Bachelor Thesis

The Missing Piece in the Labour Force Puzzle

The Impact of Highly Skilled Migrants on Internationalisation and Organisational Innovation in Swedish Companies

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Date: 22-05-2018
Subject: International Business
Level: Bachelor Degree
Course code: 2FE51E
Abstract

Today Sweden is facing a significant shortage of highly educated labour force, which is recognized by various companies and which can have adverse consequences on the firms as well as the country as a whole. One of the solutions to this problem is identified to be highly skilled migrants (HSMs). Thus the purpose of this thesis is to research the impact that HSMs have on Swedish companies. By carrying out a qualitative research approach, a deeper understanding of the influences of HSMs on the internationalisation and the organisational innovation is gained, while the chosen abductive method allows exploring the subject by taking into consideration the real life issue as well as the related theories at the same time.

The theoretical framework aids to build a foundation for this thesis regarding the relevant theories, including the bottom-up organisational design, the brain gain, RBV theory, internationalisation models and organisational innovation processes. This helps to construct a theoretical model which presents a theoretical answer to the research questions of the thesis.

Thus the theoretical model helps to analyse the empirical data gathered from the interviews with five representatives of different Swedish companies. The cross-referencing of the cases helps to find the similarities and differences of the impact of HSMs in these companies. This is followed by the conclusions based on the analysis chapter. The main theoretical implications include the findings that the market and cultural knowledge seem to be the most important assets that HSMs bring, which, together with different educational backgrounds, technological competencies and networks, aid the internationalisation of the companies that can be understood through the Network and Born Global models. Furthermore, it is found that the new perspectives of HSMs encourage the organisational innovation through the increased tacit knowledge inside the organisations. Moreover, the managerial implications include recognising of the importance of HSMs for the Swedish companies and thus seeking a more international workforce, empowering the employees and being able to exploit the resources that they bring, while at the same time managing the cultural clashes that might occur. Therefore, this thesis helps to build a foundation for viewing HSMs a solution to Sweden’s problem of the lack of highly skilled workers.

Keywords:
Highly Skilled Migrant, HSM, internationalisation, organisational innovation, globalisation
Acknowledgements

We would like to express our sincere gratitude to everyone who in one way or another contributed to the writing of this thesis. First of all, we would like to thank our supervisor PhD(c) Heidi Coral Thornton for the valuable feedback, the time that she has dedicated to us, and the genuine support provided. Secondly, we would like to take the opportunity to express our gratitude to our examiner PhD Susanne Sandberg. Your comments were of the vital importance for us. Thank you both for the open doors to your offices when we had questions. The constant support helped to steer this thesis in the right direction. Finally, we would also like to thank our classmates and other friends who provided us with the helpful feedback that was very important for the progress and improvement of our thesis.

We are also grateful to the company representatives that took time off their schedules to participate in this study. We appreciate the help from Thomas Steinschaden at Design online, Vinit Malhotra at Dynamo, Karamveer Singh at Siemens and Thomas Sabel at Yaskawa and the anonymous interviewee at SEB. Without your input, the study would not have been possible to conduct. Thank you for your enthusiasm and interest. We hope that you have gained some beneficial insights from this study as well.

Kalmar, 4th of June 2018

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Contents

1 Introduction ................................................................................................................................. 1
   1.1 Background ............................................................................................................................ 1
      1.1.1 Globalisation .................................................................................................................... 1
   1.1.2 Migration in Sweden .......................................................................................................... 2
      1.1.3 Highly Skilled Migrants (HSMs) .................................................................................... 3
   1.2 Problem discussion .................................................................................................................. 7
   1.3 The scientific research gap ..................................................................................................... 8
   1.4 Research questions ............................................................................................................... 9
   1.5 Purpose .................................................................................................................................. 9
   1.6 Delimitations ......................................................................................................................... 9
   1.7 Outline .................................................................................................................................. 10

2 Theoretical framework ................................................................................................................ 12
   2.1 Brain Gain .............................................................................................................................. 12
   2.2 Bottom-up organisational design .......................................................................................... 12
   2.3 Resource-based view ............................................................................................................. 13
      2.3.1 Foreign market knowledge ............................................................................................... 14
      2.3.2 Cultural knowledge ......................................................................................................... 14
      2.3.3 Networks ......................................................................................................................... 14
      2.3.4 Innovative thinking ......................................................................................................... 15
   2.4 Internationalisation ............................................................................................................... 15
      2.4.1 Internationalisation triggers ............................................................................................ 16
   2.5 Innovation .............................................................................................................................. 17
      2.5.1 Types of innovation ......................................................................................................... 17
      2.5.2 Innovation accessibility .................................................................................................... 17
      2.5.3 Organisational innovation ............................................................................................... 19
   2.6 Theoretical Synthesis ............................................................................................................ 20

3 Methodology ................................................................................................................................ 22
   3.1 Abductive research approach ............................................................................................... 22
   3.2 Qualitative research method .................................................................................................. 23
   3.3 Research design ...................................................................................................................... 24
      3.3.1 Multi-case study ................................................................................................................ 25
      3.3.2 Exploratory and evaluative study design ......................................................................... 25
      3.3.3 Purposive sampling .......................................................................................................... 25
   3.4 Semi-structured interviews .................................................................................................... 26
   3.5 Operationalisation .................................................................................................................. 27
   3.6 Method of data analysis ......................................................................................................... 28
   3.7 Quality of research ................................................................................................................ 30
      3.7.1 Validity ............................................................................................................................. 30
      3.7.2 Reliability ....................................................................................................................... 30
   3.8 Ethical considerations ............................................................................................................. 31
List of figures

Figure 1. *Sweden migration trend* (from SCB, 2018). Page 2.
Figure 2. *Number of highly skilled migrants in Sweden* (from SCB, 2018). Page 5.
Figure 3. *Employment situation of HSM in Sweden* (from SCB, 2018). Page 5.
Figure 4. *Conceptual framework* (Authors, 2018). Page 20.
Figure 5. *Revised Conceptual Framework* (Authors, 2018). Page 48.
1 Introduction

This chapter provides the foundation for this research. It presents the background of the phenomenon that is studied as well as identifies and discusses the problem. It serves to show the relevance and significance of the chosen topic. The chapter ends with the research questions as well as the purpose and delimitations of this thesis.

From the beginning of the 21st century, Sweden is facing the problem of the lack of educated labour force in many sectors. If not solved, this can have an adverse effect on Swedish companies and result in them being forced to move abroad (Svenskt Näringsliv, 2009). With increasing globalisation, highly skilled migrants (HSMs) could be the solution for Sweden’s problem by aiding the process of internationalisation as well as encouraging organisational innovation and this way allowing companies to reach their highest potential.

1.1 Background
1.1.1 Globalisation

Globalisation is the integration of economic activities into a global marketplace, by transcending political and regulatory borders (Guttal, 2007). Nayyar (2006), describes it as a strategy of development by companies for how to integrate into the world economy. Nayyar (2006, p. 137), further explains globalisation as “an expansion of economic activities across national boundaries.”

The late 19th century saw the first age of globalisation, which lasted from 1870 to 1914. For the first time goods and labour moved over national borders nearly unhindered by governmental interventions. The openness of economy during this era saw the rapid expansion of trade, finance and investment across borders. (Nayyar, 2006)

Due to economic and political conflicts in the early and middle 20th century barriers and regulations were put up, which constrained the international economic transactions. It was not until the second half of the 20th century, that the globalisation began again. It started with the liberalisation of the trade that had the effect of an unprecedented increase in international trade, followed by the liberalisation of foreign investment and the liberalisation of finance (Nayyar, 2006). The latter has two dimensions, Nayyar (2006, pp. 144-145) explains them as “the deregulation of the domestic financial sector in the industrialised countries and the introduction of convertibility on capital account in the balance of payments.” The speed of the globalisation since the late 20th century is related to the dismantling of control and regulations in various countries. Both eras of globalisation are grounded in the technologically revolutionary times where communication and transportation were reducing the time and cost of travelling distances. (Nayyar, 2006)
Hamilton and Webster (2015) list three indicators of globalisation:
- International trade
- International monetary transactions
- Immigration of labour

Globalisation has not had the same effect on the liberalization of labour as on the market itself, with barriers to migrant labour movement not falling very fast. However, migration is rising between developing and developed nations. There are many reasons why people choose to migrate, be it economical, social or political such as opportunities for work, higher wage or education. Furthermore, significant inequalities in income and favorable opportunities to find a job increase the motivation to move as well. The movement of labour could also be stimulated by companies in developed nations recruiting labour from abroad to fill the lack of skilled workers in various sectors. (Hamilton & Webster, 2015)

1.1.2 Migration in Sweden

Up from 1850 until now, migration has been of a lot of importance in Sweden. The most significant change in the migration trends happened in the 1930s when immigration started outpacing emigration (Hatzigeorgiou, 2010) (Figure 1). This trend became especially relevant at the end of the 20th and the beginning of the 21st century.

![Figure 1. Sweden migration trend (from SCB, 2018).](image-url)
During the recent years, this migration trend began to pose significant challenges for the country (Sweden.se, 2018). That is mainly due to the refugee crisis that started at the beginning of the 21st century, that now affects the whole world. Sweden is especially affected by this; as being an economically stable, immigrant-focused and socially attractive country, it is especially appealing for migrants. The high amount of refugees in Sweden can be said to influence the overall image of the migrants in the country. This affects the immigrant situation in Sweden by making it more difficult for them to compete against each other as well as against the native-born citizens for jobs, housing, et cetera. Even with the high amounts of immigrants in Sweden, the country is still lacking highly educated labour force (Edwards, 2017).

1.1.3 Highly Skilled Migrants (HSMs)

Many companies are using the HSMs as the ways to fill in the shortages of highly skilled labour (Iredale, 2001). Thus this could be the solution for Sweden as well. For this research, an HSM is defined "as having a university degree or extensive/equivalent experience in a given field" (Iredale, 2001, p. 8). It could also be useful to characterize HSMs according to the “push-pull” framework. This thesis is focusing on the “pull” migrants, who are attracted to a specific country by the positive factors there (Bansal, Taylor & James, 2005). These pull factors include “superior opportunities for employment, higher income, or education; preferable environment and living conditions; and opportunities for new activities, environment, or people” (Bansal et al. 2005, p. 98).

HSMs have become the significant part of the global migration flows (Iredale, 2001). This is influenced a lot by the increased globalisation as well as the lack of highly skilled workers in different countries and can be said to be quite high all over the world, because of the high need and competition for experienced professionals, especially having a foreign background and diverse competencies. Thus the matter of HSMs has become of the global importance.

1.1.3.1 Barriers to employment for HSMs

Even with the high demand for highly educated individuals, HSMs still face a lot of difficulties when trying to find employment abroad. Many factors that can hinder them from attaining a job in a country other than their home one. (Svenskt Näringsliv, 2009)

First of all, while globalisation results in easier mobility of labour capital, "education and skills may not be perfectly transferable between countries" (Irastorza & Bevelander, 2017, p. 4), as not all the abilities are equally relevant in different countries. This suggests that to be valuable and wanted in a country; an individual worker has to have country-specific skills. Even though Sweden is said to have a high multiculturalist
policy towards migrants, the failure of integrating them into the labour market shows that the system is not working well enough (Duvander, 2001).

