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Institutional adaptation of
Western companies operating in China;
A case study on Husqvarna Group

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AUTHOR: *Hristo Balabanov, Annie Mary George*
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Authors: Hristo Balabanov, Annie Mary George

Tutor: Christopher Lõrde

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Abstract:

In our globalized world companies that want to internationalize and go to a new market should consider different factors, if they want to be successful. Institutional adaptation is a vital part of success or failure of the globalization process. The market entry process of western Multinational Companies (MNCs) into China, shows different adapting processes, compared to when entering western country markets. Establishing an MNC in China is more time consuming, as a lot of social and non-business actors, and activities will be involved in the process.

Purpose - The purpose of this study is to explore the process of adaptation of western MNCs to eastern institutional environment, with a focus on China. How does western MNCs operating in China adapt to the eastern institutional environment of China?

Method - This is a qualitative single case study with three interviews as primary sources of data.

Findings – Government mandates are key factors to any organization whether local or otherwise. Merging with a local company helps to adapt better to the new environment. General cultural norms have a higher impact into the adaptation process.

Conclusion - The research conducted shows how having knowledge of the different aspects of the environment and knowing how to adapt to these differences is crucial for the success of a firm. Husqvarna Group adapts to the host environment by means of their code of conduct, adaptation of a foreign organizational structure and accepting stricter mandates put forth by the government along with stricter channels of communication.

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1. Introduction

In this section the background of this thesis paper is presented. Additionally, problem statement, purpose, definitions and de-limitations are described according to this paper's aim.

1.1 Background

Companies that aim to expand their business globally makes research about the market and the country they want to go in to. Internationalization process, that is described as the process, or evolution, through which multinational firms have reached their present international position, often plays a big role (Vahlne & Nordstrom, 2007).
However, the institutional aspects are important as well, and sometimes institutional adaptation is a vital part of success or failure of the globalization process. Globalization is a complicated concept that burst upon the world relatively recently which is not studied in all its aspects (James & Steger,2014). Globalization is defined as a process that, based on international strategies, aims to expand business operations on a worldwide level, and was precipitated by the facilitation of global communications due to technological advancements, and socioeconomic, political and environmental developments (Pologeorgis 2017). The effect of globalization can be seen not only in the free movement of the markets and companies moving abroad, but also in the way other countries have absorbed the differences in institutions. The market entry process of western Multinational Companies (MNCs) into China, appears to show different adapting processes as compared to when entering western country markets. To establish an MNC in China, it is more time consuming as a lot of social and non-business actors, and activities will be involved in the process.

In the course of the research, we will discuss different views on institutions, how companies adapt to the institutional environment and how that effects organizations. The research paper will mainly focus on institutional perspective of adaptation and the different elements of that process. Institutional Isomorphism is one of the main frameworks that is used to discuss institutional environment adaptation. The paper focusses on institutional isomorphism which is a constraining process that forces one

organization to resemble others that face the same set of environmental conditions (Conley, 2015).

Examining more into the institutional perspective, we can see that MNCs operate in many, widely different institutional contexts. Institutional theory argues that in order for MNCs to survive in the international environment, they need to gain legitimacy achieved through host country's institution. Firms will tend to conform to the rules and belief systems prevailing in their environment. (De Jong & Van Vo, 2010). MNCs operate in multiple institutional environments, each with its own path-dependent institutional characteristics and this differentiates MNCs from domestic firms (Dunning & Lundan, 2009; Rugman & Oh, 2009). Because of the fact that MNCs work in different countries including both the country of origin and host country, they operate under multiple, possibly conflicting institutional pressures. De Jong & Van Vo (2010) discusses the critical role of the local host country's institutional environment in determining the ability of local managers and representatives to shape the implementation of the global strategies of MNCs.

1.2 Problem Statement

When establishing companies away from home, adapting to the new host environment would be a challenge. Furthermore, adaptation is often a complex process that involves MNC's institution and the institutional environment of the host country.

The operation of MNCs from developed countries to developing countries, such as China, is fundamentally problematic. This difficulty is potentially more prominent when MNCs from developing countries operate in advancing market economies (Thite, 2013). This is primarily because these MNCs are engaged in business across national boundaries, involving different institutional environments (Scullion et al., 2007). MNCs from developing contexts are likely to involve smaller structure, with considerably less resources and international experience and expertise, compared to their counterparts in developed countries (Hussain & Jian, 1999; Lall, 1983; Wells, 1983). The key competitive advantages for these MNCs of developing countries are access to the advanced-level of economies with a vast pool of low-cost resources, such as production workers, engineers and natural resources (Engardio et al., 2006). The early stage of internationalization, with inadequate experience in MNCs originating from developing countries, is noticeably different due to the significantly different institutional

environment (Hofstede, 2007). As a result, it is crucial for the management of MNCs to understand the influence of institutional environments, as understanding societal contexts or institutional environments of different countries provide sources of competitive advantage for both developed and developing country firms and contexts.

This research paper focuses on western MNCs adapting to the eastern institutional environment.

Point of difference	**Western Institutional environment**	**Eastern Institutional environment**
Giving instructions	Direct and clear in their instructions.	Suggests ideas and directives with subtle inferences and non-verbal clues.
Asking questions	Subordinates are expected to ask questions and even challenge superior's instructions.	Subordinates feel intimidated about clarifying questions and don't want to be seen as challenging an authority figure.
Dealing with Challenges	Solves problems directly and quickly with little emotional fuss.	Gives importance to other's emotional state and spends a lot of time to solve problems.
Authority	Managers consider themselves as being part of a team and just happens to be in charge.	Managers consider themselves as a secondary father figure to their employees.
Office relationship	Professional relationships with colleagues and should not be too personal.	Have strong desires to form close relationship with colleagues.
Punctuality	Tries to arrive at the designated time without delay.	Arrives later than the designated time.
Meaning of "YES"	Used to mean that there is an agreement.	Often used to acknowledge that one is listening to what is being said.
Hierarchies	Flattened socio-economic structure with fever hierarchical levels.	Well defined class structure and hierarchy.
Reprimanding Staff	Criticizes an employee or a supplier even in public sometimes.	Rarely scolds their employees or people associated with their business in front of others.

Figure 1. Differences between western and eastern institutional environment. [Philippines, Asia Pacific, ASEAN. (2018)].

China has been chosen as a country of analysis because of its particular strategic importance to multinational companies worldwide. This transition economy currently receives the world's largest amount of international foreign direct investment (FDI) (ORC, 2008). Choosing China as a case study is due to the fact that it is a developing country presently and the market-based laws and institutions are significantly different (Estrin & Prevezer, 2010).

During the past three decades, with its economic reforms and institutional transition, China has become the most active internationalizing economy among developing countries (Child and Rodrigues 2005; Warner et al. 2005; Warner 2013). For example, China is now the world's largest exporter accounting for more than 10% of the world's total exports. And the value of outward foreign direct investment (OFDI) has surged (UNCTAD 2012). Moreover, China, since its opening up in the late 1970s, has been the greatest recipient of FDI among developing countries (US$346.703 billion received from 1979 to 2000) and has stood as the second largest recipient of FDI in the world, next to the United States. The rapid outward economic expansion and its transitioning institutional environment makes China an ideal setting for examining internationalization activities from institutional perspective.

1.3 Purpose of the Study

The purpose of our study is to explore the process of adaptation of western MNCs to eastern institutional environment, with a focus on China. How do western MNCs operating in China adapt to the eastern institutional environment of China? Therefore, our focus is directed towards finding adaptation of western MNC's institutions to eastern institutional environment, since MNCs are the engine of the world's economy. For that purpose, we will analyze the Swedish MNC, Husqvarna Group, which has operational facilities in China. The term "Multinational Companies" implicates already that the according organization not only makes business or is located in one single country but in many (multi) different countries (nations) (Scheffknecht, 2011, p73). Since most previous studies are focused only on cultural perspective, the institutional adaptation is neglected and that is the part the paper wishes to put emphasis on.

1.4 Contribution of the study

The aim of the study is to contribute information about how Husqvarna Group established itself in a new environment which will help other MNCs that want to expand their business abroad, to study and understand what challenges lie in front of them.

1.5 Method

The paper will use qualitative case study method in the form of previously done studies and interviews with Husqvarna Group with subsidiaries currently operating in the Chinese market.

1.6 Definitions and key words

1.6.1 Institutional environment and legitimacy

The "institutional environment" is the surrounding environment that determines the conditions that organizations must adapt to and manage in order to be regarded as a legitimate actor in the type of business they conduct (Furusten, 2007). Legitimacy can be defined inclusively as a "generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions" (Suchman, 1995: 574).

1.6.2 Institutions

North (1990) defines institutions as "the humanly devised constraints that structure human interactions''. Formal constraints are rules, laws or constitutions, informal constraints are norms of behavior, convention and self-imposed codes of conduct. North's theory puts forth formal rules as being derived by political groups whereas informal rules are "part of the heritage that we call culture.". According to North (1990), institutions are "the rules of the game''.

