanisms that shape cultural understanding and subsequent implementation of IHRM strategies in organisations. Because of the limitations carried by the inclusion of a specific mix of nationalities in the research question, the relatively few possible respondents would also make a quantitative approach rather risky. In a worst case scenario, I could have ended up getting few and unsubstantial answers and thus only “scraping the surface” of a problem that was neither particularly applicable. I did not want to discard the geographical limitations as these were influenced by my pre-understanding and would hopefully add value to the study.

According to Gummesson, the risk of data collected through qualitative methods is that is based on subjective interpretations and are thereby possibly less scientifically acceptable (ibid, p.126). The level to which subjective beliefs influence research is by some seen as the dividing-line between positivism and hermeneutics, where the latter is deemed to be more dependent on cultural and personal beliefs (ibid, p. 18-19). Hermeneutics emphasises the importance of pre-understanding in shaping new theory. In the *hermeneutic circle* (or ‘spiral as some prefer to call it), the parts of a phenomenon are interpreted to make sense of it. As Gummesson puts it, “A lack of pre-understanding will cause the researcher/consultant to spend considerable time gathering basic information (...)” (ibid, p. 58). Arguably then, my interpretation of theory as well as findings would be more valuable if I chose a research area with which I am familiar. In conclusion, a qualitative method was deemed more fruitful and realistic for the purpose of this study than a quantitative method. This would also enable a

qualitative interpretational approach.

2.3.1 Interpretational approach

Ontology is “a branch of metaphysics concerned with the nature and relations of being” (Merriam-webster.com) It deals with the relationship between social entities (e.g. organisations and culture) and the social actors who experience them (Bryman and Bell, 2011, p.21-22). The dividing line is whether social phenomena is viewed as reality independent of human perceptions of it (*objectivism*) or instead the shifting result of perceptions made by those who experience it (*constructionism*) (ibid, p. 23). This study is guided by the constructionist approach, i.e. there is no way of objectively describing what a culture is or isn't. The premise is that Russian and Scandinavian culture – and the respective management styles – have to be interpreted through the eyes of the respondents, instead of being viewed as objective realities. However, the theoretical framework does consist of quantitative studies that have attempted to measure and compare cultures. The results from these provide some of the common perceptions of a culture by those who are considered to belong to it, which justifies the inclusion of them. Understanding how individual perceptions shape respondents' answers is crucial to analysing empirical data in all research, but particularly when using qualitative methods. Therefore, the respondents' statements were analysed in light of their values, views and experiences.

All though the terms *respondents* and *informants* are sometimes used interchangeably, informants provide information and explain certain phenomena while respondents share their own reflections and thoughts on a particular subject. With my aim in mind, I needed the providers of data to take on both these roles. To keep matters simple, I will refer to them as *respondents* throughout the thesis. Respondents' personal attitudes and beliefs, and their pre-understanding of the theme for the interview, influences their answers. Considering that all of the respondents represent companies, it is also necessary to understand how their liability not to act against what can be perceived as the shared beliefs, rules, and norms of their organisations is likely to affect their statements. This aspect is also taken into account in the analysis of the findings.

The whole research process is in various ways coloured by the personal beliefs by the researchers who conducted it, even though it is expected not to be (Bryman and Bell, 2011). Bryman and Bell argue that the idea of ‘value-free’ research is nothing but an illusion, but the researcher must in turn be able to be *reflexive* about the effect of personal values and

experiences on research conclusions by outlining and discussing this aspect in their research (ibid, p. 30). The illusion of ‘value-free’ research might be particularly problematic to uphold in research of culture, which is a sensitive subject. This is especially true if the researcher is ‘culturally biased’ in belonging to one of the cultures but not the other. I have been particularly careful to include Russians as well as non-Russians, to discuss positive and negative sides to both cultures, and to put management styles in relation to context by asking the respondents not only what they think of Russian and Scandinavian management styles, but also how appropriate they are depending on context.

Another point that the researcher needs to be reflexive about is the choice of aspects to study. As this is a study of IHRM, there is a possible risk that human resources would be viewed as more important than for example financial resources at the point of internationalisation. I have tried to eliminate this risk by not quantifying the impact of IHRM strategies, comparing it to other critical factors in the internationalisation, or inclining any causal relationships between successful IHRM strategies and overall internationalisation success. This is in line with the qualitative research strategy.

2.3.3 Inductive and deductive approaches

Qualitative method is usually coupled with an *inductive* approach (Bryman and Bell, 2011, p. 27) i.e. that its purpose is to use empirical data to generate theory rather than to test existing theory on ‘reality’, as with a *deductive* approach (ibid.). A study can comprise elements of both (ibid. p,28), e.g. that theory is tested and the observations made generate new theory or builds on the existent (ibid, p. 11). This is called *abduction*. As stated earlier, I chose a subject of which there was a gap in current management research, and did not find any recently emerged theories that needed testing. Thus, I used a mostly inductive approach. The theories in the theoretical framework of this study were not directly tested at any point, but were rather used to inform the whole research process. This knowledge allowed me to pick up common themes and sensitise the interview questions, and provided a backdrop against which the results can be compared and contrasted.

2.4.3 Forming the research problem

The exact research question was not formed until I could apply my research problem to a real-life case. With SIVA (NB. Introduction on the next page) in the case, I could focus on examining not only the companies’ IHRM strategies (or possibly lack thereof) but also SIVA’s role in raising cultural awareness that could benefit the companies. In his book

“Qualitative Methods in Management Research”, Gummesson explains the difference between *basic* and *applied* research. While the first is concerned primarily with using empirical data in order to add to theory, applied research is close to consultancy, and focuses on finding possible solutions to problems facing a specific company or industry (ibid.). My goal was to find a research problem that could carry both these ambitions. Once a case was found, I chose to alter the theoretical framework for the study to include the aspect of internationalisation support organisation. This served to make a better match between theory and the case. In addition to relating to the case, I found that theories on network participation (e.g. support networks) also dealt largely with SME internationalisation, which compensated for the gap of SME research in the SIHRM literature. In conclusion, four factors: personal interest and pre-understanding; an apparent knowledge gap in research; relevance to broader management research and theories and applicability to real-life cases were instrumental in my selection of an appropriate research problem.

2.4 Sampling

2.4.1 Identifying cases

Since no distinction of management styles within Scandinavia were made, companies of any Scandinavian nationality could be sampled. However, as the Barents region is a natural geographical meeting point for Scandinavian and Russian business, the focus was put primarily on finding Norwegian companies. All though Finland shares the longest border with Russia, the linguistic and cultural proximity to Norway is a factor that influenced the conclusion that it would be easier to find Norwegian respondents. Also, previous personal knowledge about Norwegian institutions (educational, governmental, business networks) working with Russian-Norwegian business interaction strengthened this conclusion.

Norwegian business consultants in Russia, Innovation Norway, The Norwegian Barents secretariat, Norwegian universities with Russian exchange in the fields of Energy and Business Economics are among the sources that were consulted for tips on companies that might fit the criteria. Using online search engines, approximately 20 companies from all of the Scandinavia were contacted directly. They received an e-mail with a description of the study idea, and were given the opportunity to partake either via a personal meeting, telephone/Skype or e-mail. The preferability of a personal interview was stressed, with the estimated interview time of 30 minutes to one hour mentioned. They were informed that their

identities would not be disclosed. A number of the companies were also contacted via telephone if no answer had been received after 2-3 days.

In addition to the companies, I contacted SIVA, a state-owned Norwegian organisation that supports the internationalisation of Norwegian companies, once I found out that they have an office in Murmansk, Russia. I requested a complimentary interview about their experiences of how Norwegian companies deal with HRM in their Russian ventures, and about if/how SIVA gets involved in these processes. I received an affirmative answer, and was invited to visit SIVA's office in Murmansk to conduct interviews and partake in activities for a week in the middle of December. The study trip was organised and sponsored by SIVA. I decided to make a multiple-case study of Scandinavian companies in Murmansk.

2.4.2 Selection of location

For Norway, higher degree cooperation with Russia is an official national goal. The Norwegian government's *High North Strategy* as of 2006 states that Russia is a natural and strategic partner for Norway for reasons of trade, culture, petroleum extraction, the environment, indigenous peoples and more (The Norwegian government, 2006). This makes the Russian town of Murmansk, a 300 000 population port town some 250 kilometres from the Norwegian-Russian border a natural centre for governmental cross-border cooperation programmes. When SIVA opened its first office abroad in 1999, the location was Murmansk. The organisation is still present in the town and continues to help Norwegian companies establish themselves in Russia.

The border region is sparsely populated on both sides, and both Murmansk *oblast*² and the three counties of Northern Norway are located far away from the financial centres of their respective countries. One positive outcome of a higher degree of cross-border business interaction is that it can lead to highly needed jobs on both sides. There is also a possibility of future oil and gas extraction in the Arctic waters from both countries, which is a high risk activity, thus creating a need for cooperation on development of environmentally responsible technology and work procedures. Collectively, these factors create a strong incentive for Norwegian and Russian businesses to try and eliminate obvious macro level obstacles to cross-border trade, such as big differences in business culture and laws regulating business. The question is, once these are sufficiently dealt with, what are the micro level obstacles for

² *Oblast* is a Russian administrative division roughly corresponding to 'province'

cooperation, and how are they dealt with in cross-cultural organisations? This made companies in the Barents region an interesting population.

2.4.4 An overview of Norwegian business activity in Murmansk

The land border between Norway and Russia is 196 km long, but it is perhaps the maritime borderline in the Barents Sea, over which the two countries only recently (2011) settled a long-time twist, that has driven business exchange in the region. For both Norway and Russia, this area is strategically important for oil and gas extraction. After Norwegian oil giant Statoil was shortlisted as a partner in developing the gigantic arctic gas field *Shtokman* (Gazprom.com, 2005), Norwegian companies rushed to the Murmansk region to secure a strategic position. When development was postponed, the short-intentioned companies left, while others found ways of staying in business. In that respect, the surge for Norwegian companies to go to Murmansk is not as big today as it was a few years ago. Also, Murmansk is listed as one of the more difficult Russian cities for foreign companies to do business in (The World Bank, 2012).

2.4.5 Selection of companies

Having decided on making the study on location in Murmansk, the sample became limited to Scandinavian companies active in the region. I looked primarily for Norwegian companies; approximately 15-20 companies fit the criteria, a few of which I had contacted previously. SIVA helped me in forwarding my request and to book interviews. As HRM plays a part in every company with employees, companies were accepted independent of industry. Inclusion of a variety of industries would also reduce the likelihood of painting an unbalanced picture based on industry specifics.

Two of the companies are SMEs, one is a major company, and one is an MNC. Two of the companies had more than one Russian branch. Two of the companies are tenants at the Polar Star Innovation Centre. Neither of them is incubated. All of the respondents have worked for 2 years or longer at their companies. All of the companies have been established in Murmansk 3 years or longer. Two of the companies rent office space in SIVAs facilities, while the remaining have contact with other Norwegian companies and SIVA through business interest groups. One of the companies is not Norwegian, but originally Scandinavian. Since no further distinction between management styles and institutional environment in the Scandinavian countries is taken into account in this study, the specific Scandinavian nationality of the company is not essential. This serves to justify the inclusion of a non-Norwegian company.

2.4.7 Selection of respondents

At first, I set rather narrow criteria regarding position, with the result of a very limited population. Preferred respondents were managers or HR staff, since it is likely that they would have the most experience of the issues central to the study. However, having set the geographical location as a boundary, I concluded that the criteria for respondents' experience and work position instead had to be widened in order to make possible a multitude-case study. An argument for this study design is that modern case studies of HR policies and practices in Scandinavian companies in Russia are so few that the aim at this point arguably should be to collect material that helps create an overview of how these have changed since the 1990's, when Russia management research was numerous and had a higher profile.

This would give the effect that more companies could partake in the study, since far from all of the companies had their HR function located in Murmansk, or indeed any formal HR function at all. Not all of the companies had their management placed in Murmansk, and some managers and HR professionals were busy during the time of my stay. I chose an inclusive approach, with the implication that respondents comprise managers as well as employees, and that not all respondents have cross-cultural experience (e.g. have worked in both countries). One of the company respondents is a West-European third country national (TCN) who has also lived and worked in Norway, while the three remaining respondents are Russian, with one of them having studied and worked in Norway earlier. The respondent from SIVA is the vice president of the international branch of the organisation. He has been responsible for SIVAs activities in Russia for almost 15 years, and is thereby a key source of expertise on Norwegian business internationalisation in Russia. The SIVA respondent was also my first point of contact at SIVA and contact person throughout the week in Murmansk. The identity of the respondents and the companies they work for will not be unveiled. To protect the identity of the company respondents, answers will be *cross-reported*. Cross-reporting and analysing means that the reports of the respondents will be treated collectively, and that statements cannot be traced to specific respondents. The exception to this is the SIVA respondent, whose statements consist mainly of observations of Norwegian companies in Murmansk *in general*, which arguably makes the information less sensitive.

Another difference between the company respondents and the SIVA respondent, is that the main purpose of the interviews with the former was to establish an overview of cross-cultural perceptions in Scandinavian-Russian work-place settings, while the focus for the latter was to gain information on how Scandinavian – or more specifically, Norwegian – companies act

regarding IHRM in practice, and what the role of the internationalisation support organisation is. In this way, the former are more like respondents while the latter first and foremost carries the role of an informant.

2.5 Collection of data

Semi-structured interviews were held with 5 respondents: 4 respondents from Scandinavian companies in Murmansk and 1 respondent from SIVA.

2.5.1 Semi-structured interviews

I decided to conduct semi-structured interviews. According to Gummesson, the researcher pays special attention to what the respondent considers of importance in semi-structured (informal) interviews (Gummesson, 2000, p.127). As stated earlier, the aim of the study is to provide an overview of existing policies, practices and attitudes. However, the way a person understands decision-making, attitudes of others, cultural and national differences is highly subjective, which requires an interactive approach in order to mirror the respondent's mindset to communicate better. Also, the respondents held different job positions within the companies, and there are variations in size among the companies. This would most likely have heavy influence on their abilities to answer my questions. I decided that each interview had to be shaped by the individual respondent's company, experience, understanding, interests and knowledge. Another factor that can influence respondents' answers is the behaviour of the researcher during the interview. A couple of negative implications of qualitative interviews are, according to Gummesson, that they don't provide information on: if the researcher has interviewed key respondents; non-verbal conversation (such as gestures, posture or facial expressions); whether the researcher has gained access to significant "quantitative data" such as archival material; informal contacts between the parts (i.e. outside the actual interview) (ibid, p. 128-129). Special emphasis has been put on these risk factors, since they all carry relevance to this study. They will all be part of the ending chapter, i.e. the discussion of the study.