Secondly, it can be more difficult for migrants to find jobs because the locals usually have better access to informal social networks that help them to find a working place easier. Having access to these more extensive recruitment channels benefits the native-born labour force more. (Irastorza & Bevelander, 2017)

Thirdly, restrictive labour laws for non-EU members also make it very challenging for HSMs to have a stable working place (Edwards, 2017). During the "Labour Migration to Sweden - let's improve the regulatory framework" seminar that took place in January 2018, it was discussed that the reasons why foreign workers are concerned about finding jobs in Sweden. These include the fear of not being able to fulfil the extensive requirements of the employment in Swedish companies and to understand the complex work permit regulations (Roden, 2018).

Finally, HSMs in Sweden have a lot of difficulties with administrative aspects in a workplace due to the highly regulated labour market. This type of barriers includes quotas on the number of native employees that have to be employed, before the company can hire an international one, and authorities refusal of accrediting a foreign education (Hamilton & Webster, 2015). Even though the Swedish government is thinking about adjusting the bureaucratic rules regarding the foreign workers' employment (The Local, 2016), the situation has not changed yet.

Overall, it can be said that the mentioned barriers for HSMs can become the direct challenges for the companies. This is due to the fact that even if the firms recognized the possible benefits of hiring the foreign workers, it is challenging for them to find and hire HSMs since Sweden is still not welcoming enough for the international workers.

1.1.3.2 HSMs in Sweden

As mentioned before, HSMs could be a solution for Sweden's shortage of workforce. Figure 2 shows the number of highly skilled migrants in the country. It can be seen that there are quite a lot of foreigners with a high level of education in Sweden (around 15 000 in 2016). This suggests that Sweden is an attractive country for HSMs.
HSMs with three years of University education
HSMs with more than three years of University education

Figure 2. Number of highly skilled migrants in Sweden (from SCB, 2018).

In order to understand the situation better, it is useful to look at the percentage of migrants with the minimum of three years of university education in Sweden who are employed, which is shown in figure 3.

Figure 3. Employment situation of HSM in Sweden (from SCB, 2018).

It can be seen, that there is a high percentage of HSMs that are unemployed in Sweden (10% in 2017) compared to Denmark and Germany, which have the percentages of 6.3% and 3.8% in 2017 respectively (Statista.com, 2018). Thus it shows that Swedish companies are not utilizing them in the best way.
Even such big Swedish companies as Spotify are now starting to understand the importance of HSMs and put attention to the fact that in order to stay competitive, Sweden needs to attract more talents from abroad (Medium, 2016).

1.1.3.3 Impact of HSMs on internationalisation

There is a lot of evidence of migrants contributing positively to the internationalization of companies by joining the native-owned companies. Sui, Morgan, & Baum (2015) emphasise the role of knowing different languages, which helps a lot in the process of internationalization by being able to build the relationships easier, which would otherwise be hindered by the language barriers. Moreover, it can be said that specific resources that HSMs have (such as access to international networks) provide the companies that they work for with the competitive advantages, especially when the company is aiming at exporting or carrying out other internationalization activities (Neville, Orser, Riding, & Jung, 2014). The results of many studies show that migration has a significant positive effect on the Swedish foreign trade, which is mainly due to the extensive knowledge, as well as an improved flow of information and market networks of HSMs (Hatzigeorgiou, 2010; Hatzigeorgiou & Lodefalk, 2015; Hatzigeorgiou & Lodefalk, 2016). Welch, Welch & Marschan-Piekkari (2001) explain this process as the HSMs being able to reduce the psychic distance between the different countries. In this way, they work as cultural bridges between the companies and the markets that they want to enter. On the other hand, Qiu & Gupta (2015) state that HSMs can be seen as the bridges connecting the supply chains on an international scale. By self-selecting foreign workers, companies can benefit from the “higher levels of international attention and higher levels of international trust,”, which explains the importance of HSM as an internationalisation driver on a firm level (Pisani, Muller, & Bogățan, 2018, p. 14). Thus HSMs provide companies with various kinds of skills and knowledge that aid the firms in the internationalisation process in different ways.

1.1.3.4 Impact of HSMs on organisational innovation

Another way that HSMs can influence Swedish companies is by encouraging an organisational innovation, which is defined as “the development and the use of new ideas or behaviors in organizations” (Damanpour & Wischnevsky, 2006, p. 271). Moreover, in their research Hunt & Gauthier-Loiselle (2010, p. 31) found out that in the United States market “a one percentage point increase in immigrant college graduates' population share increases patents per capita by 9-18 percent”. Furthermore, the research by Niebuhr (2010) shows that the immigrants with diverse cultural backgrounds and skills positively influence the performance of companies’ R&D sectors. Thus it is found that the more diverse workforce in the company positively affects the innovation level in the company (Ozgen, Nijkamp & Poot, 2013). Svenskt Näringsliv (2009), which is responsible for representing and benefiting all Swedish
companies, also emphasises that HSMs have a positive influence on firm’s innovation level.

Pilat, Backer, Basri, Box & Cervantes (2008) highlight that the higher mobility of HSMs between countries contributes to the transmission of the new knowledge. In order to create an organisational innovation inside the company, Williams (2007) also emphasises the importance of the informal knowledge transfer between HSMs and local workers, as well as the ability of the companies to manage this transaction. The author explains the process of incorporating new knowledge brought by the migrants in three steps: recruiting the individuals with the necessary expertise, facilitating the exchange of knowledge between migrants and workers and redistributing it within the company, which is essential to achieve organisational innovations within the company. This is also discussed by Crescenzi & Gagliardi (2018) who state that firms usually benefit from the inflow of knowledgeable foreign individuals who help to make the companies more innovative.

1.2 Problem discussion

As mentioned before, even with increasing population, Swedish companies are still experiencing a lack of highly educated labour force in the market (Edwards, 2017). According to Arbetsformedlingen (2017), in the private sector, 40% of companies have had difficulties recruiting labour force with the needed skills, which has the result of hindering the economic growth in the country. Looking at the Hays Global Skills Index, which is a ten-point scale assessment "determining how easy or difficult it is for organizations to find the skilled professionals they need" (Hays Index, 2018) (the higher the score, the more difficult it is), Sweden has the score of 7.00 out of 10.00. This suggests that the country's labour market is under a lot of pressure. The main reasons for this are the "talent mismatch", which is the discrepancy between labour supply and demand, and the overall wage pressure that comes in the form of increased wages mainly in industries requiring highly educated labour force due to a shortage of specific job skills (Hays Index, 2018). To understand the labour market situation in Sweden better, it can be useful to compare it with culturally, economically and politically similar countries like Denmark and Germany, which both have the score of 6.4 (Hays Index, 2018) and thus are in a somewhat better position. Therefore, it can be seen that Sweden is affected by the lack of skilled labour, making it a significant problem.

The professions that are in the most need of a workforce are nurses, kindergarten and school teachers (Radio Sweden, 2016), there is also a shortage of people in such spheres as accounting, payrolling, QA specialists, and business/financial controllers, as well as IT professionals (Edwards, 2017). From this it can be seen that there is a variety of industries that face this problem; thus it could be good to look at this situation from a broad perspective without focusing on a specific sector.
Therefore, it can be seen that Swedish companies are significantly affected by the lack of educated labour force. By not having enough expertise, companies are hindered from achieving the best results that competencies brought by HSMs could offer. This can negatively affect the performance and the economic growth of the whole country (Iredale, 2001). Thus the HSMs can aid the companies in many ways. Their impact can be seen on the internationalisation and innovation processes inside companies. The background discussion above shows the different aspects of the companies that are affected by the knowledge and skills brought by the HSMs. By being able to incorporate them into the firms’ operations, companies could benefit significantly.

Therefore, Svenskt Näringsliv (2009) emphasises that due to decreasing number of people of working age, not enough education in the technical professions as well as increased globalisation, focusing on recruiting HSMs could be the solution for Sweden’s problem.

1.3 The scientific research gap

There are a lot of studies carried out that examine the challenges that HSMs face when wanting to find employment in foreign countries; thus the reasons for the existing problem (lack of educated labour force in Sweden) have been studied quite extensively. The possible solutions for the problem have also been identified in different research studies. Regarding the Swedish labour market, the studies have been carried on the subjects of attracting foreign talents (Stockholms Handelskammare, 2017) and student immigrants to Sweden (EMN Sverige, 2012). Furthermore, different research papers are done regarding the contribution of educated immigrants on innovation, entrepreneurship and education in the U.S. market in general (Ghosh, Mayda & Ortega, 2014), where the impact of HSMs can be seen easier due to the large amount of them in the country. However, the effect that HSMs have on individual European, or more specifically on Swedish companies has not been studied in a large extent. The limited research on the subject may exist because the impact of an individual on the company's processes may be difficult to measure as there are not that many highly educated migrants in Sweden as there are in the U.S. Yet with the increasing globalisation, the workforce of companies, especially that of global ones, is becoming more and more culturally diverse. This makes the impact of HSMs on these companies more noticeable and easier to measure as it becomes easier for companies to hire foreign labour. The major study about the situation regarding HSMs in Sweden was carried out by Svenskt Näringsliv in 2009, however, no other substantial research has been carried out in the last decade, thus it can be argued that the matter requires more recent investigation. The research scope is also rather narrow regarding the specific aspects of the company’s processes that HSMs might influence. The impact of highly skilled migrants on the internationalisation of Swedish firms is insufficient, while the issue of organisational innovation in regards to the influence of HSM can be said to be non-existent. Therefore, this thesis focuses on the least researched aspect related to Sweden’s problem - the impact that HSMs have on the processes of Swedish companies.
1.4 Research questions

**Research question 1**

After the problem identification and discussion, the first research question is formulated to cover the HSMs’ influence on the internationalisation process.

*How do HSMs aid internationalisation of Swedish companies?*

**Research question 2**

To better analyse the influence that HSMs have on Swedish companies, their impact on the organisational innovation of the firms should be examined and thus the second research question is developed.

*How do HSMs influence organisational innovation in Swedish companies?*

1.5 Purpose

The purpose of this thesis is to examine the impact of HSMs on the Swedish companies. It is identified that HSMs could be the possible solution for Sweden’s lack of highly educated labour force. Thus the paper focuses on the ways that HSMs could aid the processes of firms. The thesis aims to look at the influence that HSMs have on companies from two perspectives - internationalisation and organisational innovation. Thus this study intends to contribute to building a foundation for the importance of the globalised workforce for the firms by researching the ways that HSMs benefit the Swedish companies.

1.6 Delimitations

The focus of the thesis is only limited to migrants with the minimum amount of three years of university education. The low skilled migrants are not taken into consideration in this study. Moreover, it is possible to differentiate HSMs in regards to a permanent migration and temporary mobility, that differ in terms of duration, frequency and seasonality (Bell & Ward, 2000, p. 90). However, for the purposes of this thesis, differentiating between permanent and temporary migration does not have a lot of significance, because the focus is on the impact that HSMs have on the companies no matter the type of the movement. Furthermore, separating HSMs in terms of EU and non-EU members could also be considered, as non-EU migrants might face more barriers when seeking employment in such countries as Sweden, for example being required to attain an EU Blue Card (Migrationsverket, 2018). Since the barriers to finding employment are not the focus of this research, differentiating HSMs in this way
has no practical use. Moreover, the thesis is not differentiating between business-to-business and business-to-consumers companies, as well as between industry sectors and sizes of companies.

1.7 Outline

Chapter 1
- **Introduction**
  - This chapter provides the foundation for this research. It presents the background of the phenomenon that is studied as well as identifies and discusses the problem. The chapter ends with the research questions as well as the purpose and delimitations of this thesis.