1.6.3 Organizational culture

Schein (1992) defined organizational culture as 'a pattern of basic assumptions that the group learned as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered solid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems' (Schein, 1992, p. 12)

1.6.4 Institutional Theory

Institutional theory attends to the deeper and more resilient aspects of social structure. It considers the processes by which structures, including schemas, rules, norms, and routines, become established as authoritative guidelines for social behavior (Scott, 2004).

1.7 Delimitations

The study will be limited to MNCs that established operations in China. Overlooking or neglecting the influence of the institutional environment when moving to China could have been caused by the usage of quantitative methods that are prevailing in previously done studies. That implies that the institutional adaptation phenomena are better explored by using qualitative methods and case studies. Therefore, a single case study will be followed upon Husqvarna Group, and together with information from different articles will be the primary source of information of this study. Additionally, this paper's illustration, analysis and interpretation will be limited to the interviewees' information provided and the limit of the previously done studies on the topic.

2. Literature Review

In this section we will present several theories, models, and previous researches which are discussed and elaborated in order to simplify the main concepts and terms which are used in this paper.

It is well established in the management literature that, to survive and thrive, firms must respond to a multitude of forces in their external environment (e.g., Arthur, 1994; Gell-Mann, 1994; Kauffman, 1995; Anderson, 1999; Dooley and Van de Ven, 1999; Lewin et al., 1999). Institutional theory holds that the beliefs, goals, and actions of individuals and groups are strongly influenced by various environmental institutions (Scott, 1987, 1995), and that their role in doing this is subtle but pervasive (Boisot and Child, 1996; Child et al., 2000; Clarke, 1991).

Acemoglu, Johnson, and Robinson (2005) define institutions as mechanisms through which social choices are determined and implemented. Greif (2006a) defines an institution as "a system of social factors that conjointly generates a regularity of behavior". Looking more deeply into both the given definitions, it is evident that they overlap too much with the definition of culture in the sense that terms such as 'norms' and 'conventions' are used to define both institution and culture. Hofstede (2011) claims: "Because organizational cultures are rooted in practices, they are to some extent manageable; national cultures, rooted in values, are given facts for organization management." Both institutions and culture co-evolve, which can generate multiple stable equilibria with different sets of self-enforcing institutions and cultural norms. (Alesina & Giuliano, 2014) Culture and institutions are endogenous variables, determined, possibly, by geography, technology, epidemics, wars, and other historical shocks.

2.1 Internationalization process

Internationalization can be defined as 'the process of the firm's becoming integrated in international economic activities' (Mathews 2006, p.16). 'It is the multiple connections of the global economy which draw firms into involvement across national borders, through contracting, licensing or other transacting relationships' (Mathews 2006, p.16). Generally speaking, internationalization includes both inward internationalization activities and outward internationalization activities not only in Asia but also globally

(Warner 2013). Forms of inward internationalization include franchising, licensing and joint ventures established in a firm's home country with foreign firms (Korhonen, Luostarinen, and Welch 1996); outward internationalization occurs outside the firm's home country in the form of exports, licenses and foreign direct investment (FDI; Karlsen et al. 2003). The paper focuses in detail about the outward internationalization, in specific, FDI.

According to the Uppsala model, internationalization is defined as a gradual process in which the psychological distance has a major role in the selection of markets and where knowledge is acquired through experience (Johanson and Vahlne, 1977). This knowledge is crucial to understand the liability of foreignness, difficulties faced by companies abroad resulting from poor knowledge about the specifics of foreign markets (Hymer, 1976). On the other hand, the Networks Approach says that the process of internationalization is closely related to the position the company occupies in the network of relationships, and knowledge can also be acquired through partners (second-hand knowledge) which enables the company to a more rapid internationalization process without the need to acquire knowledge through their own experience (Silva et al., 2012). However, if the company has a weak position in the network of relationships, it may suffer from liability of foreignness, leading to a low level of information exchange between the company and the network and, consequently, low access to knowledge (Johanson and Vahlne, 2009). Because of many such restrictions, companies often follow a market selection in which the market is chosen according to having an easier access to information or by means of having more network of contacts and get second-hand knowledge easily. The process of internationalization can also be explained by the Theory of International Entrepreneur, in which the entrepreneur is one of the main deciding factors on market selection and entry mode (Leonidou et al., 1998). The right selection of market is essential for the success or failure of internationalization process, for the nature the marketing strategy to be done in the chosen country and for selection of international operations which depends on the geographic location of the chosen market. At a relational level the selection of markets can be systematic if the company strategically leads the process or not systematic if the company responds to opportunities created by a third party or responds to an order from an international buyer (Brito and Meneses, 2007).

2.2 (Previous) theoretical perspectives on internationalization process

2.2.1 Uppsala Model

The Uppsala model, also called stages model, considers that internationalization is a gradual process by which companies progressively increase their participation in the international markets (Johanson and Vahlne, 1977). The main assumption of this model is that any company that looks forward to internationalization initially develops itself in the domestic market and internationalization happens eventually due to step by step decisions. This further helps the company to get enough knowledge about the foreign markets that can only be acquired through experience. It is this experience that enables the company to assess opportunities and risks in the market and thus reduce the risk associated with the commitment of resources (Johanson and Vahlne, 2003). Another key determinant of the decision to internationalize identified in the model is the psychic distance, defined as "the sum of the factors that prevent the market information flow from and to the market, such as differences in language, education, business practices, culture, and industrial development" (Johanson and Vahlne, 1977, p.24). This means that companies tend to begin the process of internationalization to nearby countries, both geographically and psychic, because they allow a greater flow of information, contributing to the knowledge of the market (Johanson and Vahlne, 1977). They also tend to start the process of internationalization with a low level of commitment, such as exports, progressing to modes that require a greater commitment (Johanson and Vahlne, 2009).

2.2.2 Network Theory

In present times, the business world is filled by networks of companies with connections and not just a market that is made up of independent suppliers and customers. These networks are made up of increasingly complex relationships in which companies are linked together (Johanson and Vahlne, 2009). This approach presents new assumptions regarding the internationalization process, first, the internationalization depends on the relations and corporate networks, second, many companies move abroad, because one partner is in the process or has already internationalized and wants the company to follow them (Johanson and Vahlne, 2009). Networks help companies get exposed to new opportunities, gain knowledge, learning from the experience of others and benefiting from synergies resulting from the sharing of resources (Chetty and Blankenburg Holm,

2000). According to this theory, as the company goes global and increases its business network, the company maintains relationships with its partners from other countries. This happens in different ways, by creating relationships with partners in new countries for the company (international extension), by increasing commitment to networks relations already established (penetration), and finally, by integrating position in networks in several countries (international integration) (Johanson and Mattsson, 1988).

2.2.3 International Entrepreneur Perspective

According to Morgan (1987) and Björkman (1990), internationalization is a complex phenomenon, requiring different perspectives to understanding (Andersson, 2000). In this sense Korsakienė and Tvaronavičienė (2012), agree that the internationalization process must be complemented with the international entrepreneurial theory. There are several references in the literature showing that entrepreneurial characteristics have a greater impact on internationalization than other variables such as firm size or age (Brito and Meneses, 2007). The international entrepreneurship is defined by Oviatt and Mcdougall (2005), as the discovery, creation, evaluation and exploration of national and international opportunities to create future products and services. According to Andersson (2000), the entrepreneur is the individual acting entrepreneurially, in other words, he meets a certain set of criteria.

2.3 Adopting an Institutional Theory perspective on internationalization process

All the theories mentioned above from previous literatures explain internationalization process mainly among firms and not much about how internationalization process affects the environment in which the firms operate in. Therefore, this paper will add to the existing literature by having a focus on the differences observed between the home environment of the firms and how these firms adapt to the host environment.

Overall, there are two branches of institutional theory: one with economic orientation deriving from ‘institutional economics’ (North 1990; Coase 1998), and the other with sociological orientation deriving from ‘neo institutional organization theory’ (DiMaggio and Powell 1983; Scott 2001). Both of the above theoretical perspectives give importance to the influence of institutional environment of the MNCs, but they have different theoretical focus. While the former is primarily concerned with the design and adaptation of efficient macro-level institutional framework such as government policies and

regulations, the latter focuses on how firm behavior is shaped by isomorphic pressure coming from shared norms and values in the external organization field (Bresser and Millonig 2003). The research is focusing on the part of the theory connected to isomorphic pressure. It is important to recognize that firms require both economic efficiency and social legitimacy to succeed and survive in a challenging environment (DiMaggio and Powell 1983; Scott 2001).