2.5.1 The companies

This study makes no effort to research differences between industries. Therefore, the sectors that the companies are active in will not be revealed. The following presentations consist of basic facts, information given by the respondents, and information derived from official documents such as annual reports, company websites and job adverts. The interviews with the

company respondents were conducted in Murmansk in mid-December. I compiled an interview guide, which shifted depending on the position, nationality and employer of the individual respondent. The questions asked were informed by the theory and previous literature I had read, but also by information I had found about the companies. All 4 company interviews held in Murmansk were booked with the help of SIVA, i.e. SIVA forwarded my request together with a study description to companies in their network. The interview guide was not transmitted to the respondents beforehand, with the exception of one company, who requested to view a sample of the questions. The interviews lasted between 30 minutes and 1,5 hours. Two of the interviews were conducted in one session. This did not seem to impact on the respondents' openness, as they were familiar with one another from before, and the discussion during the interview meeting was not marked by consensus at all times. All respondents got to choose the location and were informed that their individual identities would not be revealed in the study, nor would the identities of the companies they work for. I also explained that I would transcribe the interviews and send them for approval within approximately a week.

One possible implication of receiving external help in securing respondents is that SIVAs good contact with the companies possibly made them more instantly willing to take part. The other side to getting help in booking meetings is that a certain degree of control over the research process is lost, which is not *per se* something negative, as it is in fact a type of convenience or snowball sampling. However, it had the effect that I sometimes had little previous knowledge about the respondents and the companies, since some of the meetings were booked in short advance, and that the timing and location of interviews were not always ideal. This might have affected the quality of the interviews all though, arguably, the responsibility for possible gaps in the first interviews should be brought upon the researcher. Naturally, the interviews become better the latter in the research process they are conducted, as they are informed by previous interviews and revision of theory. I found that this was indeed true of the data collection for this study.

2.5.2 The business support organisation

The interview with Mr. Geir Reiersen, vice president of SIVA International, was conducted via Skype in early January. The interview lasted approximately 1 hour. Before this data was collected, the results from the company interviews had been thematised and partly analysed, which meant that these – and also informal conversations throughout the week in Murmansk - could inform this last interview. This turned out to be beneficial in making sure that both

theory and empirical data would influence the questions I asked. In this way, I could weigh the respondent's accounts on the topics (i.e. how the companies deal with culture in their IHRM strategies and how SIVA is involved in this process) against my own impressions during the week in Murmansk. Even if the latter were only built on a few conversations, this did influence the interview in that I had a higher degree of pre-understanding than I would otherwise have had. If the interview process had been reverse, i.e. if the interview with the SIVA respondent had been conducted before I interviewed the companies, it is possible that results from the first interview would have coloured my view strongly. The SIVA respondent has after all worked closely with Norwegian businesses in Murmansk for almost 15 years, which means that his views and accounts are built on long-time experience. This would easily have affected my way of looking at the problem, since my knowledge in the area can in no way be compared to his. By first visiting SIVA and interviewing the companies, I could begin to analyse these results and revisit the theoretical framework before the last interview was conducted. This arguably ensured a more rewarding interview. After the interview was finished, I ensured the respondent that I would send him a transcript of the interview within 1-3 days.

Throughout the data collection process, all the interviews were transcribed and vaguely thematised within 1,5 weeks, and all of the respondents had the chance to go through the transcript of their interview in case they wanted to clarify anything, or take back any statements. I decided to be generous in this aspect even if important information could be lost. However, no such problems occurred, and clarifications were only made on two sentences all in all. By e-mailing them, I offered all the respondents the opportunity to contact me at any part of the research process. I informed them when the study would be published and offered to send a copy before or after publication. This technique of *respondent validation* is employed to avoid that the researcher's perception of social reality distorts the data and becomes dominant (Bryman and Bell, 2011, p. 396).

2.5.3 Analysis of data

After all the interviews had been made, I proceeded to code the results. In this process, I scraped interview material that was not relevant to the research problem. As far as possible, I tried to find common themes for both the company interviews and the SIVA interview. The themes were then compared and contrasted to themes in the theoretical framework. For every interview theme, I searched the theoretical framework to find out how the parts of it related to the findings. It became evident that the match between theory and data was not fully

accomplished: parts of the theoretical framework are not particularly relevant to the results, and some of the results are not covered by the theoretical framework. For example, the subject of language plays a bigger part in the findings than in the theoretical framework. Therefore I decided that it's justified as a theme in the analysis chapter. On the whole, the ties between theory and data proved strong enough to make possible an analysis without altering the theoretical framework considerably. I did however cut parts of the theory that proved to have very little relevance to the data once the latter had been coded to reflect the aspects of the research problem. The themes were drawn from the topics that emerged from the interview guide and from the actual interviews. None of the themes were created to directly emulate the subchapters of the theoretical framework. The themes for the interviews differentiated between those conducted with company respondent and the one conducted with the SIVA respondent. In addition to perceptions of culture and practical everyday management, the latter focused on; the overall internationalisation strategy and how IHRM is related to this; the differences between needs of bigger companies and needs of SMEs, and; SIVAs role in helping companies overcome cultural distance and how their role can become more active. The last subchapter of the analysis thus draws mostly on findings from the SIVA respondent interview. In general, the themes of the analysis were created to emulate the different parts of the research questions. Therefore, the IHRM strategies are first established, followed by how cultural distance impacts on these, and last, the question of how the internationalisation support organisation can help is answered.

2.6 Research quality

2.6.1 Credibility and confirmability

Credibility and *confirmability* deal with how trustworthy findings are, i.e. to which degree the researcher seeks to be objective (Bryman and Bell, 2011, p. 43). I have previously explained how my personal values and previous experiences might have affected the research process. Being part of one of the cultures and not the other, I might be culturally biased. On the other hand, so might everyone by this rule, and I am familiar with and interested in both of the cultures I chose. Thus, I don't have any interest in coming to any particular conclusions regarding negative or possible impacts of specific cultural values on management. The research ethic I followed is to let the results inform the conclusions. I also used the method of respondent validation of the material.

Gummesson explains how what he calls the *scientific* and the *consultant* paradigms influence

why and how research is conducted (ibid, p. 19), generating *basic* and *applied* research respectively. Business and management research is heavily dependent on companies that are willing to share their time, experiences and opinions and to give access to respondents. According to Gummesson, management research is often claimed to be too concerned with practical applicability, and lacking integrity because of its dependence on business executives. This makes it short-sighted and not relevant to general interest (ibid, p. 28) and calls for the researcher to continuously reflect on how this affects her research integrity. A researcher who takes on the consultant paradigm has to make sure she can steer clear of pressure from the “clients” and let ideals of scientific integrity guide her. Conversely, a business researcher who acts within the science paradigm needs to keep up with the everyday reality of businesses to ensure her research will have any value outside the academic world. Due to a lack of access to business life, the latter risks missing topics that have been current for long (ibid, p. 29).

Like I mentioned earlier, I chose to carry both ambitions. A practical implication of wanting the research to be as practically applicable as possible is that I let the case shape the research question as well as vice versa. However, I was not asked to cover any specific topics, hide information, or angle the study in any particular way. SIVA’s reason for inviting me was that my study would spread knowledge on Scandinavian-Russian business exchange. Thus, the high level of involvement with the case only had positive effects, such as coming closer to the everyday reality of SIVA and the companies, providing more informal contacts and conversations that have informed the process, and giving a clearer connection between the research problem and business life. In conclusion, my research integrity was not compromised and the findings are arguably credible and confirmable.

2.6.2 Transparency

Choosing location as the first sampling parameter did have negative consequences on the transparency of data. For example, as the number of Scandinavian companies in Murmansk is so small, the identities of companies would easily be uncovered if the industries they work in had been stated. In the same way, the views and statements of the individual respondents had to be cross-reported as their identities had otherwise been too easy to unravel. The consequence of the latter is that readers can’t analyse how for example nationality, position and international experience of the individual influences views and statements. If the location (other than Russia) had not been chosen as a sampling parameter, a more homogeneous sample could have been made, as there are more companies to choose from. Thus, securing anonymity would not have had any particular impact on the transparency of data. In addition

to this, deciding to sample only companies in Murmansk - as opposed to bigger cities where International competition is higher - might mean that findings are not typical of IHRM strategies for Scandinavian companies entering Russia.

The exception to this rule is SIVA and its vice president, who have been presented by name. The first reason for this is that there would be pointless to seek to code SIVA as no remotely similar organisation exists in Murmansk. The company has to be presented in order to understand how a governmental business support organisation can be connected to the internationalisation process. Also, the questions asked to the vice president of SIVA do not inherit any risk of revealing sensitive information regarding

2.6.3 Transferability and dependability

Transferability and *dependability* deal with the generalisability of the findings (Bryman and Bell, 2011). The most problematic area of this study is arguably the sampling of location, companies and respondents. The effect of the chosen sampling approach is that while findings can of course be discussed in relation to the theoretical framework, seemingly emergent patterns lack solid empirical backing. Considering that the empirical data for this study consists solely of five respondents' answers to my questions, I can't claim them to be generally applicable. Also, the heterogeneity of the sampled companies and respondents makes it unwise to compare their answers to each other and make any conclusions about transferability. However, the findings do apply to other context than the sampled one, as the results comprise a number of attitudes that are likely to emerge in any cross-cultural setting. The study is not replicable since the results would have been different if five other respondents had been chosen. However, findings would not necessarily have been more representative if a bigger number of respondents had been included as the heterogeneity of the sample is considerable. Choosing a homogenous sample was problematic. There were multiple parameters to take into consideration, e.g; foreign market entry mode, size and degree of internationalisation of the companies; nationality, job position, and international experience of the respondents. In addition to this, sampling was affected by a lack of access, mostly due to practical issues such as time and location. All in all, it was not realistic to find enough respondents that fit high demands of homogeneity on all these parameters.

If only companies that have an HR function had been included, there would have been possible to study IHRM policies and practices more closely. Due to the fact that some of the

companies didn't have an HR function, this was not possible. Similarly, if only respondents in management or HR department positions had been sampled, greater access to knowledge of the companies' IHRM strategies would likely have been given. Also, choosing only Scandinavian – alternatively only Russian – respondents would provide a clearer picture of the attitudes one group of nationals has to another. However, recruiting is part of an IHRM strategy, and companies recruit both PCNs and HCNs. In conclusion, the sampling approach did have a negative effect on the generalisability of the data. However, A homogeneous sample of companies would not demonstrate the variety of Scandinavian business in Murmansk, thus covering fewer angles of the research problem. The aim of this qualitative study is to explore a problem from multiple angles, rather than to find proof for a specific hypothesis.

3. Theoretical framework

The theories, models and previous studies that form the theoretical framework for this thesis have been divided into two main themes: 'National cultures and management' (4.1-4.4) and 'Strategic international human resource management' (4.5-4.6). The first part comprises two theoretical frameworks that divide views on culture and management: *convergence* and *divergence* theory respectively. Following this, there will be a literature review of Russian management, connected to brief summaries of important historical phases and happenings that are believed to have shaped the 'national character'. This will provide a solid framework for understanding how culture can impact on SIHRM, the subject of the second part. In this part, SIHRM will be explored by presenting models that cover a number of angles in addition to culture. Due to the domination of an MNC perspective in this research field, there will be a subchapter relating to SMEs specifically, followed by the ending subject of governmental support for SME internationalisation. The whole theoretical framework will be summarised and briefly discussed in chapter 3.7.

3.1 National cultures and management: convergence theory

Convergence theory is based on the assumption that global interaction leads to a gradual isomorphism of culture, implying that internationalising companies can spend less time on cross-cultural training as cultures are moving closer to one another anyway. According to Pugh and Hickson, the subject of organisational convergence focuses on “how far organizations in different countries have travelled and may travel in the future along a path of global convergence in operations and management, and how far the influence in this of specific cultural factors must be understood and planned for if the manager is to be effective in cross-cultural situations.” (Pugh and Hickson in Warner and Joynt , 2002, p. 7). The task of managers in international companies is then to discover to which degree it is rational to try to implement *best practice* solutions throughout the whole company. Companies and managers who take the convergence approach to culture do not deny that there are national differences, but rather ask themselves to which degree they are important enough to demand unique structuring of the organisation in each country (ibid.)

According to Pugh and Hickson, a key historical influence on convergence is industrialisation. The authors argue that technology “speaks a universal language”, as it is more or less the same everywhere and there is global infrastructure for distribution. The “logic of industrialism” ensures that companies all over the world will want to aspire to the demands of efficiency that the more technologically developed nations set. This creates specific industrial structures and a division of labour where key competencies are valued higher than “all-roundness” (ibid., pp. 8-9). Pugh and Hickson distinguish three levels of convergence:

Societal convergence: the similarities between cultures are gradually outgrowing their differences. The technical revolution has made available information of other parts of the world, even to countries with strict censorship regimes. This leads to global convergence and shapes individuals’ ideas of what they can achieve in life

Economic convergence: all nations strive for, and eventually choose the type of economy that generates the most growth. Presently, this is the market economy. An example of this supposed superiority is how the Soviet and Eastern European plan economies collapsed and instituted market economy instead

Management convergence: as a logical next step to economic convergence, organisations all over the world need to work in a similar way to live up to measures of efficiency, growth and

technological development that will secure a better position in the global market. This in turn makes management procedures converge globally (ibid.).

The authors also note that management practices that become global benchmarks do not always come from the more technologically developed nations, and give the example of the Japanese focus on workforce training at the time when the country was still at an early phase of industrialisation. This *best practice* concept became an essential part of the TQM (*total quality management*) philosophy, which goes to show that management innovations that reflect one specific culture can become incorporated into the global management convergence and, with time, adopted even by cultures that are less receptive (ibid.).

In conclusion, the convergence approach views all societal layers as subjects of free market competition ruled by a strive for efficiency and growth. The types of society, economy and management that can provide this will gradually be adopted by cultures all over the world. The convergence processes are thus seen as dialectic by nature, as each cultural entity (person, company, society) chooses what to adopt, and can also “export” philosophies and practices to the collection of best practices on free market terms. Cultural convergence is thus not a one-way process, but is usually lead by one or a couple of dominating cultures.