Chapter 2
- **Theoretical framework**
  - This chapter provides the explanation of the theories that are relevant for this research and that are used to analyse the empirical findings. It is finished by demonstrating the conceptual framework that connects all the presented theories and shows the progress of the research.

Chapter 3
- **Methodology**
  - This chapter demonstrates and explains the methodology chosen in order to carry out this research.

Chapter 4
- **Empirical findings**
  - This chapter presents the empirical data gathered from the interviews conducted in this research. Firstly, we introduce each case separately. Subsequently, the interviewees' views on the impact of HSM on their companies' internationalisation and organisational innovation are outlined.

Chapter 5
- **Analysis**
  - In this chapter we analyse the empirical findings in accordance with the theoretical framework of this thesis. By cross-referencing the cases, different aspects of the research are compared and evaluated.

Chapter 6
- **Conclusions**
  - This chapter presents the answers to the research questions of the thesis that are derived from the analysis chapter. Moreover, theoretical and practical implications that this research suggests are explained. The chapter is concluded with the limitations of the study as well as the suggestions for the future research.
2 Theoretical framework

This chapter presents the theoretical framework which is the basis of this research. It begins by introducing the Brain Gain theory, the Bottom-Up organisational design, and the Resource-Based View theory in order to show the importance of the global talent flow between countries, the influence of the employees on an organisation and the significance of the human resource, respectively. Further on, the concept of internationalisation is introduced together with its different models and the triggers for this process. Subsequently, we move on to the phenomenon of the organisational innovation, its types, and effects on companies. The theory chapter is finished by demonstrating the theoretical synthesis that connects all the presented theories and shows the progress of the research.

2.1 Brain Gain

Hunger (2002) defines the brain gain theory as the intellectually and technically educated labour force that emigrates from developing to developed countries, bringing with them the skills and knowledge that are potential resources for the socio-economic development of the host country.

The other aspect of the brain gain is the skilled workers returning to their home countries (Hunger, 2002). In such cases, the knowledge is brought which benefits the local development (Stark, Helmenstein & Prskawetz, 1997). There are different ways of how a company can benefit from the brain gain. The first is by attracting HSMs from other countries. These can be foreign or native citizens that left the country previously for working or studying purposes. The other way is to develop the brain gain within the country by educating the population in accordance with labour market needs (Staubhaar, 2000).

As long as the brain gain is happening within a country, the human capital will be directly influenced. It is the key driver for the development. In this way, the brain gain is relevant for the government to assure the growth in the future. (Staubhaar, 2000; Lien & Wang, 2005)

2.2 Bottom-up organisational design

There are two main approaches to the organisational design - the top-down and the bottom-up. The top-down approach means that the employees with the top positions in the company have the most power in decision making and the firm follows a command-and-control manner; while the bottom-up design brings about the decentralised control, where all the employees in the company are free to make their own decisions and act as they see fit (Sisney, 2013). The later organisational design recognises the importance and identifies the possible benefits of acknowledging the employees as the most
important strategic resource in the company (Kim & Rhee, 2011). Even though the bottom-up action plans usually take a lot more time, they are essential for the company as they allow for “diverse opportunities for improvements in the areas of operational practices and processes” (Kim, Sting & Loch, 2014, p. 471). However, the success of the organisational design relies strongly on the leaders in the company (Sisney, 2013). That is because, without upper management’s support for the bottom-up idea, it cannot bring any real value to the company (Kim, Sting & Loch, 2014). Thus usually the best strategy is to use a combination of the two organisational designs.

2.3 Resource-based view

In order to understand the value of the HSMs for Swedish companies, the resource-based view (RBV) theory is useful. It focuses on the firm-owned resources that can help to create sustained competitive advantages for companies (Barney, 1991; Runyan, Huddleston & Swinney, 2006). For this to be the case, the resources owned have to have four characteristics – they have to be valuable, rare, imperfectly imitable and they cannot have any equivalent substitutes (Barney, 1991). This asymmetry in possession of the resources is what helps the companies to gain superiority over the competitors (Amit & Shoemaker, 1993). According to Barney (1991, pp. 105-111), firstly, being valuable means that the resources must allow the companies to exploit new opportunities and/or eliminate threats; secondly, being rare implies that firm’s competitors cannot possess the same resources; thirdly, to be imperfectly imitable, the resources may have “unique historical conditions” and result in competitive advantages that have the “causally ambiguous” and “socially complex” nature; finally, the strategic substitutability of resources has to be low or non-existent.

There are different ways to categorize resources. First of all, one of the considered founders of the RBV theory, Penrose (1959, p. 67), differentiates between the physical resources that “include the physical things a firm buys, leases or produces for its own use and the people hired on terms that make them effectively part of the firm” and services that “are the contribution these resources can make to the productive operations of the firm”. Another way that resources can be classified is dividing them into tangible and intangible ones (Wernerfelt, 1984; Runyan, Huddleston & Swinney, 2006), where tangible resources are the physical assets that the company owns and intangible – the non-physical assets the value of which is more difficult to establish. Finally, the most convenient way to categorize resources for this thesis is by separating them into three groups – physical capital, organisational capital and human capital resources. Barney (1991, pp. 101) defines physical resources as “physical technology used in a firm, a firm’s plant and equipment, its geographic location, and its access to raw materials”, organisational resources as “firm’s formal reporting structure, its formal and informal planning, controlling, and coordinating systems, as well as informal relations”, and human resources as “the training, experience, judgement, intelligence, relationships, and insight of individual managers and workers in a firm”.

13
Since the focus of this thesis is on HSMs, the RBV theory is applied in order to evaluate the human capital resources that they bring. The literature suggests that these resources include foreign market knowledge, cultural background, networks, innovative thinking.

### 2.3.1 Foreign market knowledge

Foreign market knowledge includes any information and insights about the market of interest. According to internationalisation theories, it is possible to gain market knowledge through incremental resource commitment in foreign countries. However, having market expertise even before starting the internationalisation process could be very beneficial as it allows to evaluate the risks, choose the best strategy and avoid unnecessary costs. There are different types of foreign market knowledge, such as institutional knowledge and procedural knowledge (Ling-yee, 2014). According to Tsai & Ghoshal (1998), market knowledge has a direct and significant influence on the profitability of exports. Therefore, it can be seen that foreign market knowledge that HSMs could provide is precious for the company. However, it is not that rare to have insights about the markets before going international. Furthermore, this resource is easily and perfectly imitable. Finally, by acquiring local agents or by having relevant networks in the foreign country, it is possible to use market knowledge as a resource. Thus foreign market knowledge is an essential resource for a company; however, it does not create a sustained competitive advantage.

### 2.3.2 Cultural knowledge

Culture is defined as “the learned ways in which society understands, decides and communicates” (Hollensen, 2016, p. 253). According to Baligh (1994), it consists of many components that are all connected, such as the behaviour, the truth, the basic beliefs, the basic values, the logic and the decision rules. Furthermore, Hollensen (2016) emphasises the role of language as an important component of culture. Having the understanding of these aspects of culture could significantly benefit the company in the process of internationalisation as it would make it easier to build connections, get insights and in general perceive how procedures are carried out in the country. Therefore, cultural background of HSMs could be very valuable. Furthermore, finding someone who has experience and background of a certain culture is quite rare. However, as with the case of foreign market knowledge, it could be rather easy to imitate this resource. Finally, the cultural background cannot be easily substituted as it allows the company to get special insights into the market that could otherwise be difficult to attain. Thus cultural knowledge could be regarded as a resource that creates a competitive advantage for the companies.

### 2.3.3 Networks

In the internationalisation theories, the role of networks is critical. According to Nielsen (2017, pp. 162-163), networks can “provide people with information”, “influence other
people in the network”, “create social legitimacy” and “develop and enhance personal identities.” Johanson & Vahlne (2009, p. 1427) emphasise the significance of networks in different types of internationalisation - resource-seeking and market-seeking. Thus the networks that HSM bring to companies can give access to new resources and new markets and this way create benefits in the processes of internationalisation. Moreover, in their research, Zeng, Xie & Tam (2010) found that networks between different companies, between the company and intermediary institutions and between the company and research organizations have a significant impact on the innovation performance of the companies. Furthermore, a lot of studies are focused on the effectiveness and increasing use of open innovation and external cooperation in order to enhance the innovative performance (van de Vrande, de Jong, Vanhaverbeke & de Rochemont, 2009; Lee, Park, Yoon & Park, 2010; Tomlinson & Fai, 2012), where an open innovation is the phenomenon when the companies are willing to share knowledge, experience, and insights about the innovation practices, which benefits all parties involved (Enkel, Gassmann & Chesbrough, 2009). Therefore, it can be seen that the networks that HSMs have are very valuable. Furthermore, even with increasing globalisation and openness, finding reliable and beneficial networks is still quite rare. Moreover, it is difficult to imitate this resource, because it takes much time to build relevant network connections. Finally, the advantages that the network brings to the company are very challenging to attain from somewhere else; thus the network can be said to be almost unsubstitutable. Therefore, it can be seen that HSMs’ networks can indeed create a sustained competitive advantage for companies.

2.3.4 Innovative thinking

As it was presented in the section above as well as in the introduction chapter, it can be seen how HSMs can bring about the innovation to the companies. Wadhwa, Saxenian, Rissing & Gereffi (2008) also show that the innovation that HSMs introduce to the companies contributes a lot to the economic growth of the countries. According to Crescenzi & Gagliardi (2018), this happens due to the informal knowledge transfer inside the international companies that helps them to be more innovative. Therefore innovation is a valuable resource in terms of increasing effectiveness and productivity in a company. Secondly, efficient and impactful innovative practices are usually quite rare. Thirdly, companies usually protect their innovations, which makes them difficult to imitate, especially if firms decide to have patents on them. Finally, the most important thing about the innovative thinking is that it is very challenging to substitute. Therefore, innovative thinking can result in a sustained competitive advantage for companies.

2.4 Internationalisation

Internationalisation is a process “when a firm expands its R&D, production, selling and other business activities into international markets” (Hollensen, 2016, p. 56). When defining internationalisation, Johanson & Wiedersheim-Paul (1975) emphasise the importance of company’s attitudes towards expanding abroad, which then, in turn,
influences the behaviour. Depending on the firm size, international experience, product characteristics and other factors, the companies internationalise in different manners. One of the main internationalisation theories is the Uppsala Internationalisation Model. It suggests that when expanding to other markets, the company follows a series of incremental steps in order to gain market knowledge and increase a resource commitment, the pace of which depends on the psychic distance between the countries (Johanson & Wiedersheim-Paul, 1975). The second model is the Transaction Cost Analysis (TCA) Model. It focuses on the friction between a buyer and a seller and suggests that the transaction cost is what influences the choice of market entry mode and thus the way of internationalisation (Hollensen, 2016). Thirdly, another approach to internationalisation is taken by Born Globals which are the companies that undertake internationalisation activities right from the inception, according to this model, companies are encouraged to expand to global markets due to several factors, including the founder, organisation and environmental characteristics (Madsen & Servais, 1997).

Finally, the approach to internationalisation that fits best with the aim of this thesis is the Network Model. The model applies social exchange theory to explain how companies build relationships that aid the process of carrying out company’s activities abroad (Chetty & Holm, 2000; Ojala, 2009; Johanson & Kao, 2010). In this theory, networks are viewed as intangible assets, since they allow companies to get access to other resources. The network strategy is gaining an increasing amount of attention since it explains the internationalisation strategy of many companies today (Johanson & Kao, 2010).