Institutional theory has become a popular perspective within management theory because of its ability to explain organizational behaviors that defy economic rationality. (Sudabby, 2013) Six key concepts form the basis of institutional theory: the infusion of value, diffusion, rational myths, loose coupling, legitimacy, and isomorphism. (Sudabby, 2013)

2.3.1 Infusion of value

Institutionalization is the process by which, over time, routine tasks, organizational structures, or functional positions acquire surplus meaning or value beyond their intended function (Selznick, 1949). According to Selznick's study, two key insights to institutional theory was formulated. Firstly, there is a technical and rational realm of purposive action and secondly, the symbolic and institutional realm of meaning and value.

2.3.2 Diffusion

Sometimes, practices are adopted because of their social and community values. This means that adoption of new innovations would not necessarily be based on the technical aspect but of the social or subjective way it is perceived in (Rogers,1962). Managerial innovations move across different groups in an organization with an aim of being adopted into daily practice. This would likely be done from a subjective perspective of shared values in the social or institutional environment within which adoptive organizations already exist.

2.3.3 Rational myths

Organizations exist in social contexts in which the rules of appropriate behavior are defined not by economic rationality but rather by prevailing myths about what constitutes economic rationality (Meyer and Rowan, 1977). According to the paper published by Meyer and Rowan (1977), organizations can survive by giving in to or becoming

isomorphic to their institutional environment. The assumption that organizations should have a formal functioning system is an example of rational myth.

2.3.4 Loose coupling

This idea of loose coupling is again related to rational myths from the study by Meyer and Rowan (1977). This is the concept where it is stated that organizations might not always adopt all practices. This means that organizations should separate their core production functions from those functions adopted due to institutional pressures.

2.3.5 Legitimacy

Organizations often want to come across as a legitimate organization. This is because of the assumption that organizations have a better chance of surviving successfully by adhering to society's expectations of what a successful organization should be. A legitimate organization is more likely to be able to get access to good resources than an organization that does not appear to be legitimate. Legitimacy can only be acquired by following the norms of the social environment of the firm.

2.3.6 Isomorphism

Organizations working in the same field are likely to conform to institutional pressures of other similar organizations and with time might become more similar to each other. This is observed from the idea put forth by Paul J. DiMaggio and Walter W. Powell in 1983. They categorized the types of isomorphism's observed into three types.

- Coercive, exists because of political factors such as presenting the organization as legitimate, by following set rules and norms, to the state or other such actors with power.
- Normative, exists from the need to absorb practices that are sought to be proper by morally important factors such as professions.
- Mimetic, exists when an organization decides to follow the path of another organization that is perceived as being successful when it's initial path to success is not clear enough.

Through these concepts, institutional theory suggests that organizations exist simultaneously in two worlds—a technical world where they must attend to material resources such as capital and labor, and a social world where they must attend to symbolic resources such as legitimacy and status (Suddaby, 2013).

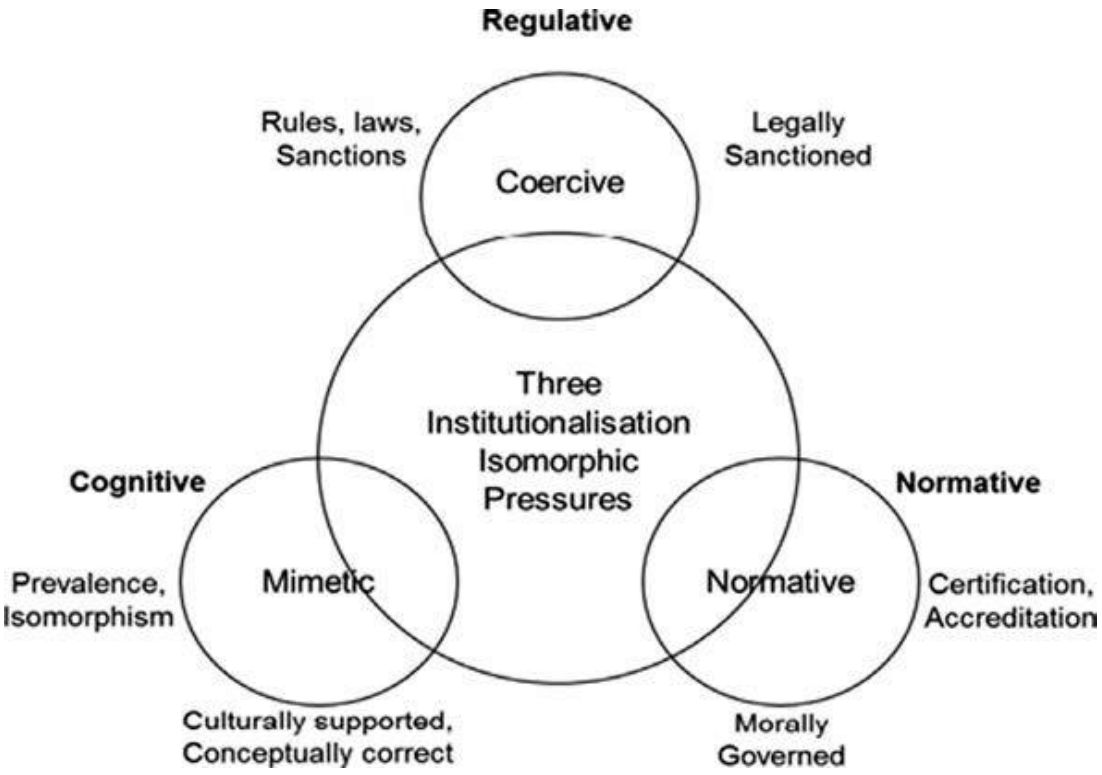

Figure 2. Institutional isomorphism mechanisms/pressures [Saman, W. (2013)].

2.4 Institutional isomorphism and internationalization

Institutional theory which characterizes internationalization as an important element for MNCs in the globalization process, points out that internationalization is not only determined by the economic aim for maximizing profit, but also as a process molded by isomorphic forces which appeared from the institutional environment. There are previously done studies supporting that viewpoint. One study supporting that is that of, Chan and Makino (2007) which examined isomorphic pressure on subsidiary ownership choices among MNC's. The authors of the study argue that MNCs experience a strong

pressure to conform at the host country and local industry levels of their institutional environment, and, in order to gain external legitimacy in the host country in which their foreign subsidiaries are entering, MNCs are most likely to choose a lower portion of ownership. Another study from Davis, Desai, and Francis (2000) showed that when entering the new foreign markets, a strategic business unit's choice of entry mode is influenced by both external isomorphism derived from the host country's institutional environment and internal isomorphism derived from the parent organization. Similarly, Li, Yang, and Yue (2007) found that foreign subsidiaries imitate the choice of other organizations in the community when making decisions about the choice of entry mode reflecting the isomorphism rationale. In addition, export decisions are also found to be affected by the internationalization practices of other firms in the same sector (Hessels and Terjesen 2010).

2.4.1 Coercive pressure and internationalization

According to the concept of coercive isomorphism, firms are subjected to pressures from government mandates or dependence on key organizations (DiMaggio and Powell 1983). Keeping in line with this concept, we see that changes in organizational structure and practices happen largely due to governmental rules and policies. Government control and action, or more generally state intervention, has consistently been understood as playing a central function in initiating the structural transformation of organizations (Deng 2009). In developing countries such as China, business and economic operations are controlled largely by the government even with its transition from being a centrally planned, command economy towards a market-based economy through liberalization and privatization (Child and Tse 2001). The state's regulatory regimes still exert considerable influence on resource allocations, and firms rely on the government to obtain scarce resources, such as access to capital, land and human resources (Meyer and 510 F. Li and D.Z. Ding Lu 2005). Practises and structures taken up by firms in emerging economies that are approved by the government are seen as legitimate. This helps to gain access to resources that are in control by the government in order to facilitate business operations. When it comes to internationalization, governments are encouraging and supporting emerging economies to internationalize through regulations and policies. Firms are motivated in this way in order to fulfil the expectations of the government.

A global survey suggests that most emerging and developing country governments now encourage local enterprises to expand overseas (UNCTAD 2006). For example, the Chinese government provides strong incentives to enterprises that are seeking to develop operations abroad (Child and Rodrigues 2005) by issuing numerous rules and regulations (Luo, Xue, and Han 2010). The international operation promotion policies here include: (1) streamlining administrative procedures; (2) easing capital control; (3) the provision of information and guidance on investment opportunities; and (4) reducing political and investment risks (Luo, Xue, and Han 2010).

2.4.2 Mimetic pressure and internationalization

Mimetic isomorphism happens when an organization has to copy another organization that is perceived to be successful and legitimate when the need to handle uncertainty comes about. When goals are ambiguous, or when the environment creates symbolic uncertainty, organizations may model themselves on other organizations, especially those that are perceived as successful (DiMaggio and Powell 1983; Burns and Wholey 1993). This would lead organizations to change over time by adopting practices that are similar to other organizations. Copying other organizations help not only with having a competitive advantage but also to achieve legitimacy in a wider social structure. In the context of internationalization, firms tend to imitate competitor's foreign expansion strategies such as market entry (Guille´n 2002; Delios, Gaur, and Makino 2008), choice of entry mode (Davis, Desai, and Francis 2000; Li, Yang, and Yue 2007) or local operational strategy (Salomon and Wu 2012). Since internationalization brings with it a lot of risk and uncertainty, organizations would have an advantage when adopting actions similar to those of the organizations that compete with them to cope with the aforementioned risks and uncertainty. Also, firms would like to learn from failure experience of peer firms and imitate successful strategies that already exist (Yang et al. 2009).