3.2. National cultures and management: divergence theory

Divergence theorists do not showcase this belief in universal best practice panaceas. Instead, they place great importance on cultural differences and the learning that this can give international companies. Hampden-Turner and Trompenaars criticise the convergence approach by claiming that even experienced MNCs often fail when trying to implement seemingly universal best practices due to (sometimes tacit) cultural differences (1997, p. 2). Taras et al. claim that cultural values are stronger predictors of work outcomes than for example education level, race, gender or age, and argue that tests of cultural values in the recruitment process gives better indications of attitudes and behaviour than personality tests (2009). The researchers and studies presented below are arguably the most noted in the field. These mostly used quantitative methods with a great number of participants, and the most cited studies are longitudinal or part of bigger research projects.

3.2.1 Hofstede’s cultural dimensions

Practically all research on culture’s effect on management since the early 1980’s cites *Hofstede’s model of cultural dimensions* (1980). Geert Hofstede is a trained psychologist who worked with HRM at IBM and surveyed IBM employees on all organisational levels in over

40 countries on their values. The IBM data was collected at two points in the 1960' and 70's. The four, later five, dimensions are

1.Power distance: The views on inequality and hierarchy in a society. A high score denotes a high level of inequality and hierarchical structures.

2.Uncertainty avoidance: how a society deals with the unknown. Cultures with high uncertainty avoidance respond with fear, while low uncertainty avoidance instead signifies curiosity.

3.Individualism/collectivism: if a society is dominated by “everybody for her- or himself” logic or by the idea that people should “remain attached to tight groups throughout life”.

4.Masculinity/femininity: whether a society views the sexes as more alike than unlike, or if it assumes that women and men must have clearly separated roles in life. Femininity signifies that roles overlap, leading to a ‘tender’ society, while masculinity signifies strict gender roles, leading to a ‘tough’ society.

5.Long-term orientation: explains a culture’s perspective on time. Short-term oriented cultures foster a need for instant gratification and an inability to consider long-term implications, while long-term orientation cultures has a broad time horizon, and cherish values like thrift and persuasion (Hofstede in Warner and Joynt, 2002)

The key findings of Hofstede’s studies were that the national cultures of the participants fostered different beliefs, attitudes and behaviours even though they were all employed in the same company. Thus, Hofstede’s research supports divergence theory. Although hugely cited, Hofstedes model has also received criticism, broadly summarised by Warner and Braun (2002) as: ignorance of variations on a regional, subcultural or individual level; a “culturalist” perspective which inherently carries cultural bias and a risk of racism; and methodological weakness in that the study was only conducted in one corporation, thus not considering the part played by organisational culture (Braun and Warner in Warner and Joynt, 2002, p. 15). It might be useful to remember that Hofstede’s studies were ground-breaking at the time, and that pioneering work tends to get overtaken eventually by the research it inspires. However, Hofstede can be credited with drawing the map for cultural management studies and continues to influence research within the field, such as the GLOBE project.

3.2.3 The GLOBE project

Another frequently cited work is the longitudinal *GLOBE* ("*Global Leadership and Organizational Behavior Effectiveness*") research project, which was initiated in 1991 by Professor Robert J. House at the University of Pennsylvania, and is the most extensive cross-cultural management research project to date (Ambrozheichik, 2011, p. 312). It was conducted by 48 researchers, making the risk of cultural bias lower. The sample in the first study, published in 2004, contained almost 18000 middle managers from approximately 825 organisations in 62 countries (ibid.)

The purpose of the project was to study which leadership traits that were embraced throughout different societies, as this was assumed to be highly symptomatic of cultural affiliation. The survey was based on 21 leadership styles that were subdivided and ranked on their degree of 'universality', i.e. how globally embraced they proved to be. The sampled countries were later placed in 10 cluster based on similarities in how they responded. The project also found 9 cultural dimensions (ibid.). All leadership traits were measured by the two parameters 'as is' (*practices*) and 'should be' (*values*). One new dimension from the previously is the *humane orientation* (whether altruism is rewarded). The objective accomplished by the GLOBE project is a more specific model of cultural values as shown through its view of leadership ideals.

In conclusion, there is a variety of dimensions on which to measure cultural values as well as leadership ideals. Taras et al. (2009) claim that "cultural values are a better predictor of employee outcomes for older, more educated, male, and working people" since cultural values are supposedly more firmly set in these (p.193). Even though the studies employ quantitative methods, the dimensions are useful as parameters for analysis of qualitative data as well. However, the literature often has a focus on managers, with the result that gender, class and subcultural variables are not thoroughly explored. Also, the fact that the cultural dimensional values are normally presented in the form of national means might make this a less reliable research method when exploring countries that have experienced considerable societal changes, as there may be great divides between politically informed 'sets' of cultural values. This is evident in cultural values research on Russia, a country that has gone from Communism to market Liberalism.

3.3 Literature review: Russian national values and management styles

As Ambrozheichik states (2011), research on Russian management has mostly described behaviour in practice rather than developed prescriptive theories. There has been suggestions crystallising a Russian cultural identity is difficult, and that the country itself is in the process of “shaking off” the Soviet identity that is by some believed to have overshadowed a true Russian identity, and still does so to a degree (Gilbert, 2001). The author concludes that “the idea of a ‘Russian’ culture, however, which can be defined, measured, and packaged into convenient dimensions, resists capture.” (ibid., p.19). The blurred lines between ‘Soviet’ and ‘Russian’ traits makes it particularly difficult to “pin down” Russian culture by measuring national means. This has the impact that foreign companies should not uncritically consult cultural values research of Russians when planning to enter the Russian market, and that they instead have to pay special attention to ‘layers’ in the culture. This arguably demands cross-cultural competences beyond the

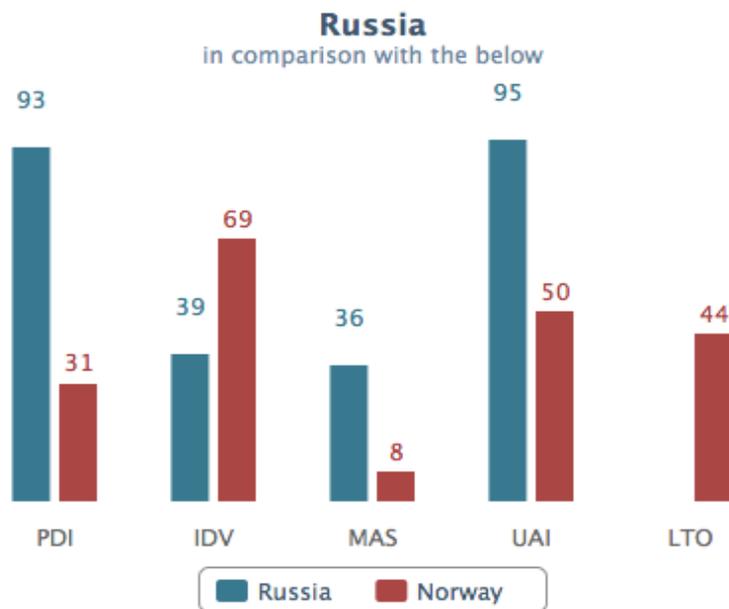
The most high-profile research on Russian Management stems from the 90’s when the Russian economy was experiencing rapid changes, and Russian companies sought to incorporate Western leadership concepts in their organisations. May et al. noted in their article of the first decade of Russian market freedom: “Throughout the 1990s, the transformation of Russian management practices to free market standards has been at the forefront of international issues.” (1998). In this transitional era, the research focused mainly on how to implement Western management and HRM practices in Russia. Since the transition to market economy was not gradual, the Russian lack of know-how on non-Soviet business methods was very much an urgent problem that threatened societal order. However, Elenkov (1998) found that American management concepts, mistakenly thought of as Universalist, that do not reflect Russian national values will result in failure. The researcher nonetheless noted that the effect of convergence makes transfer of certain management traits possible.

There are some indications that result-based management is becoming popular in Russia. As Ambrozheichik notes of a study of Russian managers: “The most preferred style identified by Fey et al. (2001), task-oriented democrat, is consistent with the high score given in the GLOBE study to Performance Orientation (one of the Charismatic leadership components) and low scores given to Humane Leadership.” (2001, p. 316). However, GLOBE scores on

this point were low on the 'As is' parameter (Gratchev et al., 2002), which shows that performance-based management is yet to be widely adopted in the country. It is also worth noting that the Fey et al. study was conducted among managers who were undergoing business education in English, many of whom working for foreign companies. These managers also scored high on participation, i.e. wanting to involve other organisational levels in decision processes (Ambrozheichik, 2011).

Many studies on Russian Management have used Hofstede's model or alterations of it (e.g. Elenkov, 1998; Naumov, 1996; Bollinger, 1994). Some of these have employed country-clustering by practices and values as a means of mapping cultural distance. In the GLOBE project, Russia was put in the 'Eastern-European' cluster. There was no sample from Norway, but the other Nordic countries in the sample were put in the same cluster ('Nordic'). These two clusters were found to be direct opposites (CCL.org, 2012). The most globally embraced leadership style was 'charismatic/value based' style (ibid.) which was thought of as the ideal management style in Russia also, while the least popular was the 'self-protecting' style (Gratchev, 2002). This was also the case for the Nordic countries (Gratchev, 2002). However, one difference is that the spread between the lowest and highest score is wider in the Nordic cluster (more than 3 points out of 7 at most for the Nordic while only about 2 for Russia). This suggests stronger views on what 'bad' and 'good' leadership is in the Nordic countries, or possibly a higher level of consensus. However, the data from the Russian sample was collected in 1995-96 (Ambrozheichik, 2011, p. 313), i.e. only about 5 years after the breakdown of the Soviet Union, possibly making it unrepresentative of current views.

Figure 3.1 *Russian and Norwegian scores on Hofstede's cultural dimensions*



Source: Hofstede centre, 2013

Power distance: Russia has a long history of powerful elites and autocratic rulers (e.g. the tsars, the Orthodox Church, the land-owning class, and the Communist party elite). The country only experienced about half a century of ‘freedom’ between the end of serfdom in 1861 and the October revolution in 1917. This can help in explaining the high score on this dimension. Gilbert (2001) challenges researchers who claim that the Soviet era conversely has fostered a belief in equality (i.e. low PDI) by stating that this is confused with *equity* (in the distribution of resources). The author raises a central question about the PDI measurement: “To what extent is an *apparent* preference for an autocratic boss a reflection of communist traditions, a legacy that is now being shaken off? Issues arise about the validity of the Power Distance concept for former communist countries.” (ibid., p.7). The implications of this is that while there are political shifts in all countries that lead to a certain degree of cultural change between generations, cultural dimensions measuring of countries that have gone through all-encompassing system transitions have to be updated frequently since certain traits might fade off as time progresses. Naumov (1996) found that Russia has medium power distance, and that it leans towards paternalism, i.e. the leader as a caregiving father-figure idea is gaining more popularity than the leader as an authoritative boss (Ambrozheichik, 2011). Gilbert (2001) found that personal power was more important than role power in Russian companies,

broadly corresponding to the ‘Achievement vs. ascription’ dimension of Trompenaars, and to the ‘Political influence’ dimension of Elenkov.

Individualism vs. Collectivism: Russia is noted as a Collectivist country (e.g. Hofstede, 1982; Naumov, 1996). Gilbert (2001) suggests that the exact meaning of the word ‘team’ is difficult to define, and that it can be associated with joining together to perform a certain task as in team-work, while it can also denote a more profound sense of collective needs being sacred and individual needs selfish. This suggests that the dimension is too vague and thus not valid. Gratchev et al. similarly argue that while Russia is often ‘stereotyped’ as strongly collectivist, it only scrapes the surface of a much more complicated structure of practices and values. Collectivism has historically been prescribed by institutions rather than a result of people’s values, even if these are partly collectivist. Times of war, economic turbulence and general uncertainty has also made it necessary for people to come together and support each other. Gratchev et al. note that it might be the crisis era of the Soviet breakdown that allowed Western influences of entrepreneurship and individualism that have created the conflicted current situation of collectivism on one hand, and roofless individualism on the other. Russians value macro-level collectivism (society basis) lower than micro-level collectivism (family) judging by the ‘as is’ parameters (Gratchev et al., 2002).

Masculinity vs. femininity: Russia is often noted as being more on the ‘feminine’ side (e.g. Hofstede, n.d.), i.e. that it is driven by ‘soft’ values such as consensus and care for others rather than ‘hard’ values such as competitiveness. Naumov explains the low level of competitive orientation in Russian managers as a result of Soviet era repression of individualism and entrepreneurial values (1998). However, the score of 55 on this dimension in Naumov’s study (Ambrozheichik, 2011) was higher than Hofstede’s score of 36, making Russia a medium ‘masculine’ country. Gilbert (2001) noted that display of emotional behaviour in Russian workplaces is not seen as weakness or inability or irrationality as in Western countries. When gender equality was measured in the GLOBE project, it was neither seen as very important (i.e. not in line with the general trend in other GLOBE countries), nor unwelcomed. Grachev et al. further explain how Soviet “caring-for-people” indoctrination was instrumental in evening out gender roles, at least by means of equal opportunities. However, historical issues such as imperialism, strong admiration for the military, all-powerful leaders, frequent participation in wars, and economic turbulence of late have created an appreciation for the assertive male character (Gratchev et al., 2002). Hofstede argues that “Russia’s relatively low score of 36 may surprise with regard to its preference for status

symbols, but these are in Russia related to the high Power Distance (...)Dominant behaviour might be accepted when it comes from the boss, but is not appreciated among peers.” (Geert-Hofstede.com, n.d.)

Uncertainty avoidance: Russia is a country that reacts to the unknown with fear rather than curiosity (Hofstede, 1982; Bollinger, 1994; Naumov, 1996; Elenkov, 1998). Hofstede measured extremely high UA in Russians, with a score of 93. The other studies got lower scores, but still high above medium. Naumov (1998) suggests that the high score marks low levels of participatory urge in employees and scepticism of changes in leadership (Ambrozheichik, 2011). In the GLOBE project, the most surprising result was that Russia had the lowest score of all on the ‘As is’ uncertainty avoidance parameter. This is suggested to show “uncertainty *acceptance* in the transitional economy” in contrast to the high score ‘should be’ parameter that confirms the more typical Russian scores, i.e. an inclination to wish for stability (Grachev et al., 2002, p. 15). This can be explained by the following interpretation to Russian UA: “Stephan and Abalakina-Paap (1996) assert that Russians are less concerned than Americans with uncertainty avoidance ‘because they have had to live with uncertainty for so long’ (Gilbert, 2001, p. 7). However, Gilbert also notes that Russian UA is present whether it is liked or not, evidenced by high levels of alcoholism and suicide, coupled with a drop in public health (ibid., p.16). A long history of authoritarian ruling, bloody power shifts, and Soviet era high level of control of practically all aspects of people’s lives has shaped Russian scepticism of the unknown. Puffer suggests that a streak for lack of initiative and fear of responsibility was apparent even in medieval times, when village (*‘mir’*) members would not act until they received an order from the chief leader, as his wishes could not be anticipated (Puffer, 1994). Russia also has a long history of being under attack (e.g. the Mongolian invasion of the then called Kievan Rus’ in 1223), participating in wars, and of course being virtually closed from the non-Communist world throughout the Soviet era.