### 2.4.1 Internationalisation triggers

For the internationalisation to happen, there have to be some factors from inside or outside the company that initiates the activity (Hollensen, 2016). These factors are called the internationalisation triggers. They can be divided into internal and external triggers. HSMs can be seen as internal triggers of internationalisation in several ways - by being a part of perceptive management or considered as a specific internal event (Hollensen, 2016). Firstly, if an HSM with specific cultural background and knowledge about foreign markets is a part of the management team, then he or she can influence the decision making in regards to entering new countries. Secondly, hiring a broad-minded, risk-taking and influential HSM in any position within the company can also persuade executives’ decisions. Moreover, the concept of the migrant effect is also concerned with the HSMs as possible triggers for internationalisation. According to Welch (2001, p.194), it can work on two levels: “as key decision maker, a migrant may select markets on the basis of former country familiarity; or the migrant as employee may trigger or confirm the attractiveness of a selected market, and language may be a major factor here”. Thus these theories present the importance of the migrants as the motivators for internationalisation.
2.5 Innovation

Innovation has been commonly defined as the development of new ideas and practices in organisations (Walker, 2006). For the purposes of this thesis, the focus is not going to be on the technical/product innovation, but rather on the organisational innovation that affects the processes inside the company. Damanpour, Walker & Avellaneda, (2009 p. 652) differentiate innovation in an organisation in several ways - “new to the individual adopter, to an organizational sub-unit, to the organization as a whole, or to the entire sector, industry, or organizational population.” In this study of how companies adopt organisational innovation from HSMs to the firm, innovation is defined as the companies adopting new ways to operate on the organisational level.

According to Damanpour et al. (2009), the reason why organisations are forced to innovate is the pressure they receive from the external environment. For instance, competition, resource scarcity, the need to gain distinctive competencies and increase the quality of services. The intention of adopting an innovation is to change the organisation in order to improve or maintain its performance. The innovation adoption within an organisation is focused on how capable it is to adapt to the changes in the environment, to sustain the current effectiveness and competitiveness or how to increase it (Damanpour & Gopalakrishnan 2001). This way of looking at innovation as adoption was primarily influenced by the perspective of goal orientation within organisations (Scott, 2003).

2.5.1 Types of innovation

Damanpour & Gopalakrishnan (2001) describe how organisational innovation can be divided into technical and administrative. Administrative innovations are the new ways to work within the organisational process that are related to the administrative functions. This type of innovation has an internal focus while technical innovation has a market focus. Organisations usually try to imitate others in their institutional environment and adopt innovations that have been adopted by industry leaders to stay competitive. Accordingly, technical innovations are more industry-specific and standardised, while administrative innovations are unique to the adopting organisation. The organisation specific innovations are almost impossible to imitate because of the considerable changes the adopting company needs to make to for it to be compatible, making it very unlikely to see this innovation be replicated by other firms. Thus when correctly chosen and implemented administrative innovation is the way of changing the organisation to improve its performance (Damanpour & Gopalakrishnan 2001).

2.5.2 Innovation accessibility

Beckman (1997) identified three stages of innovation accessibility in organisations. Firstly, tacit knowledge offers indirect access but is difficult, the approach is done by information extraction and observing behaviour. Secondly, implicit knowledge is
accessed via questions and discussion, but first, it must be located because of its informal nature. Finally, explicit knowledge can be accessed directly, in the form of documents of formal information that is well organised.

Nonaka and Takeuchi (1995) indicate that people are an integral part of knowledge in companies. By spreading firm knowledge, the people can reveal unforeseen aspects of organisational knowledge. Nonaka (2007) explains that knowledge is spread in organisations in relations to explicit and tacit knowledge. In this way, explicit knowledge can be combined into the new information collected from the organisation. This way the new explicit knowledge is created, which eases the access to the knowledge base within the firm without providing any new information. Nonaka (2007) further explains that when the tacit knowledge can be converted to explicit knowledge, it allows the information to be shared and can lead to the new innovative knowledge. This new explicit knowledge is shared with employees, and they begin to internalise the knowledge into personal tacit knowledge.

2.5.2.1 Division of labour

Creativity is not innovation but is essential as input for the innovative process (Swann, 2009). Simon (1985) identified that in the learning process a diverse knowledge base is immensely important as a source of invention and innovation. Swann (2009) determines that the more extensive a network of people is, the more can be learnt from it, which leads to a higher likelihood of an invention. In this way labour can build up the experience by learning, that can lead to the invention as a way of problem-solving (Dodgson, Gann, & Salter 2005, p. 193). This process of division of labour motivates specialised labour to modify or invent new tools to work with. However, even though the division of labour can be a source of invention and innovation, if the labour is too highly divided, the innovative process could halt. If this happens and the divided labour cannot solve it by itself, then other sources of invention or innovation must be discovered or looked for. (Swann, 2009)

2.5.2.2 Bisociation

The reorganisation and The combination are seen as central parts to promote the process of innovation (Swann, 2009). New ideas or knowledge are created when existing concepts are reorganised or combined. In this way, for an organisation to promote innovation, it can reorganise and combine already existing distinct knowledge and competencies. The term bisociation was coined by Koestler (1964) and is used to understand how the combination process is done. According to Swann (2009), a group’s creativity depends on their interactions and the ability to bring out the individuality of people in their different backgrounds and experiences to exchange ideas. Thus the more diverse a group is, the better potential for creative bisociation the group has, because it can combine knowledge from many different parts (Dodgson et al. 2005). This is becoming increasingly important because of the intellectual labour becoming divided
with the ever-growing complexity, making it hard for a single individual to master more than one thing. However, groups of people with different backgrounds are not without friction. It can be the lack of a common language for communication that they do not exchange ideas. It can also be that they have different values, and thus disagree or even have conflicts. If this is not appropriately managed, the result will be that the creative process is halted. (Swann, 2009)

It is established that a diverse network can benefit creativity. However, if a person in the network feels pressure to adopt normative influences and modifies their behaviour to avoid conflict to better fit in the group, this can lead to a better group dynamics on the surface, but to poorer group results because they fail to explore all alternatives. The reason behind this is that the vital knowledge within the group is not exploited due to diplomatic reasons. This phenomenon is known as groupthink and produces flawed group decisions. (Swann, 2009)

2.5.3 Organisational innovation

Swann (2009) explains that the division of labour and the bisociation are different perspectives with different implications for innovation. Firstly, the division of labour is a way innovation is made. Secondly, the bisociation organisational design explains how certain factors lead to innovation. The first perspective approaches innovation by steadily producing small innovations, while the second process is more prone to radical innovations (Dodgson et al. 2005). The difference between small and radical innovations are not only one of a size, but also how well the organisations can cope with innovations and if it is disruptive to the established procedure. If the organisation can cope well with the innovation, it is incremental, although if it cannot, it is a radical innovation. (Swann, 2009)

The division of labour approach for innovation is mainly developed within hierarchies. This is true for organisations with functional structures, where units are divided into different parts of the business. This is motivated by the firm being able to exploit the economics of scale of the division of labour specialisation. If the organisation reaches a certain size where it produces similar products but with different uses, the division is needed to promote innovation in its own field of use by redefining the routines within areas. However, hierarchies are not usually suited for radical innovation. (Swann, 2009)

Swann (2009) describes how the bisociation combination innovation approach needs a completely different form of organisation. The nature of the idea demands that communication flows across existing structures, making it hard to implement in hierarchies because the communication channels are non-existent and creating them would involve substantial organisational changes. Dodgson et al. (2005) explain that in a network structure this form of communication can be easier to develop. In a network structure, the relationships between groups do not have formal boundaries but are directed by changes in the explicit and implicit requirements that tasks need. In this
way, groups can be recombined or reconfigured as is required by the organisation (Dodgson et al. 2005). Accordingly, these structures can handle the radical innovation, positioning themselves to focus on the core competencies while outsourcing other parts. The network structures disadvantages are grounded in the divided loyalty because of the various sources of authority, thus making it hard to attain economies of specialisation. The circumstances that are essential to making this structure good for innovation are what at the same time makes it bad at accomplishing innovation by specialisation. (Swann, 2009)

2.6 Theoretical Synthesis

The literature review has shown that there is a lack of educated labour force in Sweden, which can be said to limit the companies from achieving their highest potential. The studies have identified that HSMs could be the solution to this problem. The theoretical framework demonstrates that HSMs can have a significant impact on companies. The proposed theoretical model that can be seen in figure 4 presents the theoretical answer to the research questions of this thesis. First of all, the gap in the Swedish companies can be observed due to the lack of educated workers, as well as HSMs becoming the missing piece of these organisations. Secondly, the literature reveals that through the Brain Gain, HSMs can be seen as strategic resources for the companies, which, using the bottom-up organisational approach, could influence the firm in many ways. Thirdly, being regarded as human capital, many studies identify that the input of HSMs can include the market and cultural knowledge, the technological competencies, the networks and the innovative thinking. Therefore, according to the literature, by providing the company with these intangible resources, HSMs can work as an internationalisation trigger in regards to the Network Model and they can improve the organisational innovation in the firm through the division of labour and the bisociation by providing new perspectives. Thus by adding all of the related concepts and theories together, the conceptual framework shows how HSMs can aid the internationalisation and organisational innovation processes in the Swedish companies.
Figure 4. Theoretical model
3 Methodology

This chapter demonstrates and explains the methodology chosen for this research. Firstly, the research approach, method, and design are presented. This is followed by the data collection methods, the operationalisation of interview guide and data analysis methods. The chapter is finalized by discussing the issues of validity, reliability, and ethics regarding this research.

3.1 Abductive research approach

Talking about the research approach, three forms could be applied when conducting scientific research. Firstly, the deductive theory is the most common method for researching the relationship between the theory and the empirical data. This approach is based on what is known about a subject and how theoretical considerations deduce a hypothesis about the topic which then has to be subjected to the empirical analysis. Secondly, the inductive theory works in the opposite way of deductive, with the researcher interpreting the findings and incorporating them into the theory that had motivated the research. Thirdly, in certain studies, it is advantageous to use the abductive theory which considers the relationships connecting both the theory and the research in terms of deductive and inductive strategies (Bryman & Bell, 2015). Thus according to Timmermans & Tavory (2012, p. 171), the abductive approach is “the most conjectural of the three logics because it seeks a situational fit between observed facts and rules.” They state that this approach allows exploring the subject most deeply and broadly.

It should be highlighted that when applying the deductive or inductive strategies, the arguments are not as well defined; thus these two approaches are sometimes used just out of a habit rather than an absolute distinction. Because of these factors, the abductive research approach can be seen as superior and has risen in popularity over deductive and inductive in qualitative research methods. (Bryman & Bell 2015)

Abductive research approach can be seen as “the creative, imaginative or insightful moment in which understanding is grasped” (Lipscomb, 2012, p. 244). Dubois & Gadde, (2002) highlight the advantages of the abductive research approach as continually going back and forth between the empirical data and the theory and this way helping to understand the phenomena better. They also emphasise that the preliminary analytical framework for this research approach consists of expressed assumptions that are developed over time taking into consideration what is discovered through the empirical data, analysis, and interpretation. All this derives from the fact that the theory cannot be understood without the empirical data. Moreover, abductive research approach relies strongly on the background, sophistication, and knowledge about the subject of the researcher in being able to observe, interpret, analyse and draw conclusions about the matter (Timmermans & Tavory, 2012, p. 173).
With the abductive approach, a collection of empirical data can result in the identification of unforeseen related issues that could be explored in more detail. This brings about the need for a change in the theoretical framework with changes in the model. This concept was named the “systematic combination” by Dubois & Gadde, (2002). The abductive approach requires the researcher to guess in relation to existing theories and collected data in order to explain the unexpected results that were found (Timmermans & Tavory, 2012, p. 179).