2.4.3 Normative pressure and internationalization

Normative pressure comes from the common cognitive base of shared understanding and definition of the norms and legitimated actions within the professional arena (Larson 1991). People with similar positions in the workplace across organizations and similarity of orientation, could develop similar understanding about concepts and actions and

therefore shape the organizational behavior to homogeneity. Normative pressures are manifested through inter-organizational channels such as firm– supplier and firm–customer networks since norms are spread through relational channels among members. The strength of these norms is increasing because of the spread among network members. As a result, individual organizations change their behaviors to show conformity to shared norms (DiMaggio and Powell 1983). A focal organization with direct or indirect relationships with other organizations that have adopted a practice is likely to be persuaded to behave similarly (Burt 1982). This normative process that shapes an organization's actions helps to explain the internationalization practices of firms from emerging economies. When internationalization is considered to be a popular trend and commonly valued behavior, following this trend will make the firm more likely to be accepted by its business partners, and, for example, to be considered to have greater potential and profitability (Yamakawa, Peng, and Deeds 2008). All those circumstances can motivate the firm to follow its suppliers or customers to pursue internationalization

2.5 China's Institutional Environment

To date, research from the West has only started to account for the role that different institutional environments play in transition economies, such as China's, (Boyacillier and Adler, 1991; Shenkar and Von Glinow, 1994). China's institutional environment is quite different from the West (Boisot and Child, 1996; Peng, 2000; Peng and Heath, 1996). The nation's socialist tradition and strong culture together create a distinct social and commercial milieu (Boisot and Child, 1988; Child, 1994; Scarborough, 1998). For example, private firms in China still have limited discretion to acquire and allocate resources and conduct operations (Peng, 2001). Additionally, firms must often engage in some transactions where personnel connections matter more than firm capabilities (Boisot and Child, 1996; Peng, 2000; Xin and Pearce, 1996). This bring up the concept and importance of building a guanxi relationship.

2.5.1 Guanxi strategy

Guanxi generally refers to relationships or social connections based on mutual interests and benefits (Yang 1994). It is considered one of the most important strategy for doing business in China. Adopting the concept of guanxi would help to adapt to the institutional environment in China to be approved and come across as legitimate. Building a strong

social and business guanxi is of major concern for MNCs doing business in China. Put simply, as Gao and Tian (2006) and others identified, the frequently used ways to build guanxi with Chinese government officials are gift-giving and money-giving, inviting officials to banquet, visiting officials frequently, paid travel, payment for speaking, inviting officials to inspect workshops, personal help, and so on. (Gao and Tian,2006). When thinking from an ethical perspective, the guanxi strategy is hard to adapt to. Taking the example of giving a gift, as Yeung and Tung (1996) identified, although formal gift-giving is different from bribery in China (Steidlmeier 1999), it is often difficult to differentiate between ethical gift-giving from an unethical gift-giving or bribery. From an ethical perspective, it is very difficult to know when it is proper to give or receive a gift, what sort of gift is appropriate, or what social obligations gift giving imposes (Steidlmeier,1999). And so MNCs should be cautious when adopting the guanxi strategy.

Thus, for researchers in entrepreneurship, China's institutional environment provides a compelling context to examine and refine our understanding of how institutions may impact firms (Boisot and Child, 1996; Peng et al., 2001).

2.6 Foreign Direct Investment (FDI)

Some researches argue that in comparison to other theoretical perspectives, such as transaction cost theory, resource-based theory, and agency theory, the institutional approach is the most useful theory when studying business strategy in emerging economies (Wight, Fliatotchev, Hoskisson, & Peng, 2005). However, acknowledgment of institutional importance, is also important to understand how institutions affect FDI. The eclectic (OLI) paradigm developed by Dunning (1977, 1993) provides a holistic approach to explain FDI activities. It explains how a firm's ownership, location and internalization has a positive effect on FDI. Specific variables in the host company gives way to identify locational advantages whereas firm specific factors help to investigate ownership and internationalization advantages. The eclectic paradigm mentioned here explains how foreign firms seek to exploit location specific advantages that are available in the host country by internalizing their firm specific advantages. Organizations with different interests choose different locations according to the location advantages they can offer. The mainstream theory on location issue identified four primary motivations

for FDI, namely market-seeking, nature resource-seeking, efficiency-seeking and strategic asset-seeking (Dunning, 1977, 1993).

Economic efficiency however can provide only a partial explanation for FDI location choice of MNCs, as investing firms also require institutional legitimacy in order to survive and succeed in a challenging foreign environment (Kostova & Zaheer, 1999). The point of difference among eclectic paradigm and the institutional approach to address how the FDI location is chosen lies entirely on the criteria of selecting a location. The eclectic paradigm puts forth economic efficiency as criteria for the choice of location. From this perspective, the intersection of MNC investment strategy and the institutional environment is an analysis of the ability of institutions to reduce the transaction costs associated with FDI that result from an uncertain environment (Hoskisson, Eden, Lau, & Wright, 2000). On the other side, institutional legitimacy is considered to be the main criterion for choosing a location in the institutional approach. The central premise of institutional theory is that organizations are embedded in and must adapt to their institutional environment to attain legitimacy (Zukin & DiMaggio, 1990). MNCs are therefore motivated to enhance their legitimacy by becoming isomorphic with their environment, even in the absence of evidence that such actions increase efficiency (Yiu & Makino, 2002). Since there is a lack of institutional content in the eclectic paradigm, Dunning (2006) pointed out that it is important to incorporate institutional factors in an extension of the model. It is further suggested that institutions affect all three components of the paradigm (Dunning & Lundan, 2008). An institution-based view being incorporated into FDI theory is largely important when it comes to emerging economies. Initially, experiences of western MNCs brought about the establishment of the FDI theory, where fully developed market-based institutions provide background conditions for business activities, although these institutions are almost invisible. On the contrary, the absence of formal market-based institutions is conspicuous in emerging countries (Peng et al., 2008) and so organizations are constrained by institutional context, characterized by highly visible state interference.

2.6.1 Background of FDI in China

China became an attractive location for Foreign Direct Investment (FDI) after the economic reform and opening up policies in 1979. (Granneman and Pieter van Dijk,

2015). The transition from a planned economy towards a more market-oriented system resulted in a slowly globalizing economy. Initially, Chinese reformers were somewhat skeptical about the open market and therefore they placed many restrictions on FDI. (Granneman and Pieter van Dijk, 2015). The increase of FDI inflow to china started to increase severely with the opening up of China. At its initial stages, FDI grew slowly as only the provinces of Guangdong and Fujian were opened up to the international capital after the period of reforms. As time went by, more cities and economic zones were opened up and established which gave way to increase FDI very strongly. China was admitted to the World Trade Organization (WTO) in 2001. The requirements of the WTO included removal of trade barriers, reduction of foreign ownership limitation in some sectors, no more location restrictions and equal chances for domestic and international banks. (Granneman and Pieter van Dijk, 2015). This further helped to increase FDI. The growth of FDI over the years is presented in figure 2.

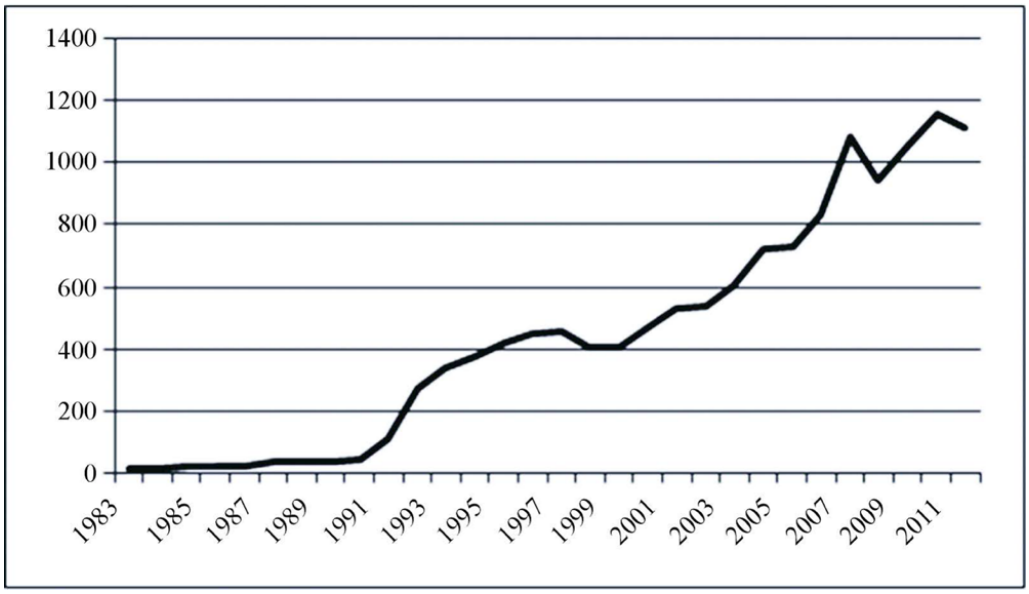

Figure 3. FDI inflows from 1983-2012 (in 100 million USD). Source: Compiled by the authors, Chinese statistical yearbooks and Ministry of Commerce (2012).