Other dimensions: In addition to Hofstede’s four original values (scoring similar results), Elenkov measured *political-influence orientation* (the use of informal influence and personal contacts to exercise power) and *Dogmatism* (openness to new ideas from others). Findings were that Russian managers demonstrated a very strong propensity for exercising their power in an intuitive way rather than legitimising actions by referring to facts and figures. They scored lower than their American counterparts on *dogmatism* which suggests that they’re more open to ideas (1998). As this dimension hasn’t been used in other noted studies it is

difficult to judge the impact of this. The high power distance makes it an unlikely feature, however it can be argued that it is in line with a Collectivist attitude.

In conclusion, this first part of the theoretical framework shows that there are two opposite views on how companies should regard culture when internationalising; convergence and divergence theory. The first assumes that the importance of national cultures is fading off from the effects of globalisation. The latter disregards this idea, and is evident in research that seeks to measure national cultures by researching shared values. This research carries the risk of ignoring gender, race-, age-, class-related, sub-cultural and individual differences for the sake of emphasising national differences. This risk is manifest in cultural values research on Russia, as 'national' cultural values are marked by a clear division of Socialist values and 'modern Russian' values. The latter are difficult to pin-point, as it's impossible to tell whether they are inherent in pre-Socialist Russian culture, influences from Western cultures, or a mixture of many factors. However, it has also been established that in cultural values research, Scandinavian countries and Russia are opposites, which arguably has some degree of significance. Together, this suggests that Scandinavian companies are not wise to disregard the effects of national culture when establishing themselves in Russia. Neither should they make the mistake of painting a Russian stereotype from the results of cultural values research. This variety of theories and evidence complicates, but arguably necessitates, the shaping of human resource strategies for Scandinavian companies with interest in Russia.

3.4 Strategic International Human Resource Management (SIHRM)

The connection between HRM and overall international business strategy has received increased recognition. Many studies imply that the greatest management challenge for MNCs is to incorporate IHRM with global strategy while simultaneously following local labour laws and cultural codes (e.g. Bartlett and Ghoshal, 1988; Schuler et al. 2002). As stated by Braun and Warner, HRM is arguably the management function that is most heavily affected by culture. It is also the one that is most heavily regulated by local labour regulation laws (Braun and Warner in Warner and Joynt, 2002). Not even the basic concept of HRM is culturally neutral. The economist notion of employees as human resources is by some said to be an essentially American concept that is tied to the idea of the 'American dream' in its assumptions that human beings have unlimited potential that can be realised if this 'resource' is managed the right way (ibid., p. 17). Ma and Allen call for consideration of cultural values of employees in global recruitment (2009) while Taras et. al (2009) argue that when

connecting cultural values to job performance, the nature of the job – e.g. whether an individualist or collectivist mindset is needed - must be considered (p. 193) and go on to claim that lessons from three decades of research on the effects of national cultures on management show that job designs, hierarchical structure and HR practices should reflect national culture, and suggest that even minor adjustments of this are likely to lead to 10-20 % performance improvement (2011). Moor and Shoobridge (2011) found evidence that a multi-ethnic workforce increases the likeliness of internationalisation, and also makes the process more successful.

Bartlett and Ghoshal (1988) noted that Japanese and Western responses to the globalised environment were quite different. European and American MNCs, whose subsidiaries were normally granted relative autonomy and were therefore flexible to changes in the local market, focused on improving control and coordination of their worldwide activities. The Japanese on the other hand, having strongly centralised strategies, had instead began to deal with the demand for local adaption. Again, simultaneous mastering of global integration and local adaption seems to be the make-or-break-it point when developing IHRM strategies, as suggested by the two following frameworks.

3.4.1 The Schuler et al. SIHRM framework

Schuler et al. (1993) developed one of the earlier popular frameworks for SIHRM. The company's ability to balance local responsiveness and global efficiency/organisational integration in the IHRM processes determines the outcomes of its international goals. Schuler et al. regard SIHRM as a key component in achieving these goals. Their framework contains internal as well as external factors that have an impact on IHRM policies and practices (e.g. planning, staffing, appraising, compensating, training and developing and labour relations). The external factors regard industry characteristics as well as national/regional culture and other characteristics, while the internal factors are the company's business strategy, the structure of their international operations, and the 'international orientation' of HQ, i.e. whether central management wants power to be centrally or locally placed, or if they seek globally converged (Schuler et al. 2002).

3.4.2 The Adler and Ghadar SIHRM phases framework

Another model for understanding SIHRM is Adler and Ghadar (1989) which connects different IHRM strategies to phases in the internationalisation process. For each of the phases, which correspond to the product life cycle, there is an appropriate or logical HR response. Adler and Ghadar divide the (traditional) international product life cycle into three phases:

The high tech phase: The company focuses on product orientation, and turn to a niche segment in the domestic market. The company poses a rather arrogant attitude to foreign markets, exporting the product but not altering it for foreign markets. *HR response:* No particular IHRM efforts are needed at this phase, as the company primarily offers its product to the home market. The need for competence in international management is practically non-existent. No language or cultural training is needed.

2. Internationalisation and growth: The company faces competition and needs to expand its market. Focus moves from product to process engineering. Production is moved to the foreign markets as demand increases. Focus is put on differentiation. *HR response:* As focus shifts to the needs of specific foreign market, the need for cultural adaption increases. The company often sends HQ managers to supervise, market products et cetera. Language skills and cultural sensitivity is valued in managers. Innovation and development takes place in the home country, and HCN career development is limited to country managing director posts.

3. The maturity phase: Markets are saturated and no further product development is possible due to heavy competition and wide availability of product technology. Competitive advantage can only be reached through cost-price reductions, which are made by moving more production to low-cost countries, from which the (high-cost) domestic market subsequently will get supplied. *HR response:* Cultural sensitivity again decreases as the product has reached mass-production and is practically undifferentiated. Focus on standardisation and centralisation. The MNC strives to achieve a network of global managers. However, cross-cultural skills and language training are not prioritised, as the objective is cultural convergence throughout the global organisation. Organisational culture is assumed to prevail over differences in national culture.

The trans-global phase: Due to the acceleration of the product life cycle in modern times, the companies that wish to be globally competitive need to simultaneously go through these phases. This type of company “is born” with the challenge of being more locally adapted as well as reaching a higher degree of organisational integration and coordination of processes. Products and marketing is developed for specific markets, all conducted within a highly sophisticated global strategy. *HR response:* Cultural sensitivity is deemed crucial for success,

and cultural diversity cannot be ignored for these ‘born globals’, IHRM is thus closely related to strategy (Adler and Ghadar, 1989).

The scope of the model is that it can help companies make strategic IHRM decisions for each phase, or, if they’re ‘born globals’ create an IHRM strategy in line with the overall global strategy. Whilst this has given the model recognition, it has also been criticised for being out-dated, as some argue that practically all companies are ‘born globals’ in modern days. Another point of criticism is that it fails to recognise that the product life cycle differs from case to case and that most companies have a differentiated product line, thus making the model prescriptive rather than descriptive (Braun and Warner in Warner and Joynt, 2002).

Whilst the Schuler et al. model provides a broad but rather unspecific framework, the Adler and Ghader model claim that (I)HRM strategies develop along the steps in the product life-cycle, rather than recognising the companies’ cross-cultural competences and international orientation as central to their internationalisation choices. As will be shown in the following subchapter, foreign market entry mode is viewed as another determinant. Depending on the need for global efficiency and/or local adaption, the chosen foreign market entry mode can either ease or aggravate the shaping of the IHRM strategy.

3.5 Foreign market entry mode and power relations

Foreign market entry mode is the term that describes the specific form under which a company goes through the internationalisation process. These are subdivided into equity-based and non-equity based (cooperation between separate legal entities) modes. Examples of the former include international joint ventures (IJVs), mergers and wholly owned subsidiaries (WOSs). The latter can be subdivided into greenfield investment and acquisitions. The entry mode and the power relations affect the company’s degree of control over the new venture. According to Dowling et al., typical of IHRM in both mergers and IJVs is that decisions need to balance the interests of two or more groups with different cultural, institutional and organisational backgrounds. In addition, IHRM in IJV’s faces an additional challenge in having to simultaneously find appropriate strategies and policies for the IJV while also justifying these to the parent companies and take their interests into consideration. Furthermore, the parts forming a IJV have to be well compatible and form a united front to own the trust of the parent companies. HR is then highly connected to strategy by forming and implementing policies that foster cross-cultural learning, as learning outcomes depend on

the people of the organisation (Dowling et al., 2007, pp. 59-61). Thus, IJVs and mergers can alleviate the shaping of locally responsible HRM strategies, as the local partner brings the cultural competence needed for this. However, these entry modes can prevent cross-cultural learning if the host country partner single-handedly is responsible for managing human and the partners prove to be incompatible.

More than a decade before Adler and Ghadar's model, Johansson and Wiedersheim-Paul developed a similar model of gradual internationalisation called the *Uppsala model*. In this model, foreign market entry mode is connected depends on the degree of cultural distance (e.g. different language, culture, political system, level of education and industrialisation) thus companies begin their internationalisation in psychologically (and often geographically) close countries where market conditions are similar and less efforts need to be made. They usually start with exports, go on to set up sales subsidiaries and finally put up production in the new market. The company gradually gains knowledge and resources for further internationalisation into more psychologically distant markets (Johansson and Wiedersheim-Paul, 1975). Drawing on the Uppsala model, Kogut and Singh (1988) found evidence for the relationship between cultural distance and foreign market entry mode. They also described the Uppsala model as an example of uncertainty avoidance of companies. Hofstede's cultural dimensions were used to measure the two parameters. Findings were that if cultural distance is considerable, a company will often choose IJVs as entry mode. The more multinational a company is, the more likely it will choose acquisitions. The same criticism as that of Adler and Ghadar's model is of course applicable to the Uppsala model, i.e. being out-dated and not considering born globals.

3.5.1 Heenan and Pearlmutter's three international orientations

Heenan and Pearlmutter (1974) argues that the level of foreign venture unit autonomy is dependent on the cultural sensitivity of the top management, or on their "international orientation"; **ethnocentric**: subsidiary autonomy is highly limited, strategic decisions are made at HQ, and top positions in subsidiaries are held by PCNs; **polycentric**: this approach is more dialectic. Each subsidiary is treated as a unique entity which enjoys some influence over local strategy, often managed by HCNs who however rarely get promoted to HQ positions; **geocentric**: the MNC "recruits globally" and does not regard nationality when recruiting and promoting, instead the ability of the employee to act in line with the globally integrated strategy are prioritised (Pearlmutter and Heenan, 1974).

According to this model, it is the values and cultural understanding of HQ top management that determines whether the subsidiary manager will be able to make balanced management decisions based on the local environment in addition to centralised company procedures. The orientations are also broadly parallel to Adler and Ghadar's internationalisation phases. The implications of the ethnocentric orientation for SIHRM is that the MNC will meet considerable challenges in adapting HRM policies to the local environment as HCN managers are not recruited, and adaptability thus depends largely on the PCN's cultural sensitivity. According to Taylor et al., this approach goes hand in hand with an *exportative SIHRM orientation* where all HRM policies from HQ are passed on to the subsidiary, and focus lies on system integration. The authors connect the geocentric approach to an *integrative SIHRM orientation* (Bartlett & Ghoshal, 1989), but argue that the latter gives room for a higher degree of two-way bench-marking between HQ and subsidiary (1996). Heenan and Pearlmutter's model has been criticised for not specifying factors that influence the different orientations or considering other reasons (e.g. company size, industry structure) that affect subsidiary autonomy (Braun and Warner in Warner and Joynt, 2002).

3.5.2 Control and coordination

Control and coordination within MNCs has been the focus of many articles (e.g. Jaeger and Baliga: 1984; Doz and Pralahad, 1984; Gupta and Govindarajan, 1991; Hamilton and Kashlak, 1999). In the 1990's - a time when globalisation accelerated through new technology - publications on the theme were numerous. Hamilton and Kashlak (1999) view IHRM as an important tool for controlling subsidiaries, especially in culturally distant nations with high political and economic risks for the MNC. Bonache and Fernandez also view cultural distance as a parameter that determines whether it's best to hire a PCN or HCN manager. When cultural distance is high and the level of trust is low, the costs and efforts for selection, training and controlling HCNs will be considerable. In such a case, it's deemed safer to send a PCN manager who can create a culture where HCNs can eventually be trusted and awarded higher positions (Bonache and Fernandez in Scullion and Linehan, 2005, p. 122). According to Boyacigiller (1990), a standardisation of processes is not an ideal way to control affiliates in multinationals comprising a variety of institutional environments and activities. However, the risk of the affiliate as perceived by the parent company determines the need for control and coordination of it. Boyacigiller views deep socialisation of employees as the alternative to formal control systems, but raises concern that this is time consuming and demands expertise.

3.5.3 Expatriate management

An alternative is for HQ to send parent company nationals to manage the foreign venture. This is called expatriation, the traditional international management strategy. This approach emphasises control and mainly fosters one-way knowledge transfer. However, according to Schuler et al. (2002), reasons for sending PCNs can be to train local talent, and to spread the expatriate's acquired knowledge throughout the organisation at the point of repatriation (ibid.). It has been suggested that expatriation in many cases leads to costly failures due to cultural mismatches and adaption difficulties (Bonache and Fernandez in Scullion and Linehan, 2005, p. 125). Other potential problems are spousal arrangements, especially dual-careers support (Schuler et al., 2002) and repatriation, as internationalisation often takes place simultaneously with domestic market downsizing, and because there is rarely a post foreign assignment career plan (Scullion and Paauwe in Scullion and Lindehan, 2005, p. 37-8). There is concern that many MNCs still primarily employ PCNs, and academic support for *inpatriation* (ibid.), which is the process of training and developing HCNs through transfers to HQ. The strategy marks a recognition that innovation and knowledge from local managers can be beneficial to HQ, and benefits of the strategy are that it fosters a multicultural awareness and flexibility throughout the MNC (Scullion and Lindehan, 2005, p. 10).