Since this thesis has its grounds on both the empirical data and the theory, the abductive research approach is the most appropriate for exploring the phenomenon of how HSMs can aid internationalisation and innovation of Swedish companies. With research into the area not being well articulated, it was decided to take into account the theoretical framework and the empirical observations to have a better understanding of the subject, as well as to find the patterns in theoretical research and empirical data to ascertain a complete understanding of the research topic. This approach helps to produce the best results that could be of future benefit to companies in their internationalisation process as well as in adaptation of innovations in their organisations.

3.2 Qualitative research method

The research methods are generally divided into two categories - quantitative and qualitative. The main ways that these two methods differ include their different objectives, types of research used, flexibility, sample sizes and data analysis (Hollensen, 2016). For the purposes of this thesis, the qualitative research method is chosen. It can be defined as “a form of research in which the researcher or a designated co-researcher collects and interprets data, making the researcher as much a part of the research as the participants and the data they provide” (Corbin & Strauss, 2015, p. 4). The type of research that is usually used with the qualitative method is exploratory. It has a lot of flexibility, small sample size with the subjective and interpretative data analysis that is quite difficult to replicate (Hollensen, 2016). This means that the interviewer’s role in the qualitative research method is very important. The researcher is responsible not only for identifying the facts and experiences of the interviewees but also for understanding their interpretations, feelings, and thoughts about those experiences and “the meaning people have constructed” (Merriam & Tisdell, 2016, p. 6).

The qualitative research method is usually used to explore the subject that has not been researched in great detail previously. A dynamic nature, a possibility of serendipity, room for creativity, an ability to connect to participants better and explore the matter in more depth are the main advantages of qualitative research method over the quantitative one (Corbin & Strauss, 2015).

Denzin & Lincoln (2017) illustrate how qualitative research is regularly connected with an interpretive philosophy. Qualitative study’s interpretive nature is grounded in need
for the researcher to make sense out of subjective and social constructs and what meaning they disclose about the studied phenomenon (Saunders, Lewis & Thornhill, 2016).

The limitations of the qualitative research method can include the considerations regarding the subjectivity, difficulties of replicating data, problems of generalization and lack of transparency (Bryman & Bell, 2015). However, as this thesis uses the method for the purposes of exploration of the subject as well as gaining a deeper understanding of the matter of globalised workforce rather than making any definite conclusions, these limitations are not that harmful.

3.3 Research design

Saunders et al. (2016, p. 209) describe research design as “the way a research question and objectives are operationalized into a research project.” It is the general plan for the study, and it provides a framework for the procedure of how data is to be collected and analysed as well as prepares for constraints that inevitably will be encountered. The research design is meant to be a demonstration that the researchers have thoroughly thought through all the elements that are appropriate for the study.

In a qualitative research methodology that is chosen for this research, various design studies can be used for the collection of data. These include an experiment, a survey, an archival analysis, a history and a case study (Yin, 2014). These different methods of study design are appropriate for different kinds of research, depending on the approach and research method chosen (Ghauri and Grønhaug, 2010). The qualitative case study design is applicable when the study focus is on collecting insight, discovery, and interpretation instead of developing the hypotheses (Merriam & Tisdell, 2016). Further uses of a case study include cases when a researcher plans to explore how the phenomenon works, by attaining an extensive comprehension of the matter (Yin, 2014).

As a result of the extensive analysis and detailed description of the different factors and their correlation, it can be argued that a case study design is the most suitable for this thesis. Since the field of study that is examined in this thesis is not explored abundantly, a case study strengthens the research design. Saunders et al. (2016) emphasise the ability of a case study to provide a thorough and in-depth insight into the phenomenon that is being researched. The insight is further strengthened by Dubois & Gadde (2002, p. 554) pointing out how “the interaction between a phenomenon and its context is best understood through in-depth case studies.” For these reasons, it is an appropriate design for this study that investigates the effects of HSMs on the Swedish companies. Yin (2014) divides the case studies into single- and multi-case studies depending on the number of cases analysed.
3.3.1 Multi-case study

The researcher must first decide on the type of case study. Either single- or multi-case study design (Yin, 2014) can be used. The multi-case study designs have some apparent advantages but not without the disadvantages when compared to the single-case designs. The findings from multiple cases are seen as more compelling, making the research being regarded as more robust (Herriott & Firestone, 1983). Yin (2014) also argues for choosing a multi-case study, because with two or more cases the evidence can be richer and stronger as it is supported by multiple cases, leading to more valuable and analytical conclusions, while a single-case design is usually used for more unique cases of research. It can be argued that the multi-case design is best suited for the study, as the single-case design limits the results too much.

3.3.2 Exploratory and evaluative study design

A study can be of an exploratory or explanatory nature. Saunders et al. (2016) state that the research should be designed to fulfil the criteria of being either a descriptive, explanatory or evaluative, but it could also be a combination of these. Qualitative research studies that use a mixed method do not use structured interviews to collect data. The explanatory design studies a problem or situation in order to be able to explain the established relationships between the variables, which is done by collecting the data that explains the reasons for the phenomenon in the study. The evaluative research study focuses on finding out to what extent something works. In management and business it could be used to assess the effectiveness of the relevant areas within organisations. This study can contribute to more than theoretical knowledge when the research is focused on more than “how effective” something is, but also looks into “why” it is like this. The researcher can discover this by comparing the explanations with the theory. We consider that for this study a combination of explanatory and evaluation studies will be conducted because it provides the best foundation for how to structure the study.

3.3.3 Purposive sampling

In order to obtain the representative data, it is crucial to choose the right sampling method. In this thesis, the companies chosen to be interviewed have to be multinational ones and have to have HSMs among their workforce for them to be able to answer the interview questions. Therefore, the purposive sampling, which is “based on the assumption that the investigator wants to discover, understand, and gain insight and therefore must select a sample from which the most can be learned” (Merriam & Tisdell, 2016, p. 96), fits best with this purpose. This type of sampling serves best when the researcher is already familiar with the phenomenon and then can choose the sample according to relevance and knowledge (Denscombe, 2014). When using purposive sampling, specific “information rich” cases are selected as they offer the most data.
about the subject (Patton, 2002, p. 40). Thus the criteria for choosing the interviewees include the following:

The companies must:
1. be Swedish;
2. be multinational;
3. employ HSM.

Interviewees must:
1. Have the experience of working with HSM

These criteria help to select the most suitable interviewees for this research in order to get the information needed. This allows ensuring the relevance of the findings. To be more specific, for this thesis, the intensity sampling is applied, which focuses on the cases that have a lot of information and insights about the subject of interest to have relevant examples of the phenomenon (Patton, 2002). Therefore, to explore the phenomenon of HSM inside the Swedish companies, the purposive intensity sampling is the most appropriate approach.

3.4 Semi-structured interviews

The primary data for this research is obtained by carrying out the interviews with the representatives from the selected Swedish companies. When conducting a qualitative research approach, there are three different ways to structure interviews: structured interviews, semi-structured interviews, and unstructured interviews.

First of all, the structured interview focuses on controlling the format of questions and answers with a predetermined questionnaire that leaves no room for flexible answers (Denscombe, 2014). Secondly, the semi-structured interview gives more flexibility while still having a clear list of questions that need to be answered but providing the opportunity to ask unplanned and follow-up questions to broaden the topic. Finally, the unstructured interview has no predetermined interview questionnaire of topics to be talked about, leaving it open for the interviewer to ask questions that seem most fitting for the situation and this way making it seem like a regular conversation rather than the interview. The semi-structured interview is regarded as an appropriate choice for a qualitative research method and, according to Denscombe (2014), it is the best option when researching a complex issue. Therefore, this type interview is the most appropriate for this thesis, because of the flexibility and the possibility of exploring new ideas and information regarding the topic. The structure also provides the opportunity to ask spontaneous questions to obtain more detailed information about the issues that might be discovered.

In order to attain the information about the competencies of HSMs that aid the internationalisation process of the company as well as the organisational innovation, five interviews are carried out. One of the interviews is done through a face-to-face
meeting, one - via skype video call and other three - over the telephone. The interviews were started by asking the interviewees about their background in the companies as well as the situation regarding the HSMs inside the firms. Then the topic of HSMs’ impact on internationalisation was explored, following with the questions about the organisational innovation. At the end of these two interview parts, the interviewees were asked whether they had any other relevant insights that had not been discussed during the interviews, which allowed to make sure that the topics were covered thoroughly. In addition to the original questions, some supplementary ones were added during each interview together with some explanations for the relevant concepts, in order to ensure that the interviewees can present their views on the topic in the best possible way. At the end of the interviews, the company representatives were offered to receive the results of the research to make sure that the information provided by them is correct.

3.5 Operationalisation

In order to carry out a relevant and reliable study, the interview questions should be guided by the extensive research on the subject (Jacob & Furgeson, 2012). This helps to build the background and the theoretical base that will guide the interviews. Thus the central concepts of this thesis were researched, and the operationalisation guide was composed according to the theoretical framework and the conceptual framework discussed above.

<table>
<thead>
<tr>
<th>Concept</th>
<th>Questions</th>
<th>Rationalisation</th>
</tr>
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<tbody>
<tr>
<td>Background</td>
<td>1-3</td>
<td>To gain an understanding of the interviewee and his/her position in the company as well as company’s views on employing HSMs</td>
</tr>
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**Internationalisation**

<table>
<thead>
<tr>
<th>Skills of HSMs</th>
<th>4-5</th>
<th>To find out what skills/competencies HSMs bring to the company compared to the native workers regarding internationalisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefits to the company</td>
<td>6-8</td>
<td>To determine how the company benefits from the HSMs regarding internationalisation</td>
</tr>
<tr>
<td>Evaluation of importance</td>
<td>9-10</td>
<td>Interviewees are asked to express their opinion about the importance of HSMs as a competitive advantage against competitors and for a company as a whole in the process of internationalisation, in order to understand the perception of HSMs in Swedish companies</td>
</tr>
</tbody>
</table>

**Innovation**

| Changes brought by HSMs | 12-15 | To find out whether HSMs have influenced the way company operates. The aim is to determine the role of HSMs in terms of bringing organisational innovation to the company |
| Evaluation of importance | 16-17 | To determine the perceived importance of HSMs in terms of bringing organizational innovation to the company |
| Others | 11, 18 | Interviewees are asked whether they have anything else to add about the impact of HSMs in terms of internationalization and innovation |

### 3.6 Method of data analysis

The qualitative studies are usually affiliated with the collection of data that needs to be quantified in a manner so that the researchers can attain an understanding of the subject (Ghauri & Grønhaug, 2010; Merriam & Tisdell, 2016). This is further expanded on by Saunders et al. (2016, p. 568) by understanding how to analyse the data meaningfully:

> “qualitative research is often associated with an interpretivist philosophy because researchers need to make sense of the subjective and socially constructed meaning expressed by those who take part in research about the phenomenon being studied”.

The way that the qualitative data is analysed in this study is done with the help of the theoretical model that is developed for the study.
Yin (2015) stresses the importance of non-biasness for the data analysis selection, by not giving more space to specific participants or downplaying others, and by not colouring the analysis with preconceptions or making conclusions that are evidentiary to the data. Due to the lack of established routines for qualitative research analysis, it can be heavily scrutinized for being bias and selective. This is why there are specific techniques and routines to help the researchers keep morally correct objections to the data.