3. Methodology

This section presents our overall research design and methods concerning interviews, case study, Primary data and data analysis. Additionally, this paper's trustworthiness and implications of ethics are presented.

3.1 Scientific Philosophy

A research philosophy should reflect a particular study's approach to knowledge - how new knowledge is developed - based on assumptions about how the world is viewed (Saunders et al., 2009). Positivism is an approach to science, based on a belief in universal laws persistence on objectivity and neutrality (Thompson,1995). It works by testing theories and hypotheses. Positivism predominates in science and assumes that science quantitatively measures independent facts about a single reprehensible reality (Guba and Lincoln, 1994; Tsoukas, 1989). However, qualitative research is often associated with interpretivist (Saunders et al., 2009). A main characteristic of positivism is that it intends to make generalisations about a social setting while in contrast interpretivist tend to emphasise the complexities and uniqueness of an ever-changing situation (Saunders et al., 2009). Research carried out in this paradigm focuses on social relationship and the processes and mechanisms through which members of the setting find their way and make up their social worlds (Bailey, 2007). According to Cassell and Symon (2004), adopting an interpretivist stance is well suited for organisational and management research that aims to obtain a deep understanding of how and why things happen in relation to complex and unique processes and practices. Therefore, we adopt an interpretivist approach for our study,

3.2 Scientific approach

According to George A. Lundberg, scientific method can be defined as the "method which consists of the systematic observation, classification and the interpretation of the data the main difference between our day to day generalization and the conclusions usually recognized as a scientific method lie in the degree of the formality, rigorousness, verifiability and the general validity of the latter". There are several scientific approaches that are available in existing literature allowing researchers to have considerable amount of options to choose according to their paper's best fit (Hintikka, 1999; Baker, 2000; Locke, 2007). Three scientific approaches are commonly used: deductive, inductive, and

abductive approach (Reichertz, 2014). Inductive approach means a theory is developed or a pattern of meaning is identified according to the data that is collected (Thomas, 2006). Deductive approach is where an assumption is made upon a theory and then necessary deductions are performed in order to test the theory and is followed by a revision if required (Locke, 2007). Lastly abductive approach is a combination of developed theories and empirical findings. It is an approach that enables the research to understand and interpret both the existing theories and observations (Dubois & Gadde, 2002).

In this study, we make use of the abductive form of reasoning. Charles S. Peirce, known for his pioneering work on abduction as a form of reasoning, calls it "the first step of reasoning" (CP 7.218) Abductive reasoning is identified as a tool since in our research we deal with previously done studies and observations. Abduction helps to identify different aspects of the literature being studied such as the themes, codes and categories for analyzing literature which thereafter becomes our findings.

3.3 Research method and design

3.3.1 Qualitative method

The two most commonly seen methods of conducting research are qualitative and quantitative. A qualitative approach provides greater richness and more detailed information about a smaller number of people (Patton, 1986). This type of research works with non-numerical data that tries to explain trends in thoughts and opinions through the study of targeted populations or places. Qualitative studies are based on data from for example observations and interviews, presented in textual form (Saunders et al., 2009).
A quantitative research is done when a problem is quantified with the use of numerical data that can be transformed into statistics and generalize a result from a given population. This research paper is a qualitative study as it looks at institutional adaptation of western countries to eastern countries, with a focus on China. Qualitative research is especially effective in obtaining culturally specific information about the values, opinions, behaviours, and social contexts of particular populations. (Mack, et al., 2005). Qualitative methods are typically flexible, they allow greater spontaneity and adaptation of the interaction between the researcher and the study participant. (Mack, et al., 2005).

3.3.2 Research Strategy

Case study method

Within qualitative research it is increasingly common to notice the usage of case studies in order to figure out and evaluate a complex phenomenon (Eisenhardt, 1989). Case study has been a common research strategy in psychology, sociology, political science, business, social work, and planning (Yin, 1983). The need for case studies have grown because of the need to understand complex social phenomenon. A case study helps to explain both the process and outcome of a phenomenon through complete observation, reconstruction and analysis of the case under investigation (Tellis, 1997). Yin (1984:23) defines the case study research method "as an empirical inquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used." In other words, a case study is a unique way of observing any natural phenomenon which exists in a set of data (Yin, 1984).

A common criticism of case study method is its dependency on a single case exploration making it difficult to reach a generalising conclusion (Tellis, 1997). Yin (1993) considered case methodology 'microscopic' because of the limited sampling cases. To Hamel et al. (1993) and Yin (1994), however, parameter establishment and objective setting of the research are far more important in case study method than a big sample size. Yet researchers continue to use the case study research method with success in carefully planned and crafted studies of real- life situations, issues, and problems (Eisenhardt & Graebner, 2007).

Moreover, this paper's case study is related to instrumental case study. An instrumental case study is used to accomplish something other than understanding a particular situation. It provides insight into an issue or helps to refine a theory. The case is of secondary interest; it plays a supportive role, facilitating our understanding of something else. The case is often looked at in depth, its contexts scrutinized, its ordinary activities detailed, and because it helps the researcher pursue the external interest. The case may or may not be seen as typical of other cases (Stake, 1995). This is also since, this case study allows the authors to put primary focus on inquiring a case and provide insights while addressing a particular issue (Stake, 1995). Our primary focus was to analyse answers from different employees of Husqvarna's Sweden headquarters and China offices.

Case selection

For our case study we chose Husqvarna Group, a multinational company with a headquarter in Sweden and subsidiaries in countries with different cultures. Husqvarna Group is a global leading producer of outdoor power products for forest, park and garden care. The Group's products and solutions are sold under brands including Husqvarna, Gardena, McCulloch, Poulan Pro, Weed Eater, Flymo, Zenoah and Diamant Boart via dealers and retailers to consumers and professionals. The Husqvarna Group's products are sold in more than 100 countries and include products for consumers (67%) as well as professional users (33%) (Husqvarna AB, 2010).

Husqvarna Group is chosen on the basis of being a western company having FDI in China. The criteria we choose allows us to focus on employees we think would be most likely to experience, know about, or have insights into the research topic. (Mack, et al., 2005). Husqvarna Group was reached by an email explaining the purpose of the study. This email also reflects the researchers' awareness that willingness to participate in an interview will depend on how well the participants understand what the study is about, what will be expected of them if they participate, and how their privacy is respected. The voluntary nature of participation in research studies should always be emphasized. (Mack, et al., 2005).

3.3.3 Data collection

Interviews

For the purpose of answering the research question, an interview is done with open-ended questions in order to get well defined answers and thoughts from the participant. Qualitative methods ask mostly "open-ended" questions that are not necessarily worded in exactly the same way with each participant. They are free to keep their answers as briefly as they wish or go into more elaborate details. In turn, researchers have the opportunity to respond immediately to what participants say by tailoring subsequent questions to information the participant has provided. (Mack, et al., 2005).

Instruments

The researcher is collecting data using a semi structured interview guide (Appendix 1) while doing an interview. The researcher is meeting with employees in Husqvarna Group in Sweden and China to ask them about their experiences of institutional clash and institutional adaptation in the region. Moreover, if there were such adaptations and to

what extent. The interview questions are stated in Appendix 1. In addition to the written questions, there might be sub questions that are company specific or that come up spontaneously. If there are spontaneously asked questions they are written down, so they can be asked to the next employee interviewed. The questions are not sent beforehand in order to avoid pre-test, a threat to validity and reliability of the study.

Procedure

Firstly, the company is contacted to get its approval to join the study. Second stage will be for the researchers to organize a meeting with the participants where they will explain the study and the process in more depths. Lastly, the time and date for the interview will be settled.

Trustworthiness

Researchers often struggle with problems that compromise the trustworthiness of qualitative research findings (De Casterlé, et al., 2012).

Selection of the most appropriate method of data collection is essential for ensuring the credibility of content analysis (Graneheim & Lundman, 2004). The strategy to ensure trustworthiness of content analysis starts by choosing the best data collection method to answer the research questions of interest. (Elo, S., et al., 2014).

Qualitative content analysis is most often applied to verbal data such as interview transcripts (Schreier, 2012). With descriptive data collection, it can often be challenging to control the diversity of experiences and prevent interviewer bias and the privileging of one type of information or analytical perspective (Warr & Pyett, 1999). Selection of the most appropriate sample size is important for ensuring the credibility of content analysis study (Graneheim & Lundman, 2004).