3.5.4 SIHRM in small and medium-sized enterprises

Schuler et al. (2002) suggest that SIHRM research demands a multiple-layer analysis: "the external social, political, cultural and economic environment; the industry, the firm, the sub-unit, the group, and the individual". However, they note that research on SIHRM is hugely focused on MNCs (ibid.). In combination, there is possibly not as much to be learned from the bulk of previous SIHRM research for SMEs as one would wish. However, there is growing recognition of the need to focus on 'micromultinationals', as SME internationalisation is becoming more common. Following the definition of the European Union from 2005, an SME is – by headcount measures - a company that employs less than 250 people. Studies point to previous international experience of managers in SMEs as key to foreign venture success, and notes 'poor human resource management' as a common reason for failure (Scullion and Linehan, 2005, p. 8-9). In an expert report on the subject of SME internationalisation, the European Commission noted that both the age of the SME founder and the size of the SME were important factors for how likely the SME is to go on a foreign venture. According to the report, the smaller the size of the SME, the less likely the internationalisation of it. This is supposedly a result of micro firms rarely having clear management and a propensity for making "opportunistic rather than systematic strategic decisions" (The European Commission, 2005, p. 12). Generally,

the larger a company, the more internationalised (ibid., s.14). If the SME doesn't have an internationalisation strategy at all, but makes strategic decisions in a haphazard and unplanned manner, a logical consequence is that it won't have a IHRM strategy. A follow up "good practices selection" report published by the commission noted that the lack of management skills and long-term availability of human resources is one of the main barriers to internationalisation, even though this is not always understood by the SMEs (The European Commission, 2008, p. 17). These factors suggest that SMEs need support at the point of internationalisation, something which is increasingly offered by governments.

3.6 Governmental support of SME internationalisation

Schuler et al. (2002) show that while many countries' economies are dominated by SMEs, they meet considerable challenges at the point of internationalisation (e.g. lack of working capital, international experience, power to stand up against host country government). Many countries, as well as intergovernmental organisations such as the European Union, have strategies for supporting SMEs. In a report titled "Supporting the internationalisation of SMEs", an expert group selected by the commission found that

"Despite the advantages of embracing globalisation and the risks of not doing so many European SMEs still remain focused on their national markets: only 8% of EU27 SMEs export and only 12% of the inputs of an average SME are purchased abroad. The main reported reasons are a lack of financial resources but most of all lack of skills or skilled human capital to tackle internationalisation. In order to have more internationalised SMEs Government support remains vital. Many SMEs would not consider internationalisation if it were not because of support. This "additionality" effect fully justifies governmental intervention. "

The expert group concluded that internationalisation needs to be part of the long-term strategies of European SMEs rather than an 'exit strategy' when demand in the domestic market decreases. Also, the government should support 'present SMEs' on an individual and long-term basis, and 'future SMEs' by focusing on entrepreneurship in education as well as encouraging and providing language education for entrepreneurs (The European Commission, 2007, p.4)

The commission states three types of support programmes; (1) Individual support: holistic programmes that help companies develop an internationalisation strategy by the means of SWOT (strengths, weaknesses, opportunities and threats) types of analysis of the individual company (2) Financial support: funding of internationalisation projects and/or providing information on where to acquire capital (3) Networks: developing or finding support networks or co-ordination networks

for the SME (ibid.). Cooperation networks are a means of achieving operational cooperation between companies, i.e. a form of strategic alliance. The European Commission's expert group defines a support network as usually managed by the government, for example through commercial offices abroad, or by big business associations. Further on, these networks can "provide access to information that is directly usable by the SME" and give individual SME consultation (The European Commission, 2007, p.24). The commission's concluding words on network design is that: "for classic sectors which tend to internationalise through stages support networks are vital. For new fast moving sectors, for "born globals" development networks provide better support." (ibid.) In the commission's 'good practice selection' report from 2008, it was noted that SME mentoring of SMEs and coaching programmes can help build more SME skills in HRM at the point of internationalisation (The European Commission, 2008, p. 17). In an OECD survey from 2008, two of the most important difficulties (ranked as number 6 and 5 out of 10) were "obtaining reliable foreign representation" and "lack of managerial time to deal with internationalization". Listed at number 9 was "lack of home government assistance/incentives" (Schuler et al., 2002, p. 66). This suggests that SMEs need particular support in IHRM issues in addition to for example financial support programmes when internationalising their operations. However, HRM does not seem to be a management function which is prioritised – if at all present - in internationalisation support programmes.

3.7. Summary

The ultimate part of the theoretical framework provides a sample of the various factors that shape IHRM strategies, especially in MNCs. These are for example the product-life cycle, the foreign market entry mode, and the international orientation of HQ top managers (i.e. how they weigh the needs for local adaption against global efficiency). The traditionally common strategy of sending an expatriate manager is supposedly a result of strategic decisions; either of wanting to control and coordinate the actions of the foreign venture, or to train HCNs to manage the local branch. The Uppsala model suggests that companies will start with export - which doesn't require any IHRM strategy at all – and that they'll avoid culturally distant markets at first. This marks the traditional internationalisation pattern, while born global companies have to create SIHRM strategies early in their life cycle. Arguably, the plethora of different models proves the difficulties in establishing causal relationships between the different factors. The lack of SIHRM in SMEs is marked as one of the reasons that they fail to internationalise successfully, suggesting that they might benefit from support in this area.

Looking at the whole theoretical framework, a pattern of interdependence between culture, management and IHRM strategies emerge. Cultural distance cannot be viewed as the single determinant to a successful IHRM strategy: a number of both internal and external factors have to be weighed in. On the other hand, the existence of the fast-to-internationalise born global does not incline that these companies don't encounter cultural challenges. They are arguably simply better at handling them. The lesson that can be learned from the theoretical framework is that if a company chooses to internationalise, it will benefit from an IHRM strategy. The beginning sentence of this thesis still holds true: the rapid pace of globalisation leads to strategic advantages for companies that understand the value of culture.

4. Findings

The majority of the data was collected in Murmansk, Russia. The first part of this chapter comprises interviews with the 4 company respondents. The results are presented by the method of cross-reporting, which means that the respondents' answers are summarised collectively to avoid reaping sensitive information about individual views. The second part consists of results from the interview with the vice president of the Norwegian governmental business support organisation. The data is thematically coded. 4.1.1 comprise themes that collectively map views on cultural values and management, while the themes in 4.1.2 serve to illustrate some HRM policies and practices of Scandinavian companies in Murmansk.

4.1 The Murmansk companies

Company A is the subsidiary of a major Norwegian company. The Russian partly-owned subsidiary employs around 50 people. The parent company's activity is centred around Norway, and is thus not appropriately described as an MNC. In Norway, the company is divided into regional independent branches, with the Northern-most one being most closely tied to the Russian subsidiary. There is an HR function at both the Russian head office and the local branch. They focus mainly on cross-border services but is also directed at Russian customers. A minority of the company is owned by a Russian company, from which 60-70 % of the staff were transferred when the merger took place. All of the management and staff at the Murmansk branch are Russian. Except for the respondent, there has not been any staff exchange between the Murmansk branch and any of the Norwegian branches. The parent company had a representation office in Murmansk before initiating the present Russian venture, and has worked for a long time to get into the Russian market. The parent company has an HRM strategy, however no international ditto. When advertising a management

position at the Russian head office, the company requested knowledge of Russian as well as English and Norwegian, cultural understanding, and the ability to work in multi-cultural teams. At the head office, management consists of both Norwegians and Russians. The board consists of 2 Russians and 5 Norwegians. The company regularly sends Russian staff on training in Norway, but not vice versa.

Company B is a local micro business³ with less than 10 employees in total. The company works in various fields, but primarily with cross-border services. A majority of the customers are Norwegians and other Scandinavians. The language skills needed by every employee depends on the customer segments s/-he serves, Russian is not required per se. However, the majority of the staff are Russian. The company has not got an official I/-HRM strategy. The staff receive in-house training when needed.

Company C is a multinational corporation with its roots in Scandinavia. The company has a number of branches in Russia. There are no Scandinavian management or staff working at the local branch. At the Russian head office, management consists of a variety of nationalities. International education is common among the staff there. HR is an integrated part of the company's global business strategy. The company states that it recruits globally, and that a well-integrated international workforce is key to its strategy. The company has an international assignment program for increased human resources mobility, and managers from emerging markets are starting to take more positions at HQ. A review of the company's current job advertisements in Russia shows that knowledge in both Russian and English is required for practically all positions. The company has formal policies for multiple areas. These are adapted for the environment of every country the company is active in, which applies to Russia as well. One example is the code-of-conduct and anti-corruption instructions, which is followed by extensive training and control in countries where the risk of corruption is deemed high. Training is arranged in different countries depending on the job of the employee. Much of the training received by the Murmansk staff is conducted online or personally by top managers. There is no consistent programme of the Murmansk staff that involves training at HQ.

³ European Union definition by headcount

Company D is the branch of a Norwegian company. The branch employs less than 10 employees. With the Norwegian business included, the company can be defined as small by headcount.⁴ The branch deals with sales to the Russian market. The company has not got an official HR strategy. The general director of the company is Norwegian and has long experience of trading with Russian companies. He moved to Russia in the late 1990's to manage the export from his Norwegian company more closely. He stayed there for a long time and is, according to the respondent, quite familiar with Russian culture. A few years ago he changed the direction of the business and opened a few geographical branches. The reason for the general director hiring host country nationals to manage the Russian branch was primarily a question of time and capacity (him needing to manage the Norwegian branch) rather than cultural and/or linguistic inadequacies, according to the respondent.

Respondent A works as a coordinator and is a Russian national who has previously studied and worked (for the parent company) in Norway. She states that this experience together with her knowledge of Russian language and culture was seen as a big advantage when she started working in the Murmansk branch of the company.

Respondent B is the founder and owner of a local company, and is a West-European third-country national (TCN) with experience of running business in Norway. He runs the business from Murmansk since more than 10 years, and there is no middle manager in the company. He is fluent in his mother tongue, English and Norwegian, and has basic knowledge of the Russian language.

Respondent C works as a coordinator for the company and is a Russian national. She has previous experience of working for Russian companies. In previous jobs, she has had many contacts with foreign clients.

Respondent D is the deputy director of the Murmansk branch of the company, and is a Russian national. He has a degree in International Business and views working in the company as a good opportunity to make use of his education. He previously ran his own business in Russia.

⁴ 50 employees or less (European Union definition)

4.1.1 HRM policies and practices

Previous international experience: Neither of the respondents claimed that previous experience of having worked abroad, or for a foreign company, was demanded or expected of employees. Two of the respondents suggested that this is because it is hard to find people with international experience in Murmansk, as many young and educated people leave for bigger Russian cities or go abroad. Recruiting foreigners to Murmansk has also proved to be difficult for many of the foreign companies in the town, one respondent stated. One of the companies had non-Russians in their staff in Murmansk, this being an effort to match employees against a customer segment. The other three had no Norwegians in the local management, or among staff. Another account was that a Norwegian workforce is not needed since the operations at the Russian branch are directed at the Russian market.

Language: All of the respondents stated that generally, proficiency in English is required of employees at their companies. Reasons stated for this are: that all internal documents are written in both languages; the needs of external communications and marketing; customer contact, and internal communications. One of answers suggests that Russian skills is something that has more cultural than practical importance, i.e. it is important for Scandinavian/foreign managers in Russia to learn some Russian; not so much for the purpose of carrying out specific tasks, but as a way of showing respect to the employees. By doing that, they get respect in return. Another view is that while Russian can be used for “chit-chat”, English has to be the common work language, the reasoning for this being that everyone is “on the same level” when speaking a second language instead of their native tongue. Speaking English also helps in establishing a certain distance, to mark employer-employee relations. Another view was that it doesn’t matter if management speaks Russian or not, since everyone in the company speaks English. Of Norwegian managers in Murmansk, one of the respondents noted that some of them do not speak Russian at all (on principle) while some are trying to learn. One respondent argued that it is more important to understand the culture and the history than the language. There was also an account of a Norwegian manager who worked for a company in Murmansk some time ago, who spoke Russian well, but not well enough to be on the same level as native speakers. This was seen as a weakness by the employees.

Rewards: All of the companies used the same reward system as they do in Scandinavia. One company has a central reward system that calculates all bonuses; another has fixed salaries and some bonuses that are not given regularly, but when something has gone unexpectedly

well; one company has got bonuses for certain category of staff and one company does not have a bonus system, at least not for employees.

Subsidiary autonomy: None of the respondents whose companies are also established in other companies expressed that the Russian part of the company is too strongly controlled by HQ. One respondent expressed the following:

“The management [at the Russian branch] emphasises that “We are a Russian company, Russian rules have to apply here”. At the same time, an overall management philosophy within the company is to encourage employees to think freely. This is emphasised here, because it’s a little bit harder in Russia than in Norway to make employees take initiatives, generally they are more used to following directives.”

Another account shows a great deal of subsidiary autonomy, which is followed by inclusive and democratic procedures within the subsidiary:

“Usually, the [parent company] director comes to visit for a while and we will split the work load between each other and then we give reports along the process. We actually include all of the staff here when discussing budget. The director asks us to put up a number of points for internal discussion after approval is given, or at least our points are always taken into consideration. This is really democratic and marks a big difference between European and Russian management style. All of the staff can contact the director directly.”

4.1.2 Cultural values and management

Differences in mentality: All four respondents agreed that there is a difference in mentality between Russians and Scandinavians, in general terms. Differences in the education system carries implications for the way people think in the workplace. Scandinavians are taught to think free and discuss different topics/phenomena at university, while Russian education is focused around very clear assignments in which students are expected to summarise rather than add their own perspectives. One respondent notes that political events often get discussed in a Scandinavian working place while this is not usually the case among Russians. One of the respondents did not see any specific obstacles or reoccurring points of complication of Russian-Scandinavian workplace cooperation. Another account was that mentality differences can lead to problems during the first few months, but that experience in the company is that people soon find a way of working together. Two of the respondents stated that the mentality is the biggest point of difference between Russians and Scandinavians.