To be as accurate as possible, we are recording the interviews, while simultaneously taking notes. The interviewees are asked for their permission to audio-record the interviews in advance. According to Saunders et al. (2016) using both methods has many advantages. Taking notes is a good backup in case the audio-recording malfunctions. The notes also help to show the interviewee researcher’s interest in what they are saying and can help to understand in what context certain things were said. For the clarity of the understanding of the interviewees’ position, background data was collected about the participants.

For the purpose of transcription, we listened to the audio-recordings and made them into transcription summaries. Saunders et al., (2016) describe transcription summaries as compressing the interviewees’ statements into briefer ones that hold the same context of what was said. When summarising, we were able to identify relationships between the themes. These types of summaries can be useful when analysing the study.

Glaser and Strauss (1967) state how readers of qualitative studies must judge the credibility of the study by themselves. The authors hope that the researchers follow their analytic technique of constant comparison to show the readers how the data has been evaluated. For the process of analysing the qualitative data, Taylor, DeVault, & DeVault (2016) explain that understanding data analysis is a process of theorising, thinking and inductive reasoning. In this way, the researchers have to search through the data and look for patterns and themes that emerge (Spradley, 1980). The researchers should identify these themes, by cross-referencing them against the entire collection of data to determine if they correlate.

Taylor et al. (2016) state how some patterns will stand out in the data, while others will not be so apparent and the researchers will have to examine the data deeper to be able to understand the underlying meanings. Firstly, to develop these concepts the researcher has to examine the data for words and phrases of the interviewees and in what context they are spoken about. Secondly, as the themes in the data are recognised, the statements have to be compared with each other to determine if there is a concept or if there are other parallels that unite them. Finally, as the researcher identifies the different themes, it is important to examine them for the underlying similarities.

In this way, the data becomes more refined and moves to a high level of conceptualization. Using this method of analysis, the researcher finds themes that in the
beginning were vague and that now can be clearly seen (Taylor et al. 2016). A thorough review of the empirical data that was collected in this study is conducted to find relationships, make cross-referencing of the cases and answer the research questions in accordance with the three concepts that were introduced in the theoretical framework: internationalisation, organisational innovation and how HSMs are integrated into both.

3.7 Quality of research

3.7.1 Validity

In order to be seen as professional and reliable, the research has to be valid (Merriam & Tisdell, 2016). Validity refers to “the degree that a method investigates what it is intended to investigate” (Brinkmann & Kvale, 2015, p. 282). Since in the qualitative research “the researcher is the instrument”, the credibility (which results from the validity) depends on the researcher’s personal skills and capabilities (Patton, 2002) in terms of collection and interpretation of data. When conducting a study, the researcher can differentiate between two types of validity - internal and external. Internal validity is concerned with how well the findings of the research match the reality; while the external validity refers to the degree to which the findings of the research can be used in different cases (Merriam & Tisdell, 2016).

According to Denscombe (2014), there is no way to prove that the findings of the qualitative research are completely valid due to the researcher being so close to the research. However, there are steps on how to ensure that the data collected is reasonably valid. Firstly, the researcher could return to the interviewees after the data is collected and ask them to check whether all the information in the findings is correct - this method is called respondent validation. Secondly, as the data is firmly grounded on the extensive fieldwork and empirical findings, it brings a lot of credibility to the research. Finally, the researchers propose triangulation as means to ensure validity, more specifically, triangulation of methods, data, investigators and theories (Denscombe, 2014; Merriam & Tisdell, 2016). Therefore, to establish the validity in this thesis, the methods of respondent validation and heavily grounded data are used in this research. Furthermore, triangulation of investigators is also applied in this thesis, as the data collected is interpreted separately by two researchers. These steps help to create validity of the research.

3.7.2 Reliability

Reliability is concerned with “the extent to which research findings can be replicated” (Merriam & Tisdell, 2016, p. 250). Thus it helps to ensure consistency and trustworthiness of the study (Brinkmann & Kvale, 2015). The same as with the issue of validity in the qualitative research method, reliability also depends a lot on the researcher’s personal attitudes, worldviews, et cetera. Other researchers have to be able to get the same answers from the same interviewees (Denscombe, 2014). Reliability is especially challenging in social sciences (Merriam & Tisdell, 2016). Issues of reliability
can occur during interviewing, transcribing and analysing of data (Brinkmann & Kvale, 2015).

To establish reliability, the researcher has to apply and explicitly state the methods used, the ways analysis and interpretation were carried out and this way show that “reputable procedures” were carried out and “reasonable decisions” were made (Denscombe, 2014, p. 298). Ways to establish the reliability of the study could include training and practice (Merriam & Tisdell, 2016). Therefore, in this research, the pilot interviews are carried out before starting with actual interviewing in order to evaluate the questions that were developed and gain experience in interviewing.

3.8 Ethical considerations

Ethics of the investigators is what influences both validity and reliability of the study (Merriam & Tisdell, 2016). The researcher should be aware of the ethical processes from the beginning of the research until the end (Brinkmann & Kvale, 2015). In a qualitative research method, ethical dilemmas can appear in both collection and analysis of the data (Merriam & Tisdell, 2016), which is mainly due to the “tension between the wish to obtain knowledge and ethical concerns” (Brinkmann & Kvale, 2015, p. 84). Denscombe (2014, p. 309) emphasises that the research should be carried in a way that:

1. “Protects the interests of the participants”;
2. “Ensures the participation is voluntary and based on informed consent”;
3. “Avoids deception and operates with scientific integrity”;
4. “Complies with the laws of the land”.

Therefore, to ensure that this research is carried out in an ethical manner, the interviewees are offered anonymity so that they could feel comfortable with sharing personal views and opinions. Moreover, the interviewees are informed about the purpose of the research as well as presented with the outline of the questionnaire in advance in order to provide them with an understanding of the study and allow them to decide whether they are willing to participate.
4 Empirical Findings

The chapter presents the empirical data gathered from the interviews conducted in this research. Firstly, we introduce each case separately by presenting both, the interviewees and the companies they represent. Subsequently, the interviewees’ views on the impact of HSMs on their companies’ internationalisation and organisational innovation are outlined.

4.1 Cases

The interviewees for this thesis are the representatives of the multinational companies. They are all in the middle management or higher positions in the organisations and have the experience of working with HSMs or are considered to be HSMs themselves. All of the participant companies are established and mainly based in Sweden, but carry out their operations in various countries around the world.

4.1.1 SEB

SEB is an international bank that aims at providing its customers with the best financial services. The organisation offers personal financial advice, business model advice as well as aids large corporate customers with their financial needs (SEB, 2018). As the world is becoming more global, the company is feeling the need to adapt to the diversity around. Therefore, the new recruitment program has recently been launched focusing on internationality, inclusivity and diversity. Thus the company has a positive attitude towards hiring HSMs.

The SEB representative for this research expressed the wish to be anonymous, thus we are going to refer to him/her as Mr. Smith. Smith works as a department manager for IT and business solutions in Lithuania and Sweden. According to the interviewee, SEB is a decentralised company regarding of recruitment. Every team manager is responsible for implementing the overall hiring principles and choosing the team members. As for the IT department, it includes people from various countries, such as Sweden, Lithuania, India, China and Qatar; thus it can be said to be very internationally diverse.

4.1.2 Yaskawa

Yaskawa “offers mechatronics and robotics solutions for companies throughout Europe, the Middle East, Africa and the CIS states” (Yaskawa, 2018). The company provides a variety of services from assembly, painting and welding to packaging. Yaskawa operates in various industries such as agriculture, automotive, chemistry, marine, food, et cetera. The company does not have many HSMs working in Sweden; however, they hire native employees to work in other countries, for example, Finnish workers in Finland, Russian in Russia, et cetera. Furthermore, Yaskawa has some employees that
come to Sweden to work for a couple of years and this way contribute to company’s processes.

Thomas Sabel is a Human Resource manager for Yaskawa in Scandinavia and parts of Russia. He is responsible for recruiting, off-boarding, retirements, et cetera. According to Sabel, Yaskawa is interested in hiring more HSMs and collaborating closely with some of the international colleagues, such as German. The company is considering the possibility of having a greater exchange between firms.

4.1.3 Dynamo

Dynamo is a Stockholm based mobile technology development company. Dynamo works with both start-ups and larger businesses. The company can be hired either to improve specific technical aspects of the business or to carry out the whole project. The company has over 40 HSMs from all around the world (during the past two years Dynamo has employed people from 25 different countries).

Vinit Malhotra is a technical product owner of Dynamo and one of the four people in the management team. He is also the head of consulting and is responsible for the external assignments in the company. Malhotra states that company has been very international from the beginning, thus their view on hiring HSMs is especially positive. According to him, it has become natural for the company to employ workers from different countries. Malhotra emphasises that since we live in a global world, this should reflect in companies as well.

4.1.4 Design Online

Design Online is an online platform that offers various interior products. Based in Kalmar, the company is considered a Scandinavian design expert. The company provides its customers with an extensive brand assortment, from classic to contemporary ones. The aim of Design Online is to make Scandinavian quality and style products available all around the world. For this purpose, the company is constantly expanding its language capabilities, and at the moment, their webshop operates in ten different languages.

Thomas Steinschaden is ahead of commerce in Design Online, responsible for website development, sales and internationalisation. According to him, Design Online usually hires workers from the markers that they want to enter. Being an Austrian, Steinschaden is especially responsible for capturing the German market. Thus the company values foreign labour force a lot.

4.1.5 Siemens Industrial Turbomachinery
Siemens Industrial Turbomachinery produces small to medium sized steam- and gas-turbines. The company is based in Finspång outside of Norrköping. It has over 2 800 employees with over 200 HSMs that represent 77 nationalities. The aim of Siemens Industrial Turbomachinery is to provide its customers with world-class turbines that generate electricity, steam and heat. The turbines are also sold for use in the oil and gas industry to drive compressors and pumps.

Karamveer Singh is one of the department managers for Siemens R&D department. For Karamveer the recruitment process is non-discriminatory and open to anyone as a person with the right talent that is needed is hired.

4.2 Internationalisation

4.2.1 SEB

According to Smith, “the foreign colleagues compliment the Swedish ones very well looking at the diversity and competencies”. The interviewee states that employees coming from India and other parts of Asia have the skills that are interesting and especially needed on the market at the moment. Such competencies could be found in Sweden as well; however, the competition for them is very high with the companies like Spotify, Skype, et cetera.

Smith gives an example of his SEB department hiring an HSM who worked in a gambling company before and thus has significant experience of working with a lot of data and considerable computer skills, which is usually lacking among Swedish colleagues. The interviewee also mentions that being a foreign worker in Sweden, he had to adapt a lot to the way processes are carried out in the company; however, the interviewee also highlights that he had a significant impact on the company as well.

SEB representative explains that their decision to recruit employees in Vilnius brought many benefits and allowed to reduce the risk for the company. According to him, Vilnius has a lot of ambitious, fast learning people with Java programming skills, which are the core competencies for becoming a data engineer in such company as SEB. For these reasons the company has decided that hiring only in Stockholm is not enough, as building the strong working capacity solely in Sweden would be difficult because of the burdensome processes and labour laws.