An essential consideration when discussing the trustworthiness of findings from a qualitative content analysis is that there is always some degree of interpretation when approaching a text. (Graneheim & Lundman, 2004). Conformability of findings means that the data accurately represent the information that the participants provided, and the interpretations of those data are not invented by the inquirer (Polit & Beck, 2012). It is recommended that the analysis be performed by more than one person to increase the comprehensively and provide sound interpretation of the data (Burla et al., 2008; Schreier, 2012).

Trustworthiness is increased if the results are presented in a way that allows the reader to look for alternative interpretations (Graneheim & Lundman, 2004). The findings must reflect the participants' voice and conditions of the inquiry, and not the researcher's biases, motivations, or perspectives (Lincoln & Guba, 1985; Polit & Beck, 2012).

Ethical consideration

- Respect for the company - the questions we ask to each company will be in line with the basic ethical conduct, in the sense that each company will be respected as an entity and their brand image would not be put into jeopardy.
- Justice - everything will be done legally and without any hidings.
- Confidentiality - confidentiality needs to be considered - how will confidentiality be maintained? is it always appropriate and applicable. Any sensitive information will not be published.
- Integrity -the researcher will always be there during the interview to answer any questions that the companies may have. Companies also will be able to leave any question unanswered if they feel they do not want to talk about it.

3.3.4 Data analysis

To evaluate the data, the process of interview will be recorded. This is done in order to come back to these questions during the research period if needed. The interviews will then be analysed using content analysis. Content analysis is a research method for studying documents and communication artefacts, which can be texts of various formats, pictures, audio or video. Social scientists use content analysis to quantify patterns in communication, in a replicable and systematic manner (Bryman, A, 2011).

3.4 Systematic literature review

There are two types of literature review that are usually used in studies. One of the types is a traditional literature review, that summarizes a body of literature and draws a conclusion about the topic in question (Jesson et al., 2011). This review should aim to be "systematic, explicit, comprehensive and reproducible" (Fink, 2005: 17). However traditional literature reviews are defined by what the reviewers consider to be the most relevant source. While discussing a bounded area of research, they might leave out debates or issues that the reviewer considers less relevant. The other type is systematic literature review which strives to "comprehensively identify, appraise and synthesize all

relevant studies on a given topic" (Petticrew and Roberts, 2006: 19). Typically, systematic reviews consider peer-reviewed academic articles, that correspond to the research criteria stated. Systematic literature reviews have become increasingly common across the academic disciplines, but they have their advantages and disadvantages (Figure 3) (Easterby-Smith, Thorpe and Jackson, 2015).

Pros	Cons
• Involving collection from a broad range of sources that might cross over into the disciplinary areas related to management and business. • Aiding interdisciplinary through highlighting cross-disciplinary themes. • Increasing transparency of the review. • Increasing replicability of the review. • Being 'systematic' and so offering a sense of rigor. • Aiding the process of synthesis through the increased scope possible.	• Limiting creativity and intuition. • Overlooking important 'grey' literature, e.g. reports. • Being restricted by accessibility of sources • Requiring keywords searching strings to be identifiable. • Failing to reach older 'scanned' texts. • Relying on databases that support 'keywords' search. • Relying on the quality of the abstract (often limited to 100 words).

Figure 4. Pros and cons of systematic reviews. Source: Thorpe et al., 2005

This research is done using systematic literature review where the articles are analyzed and the data from them is sorted out, organized and discussed.

3.4.1 Search strategy

For the search purposes the following keywords were used; "Institutional Adaptation", "Institutional Environment", "Institutional Isomorphism", "Western companies doing business in China", "Foreign Direct Investment in China". For main sources of information, google, google scholar and Primo JU library were used. Furthermore, business-related books were used to gain more information when it comes to the key concepts. After having done the search, a number of articles of interest were found. Some of the articles were come across twice since different databases had the same articles.

Articles that had similar concepts were also found on the same subject but were not quite relevant for the study in progress. For the exclusion of those, selection criteria were used.

3.4.2 Selection criteria

For the purpose of selecting the articles that fit best for the research, certain criteria were kept in check. For a systematic review, articles from the perspective of western companies established in China were used. Relatively recent articles were given more importance and used in the research.

3.4.3 Quality assessment

For the quality assessment of the systematic review for the research, a checklist was made to keep in track with the positive selection of the articles. It was created based on the ethical considerations and the reliability of the source. All the articles went through this checklist in order to be considered for the systematic review.

- Topic, aim and scope are clearly identified.
- Relevance or significance of the topic are indicated.
- Context of the topic is established.
- A clear understanding of the relevant terms and concepts is shown.
- The review includes appropriate material and states why the material was selected.
- Key resources and landmark studies are covered.
- The review includes up-to-date material.
- Existing research is summarized and critically evaluated.
- The relationship between theory and empirical research is addressed; main methodologies are identified.
- Existing research is synthesized in a way that opens up a new perspective.
- The viewer shows a reflexive approach when detailing the analysis undertaken for the review.
- Appropriate questions and examples are used to justify the main arguments.
- The review meets expected standards of academic writing (references, spelling etc.)

Figure 5. Checklist for literature Review, (Easterby-Smith, Thorpe and Jackson, 2015)

4. Data presentation

In this section, the empirical findings from the semi-structured interviews in the case company are presented. Firstly, the case company is presented. Secondly, Husqvarna's code of conduct and working culture is demonstrated. And lastly, the institutional environment of Husqvarna Sweden and Husqvarna China are described according to our interviewees.

4.1 About Husqvarna

For our case study we chose a western multinational company with headquarters in Sweden and subsidiaries in eastern countries, specifically China – Husqvarna Group is a global leading producer of outdoor power products for forest, park and garden care. The Husqvarna Group's products are sold in more than 100 countries and include products for consumers (67%) as well as professional users (33%) (Husqvarna AB, 2010).

Husqvarna Group was founded in 1689. The head office is located in Stockholm, and the share is listed on Nasdaq (HUSQ A and HUSQ B). Net sales in 2017 amounted to SEK 39 billion, and the Group had approximately 13,000 employees in 40 countries, like Germany, US, China and Japan. (Husqvarna AB, 2018). Husqvarna Group's Code of Conduct shows how the company is committed to the principles of the UN Global Compact, which works towards bringing together businesses with human rights, labour, environmental care and anti-corruption principles. The Husqvarna Group is dedicated to being a responsible employer and a good corporate citizen.

4.2 Core Purpose, Vision and Key Behaviours

Husqvarna Group constantly aims to gain market leadership by the year 2020 and for this purpose, building a winning culture is fundamental in the long term. Their core purpose, vision and key behaviours are all equally important to inspire and define the direction to create value with their service.

- Core Purpose of Husqvarna
  - Turning technology into opportunity - By creating performance, pride and improved results for their customers.
- Husqvarna's Vision

- Shaping great experiences - Husqvarna makes a difference to those who want to make a better green environment through their leadership in sustainable, user-centered solutions.

According to the "Senior Vice President", the Husqvarna Group works proactively to increase internal recruitment and job mobility. Having a diverse workforce, both in terms of nationality, gender and age among others, makes them strong, competitive, innovative and resilient. The main principles that they abide by from their Code of Conduct are related to Respect and tolerance at the workplace, fair working conditions, maintaining a safe workplace and offering opportunities for individual development (Husqvarna Group, 2018).

4.3 Husqvarna Sweden vs. Husqvarna China

4.3.1 Husqvarna's entry to China

In the interview with Johan Jacobson – Senior Supply Chain Manager Husqvarna Sweden, he explains Husqvarna's initial entry to China. Husqvarna first had their own sales company in China, where they were importing and selling products manufactured outside of China. Around 2007 – 2008, Husqvarna bought two companies – a Japanese company (which had one factory in Tokyo with R&D and sales in Japan and one factory west of Shanghai) and a Taiwanese Companies. The two companies were merged with the original Husqvarna sales company. This movement, from an organizational perspective, was a challenge as the three sets of companies mentioned above were completely different, in a sense of how they report the information, the IT systems, how they split the functions and so on. It was a long process of trying to integrate the three companies into a more Swedish Husqvarna (western) style company. To add more to the entry process of Husqvarna into China and its acquisitions, at present the company has fully integrated into the Chinese market. The main reasons for entering into the Chinese market is because of its big market potential for Husqvarna's products and the high growth rate compared to the western part of the world.