Russian attitudes to working for a Scandinavian company: Scandinavian companies are associated with modernity, reliability (especially if they are big), a relaxed atmosphere and openness. There is less tension in Scandinavian companies than in Russian, and the relaxed

atmosphere appeals to employees. One respondent mentioned that friends and acquaintances who work for (big) Russian companies have expressed that people are often under pressure from strict systems and strict orders. Of Russian companies, one statement was that there is usually more paperwork and that systems are less efficient (with the exception of some bigger Russian companies).

Scandinavian management style: Scandinavian management style is associated with flexibility and delegation of responsibility: the general direction is stated, but direct orders are rarely given; democracy: encouraging openness, initiatives and participation; and finally, clear procedures, as explained by one of the respondents:

“All the staff are properly trained for their position and know what to do in the day-to-day job. In Russia, those procedures are not always so clear. Usually the boss just gives orders, and there is no system [for coaching and clearing questions that might occur in the process]”

One respondent stated that the company uses a work procedure system, and that all employees across the organisation follow the fixed procedures of it. Because of this, the staff rarely need orders, according to the respondent. If some issues need to be discussed and decisions need to be taken, there is a meeting and the well-being of the staff is always taken into consideration.

Most of the respondents state that Russian staff in their companies generally appreciate the listed management traits. One view expressed was that everybody (regardless of nationality) wants to be understood by their colleagues and other people, and that this is central in Western management styles: enabling trust, thus allowing people to open up to others. Another respondent stated that not all Russian staff appreciate this type of leadership, because it forces them to take initiative and responsibility. None of the respondents mentioned any negative sides of Scandinavian management present in their companies. When asked about the more negative views on Scandinavian management, the respondents stated that Russian employees think that Scandinavian managers are too weak and talk too much, and that Russians (especially businessmen) think that they are less clever than themselves, and easily fooled. One respondent states that the latter was a prevalent attitude especially in the 1990's, and a Norwegian manager at one of the companies had experienced it. The respondent argued that it is a question of prejudice which comes from people who have never worked in a non-Russian company. Another respondent accounts the following:

“Some time ago when foreign leaders began to start up businesses here, Russians felt that the foreign bosses came here telling them what to do. The reaction was: ”We are a big country with a long history, we know how to manage things, don’t come here telling us what to do!”

Russian employees: One respondent stated that views on training and career advancement are similar among employees on the Norwegian and the Russian side of the company. The majority of respondents state that Russian staff, in general, are less independent than Scandinavians. One respondent claimed that the first question when a mistake is made is “Who’s guilty?” and that, in consequence, people do not like to think independently or take responsibility. Key qualities such as good communication skills and service-mindedness towards customers cannot be taken for granted in Russia. Another view was that Russian staff are not generally very positive towards training or willing to learn, and added that this is a matter of convenience: all people are lazy, and it is easier to keep on doing things in the way they have always been done. Another explanation is that in general, Russians are tired of change after a century of many rough turns. One of the respondents offers an explanation on why these attitudes are present in some Russians:

“In Russia, the whole system used to be really directive, for every position they had specific instructions. That’s why a lot of people who are in their 60’s, 50’s and late 40’s are scared of doing any jobs they aren’t used to. They are absolutely not flexible. They used to work in “frames”: it’s a question of psychology (...) It’s a long way to go [with older generations of the Russian workforce], it’s easier with young people. Times are changing, the young people had to get used to it and can see the advantages. But for older people it’s hard, and they actually don’t want change. A lot of times, productivity is low because of bad management. There are many people who have a lot of potential, but they just don’t know how to use it. That’s why Russians need to build up new relations between management and employees. The level of education is very high, but Russians don’t use it. People are theoretically taught, but not practically. They are often scared of taking responsibility, from fear of being punished by their bosses.”

Motivational factors: One respondent states that “good money” is more important to Russians than to Scandinavians. People often have low basic salaries, which makes the opportunity of getting bonuses attractive to Russians. All in all, bonuses in addition to fixed salaries are more common in Russia. The lack of a bonus system was one of the few points of irritation among employees in one of the companies, and was viewed as peculiar as it is commonplace in Russian companies in the industry. This was seen as a point that the top management could consider implementing to motivate the Russian staff.

Russian management style: Associated traits are authoritarian leadership style, direct orders, distrust of employees, and lack of clear procedures. One respondent argued that a problem

with Russian managers is that they do not trust people when it comes to business, but spend a lot of time double-checking details instead of doing business. Very rarely Russian companies will organise training to make people understand that they can do a lot of different tasks. Another point was that a big problem with older Russian leaders is that they don't always speak English. Therefore, they cannot read international magazines and pick up new trends in business/management research. One respondent described the typical Russian manager as someone with an authoritarian attitude who just gives strict orders, and is viewed as “the big boss” and “a very important person”. Another respondent found no positive traits of Russian management style, and argued that it is also more convenient to do business “European-style”.

4.2 The business support organisation

SIVA (*Selskapet for industrivekst*, in English: *The industrial development corporation of Norway*) is a state-owned Norwegian company under the Ministry on Trade and Industry with the main purpose of “developing strong regional and local industrial clusters through ownership in infrastructure, investment and knowledge networks as well as innovation centres” and to create conditions for innovation throughout the country. The company's two principal business areas are real estate and innovation (SIVA, n.d.). SIVA also has a group of subsidiaries abroad, whose overriding goal is to support internationalisation processes of Norwegian companies. This is done mainly through development of business parks, logistics centres and business incubators in various countries: the key markets being North-West Russia, the Balkans and the Baltics. SIVAs International activity was first initiated as part of the Russian-Norwegian Barents cooperation agreement in 1993 (SIVA, n.d.). The Russian branch, SIVAs first international establishment, came into being in 1999 and is located in the town of Murmansk, approximately 250 kilometres from the Norwegian border.

According to the company website, SIVA is located in North-West Russia as “part of the Norwegian High North policy” (Sivaim.no, 2013). In Murmansk, SIVA offers the following so called *soft landing* services: a business train (study trips for Norwegian and Russian companies considering establishment on the opposite side of the Barents region), reasonably priced office space with shared facility services in the business park, a Russian-Norwegian business incubator, an online business news bulletin and a logistics centre which is co-owned with Innovation Norway. In addition to helping Norwegian companies, SIVA actively supports foreign investment in North-West Russia: for example through participation in FIBA (foreign investors' business association) and NBA (Norwegian Business Association) which

are both independent business societies; takes part in various activities (fairs, information days etc.) that can raise the profile of the region; supports Russian businesses seeking to export to, or establish themselves, in Norway: a consequence of feedback from a survey conducted in 2011, in which findings were that Norwegian companies with interest in the Russian market were seeking more cooperation and sharing of knowledge and experiences with Russian businesses in Norway (Technoparknor, 2011). Presently, SIVA houses 41 tenants in their business park (Polar Star Innovation Centre). 31 companies solely rent office space, while the remaining 10 are also incubated. 7 of these are Norwegian, while Russian companies constitute the majority of the unincubated tenants presently (SIVA, 2013)

The *SIVA respondent* is Mr. Geir Reiersen, vice president of SIVA International. He is a Norwegian national and works primarily in Trondheim, Norway (the location of SIVAs head office) and in Murmansk, and has been with the company ever since the Murmansk office first opened. He is fluent in Norwegian and English, and has basic knowledge of the Russian language.

4.2.1 Internationalisation strategies

The respondent claims that Norwegian companies usually go to Russia first and then start to shape the strategy for their Russian venture. He argues that they are correct in doing so, as *goals* can be constructed beforehand, but strategies have to be created on location. Their plans of going to Russia is often a business secret, i.e. there is very little visible activity on the Norwegian side. However, the respondent also notes that the companies who go to Murmansk are often naïve, and that their strategies are in general very weak. The companies don't "do their homework" and can only be said to have a fail and error strategy.

Reasons for choosing to internationalise in North-West Russian has changed, according to the respondent. Ten years ago, Norwegian business in Murmansk was highly based on governmental affirmative action programs, but Norwegian companies that establish themselves in Murmansk today are more internationalised than before, and come not only from the North of Norway. The North-Western market is also growing, and is large (0,5 million people) by Northern Scandinavian terms. However, the companies who go to Murmansk only do it if there is a demand in the local market, nobody goes to Murmansk as the first step in entering the Russian market. According to Mr. Reiersen, the difference between Norwegian companies who go to Murmansk and those who go to for example

Moscow or Saint Petersburg, is that the latter are usually already internationalised. They have strategies for their Russian venture, unlike many of the companies who consider Murmansk.

4.2.2 IHRM strategies

Preparations: In general, Norwegian companies don't consider cultural differences as something that might become a challenge, the respondent claims. When they look for staff to start the Russian venture, the first priority is language skills. If they speak English, they are seen as being qualified. Only at a later point, when problems do occur due to lack of cultural understanding, the companies start requiring other skills. According to Mr. Reiersen, the majority of the companies understood in time that it's better for them to get closer to the Russian ways of thinking and doing things, than to expect Russian staff to adapt to Norwegian ways. The respondent mentions how one of the bigger Norwegian companies in Murmansk have Russian-born staff who have worked in the Norwegian parent company for 15-20 years, whom they could 'send over' to start up a Russian venture if they like. Mr. Reiersen argues that this strategy does not guarantee cross-cultural competence, since Russia has gone through such rapid changes during the last decades that even Russians have to learn to know the country again if they have lived abroad for long.

Norwegian managers: The trend is that more Norwegian companies start are starting to choose Russian managers (who have good language skills), but that the ratio is approximately 50/50 between Russians and Scandinavians today. While it is not easy to attract Norwegian managers to Murmansk, but according to the respondent, the key challenge for the companies is to create systems for maintaining a high level of communication between the Russian and the Norwegian unit, and make them work together in a more practical sense. Usually, companies send a Norwegian over to set this up: e.g. routines, IT systems, financial reporting. When these things are in order, the Norwegians step back and work to maintain good communication with frequent status reports. Norwegians are thus used mostly as management facilitators, rather than to run the Russian venture.

Industry specifics: It is becoming increasingly difficult to find young well-educated staff in Murmansk, as many move to the bigger cities where wages are higher. Mr. Reiersen argues that it is easier to find 'Western'-minded staff in knowledge-intensive industries, which are also often based around team-work. When it comes to unqualified jobs such as for example shop attendants, employees only to what they are told to and what they are paid for. The respondent notes that companies might have to go to Moscow or Saint Petersburg to recruit for example

highly qualified business leaders, IT staff and lawyers. According to the respondent, Norwegian companies don't consider this opportunity as often as they should. However, there are a couple of local recruiting agencies in Murmansk, from which SIVA themselves have recruited at least three employees. For bigger recruitment companies, the market is limited.

Language: The respondent argues that, ideally, Norwegian managers should learn to master Russian well enough to use it as a work language, although remarks that lack of Russian language skills hasn't been a big problem for Norwegian companies in Russia so far and that it's natural to use English as the work language in a multi-lingual company. Like the company respondents, he argues that it is vastly more important that managers understand the culture than master the language, and mentions that there are many managers who speak excellent Russian but who don't understand the culture. Mr. Reiersen concludes by stating that if one understands the language but not the culture, one will understand *that* actions are made and decisions taken, but one will not understand *why*.

Norwegian managers in Murmansk usually take classes in Russian once they go to Murmansk, but that the outcomes are sometimes meagre; not because of the quality of the course, but because language is not prioritised. Regarding Russian language skills, it is more common for companies to establish contact with Russian exchange students in Norway, and make sure that these learn to speak Norwegian (and English). The advantage to this 'reversed' method is that these already know Russian language and culture. English skills are expected in Russian staff depending on the needs of the business. Russian staff are not expected to speak English in the day-to-day business in companies that are directed towards the local market, the respondent claims, but argues that being able to discuss critical issues without an interpreter is a necessity, and a certain level of English proficiency is thus needed.

4.2.1 Cultural values and management

Differences in mentality: Mr. Reiersen states that the mentality difference is considerably less apparent today than when SIVA first opened in Murmansk. However, the respondent argues that one can never get away from these differences by hiring only young Russians with a more 'Western' or 'International' sort of mind-set. Members of the two cultures can look and act the same on the surface, but cultural differences are ingrained. Still, Mr. Reiersen doesn't view mentality differences as significant in the Scandinavian-Russian context: they exist in every country, and even within countries like Norway and Sweden. Cultural differences are there whether we want it or not, and can only be facilitated to a certain

amount. Due to this, Scandinavian companies should never seek to implement a Scandinavian mentality in Russian companies, the respondent concludes.

Russian management: According to the respondent, there is a new generation of Russian managers who focus strongly on costs and efficiency. Management in the bigger Russian cities it is very result-oriented. They are coming closer to an Anglo-Saxon style of management, Mr. Reiersen states. This demands a flat organisation since it is not efficient to have a line of people who control that the next person does his job, like in Soviet style management. This new generation of Russian managers are more likely to listen to the views of employees before they make a decision, unlike in the old system in which employees were barely allowed to speak to top management.

Business culture: Like the mentality, the Russian business culture has changed during the last two decades. Mr. Reiersen describes how statistics no longer show that you lose more money selling to Russian customers than to domestic customers for example. The most dominant feature is that personal relationships are Alfa and Omega in the Russian market. The respondent reasons that there are some basic business culture obstacles that companies encounter in every country, e.g. different rules for audit. Mr. Reiersen argues that companies are more challenges by at first 'invisible' structural problems. These can be related to cultural differences, or even downright protectionism. The respondent claims that it might be a better strategy to have both local and foreign ownership than to come in as a Norwegian company and aggressively try to capture market shares, as politics have a greater deal of influence than in Scandinavia, where success is determined by price and quality rather than nationality. There are hidden actors with a great deal of power that influence business, and entrepreneur might meet obstacles they have a hard time understanding, Mr. Reiersen argues. However, people in the North-West of Russia are hugely positive to foreign direct investment (FDI): 95 % thought that FDI in the region beneficial when SIVA did a survey among people in Murmansk and Arkhangelsk, according to the respondent.

4.2.3 The role of the internationalisation support organisation

Mr. Reiersen reasons that SIVA are not paying as much attention to cultural distance and IHRM as perhaps necessary. SIVA sometimes fail to stop companies and inform them of areas that might become problematic or provide challenges, cultural IHRM being one of them. In that sense, SIVA is not being pro-active, but can act as a sounding board when problems do occur, according to the respondent. However, earlier this year SIVA had a

gathering together with a few of the business associations in Murmansk where the topic of cross-cultural management was discussed. It was decided that leadership in a cross-cultural (Norwegian-Russian) setting, is of immense importance, and should be a focal point at meetings henceforth. The respondent argues that cross-cultural management in Russia is not a topic that can be covered on information meetings for Norwegian companies who are considering the Russian market. At this stage in the process, SIVA informs companies of the more superficial layers of business culture, i.e. the mentioned differences in audit. Mr. Reiersen argues that the deeper layers of Russian culture can only be explained by people who are Russian or have lived in Russia, and that they have to possess pedagogical skills to convey it. This is not reckoned as a fitting feature at an early stage of planning for a foreign venture.