Smith emphasises that having HSMs with different backgrounds and bringing them together is what could help to create a competitive advantage in the company. The interviewee states, that “you need to have really skilled people to be able to create a competitive advantage, but competitive advantage is created by companies and by bringing people together, so these people are the key enablers to make it happen”. Thus according to Smith, just having HSMs is not enough, the company has to be able to utilize them in the best possible way.
The interviewee also mentions that people are not always able to embrace the change that is brought by the increased diversity of the foreign workers. According to him, some Swedish colleagues are so used to the convenience and coziness of speaking Swedish all the time that they are unable to adapt to the changed situation and thus decide to leave the company instead.

4.2.2 Yaskawa

Sabel states that Yaskawa usually only hires HSMs for the specific skills and experiences within different fields and markets. They “bring more cultures and more perspectives to the company both from the technical side and from the people side, which helps to bring about the development in the company”. However, Sabel also identifies that Swedish people still have some advantages against the foreign workers as they bring a lot of “self-sufficiency” to the company and are more driven by company’s goals.

According to Sabel, “if the company is planning to expand to new markets, it is a great advantage of hiring someone local”. That is because every country has its own culture and unwritten rules that are necessary to know. Thus it is “a part of Yaskawa group strategy” to hire HSMs in order to aid internationalisation of the company. However, Sabel also states that sometimes not being a part of the culture can be an advantage too, depending on the product and the customer.

Talking about the competitive advantage that foreign workers create, Sabel highlights that the “emphasis should not be on the country of origin, but rather on the general competencies that our employees have and how they are using them, the main feature is the technical competence”. However, he also admits that since the technology sector that they operate in is very international, having HSMs create an advantage for the company. He also mentions that the competitive advantage usually comes from the new technical competencies of HSMs.

Sabel also adds that being an international company and having many different cultures inside it can result in “a challenge of creating a feeling of one company and to avoid internal competition between branches”.

4.2.3 Dynamo

According to Malhotra, “if we have employees who are from different backgrounds, we can solve problems with different solutions, because they have different experiences, different education, they were taught in different ways”. He also emphasises the inability to speak Swedish when working in Stockholm as the main disadvantage for some HSMs. Furthermore, it usually takes some time to adjust to Swedish working
environment, especially coming from countries that are more culturally different, such as Asian ones.

Malhotra states that by bringing broader knowledge about the different markets and customers, HSMs can definitely aid Dynamo in the process of internationalisation. He states that “by having people who are from the same country as company’s clients, it is easier to understand the market and the customer”. He provides an example of having Russian employees inside the company, who are able to understand the Russian market and do user tests with the clients directly because there are no language barriers in such case. However, Malhotra emphasises that the importance of the HSMs depends on the product, as well as the market and the sector in which the company operates. According to him, being a technological company, it is very uncommon to have only Swedish employees. Thus by having a lot of HSMs, Dynamo can gain a lot of benefits.

Malhotra affirms that when a product is being launched in a new market, having the developers that can speak the language and employees with different backgrounds can create a competitive advantage for the company. However, he emphasises that just having a lot of HSMs is not enough, since it depends on the company to use this resources in the best way. Furthermore, Malhotra also states that “we don’t necessarily think that we have to have workers from all around the world, it has just been natural for us from the beginning”.

The interviewee also mentions that having employees from different cultures can result in culture clashes. However, Malhotra also states that “now we are very close to each other, the internet has brought us together, thus we don’t really see this as an issue”. He also emphasises that the differences can sometimes come not necessary from different nationalities but rather from different educations and backgrounds.

4.2.4 Design Online

Steinschaden explains that HSMs bring knowledge of the language, market and laws to Design Online. They can understand what the customer expects. According to him, “it would be really hard to operate in certain markets without knowing the language, as you have to understand the market, you have to understand the laws, you have to understand what the customer expects and that wouldn’t be possible with having just Swedish employees”. However, Steinschaden also emphasises that Swedish people have some advantages over foreign workers because they are used to the flat organisational hierarchy, which provides good dynamics to the company. Furthermore, he mentions that Swedish employees have a healthier life/work balance. Additionally, “Swedish employees also bring the pressure for being more innovative and this way you actually become more innovative in the end”.

Steinschaden explains that in the process of internationalisation, HSMs allow the company to adapt its products and operations according to the country needs and this
way have a stronger position in the market. He gives an example of the difficulties the company faced when wanting to expand to Norwegian market since Norwegian employees are difficult to find in Kalmar. However, last summer the company hired a Norwegian worker who took over the internationalisation to Norwegian market and fixed many aspects that other employees were not able to handle because they did not fully understand the culture, the market and the customers. Without such input of HSMs in the company, the processes would be much more complicated. Thus according to Steinschaden, “it’s about having a concept that fits well with our base market in Sweden and then doing adaptations as little as necessary but as much as the customer requires in order to have a long-term success”. Steinschaden emphasises that in Design Online, HSMs are “the key to the internationalisation process”.

Steinschaden states that HSMs are what creates a competitive advantage over their biggest competitors in Sweden. According to him, since their competitors do not have that many international workers, they have to handle their webpage through the translation agencies and thus the quality of their platform in different languages is much worse than that of Design Online. Steinschaden explains that their competitors are focusing on the Swedish market and thus Design Online is somewhat behind in this market, however, due to the input of HSMs the company is significantly ahead internationally. He emphasises that this can only happen by finding the right workers, and Linnaeus University in Kalmar provides a very favourable environment to find such people.

The company representative also mentions that the market knowledge is not the only reason to hire an HSM. Specific skills and the company-personality match is also essential.

Moreover, Steinschaden also discusses the fact that Sweden is not utilizing the foreign talents that are already here. According to him, since Sweden is mostly an export-based country, it should look at different nationalities as important assets and try to do more to keep them here. According to Malhotra, “the Swedish culture might need some influence from abroad in order to develop”.

4.2.5 Siemens Industrial Turbomachinery

Singh states that due to their foreign market exposure, HSMs provide the company with a different language and cultural awareness skills. Furthermore, they bring along their unique strengths from the cultures they are practicing. Singh mentions that since Siemens is an international company with customers all over the world, having a “multicultural workforce brings a great value of interacting with the international customers”.

According to Singh, Swedish workforce has some general advantages over the HSMs that include the basic attributes of the Swedish local culture - solidarity, collective
decision making and flat organisational structure. The interviewee also stresses the “lagomness” of the Swedish employees which allows the good dynamics in the company.

Singh explains that HSMs “help speed up internationalization for faster access to market and cultural awareness of how to get closer to the customer”. Singh states that without the input of HSMs the company would be limited to the Swedish approach of carrying out procedures, “which may not be suitable for all tasks in an international company”. Thus Siemens representative evaluates the contribution of HSMs as significant in terms of creating a competitive advantage for the company in the process of internationalisation.

4.3 Innovation

4.3.1 SEB

Smith is certain that HSMs influence the department and the company as a whole. He states that “it is not possible not to influence when you are different”, he talks from personal experience on how the work has changed him by having to adapt to the cultural context, as well as how he has changed the processes within the company by bringing new perspectives and knowledge.

The interviewee believes that if you are in the minority and in a position to make decisions, the effect you bring on others is very noticeable. However, he stresses that “the influences come not from the processes and the structures but rather from the people and the cultural differences”. The manager talks about his growth in understanding how significant the cultural difference is. Smith also stresses the importance of understanding and not judging people. This is because they are used to certain behaviors and how the workflows in different situations, the manager explains that what might be logical in one culture, is not in the context of another.

At the moment, in SEB, they have their own model with principles that inspire them. In this model they are also establishing the concept of tribes - the idea to cluster IT and business people around the certain business flows. In this way, a virtual organisation that coordinates and allocates people regardless of their department, to promote a closer working relationship is created.

Smith sees how competitive advantage is created by the teamwork of people, as he puts it “it is the magic that you create or not”. The manager emphasises the importance of having people with different experiences, but that it is not without its challenges. He further explains the managerial challenges, like how to create an environment that is comfortable for everyone, because managing the diversity is not easy. However, according to him, these challenges are worth it because of the vast benefits they bring.
4.3.2 Yaskawa

Sabel can clearly see the advantages of HSMs, because of the “new perspectives and a way of working and thinking is a really important advantage” that they bring to Yaskawa. He believes that HSMs have brought new working practices to the company in the way they work with their international customers. The interviewee exemplifies this with one of their sales representatives from South Africa who “changed the way we work with our international customers, in terms of how we address new customers and keep the existing customers”. He explains this as a good way new perspectives of customer relations have improved their business practices.

Sabel sees this as an innovation within their organisation. He believes that without any foreign labour input the company would be worse off because of the lack of perspectives. Sabel emphasises the importance of HSMs for the company working in such international market, as the “competitive advantage comes from hiring the right foreign workers with the right skills”. On account of Yaskawa being a technology company, they “constantly need new perspectives”, as Sabel puts it. They want to work on their internal concern cooperation to bring engineers from one country and send their own to other one, in order to learn and create new challenges within organisations and, in this way improve the workflow and thinking in the company.

4.3.3 Dynamo

Malhotra thinks that having people from different backgrounds influences the company positively regarding new solutions to problems being found when different people come with their own perspectives.

Malhotra says that Dynamo’s core work-model is based on the Swedish way of working because overall they are a Swedish company. The company tries to reflect the Swedish society in terms of being open, having a flat structure, opening to new ideas and feedback. Since Dynamo has people from a lot of different places, the organisational structure grows organically. He emphasises, that “the organisation needs to be flexible and open to innovations, otherwise we would just get stuck”. It is this openness that Malhotra sees as the innovation, combined with them pushing themselves to the edge to keep improving.

According to Malhotra, Dynamo has many different nationalities inside the company; thus he states that “we have to create a place where everyone fits, which can sometimes be a challenge”. However, Malhotra points out that “it is not necessarily about the different nationalities, but rather about the specific skills that different people bring”. He further explains that it is not the people from different countries that create the competitive advantage, but rather the individual skills they provide.
4.3.4 Design online

Steinschaden explains that “the more international a company is, the more different views we have that triggers innovation.” He explains how their CEO having worked in a German company for ten years has impacted his leadership style. The German business culture has now been combined with the Swedish one, taking on the best aspects of both cultures.

Steinschaden believes that in some aspects “having more hierarchy to a certain extent could benefit Swedish organisational culture. Since in Sweden everybody needs to agree on everything, while in Germany the boss tells “I decide and you do”. This way decision making processes becomes faster. Thus, Swedish companies could learn that in certain situations it is not necessary to discuss everything too much, just making a decision and going with it can be better. Therefore when international people that are more used to a hierarchical organisational structure are in the leadership positions, decisions can be made faster and the never-ending discussions can be avoided. Steinschaden sees this as a development of the Swedish organisational culture.

Steinschaden says that the main reason for hiring HSMs is not that it gives a competitive advantage for a company, but the market knowledge that they provide to the company, although he admits that it can come as a by-effect. He also sees the importance of innovation within the company that HSMs bring, in the way that it opens the eyes and encourages them to improve the work continuously.

According to Steinschaden, “there is a cultural clash if you come from another country”. He explains that people that settle in Sweden have to be open to new things to be able to stay there in the long term. He has observed that to be successful, the person has to be willing to adapt or already be close to the Swedish way.

4.3.5 Siemens Industrial Turbomachinery

Singh thinks that HSMs influence the department and the company as a whole in a positive way. He explains that “they bring in different perspectives important for a constructive discussion”. This brings different ways of looking at and thinking about problems.