4.3.2 Swedish Style

When one considers the Swedish (western) style of work environment, the dress code is less formal, the organizational structure is more flatter with a lot of interactions wherein people are encouraged to question a manager's decision if something is not right, to take initiative, and to speak up if there's an issue and thirdly the Swedish like to work in a matrix organization – instead of a strict line or pyramid where there are different reporting units. Swedish companies want to avoid silo thinking. This means, in principle that, every department works independently and don't collaborate with the other departments. That is something the Swedish companies want to break. Another important factor in a work environment is that of dealing with problems and confrontations. Essentially a particular team works towards attaining the same goal in the long run. During this process, when one person has a hurdle to deal with, a colleague would help out to solve the issue if needed or if capable to. In Sweden, both teamwork and equality are emphasized. Along with these concepts, the importance of punctuality is also pointed out. Punctuality could be referred to meeting a deadline on time, giving proper responses and being present at the required time mentioned beforehand. During the interview with Fredrik Lilliestielke - Product Manager, China, Husqvarna Division, he goes onto mentioning how the age structure in a Swedish corporate work environment is homogenous and interesting to observe. As an example, he says how "*In Sweden, I, as 42 years old, would be in the middle of the age structure in the company, where I would have ten 60-year old colleagues and ten 25-year old colleagues that are equally important to the team*".

4.3.3 Chinese style

In Chinese work environment the dress code is formal, the organizational structure is hierarchical. Based on that structure the silo thinking is very relevant, meaning that "*every department works for themselves. Every department manager reports upwards. Usually there's one very strong president or senior executive, heavily involved in the technical activities and holds all the power. Under this person you have the managers of the departments*". That makes the collaboration between the departments challenging. "*If I need help from a purchase department first I would go to the manager of the department, check with them if they can help me. Then if I get approving from him or her then I have the support from the department I cannot go directly to the department*".

When we discuss dealing with problems and confrontation, Fredrik Lilliestielke describes it as "*a refined way of laziness meaning that I do what I need to do*". This means that an employee in Chinese work environment will essentially only deal with problems directed towards him/her and may not be willing to work on things that will not end up on his/her "table". The employee will avoid the extra work until the head of the department wants that work do be done by him/her in particular. In a Chinese work environment, every team member works for themselves. Along with this, punctuality is another part of the work environment that needs to be discussed. Finishing tasks on time, delivering results, or leaving answers on time does not play a big role in the Chinese work environment, except if demanded by the head of the department. Lastly, in the interview with Fredrik Lilliestielke, he goes on to talk about the age structure in a corporate work environment in China where he is the oldest among his colleagues and is of the same age as his departmental Head.

Point of difference	**Husqvarna Sweden**	**Husqvarna China**
Dress code	Informal/casual	Formal
Organizational structure	Flat/Matrix	Hierarchical/Pyramid
Dealing with problems and confrontations	Encouraged to take initiative and speak up.	Problem avoidance
Punctuality	Very important	Not existing unless asked by the head
Age structure	Wide range	Older department head and younger subordinates

Figure 6. Institutional differences between Husqvarna Sweden and Husqvarna China

4.3.4 Adaptation to the Chinese environment

Husqvarna China deals in an industry that is quite conservative. Even though they deal with modern innovative products, they are and still remain a part of the traditional consumer products industry with price sensitive consumers. The Chinese consumers tend to be slightly more protective about national interests compare to Swedish consumers in the same industry. Being present in this kind of an industry in China means they have to cross many negative aspects to continue to be successful. Having products that can be easily copied in the market has proved to be a challenge for the company. It is difficult

to market and promote the products developed by Husqvarna since explaining how these products help to make forestry, garden, park and light agricultural works more easier and delivering a better end result is not an easy task. Keeping all these at bay, Husqvarna has found a way to cope with these issues. Their answer to this is - "*we are Husqvarna and we have our code of conduct*". This means that Husqvarna has to follow the local market regulation and governance. This has proved to be very effective and it is very important that they comply to it. Deliberate decisions to not comply with, in order to gain advantages, will only cause harm in both the short and long run. Chinese companies acting in the export market and/or local market tend to have a Chinese mindset that the "*rules are to be followed once the government tells us to*". When it comes to other areas such as tender projects for big contracts, the process of documentations and specifications to the government is very rigorous. But since the government is strict about keeping most things confidential, the general selection process is not open to the public to observe and so it is not possible to judge if foreign and local companies compete on the same terms for consideration. At the same time, it is known that an international company does not have access to the same subsidies in the agricultural sector. This means that Husqvarna's products manufactured with the Husqvarna Brand by a foreign company cannot be subject to any subsidy. The general opinion to be concluded here is that being an International company is in-fact a disadvantage as opposed to not being a Chinese firm.

Husqvarna has adopted practices that allow them to be accepted by their business partners and/or local clients in China. These can be seen in areas such as sales practises, making of price campaigns, product portfolio and the organizational structure of the firm which was discussed previously. Sales practises are followed through by adopting such methods that suit their customers and their behaviour. Having had experience in the European and Swedish market has proved to be of an advantage for sales practises. Mainland China does not have access to many of the social networking channels such as Facebook, Snapchat, Instagram, WhatsApp, Twitter, Google, YouTube etc. This has led to the creation of other social platforms such as Baidu, with varied types of integration which comes as a source to which companies, in general, should adapt to as supposed to in Europe, where everything revolves around Google.

5. Analysis

In this section, the results will be analysed using the theoretical perspectives outlined in the literature review. The analysis will discuss findings related to different theories, models and previous researches connected to internationalization and institutional adaptation of Husqvarna Group in China.

By the conducted interviews, it has been revealed that Husqvarna Group has been successful in outward internationalization which occurs outside of the firm's home country in the form of exports and foreign direct investment (FDI; Karlsen et al. 2003). It was observed that the company sold products in China at first, then invested into manufacturing and later also exported products from China. The internalization process of MNCs like Husqvarna can be compared to Uppsala model also called stages model, considers that internationalization is a gradual process by which companies progressively increase their participation in international markets (Johanson and Vahlne, 1977). The company first established itself in the domestic market, afterwards the company established their own sales company in the 2000s, bought and merged with two other companies in China and started production facilities and other functional offices in China. The gradual steps weren't an easy process since combining three sets of different companies proved to be challenging and trying to integrate the Swedish way of doing this was further a longer process. Since with the establishment of Husqvarna's sales company, they were able to gain more knowledge about the market and this gave way to observe and merge with the other two existing companies.

They didn't have a partner existing in the market. But since they were able to establish their own company in the beginning, the process still leans towards the Uppsala model rather than justifying the Network Theory. The original sales company was importing Husqvarna products to China, which did not specifically cater to the Chinese market but rather get the Chinese market to adapt the products on its own. Also, after the establishment of Husqvarna's factory in China, the company worked towards making products that were accepted globally and not just producing products that were meant for the local Chinese markets alone. They concentrated more on establishing higher exports. All of that exclude the International Entrepreneur Perspective Theory.

Husqvarna's internationalization process can be explained further with the use of the institutional theory by connecting it to the information received from the interviews that were conducted. Institutional theory has become a popular perspective within management theory because of its ability to explain organizational behaviours that defy economic rationality (Sudabby, 2013).

In a corporate environment, China usually has a hierarchical organizational structure which is what was observed in Husqvarna's subsidiary as well. Greater importance is put onto this structure and the way it works as the subordinates look up to their superiors/managers for direction and will only work if they are ordered to work and get a particular task done. This can be connected to the infusion of value. In China the manager is expected not only to carry out managerial functions but also come across as a "father" figure to the team. "*A manager is seen as a father figure. You are expected to be the best in what your department is doing. You are supposed to be the most experienced, expected to teach the others and be very clear about how things are done*". In Sweden, being more relaxed doesn't really have an adverse effect on getting tasks done wherein they will be done by a deadline no matter who tells them to do it. "*In Sweden people are more open to question the manager. People want to work much more independently and don't want clear directions of what they have to do. Sometimes they are more loyal to the company than to the manager*".

The company uses diffusion when it comes to adapting the aforementioned hierarchical organizational structure rather than bringing along the flatter/matrix structure that the company is used to from their home environment. "*The first time that I was in the factory in Shanghai with 1500 people, only 4 or 5 were westerners and this gradually decreased until there were only 2 of us. 99% of the staff were Chinese*". Since most of the employees in the Chinese subsidiary are locals, the hierarchical structure will add more social value in terms of how the employees would connect more to this kind of structure. The work culture in essence adapts to the national culture which connects to the rational myth wherein the firm becomes isomorphic to their institutional environment.

Husqvarna group has proved to be a legitimate organization in China in a sense that since their start in the 2000s, the company has been able to run successfully and has been accepted by the locals. The fact that the company has most of its employees recruited locally, shows how the company has adapted itself to the social norms.

Further on our interviews concentrated more on the three types of isomorphic pressures and to what extent they have influenced the company.