Supporting SMEs: The respondent argues that smaller companies don't have enough administrative resources to plan and make strategies like the bigger companies can, and that they sometimes have to take things as they come. Mr. Reiersen states that many of the smaller Norwegian companies learn to handle the Russian environment eventually, but that they struggle in the beginning. However, the respondent argues that the SMEs partly have themselves to blame for this: "It's some sort of 'genetic failure' among Norwegian companies: they don't accept help. They want to gain the experiences by themselves".

Mr. Reiersen mentions how the Swedish strategy [from the equivalent of SIVA] is deliberately not to assist SMEs who want to go to Russia, as they don't have enough resources to tackle the obstacles they are likely to face. While the respondent understands the logic behind this strategy, he reasons that they will try anyway, which marks a challenge for a business support organisation such as SIVA. Mr. Reiersen mentions internal factors that hamper SME support: it is difficult for SIVA to create a system for helping them, and there aren't enough financial resources to re-educate those who have tried and failed. Also, there is limited interest from the companies in receiving help, they don't use the so-called soft landing services, e.g. the business incubator, that SIVA can offer, according to the respondent. The companies in Murmansk don't see the point in applying theories and evidence from academia to their business plans. There is no culture for this in Russia, except for Moscow, and the companies who engage with business incubators there are bound for success anyway, Mr. Reiersen states.

Mentorship programmes: Initiating mentorship programmes between companies who are established in Russia and those who are planning for entry is one way of spreading knowledge. This has been on SIVA's agenda for a long time. According to the respondent, the whole purpose in setting up SIVA was to go in and take the risk, since companies didn't trust Russian office landlords for example. Mr. Reiersen argues that companies look at the knowledge they've acquired from their Russian venture as a strategic advantage that they don't want to share.

Innovation programmes: One of SIVAs support areas are innovation. The innovation programmes that SIVA and Innovation Norway are instrumental in shaping are – according to the respondent - also a way of bringing the necessary cultural competence into a Norwegian company, as these put together Norwegian and Russian companies in partnerships. Thus, the Russian company brings an understanding of Russian culture while the Norwegian company understands Scandinavian culture, and these perspectives are put together. Mr. Reiersen argues that this is a more robust strategy, and that it is time for foreign companies to consider Russian joint ventures again as “what has been stolen in Russia has been stolen” [referring to periods in the 1990's and 2000's when IJVs were a popular means of entering the Russian market].

Suggestions for improvement: The respondent states that while SIVA can't arrange training, they can convey contacts to consultants (in Murmansk) who have competencies in cross-cultural management and SIHRM. Another suggestion is that business support organisations in the Nordic countries can go together, agree that lack of cultural awareness is a possible problem, and arrange funding for cross-cultural competency training. Again, the respondent notes lack of interest from companies as something that prevents this from happening, and argues that they don't realise that lack of cross-cultural competence can be a problem until they have it. He reiterates that companies shouldn't form their strategies before they come to Russia and know the obstacles, but suggests that they need to become better at consulting help in forming strategies once they're there.

5. Analysis

The two research questions that have to be answered in order to fulfil the purpose of this thesis (1) What IHRM strategies can be found in Scandinavian companies who have entered the Russian market, and in which ways does cultural distance influence the strategies?, and

(2) How can an internationalisation support organisation inform the process of developing IHRM strategies in these companies?

The following part will provide a discussion of these questions based on the connection between the findings of the studies and its theoretical framework.

5.1 Internationalisation strategies

First, the internationalisation strategies have to be mapped out. This will bring a background to the IHRM strategies. Arguably, Norwegian companies in Murmansk are generally not *born globals* but rather follow the internationalisation patterns of the companies that the Uppsala model is based on. For companies in the Northern parts of Scandinavia, North-West Russia is the most geographically close international market, which makes it a natural choice according to the model. However, the companies do experience high cultural distance, which they are not always prepared for. The SIVA respondent's answers suggest that Norwegian companies who internationalise in Murmansk generally don't have well-prepared strategies. The entry on the North-West Russian market is often the first and last international venture for the companies, which is not a sign of a born global company. In this respect, they also differ from the Uppsala model of internationalisation, as the cross-cultural competence that they hopefully gain in Murmansk is not used for further phases of gradual internationalisation; not even to the rest of Russia, according to the SIVA respondent.

5.2 IHRM strategies

The picture that emerges from the interview with the SIVA respondent is that the companies generally don't have specific HRM strategies for the Russian venture, which is no wonder as many of them only form ad-hoc strategies once they arrive. The SIVA respondent expresses concern over the ignorance among Norwegian companies regarding cultural differences. At the same time, he states that they can't form their strategies in Norway; they have to be formed in Murmansk when the company has identified some of the opportunities and the threats. Therefore it's no point making the HRM strategy beforehand either. One of the bigger Norwegian companies in Murmansk have Russian long-time staff employed in Norway. However, this is not necessarily connected to a long-term strategy of eventually entering the Russian market. It's more likely a natural consequence of proximity to the border coupled with the huge influx of Russian students at Norwegian universities. One of the respondents remarks how responsibility is divided between the Norwegian parent company and the Russian branch by the Norwegian manager setting general goals for the Russian branch and then letting them decide how to pursue these. Budgets are discussed together, and

all of the staff are involved in this process. This is arguably a very democratic approach, far from the hierarchical style preferred in Russia as reported by Hofstede and others. Another respondent mentions how the company uses a computer work system which makes 'giving orders' unnecessary. This showcases management convergence preceded by technical convergence. As all of the staff have to follow the system independent of nationality, the system becomes a 'culturally neutral' manager.

International orientations: The sampled companies employ almost exclusively Russian staff, and – with the exception of one – Russian managers. This suggests that they have a polycentric approach as described by Heenan and Pearlmutter. Subsidiary control is not experienced as too strict, instead the Scandinavian approach of decentralising decisions is used. This is also in line with the polycentric approach. A level of expatriate management is present, as Norwegian managers make up about 50 % according to the SIVA respondent. The purpose of sending a Norwegian manager to start up the Russian manager is often to set up robust communication systems between the Norwegian company and its Russian branch, according to the SIVA respondent. This is arguably a way of controlling and coordinating the branch, albeit through a decentralised 'democratic' way typical of Scandinavian management as reported by the respondents. One of the companies partially uses *inpatriation* as they send Russian staff for training in the Norwegian parent company. The company also employs a native Russian who has lived and worked in Norway. This is a IHRM trace that fosters cross-cultural awareness and flexibility, as mentioned in chapter 3.5.3.

None of the companies express a geocentric approach, which is far from surprising. The companies featured are directed at either cross-border services between Norway and Russia, or to the local market. They don't come to Murmansk as a step in a process of further internationalisation. This makes a geocentric orientation unfit for their state of internationalisation according to the theoretical framework in this study, as this orientation is connected to the 'Maturity phase' (Adler & Ghadar, 1992) and to MNCs. Although the MNC can be said to have this approach in general, the Murmansk office is only one of its many Russian branches, and consists of only Russian staff. This suggests that it's difficult to attract foreigners to Murmansk, but also that a geocentric orientation doesn't necessarily expand to the 'far ends' of the organisation, even if it's present in the strategically important parts of it.

According to the SIVA respondent, Norwegian managers are not generally vary familiar with Russian culture and language when they arrive. This might be explained by the Murmansk

venture being a ‘one-time internationalisation’, which then serves to explain why the companies might not have the incentives to acquire language skills and cultural knowledge. None of the sampled companies focus heavily on language skills (i.e. Russian) and cultural awareness as suggested that a company with a polycentric orientation – and a company in the 2nd phase ‘internationalisation and growth’ of the Adler and Ghadar framework - does. This suggests that the companies find ways of adapting the *company* to the local environment while not having to adapt their *management* styles, as their Russian employees are active in the ‘translation’ process.

5.3 Cultural values and management – the effect on strategies

Mentality difference: The findings echo the cultural values research in that there is a mentality difference between Scandinavians and Russians. However, the Russian respondents don’t describe this difference as noticeable in them or the companies they work for. The non-Russian respondents emphasise the mentality difference more strongly. The SIVA respondent claims that many Norwegian companies realise that it’s better that they change to fit Russian culture than the other way around. On the contrary, it seems that the companies can find staff who possess a rather similar mentality as they themselves. Thus, the companies can get around this aspect if they can find Russian staff who can ‘translate’ a Scandinavian management style to the needs of the local context. Among Russians, the findings suggest that there is a mentality difference between (1) older and younger generations, and (2) unqualified and qualified workforce. The younger generations, especially those working in knowledge-intensive industries are more likely to adopt a mind-set that could be labelled as verging on ‘International’ or ‘Western’. The Russian respondents participating belong to this category in terms of both age and level of education. They also work for Scandinavian companies, which suggests that this management style appeals to them. According to the initiators of the GLOBE project, cultural values can be distinguished by asking people what management traits they embrace. The respondents distance themselves from the ‘typical’ Russian management behaviour. By this, and their positive remarks of Scandinavian management, they showcase belief in democracy, participation, flat hierarchies and openness. The working procedures they describe are not different from what could be expected in many Scandinavian companies. This gives support to convergence theory.

Scandinavian and Russian management: All of the company respondents, Russians as well as non-Russians, have a positive view of Scandinavian management. When asked to describe ‘typical’ features, they associate it with modernity, flexibility, democracy, a relaxed

atmosphere, openness and efficiency. However, two respondents noted that not all Russian staff appreciate this style, as they are also expected to take initiatives. The respondents suggest that these are usually older people who are used to working 'in frames' as one respondent calls it, and who don't want to change. This serves to show that there is a division between the management trait embraced among older and younger people, as with the mentality difference. According to the initiators of the GLOBE project, this goes hand in hand, as there is a strong relationship between cultural values and the management styles embraced. None of the respondents express great concern over potential incompatibility of the 'old' style Russian values and the management styles used in their companies, however.

Russian management: The respondents contrast their views on Scandinavian management to Russian management, which is described as typically inefficient, authoritative and distrustful of employees. The respondents were not asked specifically if there are any other Russian management trends, but no positive remarks about Russian management were made. Rather, the Russian traits were seen as inhibiting good leadership and job satisfaction, and put in contrast to Scandinavian traits. One of the company respondents makes a distinction between the 'old' and the 'new' management style, a distinction that is made by the SIVA respondent as well. The 'new' style was however only described in terms of what it seeks to emulate, i.e. 'Western' or 'European' management. There are no specifically Russian features that distinguish this emerging management style from others. While some of the respondents use terms such as 'Western' or 'European', none of the respondents refer to 'Asian' management when talking about Russian management, which implies that this style is difficult to link to other geographically defined management styles. The findings show that there is no widespread Russian concept of modern Russian management, and strengthens Gilbert's (2001) argument of Russian culture as something that is difficult to crystallise due to the overshadowing Soviet features.

Industry specifics: The SIHRM framework of Schuler et al. lists both national/regional culture and industry specifics as external factors for consideration. Due to the difficulties in separating the 'old' Soviet cultural values from the more unclear new values – that are more similar to 'Western' ones – Scandinavian companies should perhaps not spend as much time on analysing the national cultural values of Russia. The findings of this study suggest that it's easier to find staff who are less affected by a 'Soviet' mind-set in knowledge-intensive industries. This inclines that companies should focus on finding a fit between its IHRM

strategy and the industry it's active in. A pattern of different challenges for knowledge-intensive and less knowledge-intensive companies emerge:

Companies in knowledge-intensive industries can attract young Russians with higher level education: thus, it's likelier that they can let convergence theory guide their strategies, and have more flexibility regarding which international orientation they possess. Their HRM strategies for the Russian venture can be linked to a domestic strategy as well as integrated with a global ditto. This gives these companies more flexibility in choosing how much cross-cultural competence they want to acquire. However, the findings suggest that knowledge-intensive companies might have difficulties in finding key competencies for certain jobs in Murmansk. Here, they can either go the bigger Russian cities to recruit, or attract staff in the Norwegian parent company to the new branch. Both strategies demand planning beforehand, and the latter brings challenges since it implies cross-cultural mix in the workforce instead of the more common combination of foreign management and Russian staff. However, the language skills and the international mind-set common in knowledge-intensive industries will make the cultural fit easier. Arguably, these companies can benefit from internationalisation support programmes if these can provide contacts with for example Russian universities and specialist recruitment agencies. If the companies are born globals, they don't benefit as much from support programmes as from development programmes.

On the other hand, companies in industries based on unqualified labour are likelier to come across staff who display 'Soviet' traits, such as only performing tasks that have been directly ordered. These companies will either have to put a lot of effort in socialisation or in control. The former will challenge the high degree of uncertainty avoidance, while the latter will force a change towards a hierarchic management style. Both of these demand a competent and flexible leader. The third option is to put time and effort in the recruitment process by actively looking for staff who possess a certain type of mentality. What these companies need to understand, is that this will likely be a challenge.

Language: By the nature of it, research that focuses on cultural values view these, rather than language, as the determinants of cross-cultural success. In order to determine whether language is a cultural barrier, we must consult the findings. Neither the companies, nor SIVA, perceive language as a real barrier. Three of the respondents state that understanding Russian history and culture is considerably more important than understanding the language. Thus, not

learning to master Russian is not viewed as being connected to a lack of interest in, or understanding of, Russian culture. None of the respondents stated that language is a big problem, rather the findings suggest a pragmatic approach to this question. The pattern that emerges is that the purpose of language skills is two-fold: (1) *Practical usage*: acquiring advanced Russian so that it can replace English as common work language, and (2) *Social usage*: learning to recognize common Russian words and be able to speak a little bit.

None of the company respondents seem to consider the first purpose necessary; the SIVA respondent states that it is desirable all though not important judging by experiences so far. English is viewed as being necessary for both internal and external communication. In one of the companies, all of the internal documents are in English as well as Russian. This can be a symptom of international integration, as typical of a company in the 'maturity phase'. The conclusion from the company respondents as well as the SIVA respondent is that it is natural that English is spoken in international organisations. The latter thinks that fluency in Russian should be a long-term goal, but states that it hasn't been a problem throughout the years. This suggests that the companies find ways of getting around the language barrier. One way is of course to hire staff, or at least a trustable manager, who is proficient in English and can run the business.

However, for the group of Russians who have a high degree of uncertainty avoidance, the unknown represents something frightening. Learning how to communicate in Russian might take away some of the most obvious foreign features that make some Russians sceptical. One interesting 'paradox' here is the notion (as expressed in the findings) of speaking English to Russian employees in order to mark employer-employee hierarchy. This approach is arguably in line with the expectations of the staff who embrace the 'old' Russian management features, as they expect high power distance. As this also often also goes together with high levels of uncertainty avoidance, the approach might be less initially suitable. However, speaking English might be a strategy to simultaneously cater to the fact that they're used to high power distance while also showing that they are expected to make an effort and take initiative. Thus, the strategy may on the surface strike one as rather ethno-centric, but is in fact also a way of adapting to the environment, and is therefore also true for a polycentric approach.

For the latter purpose, views differ. The ability to understand and speak a little bit is seen as a gesture, and as a sign of respect, by one of the respondents. Even though not mentioned by all of the respondents, this seems to be the more important purpose as perfect mastering of the

Russian language is considered almost unnecessary. In conclusion, language is not perceived as something that enhances cultural distance, nor is learning Russian viewed as a way of overcoming it. Cultural distance is obvious in that few Norwegians learn to master it: however, this is a mark of practical cultural distance rather than deeper, more psychological cultural distance. The reasons why the Norwegian managers don't learn the Russian language are arguably that it's not seen as necessary in practice, rather than that they do not care to understand Russian culture. This is also generally the way it's perceived by the respondents.

English is regarded as a natural choice of work-language, while Scandinavian managers are not expected to learn Russian, other than possibly a few phrases. However, there are arguably cultural codes embedded in language that the Norwegian managers will never access if they don't take the time to learn it. Managers who have a long-term perspective on the Russian venture might benefit from investing time in this. Also, the results do not show whether language is a barrier for horizontal cooperation, rather than management-staff vertical communication. As evident by the findings, few if any Norwegians are employed other than on management level in the Russian ventures. Also, the SIVA respondent mentions how IJVs and mergers might be more suitable foreign market entry modes than WOS's. If the Scandinavian company doesn't want to give the Russian partner full responsibility for HRM, they might need to understand the language that is used in the organisation. In conclusion, Scandinavian companies can run their business without Russian skills, but if a company seeks high level integration of the Scandinavian and the Russian business activities, learning to master the Russian language is beneficial.

Result-based leadership: Elenkov (1998) warns not to make the mistake of assuming that any management traits are universal, referring to failure in implementing American management traits that do not work in Russia, since they do not reflect Russian national values. The basic idea of the divergence approach is not to take any risks in this matter. The company interviews do not give any explicit information on Scandinavian management traits that are best avoided when going into Russia. The SIVA interview gives support to the divergence approach, as the respondent says that members of the cultures can only understand each other to a certain degree. Instead one must focus on finding ways of working together, the respondent says. This pragmatic 'hands on' approach is arguably a good fit with result-based management. The latter is based around figures and 'hard facts' and is usually seen as

typical of Anglo-American management style. Since Scandinavian management is also beginning to take more influences from this 'tougher' style, it is possible that result-based management should be considered for the Russian HRM strategy. The most clear answer of what the features of this 'new' Russian management style is, is that it is based on cutting costs and increasing efficiency. The SIVA-respondent compares it to Anglo-American management styles. Some of the Scandinavian companies in Murmansk have tried to introduce flat organisations by removing middle management and granting more decision freedom to employees. This "paralyses" Russian subsidiaries at first, and they experience that they get too much freedom of choice at once. This is consistent with the trends noted in previous research. Fey (2001) as well as Gratchev (2002) found that performance-based management is becoming more popular in Russia, even if it is yet far from dominating in practice. The initial "paralysation" however suggests a connection to the high scores on Power distance and Uncertainty avoidance as reported previously. In this way, cultural distance affects the Norwegian company's opportunities to choose a management style they are naturally comfortable with for the Russian venture. On the other hand, they will only need to be patient when introducing change. This is arguably true of management change in general.

In the first stage of internationalisation, focus needs to be put on local adaption according to both Heenan and Pearlmutter and Adler and Ghadar. The SIVA respondent echoes this when mentioning that many of the companies realise in time that it's better, and more realistic, that they change to fit the environment than the other way around. Except for the MNC, all of the companies are arguably in the first phase of internationalisation. Cultural distance does prevent the companies from fitting their IHRM strategies to the local environment. The companies don't pay much attention to the cultural attribute of language, and act more like a company that seeks global efficiency by focusing on coordination of activities. Even though this might not be a stated IHRM strategy, the companies try to find Russian 'translators': staff who are used to, and react well do a Scandinavian style of management while simultaneously having the cultural skills – being Russian – necessary to deal with Russian staff who embrace 'old' style values, understand market conditions, and who are native Russian speakers. Cultural distance is arguably thus avoided rather than dealt with. Even though few of the companies seem to plan on further activities, the integration of management practices is an efficient way of dealing with a foreign venture. Focus must then be put in the recruitment process in order to find good 'translators' and in setting up communication systems so that both decentralisation and control is achieved. However, the previous description relates to

knowledge-intense companies. More 'traditional' and less knowledge-intense companies are likely to be more affected by cultural distance. These companies will either have to put effort in close control or high socialisation of employees. They can either hire a manager who practices the 'old' Russian management style of hierarchic decision processes and detail control while simultaneously emphasising efficiency, or they can hire a manager who masters both styles of management and can initiate a change process. The findings as well as the theory suggests that moving towards a performance-based leadership might be a suitable approach for the Russian market.

5.4 The effect of the support organisation

There is yet to be an established link between participation in support programmes and SIHRM. The findings suggest that the companies have weak strategies in general, and that IHRM is not a prioritised area. The SIVA respondent notes how especially the SMEs often learn by time, but find it hard to adapt in the beginning. This is contrasted to how bigger companies – especially the ones who reach the Russian market in Saint Petersburg or Moscow – are more internationalised and have stronger strategies. The fact that the governmental support organisation presently doesn't offer support for the IHRM area is consistent with research, or more aptly, the lack of research that shows this connection. However, the reason why the support organisation doesn't offer these services is because the companies don't request them. This again proves that the companies' internationalisation strategies are especially weak in the realm of IHRM. The findings suggest an awareness within the internationalisation support organisation that IHRM is an area that should be considered, but that the lack of initiative from the companies themselves makes it difficult for SIVA to help. All in all, providing strategic help for companies who lack both strategies and resources is deemed difficult by the respondent. The role of the support organisation is thus rather to facilitate improvement for companies who are already 'on the way' to make robust internationalisation strategies. The respondent mentions how SIVA can't be responsible for re-educating companies who have not done well. He also recognises that companies' lack of interest for the connection between business research and business in practice makes it more difficult to make them use the services in offer. Cultural distance is not viewed by the SIVA respondent as a subject that can't be introduced at an early stage to companies who consider entry on the Russian market, as this subject is complicated and risks getting 'lost in translation'. The internationalisation support organisation can thus not initiate an awareness of the possible impacts of cultural distance, but can support companies who experiences this.

However, the organisation does influence cross-cultural awareness through its innovation programmes by putting together Russian Norwegian partner companies. This is a pragmatic approach which looks at the internationalisation process in a holistic way as cross-cultural competence is – in fortunate cases – a consequence of combining financial resources and innovation. However, if the companies are not compatible they will not learn of each other's cultures, which might mean that cultural distance is instead even more present in these organisations, as the Norwegian part will likely have less influence over HRM. While SIVA would like to initiate mentorship programmes, this is made impossible by the lack of information given by companies who are established in Russia. Since they normally don't want to share the 'strategic' knowledge of understanding Russian culture, new companies won't receive help by this form.

6. Conclusions

This chapter will provide answers to the research questions of this thesis: (1) What IHRM strategies can be found in Scandinavian companies who have entered the Russian market, and in which ways does cultural distance influence the strategies?, and (2) How can an internationalisation support organisation inform the process of developing IHRM strategies in these companies?

6.1 What IHRM strategies can be found in Scandinavian companies who have entered the Russian market?

The companies generally have rather weak strategies. Many of them do not have a strategy for either HRM or IHRM. However, Russian branches are generally granted a considerable amount of freedom. This is made possible by the Norwegian parent company setting up good communication systems that will enable them to have control over the branch through intense status reporting for example. They employ both Russian and Scandinavian managers, but employ almost exclusively Russian staff. Focus is not put on learning Russian among the Scandinavian leaders.

6.2. In which ways does cultural distance influence the strategies?

Many of the companies manage to avoid cultural distance by recruiting Russian managers and staff that don't possess the 'old' Russian – or 'Soviet' – values. This gives them more flexibility in forming their IHRM strategies. However, this is only true for knowledge-intensive companies, who are also arguably more likely to pick up on management research, more open

to cultural diversity, and possess a higher ability to acquire cross-cultural competence. The ‘traditional’ companies that are less knowledge-intensive are the ones that might have to be the most culturally sensitive, since they are likely to employ staff with cultural values that are rather unlike Scandinavian cultural values that affect work. This division of knowledge-intensive and less knowledge-intensive companies/industries shows that companies have to pay particular attention to the Russian staff they’ll need depending on their business area in order to find out how cultural distance is likely to impact on their room for IHRM strategies.

6.3 How can an internationalisation support organisation inform the process of developing IHRM strategies in these companies?

Arguably, the means by which the internationalisation support organisation can best help the companies is to arrange funding for cross-cultural training. This, however, can only be initiated after companies have shown interest. As knowledge-intensive companies avoid cultural distance through employing ‘International’-minded staff and through designing robust communication systems instead, the interest might not be big enough among them. However, they might benefit from contacts with channels through which they can find the qualified staff they need, which is something the internationalisation support organisation can help with. As for the companies who are active in less knowledge-intensive industries, the findings suggest that they are more in need of help in overcoming cultural distance, but they are also less interested in receiving help. In conclusion, the internationalisation support organisation can’t *make* companies think strategically around the possible impacts of cultural distance on management strategies, but they can provide support for the creation of IHRM strategies by connecting companies to consultants once the companies are in Russia and are facilitating their strategies. They can also raise awareness about cross-cultural management by discussing it at meetings, which might make Scandinavian business leaders in Murmansk decide to prioritise these issues more strongly in their own companies.

6.4 Suggestions for further research

Part of the purpose of this study was to explore if there can be a link between internationalisation support organisations and IHRM strategies. The study did however not have the aim of asking companies themselves how they prioritise IHRM when internationalising in culturally distant market, or what help they themselves argue that they could benefit from. Therefore, further studies should seek to investigate the problem from the companies’ view in order to possibly establish a link.

Another suggestion for further research is to investigate Scandinavian-Russian workplaces that have a clearer cross-cultural mix of staff, since these are arguably more affected by potential cultural distance than companies that consist almost exclusively of Russian staff.

Appendices

Interview guide: the companies

- Do you have a Norwegian or Russian manager?
- Are there mostly Russians or Norwegians in the staff?
- Does your company have an official management philosophy?
- What management values do you prefer? (If manager) how would you describe your own management?
- What, in your view, are the main differences between "typically" Russian and Norwegian styles of management? Pros and cons? How would you define management in this company?
- How do staff in your company react to Scandinavian management, if it's present? Are there any parts of it that don't work well in toy work-place?
- Where do you conduct training in the company?
- How did the company handle the recruitment process when starting up in Russia? Did they employ only Russian people or Norwegians also? If Norwegian, what was their previous knowledge of Russian culture and language? If Russians, did the company require previous international/foreign company work experience of their employees?
- What benefit programs/reward programmes do you have?
- Are Russians and Norwegians in the company motivated by the same rewards?
- Where do the decisions regarding human resource management get taken? In the Russian branch exclusively, or partly in Norway?
- Do HR/management questions regularly get discussed with other Norwegian companies in Murmansk?

Interview guide: SIVA

- Except for the political incentives (e.g. the High North strategy), what are the current strategic reasons for Norwegian companies to enter the Russian market in Murmansk?

- How do Norwegian companies prepare for market entry in North-West Russia? Have they got robust strategies? What do they find critical? To what degree do they prioritise HRM in their strategies (if they have one)?
- Do the companies usually choose Norwegian or Russian managers?
- Do Norwegian companies want to bring Norwegian staff other than only managers? Is it hard to attract foreigners to Murmansk?
- Are Norwegian companies good at changing their management strategies?
- Considering that many well-educated people in Murmansk move to the bigger Russian cities, is it more difficult to find competent and internationally minded staff in Murmansk?
- Is there a difference between industries, when it comes to finding Western-/International-minded employees? For example IT contra construction companies?
- Do Norwegian companies use local recruiters in Murmansk?
- Do you think that Norwegian managers should learn to master Russian well enough to use it as a work language?
- Could SIVA help initiate language studies, for example by creating a group where classes are taken together with other Scandinavian business people? Or is it the responsibility of each company?
- What is SIVAs role in helping companies incorporate cultural understanding in their strategies? Is it up to the companies?
- Does SIVA arrange information meetings for interested companies in Norway as well as in Russia? If you have them in Norway, do you bring up culture?
- Would some sort of mentorship programme with more experienced companies be possible?
- Are HRM issues discussed within the informal network of Norwegian/other Western companies in Murmansk?
- Are the bigger Norwegian companies better than the smaller ones at considering culture and language?
- Has there been a change in business culture in Russia that has made it easier for foreign companies to trust Russian companies?
- What are the biggest obstacles for Norwegian companies in Russia today: the ones that come first (like the business culture and business legislation) or the ones that appear at a later stage when you form an organisation (like mentality differences effecting work)?

- Has the mentality difference become less apparent since SIVA opened in Murmansk? How about the younger generation of Russians, who are often more International or ‘Western’ minded? Can Norwegian companies escape the mentality difference by hiring only young Russians with this sort of mind-set?
- Are there any traits in Scandinavian management that don’t work in Russia?
- Do you think that decentralisation is a suitable approach in a country that is more used to strict hierarchies?
- If we assume that there is one ‘old’ (Soviet style) and one ‘new’ style of Russian leadership, is there anything that separates the latter from ‘Western’ leadership?

What would you wish that Norwegian companies would improve on regarding these questions, and what could SIVA

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