- Coercive pressure

The coercive pressure comes from government mandates or dependence on the key organizations. Husqvarna group as any other MNC in China, follow the local market regulation and governance. Husqvarna China adapted their code of conduct to be in line with all the government mandates and regulations required. That is a very important part since the MNC has to work with local companies in different sectors. "*Chinese companies acting in the export market and/or local market tend to have a Chinese mind-set"*. Another viewpoint of how the government is affecting the companies is a slow bureaucratic process when it comes to signing big contracts and the fact that the whole procedure is not accessible to the public. "*Other areas such as tender projects for big contract with the government is rigorous when it comes to documents and specifications. How the selection process after the documents is submitted is closed, so there is no chance to judge if we compete on the same terms*". Except those bureaucratic processes, some other government regulations have an effect on the western companies. The decision of the Chinese government to forbid access to different western social platforms such as, Facebook, WhatsApp and Google, for example, let the companies to a need of adaptation. In Europe a lot of services and company communications circled around Google, Google Maps and Facebook. "*Many of our applications and softwares use Google maps as GPS and location tracing software by default, but is should instead be Baidu because this is global compared to Google which is not global*". With all that said MNCs working in the same industry as Husqvarna Group have a disadvantage of not being Chinese. "*For Chinese companies because of the economy the government set up different trait zones and different tax benefits for export so for many products even if they are manufactured in China, they are cheaper in the west. Chinese institutions support aggressively exporting. It's easy to move money in China but hard to move them out*".

- Mimetic pressure

Though it is perceived that mimetic pressure exists when a company decides to follow the path of another organization, our case company here did not have to go through this stage as they initially established acquisitions with two other companies where one of the companies was previously existing in China. This meant that they had access to the market information which helped Husqvarna to adapt to the new environment rather than copy a particular style. Although it worked out this way for Husqvarna, it is hard to point out how MNCs in general would have gone through this stage since it can be tackled in many different ways.

- Normative pressure

This pressure comes from the general norms accepted by the local people. One of the main areas of practise that MNCs coming into China has to look into and adapt to is that of having limited channels of communications with their customers. MNCs have to absorb and live with the fact that even though the internet and its connectivity is growing in China with more people being connected, the company is restricted and can only use communication channels that are approved by the public in general and the government in particular. Along with communication channels, even payment services and marketing practises are done in a different way as compared to Europe. Looking into a more internal form of communication inside a firm, it can be seen how Chinese subordinates often nod along to everything put forward by their managers. This however does not mean that there is clarity in the communication because instructions from the manager are not questioned or clarified even if the subordinate does not understand it properly. "*Sometimes it is a language issue, Chinese being a difficult language, at least for many Europeans. Chinese people will not understand what you are saying but will say yes since that is the polite way to do. That creates a lot of challenges for westerners that are not familiar with how to do a business there*".

Social psychologists often think of punctuality as a cultural trait - something that is shared by the individuals in a certain group, for instance, a community, social class, or region (Basu & Weibull, 2002). Punctuality can be both a shared social trait and an equilibrium response on the part of every individual (Basu & Weibull, 2002). In a Chinese work environment, not being punctual is a generally accepted norm. This can be seen from not

following through with deadlines, meetings etc. unless demanded by the superior. If the boss says, “in a fixed time, this has to be finished”, then normally it is finished on time. The guanxi strategy can be connected to the normative pressure discussed above. Along with those aspects, a few other concepts can be discussed to make the argument stronger for the presence of guanxi in a Chinese work environment. There is a great emphasis placed on viewing the manager as a “father figure” wherein he/she is expected to be the best in what they are responsible for, be the most experienced, teach their subordinates well and give very clear instructions on how everything works and how tasks are to be done. The manager must protect their team. In return, the team will be extremely loyal to them, work longer hours to support their manager and so on. This can be referred back to where Guanxi is generally referred to relationships or social connections based on mutual interests and benefits (Yang 1994). In China wherever the manager leads, the team will follow. The team members wouldn’t want their manager to “lose face”. They would want to create a good relationship with their manager. If the subordinates faced an issue, they would bring it up only between them and the manager and not in a group setting like a meeting. Only by having a strong relationship with the manger would the organization be successful as a team. The hierarchical structure present in Chinese firms makes it easier to adapt well to the Chinese institutional environment and to have a connection to guanxi.

6. Conclusion

In this section the most crucial results of our key findings are presented according to our research questions. Moreover, the research questions are illustrated in respect to our final results.

The importance of adaptation into a different country, when it comes to internationalization, has been proven by many academic researchers, however a lot of research papers neglect the value that adaptation to the institutional environment has. It is vital for MNCs, like Husqvarna, to understand the importance of the same in a new environment and adapt itself to the Government policies and rules, generally accepted norms and to be a legitimate actor in the market.

The purpose of this study was to explore the process of adaptation of western MNCs to eastern institutional environment, with a focus on China. For this reason, the paper dealt with a case study of Husqvarna Group in China, a subsidiary, which has its parent company in Sweden. In this study, the main research question was answered.

How do western MNC's operating in China adapt to the eastern institutional environment of China?

One of the major ways of establishing a successful firm is by having knowledge of the different aspects of the environment and knowing how to adapt to these differences. In the case of Husqvarna, we observed how, for example, 1) the code of conduct was adapted to the Chinese rules and norms, 2) the change of organizational structure from the parent company's matrix structure to the culturally accepted hierarchical structure was adapted in China and 3) the firm absorbing and accepting new channels of communication that is approved by the government in their new environment since the channels that the firm is used to in Europe was not accessible there. These can be referred back to the authoritative guidelines for social behavior as defined in the institutional theory.

7. Discussion and Implications

In this section, the general response and recommendation toward the research questions are presented based on our findings and the available theories. Additionally, this section discusses the limitations of this case study.

7.1 Discussion

While keep their parent company values, the subsidiary in China adapts both to those values and their culturally accepted norm and regulations. The reasons why an MNC operating in China needs to adapt to both local and parent values are the current Chinese thinking of modernization rather than westernization. This means that China wants to learn from the west but doesn't want to be like the west wherein they still want to stay true to their traditions. *"Head of the government talks about socialism with Chinese characteristics. China wants modern factories, healthcare and universities but in their own way. When you work in China you can talk about family, entertainment and business and shopping but you don't talk about religion or politics*".

7.2 Implications for theory

Since this thesis has been based on the case study of the institutional adaptation of the Husqvarna Group to China, the findings can only be entirely related back to Husqvarna. However, we believe that this knowledge is still applicable for other MNCs wishing to operate in a Chinese environment, since it will help them to understand what challenges lie in front.

7.3 Implications for practice

Husqvarna Group had an upper hand because of the fact that they bought already established company in China which meant that the company has their 'liability of foreignness' on a smaller scale. Even though it was a long and hard process to merge the three companies it was easier for them to get the inside institutional knowledge, which will be harder for a MNC that goes directly without any insides. Also, MNCs coming from the western part of the world would have a difficult time to adapt to an unfamiliar culture. Merging with a local company adds to the ease in the transition from the home country's institution to the host country's institution.

7.4 Implications for future research

Future research can be focused on adding to the perspective of isomorphic pressures researched in this paper. This can be done by investigating which among these pressures have a higher impact on the institutional environment. Further on, other researches can be focused on the modernization rather than westernization in China. And also, what role the government plays in this process, how much power it has over the companies involved and how much China is willing to sacrifice to accomplish that goal. Since that is a fairly new topic, there is a research gap present in that field.

7.5 Limitations

Other than the general limitations of a qualitative study, a significant limitation of this paper is the fact that it focuses on a case study of Husqvarna Group. A simple case study is not enough to significantly and truly show all the aspects of institutional adaptation. Since the firm has a Swedish influence, a western MNC from a different culture looking forward to establishing in China would have different attitudes towards the institutional culture and the method of adapting to it.

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9. Appendix 1

Interview Questions/Guide

Introduction to the study is given.

Respondents particulars: Name (if possible), company, job position and responsibilities

A. INSTITUTIONAL ENVIRONMENT
(rules, laws, sanctions, certifications, accreditations, culture, morals etc)

1. How long has the participant worked with the Husqvarna group?
2. Did the participant expect any difference in the working environment between Husqvarna in Sweden and China? If yes - How big of a difference was it? Were those difference in the company environment or in the culture itself?
3. Is the participant familiar with the concept of guanxi? If yes - what does he/she think of the guanxi model?
4. How does problem avoidance and confrontations effect the work environment?
5. Organizational structure seen in Sweden is often flat and in China it is a hierarchical/pyramid structure. How did the company adapt or manage to operate with these apparent differences?
6. The Chinese are not known to be so punctual, whereas in Sweden, punctuality is seen as quite important. Does that affect the workplace environment in any way?
7. What was Husqvarna's initial entry mode in China?
8. Is the participant familiar with the internationalization models?
9. Why did Husqvarna start its operational facilities in China?

B. ADAPTATION TO INSTITUTIONAL ENVIRONMENT
Questions about coercive (government pressure, rules and policies), mimetic (adopting other organization practices), normative (share norms) approaches

1. Coercive:
   How strict is the government when it comes to the regulations that the firm must follow? Is it easier in any way for international companies to establish themselves in China or is does the same rules apply for even a Chinese company?
2. Mimetic:
   Does Husqvarna "follow" any particular successful company in China?
3. Normative:
   Does Husqvarna adopt practices that allows them to be accepted by their business partners or local clients?