Singh says that HSMs are important for the company because “they challenge the processes and procedures” and, in this way they “propose new ways to get things done in a more effective manner”. In this way, the foreign labour helps to change and mold the organisation within the company with their different perspectives, which results in innovations.
However, Singh cannot explain how the company would be different without the input of foreign labour. According to him, foreign workers are of great importance in creating a competitive advantage for the company with Singh himself being an HSM. In this way, Singh sees that HSMs are of “significant importance“ for the innovation processes in the company as a whole.
5 Analysis

In this chapter, we analyse the empirical findings in accordance with the theoretical framework of this thesis. By cross-referencing the cases, different aspects of the research are compared and evaluated. The chapter follows the structure of the theoretical framework and is constructed in a manner that allows focusing on the research questions of the thesis.

5.1 Internationalisation

According to Hunger (2002), companies can benefit a lot from the skills and knowledge that are brought by HSMs. Thus the brain gain theory could be used to explain the easier internationalisation processes in the companies. Smith, the SEB representative, mentions that recruiting the workforce in Vilnius allowed the company to attain a lot of skilled Java programming professionals that are otherwise lacking in Sweden. Furthermore, Sabel, the Yaskawa representative, also emphasises the importance of technical skills that are provided by HSMs. Thus it can be seen that the brain gain from the HSMs can benefit the companies by bringing the necessary skills. Moreover, according to Staubhaar (2000), highly educated foreign workers and the competencies that they provide are the essential resources for the host country and can result in the socio-economic development and overall growth of the country. Design Online representative Steinschaden also emphasises this fact by stating that HSMs are not only important for individual companies but also for Sweden as a whole. Thus the country should focus more on attracting and keeping motivated and skilled HSMs inside the country as they are an important asset for Sweden as an exporting country. Overall, the empirical findings are consistent with the Brain Gain theory as they show, that all the researched companies seem to recognize the importance of the gains from HSMs not only for individual companies but also to Sweden in general.

According to Kim & Rhee (2011) and Sisney (2013), the company has to consider its workers as important strategic assets and the power in the organisation should be decentralised to the most extent in order for the employees to be able to bring needed improvements in the company. Empirical data of this thesis shows that the companies that have been researched all recognize the importance of the HSMs’ input and try to embrace the changes that they bring. Firstly, SEB and Yaskawa representatives emphasise the importance of the technological skills of the HSMs and the companies are aiming at incorporating these specific competencies of their worker to the organisations’ procedures. Secondly, Dynamo, Design Online and Siemens representatives highlight the market and cultural knowledge of the HSMs that the companies readily accept and utilize. Thus by using a bottom-up organisational approach and this way enabling its employees as well as welcoming the developments that they bring, the internationalisation process of companies is made easier and accelerated.
The resources that the HSMs bring to the companies can be evaluated in terms of the extent that they are valuable, rare, imperfectly imitable and have equivalent substitutes and thus are able to create sustainable competitive advantages for the companies regarding the internationalisation (Barney, 1991). Smith and Sabel state that the technical capabilities rather than nationality-related knowledge are what creates a competitive advantage for them. However, Sabel and Malhotra also admit that since both Yaskawa and Dynamo are operating in the technology sector, which is very international, having an international workforce helps them to gain advantages against competitors. On the other hand, Malhotra, Steinschaden and Singh explain that cultural knowledge, which includes language competencies, understanding of the customers and unwritten rules, create the competitive advantages for them. The further discussion can be carried out regarding the difference in the way Yaskawa and Design Online view HSMs in this aspect. Sabel states that Yaskawa usually bases their hiring decisions about international workers on the specific market or certain field knowledge that they could provide and this is an integral part of the company’s strategy, while Malhotra and Steinschaden explain that they do not view foreign workers in a different way than Swedish ones, as they usually hire the HSMs due to the good personality-company fit and it is just a natural approach to employment in these companies. However, Steinschaden agrees that cultural awareness that the foreign workers bring to the company is the reason why Design Online is ahead of its competitors in the international market, as they are able to adapt their offer in order to provide their customers with the best quality. Moreover, Smith and Malhotra highlight an important aspect regarding the creation of competitive advantages in the company. According to them, just having HSMs as resources is not enough, the companies have to be able to utilize them in the right way in order to gain real advantages. Therefore, the empirical data from the research reveal that all interviewed companies regard HSMs as essential resources, as they provide them with market knowledge, cultural insights and networks that, according to the RBV theory are valuable, mostly rare and imperfectly imitable as well as do not have many equivalent substitutes and thus can be said to create a sustainable competitive advantages for companies.

Johanson & Kao (2010) emphasise that more and more companies these days appear to internationalise in accordance with the Network Model, which is based on the fact that firms build relationships and connections when wanting to expand to new markets. The information provided by Sabel, Malhotra, Steinschaden and Singh confirms this pattern. Sabel and Singh emphasise the importance of having local people when entering new markets, who would be familiar with how processes are carried out and how the laws and rules work in the different countries. Thus they talk about the significance of having connections from the production and supply side of the company. From another perspective, Malhotra and Steinschaden explain the benefits of having HSMs in order to be able to understand and reach the customers better. Therefore, four out of five interviewees highlight the necessity of networks that HSMs bring to companies. Overall, in regards to Johanson & Vahlne (2009), the companies participating in this
research seem to use the networks as a market-seeking tool when planning to internationalise.

According to Malhotra, Dynamo has had a very international approach to its labour force from the very beginning. According to him, it is natural for the company to hire foreign workers, as they do not place a lot of attention on that when making employment decisions. This corresponds to the Born Global theory of internationalisation (Madsen & Servais, 1997). It is a part of the founders’ mindset to look at the world as well as at their labour force from the perspective of globalisation. Furthermore, international organisational structure and environmental factors can be said to have influenced the company to think internationally from the beginning, instead of later in the company’s life. Therefore, a large number of HSMs can be said to have influenced the process of internationalisation in Dynamo, which can thus be seen from the perspective of a Born Global company.

Empirical findings also allow viewing HSMs as internationalisation triggers for companies. As was mentioned by all of the interviewees, the market knowledge and cultural awareness that the foreign workers bring can be seen as a motivation to seek new markets to expand to. Moreover, as Smith mentions, being a foreign worker in a management position can influence the way decisions are made in the company, for example, regarding recruitment or new market entries. Therefore, in regards to Hollensen (2016), HSMs could be regarded as internal triggers for internationalisation.

5.2 Organisational innovation

Improved organisational innovation in the companies can also be explained by the Brain Gain theory. Hunger’s (2002) definition of brain gain includes educated individuals leaving their home countries and bringing with them skills and knowledge that are resources in the host country. This correlates with all the interviewees’ responses as they emphasise the importance of different perspectives for the organisations. However, as Staubhaar (2000) states, brain gain does not always have to be the attraction of HSMs, it can also include the education of the population. This corresponds to the statement by Smith that there are people with the competencies in Sweden, but there is just not enough of them. Malhotra states that the talents exist in Sweden, but they are not used to the full potential.

Sisney (2013) describes the bottom-up strategy as having decentralised control, providing employees with the freedom to make their own decisions. While implicitly stated by all the interviewees, it was heavily emphasised by Malhotra, as the company illustrates Swedish society well with its flat structure and openness. This is because the organisation aims to be flexible in order to innovate and not stagnate. Sisney, (2013), explains that the organisational design relies on the leaders in the organisation, with Kim, Sting & Loch, (2014) stating that the best strategy can be a mix of the bottom-up and top-down organisational design. This can be seen in the Design Online strategy as
Steinschaden believes that their CEO possessing German business practices and leadership style is of a great benefit to the company, as he implements more hierarchy to the organisation and in this way decisions can be made faster. While all our interviewees are in positions to make decisions, all of them share the view of HSMs being a valuable resource for their organisations. Thus the empirical findings confirm that by applying the bottom-up organisational design, innovations within the company can be improved.

According to Barney (1991), the four characteristics of RBV are being valuable, rare, imperfectly imitable and not having equivalent substitutes. From our interviews we can see clear relationships between HSMs and how they affect the organisational innovation as they with them new perspectives, that provide the company with new ideas on how to innovate and improve. These changes provide the organisations with new working methods that lead to changes and uniqueness that is hard to imitate for other organisations. In the context of innovative thinking, as Wadhwa, Saxenian, Rissing & Gereffi (2008) explain it, we can see clear connections. Sabel at Yaskawa describes how one of their sales representatives who was from South Africa, changed the way they address their existing and new customers. Moreover, Steinschaden sees the importance of HSMs in the way they influence and improve the work process within the company. Accordingly, Dynamo, SEB and Siemens see the benefits foreign labour brings with their new perspectives. In this way, all the interviewees mention that the organisations gain new tacit knowledge when they employ HSMs. Furthermore as Nonoka (2007) explains that new tacit knowledge can be transformed into explicit knowledge that can be shared within the organisation for all employees to gain new tacit knowledge. These new and different perspectives that HSMs bring with them into the organisations are vital assets, according to our interviewees. In this way, as Nonaka (2007) explains, the innovative knowledge is spread through the organisation and, we can identify that all the interviewees think that HSMs are an essential part of their companies.

Damanpour & Gopalakrishnan (2001) describe how companies adapt to the increased competitiveness and ever-changing environment. Smith sees how they gain competitive advantages from the teamwork of different people and the different experiences they bring. While Malhotra explains that it is the people and the skills they can provide that are of most importance rather than their nationality, this fact being supported by Sabel. Steinschaden explains that for them at Design Online the competitive advantage that HSMs bring is just a by-effect of the market knowledge. Singh sees how HSMs are of great importance for the company in creating a competitive advantage. This can be explained by Scott (2003), who explains how innovation within the organisation is adopted with goal orientation as the primary influence. In the current business climate of the world, the interviewees see this as an integral part of the internal organisational development. Smith sees how their own model of principles and team building by establishing tribes aids the organisation, the model promotes closer working relationships between different business aspects of the company. Sabel sees the
importance of HSMs for the company when working in international markets which is supported contextually by the other interviewees.

However, Swann, (2009) highlights that if the workers do not work well together, it halts the innovative process within the organisations. Smith addresses the issue of people misunderstanding and judging one another because of their cultural differences. While Steinschaden sees the Swedish business culture as a detriment to innovation with the never-ending discussions that lead to a decision not being made. Malhotra and Steinschaden also mention the possible culture clashes that can result from the cultural differences within the companies, which can be difficult to handle. In this way, the matter can lead to the managerial issues because of the diversity within the company and, if not dealt with appropriately can lead to even larger problems.
6 Conclusions

This chapter presents the answers to the research questions of the thesis that are derived from the analysis chapter. Moreover, theoretical and practical implications that this research suggests are explained. The chapter is concluded with the limitations of the study as well as the suggestions for the future research.

6.1 Addressing the research questions

Recent research and news articles show that Sweden is experiencing a lack of highly educated labour force which is affecting many industries. Even with increasing immigration to the country during the last few decades, the biggest Swedish companies identify that the problem remains. It was found that the impact of HSMs on the organisations could be seen in terms of internationalisation process as well as organisational innovation. Thus the following research questions were formulated: 1) How do HSMs aid internationalisation of Swedish companies? and 2) How do HSMs influence organisational innovation in Swedish companies?.

1) The first research question concerns the internationalisation process of Swedish companies and the ways in which HSMs can influence it. According to the literature review, foreign workers aid this process by providing companies with different intangible resources. Our empirical findings reveal that companies are aware and value the impact that HSMs have on the internationalisation process. The technical skills, market knowledge, cultural awareness and international connections are the main advantages of foreign employees and the key to the internationalisation process of Swedish companies. Furthermore, it is also found that due to the influence of the HSMs, the internationalisation of the interviewed companies is consistent with the Network and Born Global Models. Moreover, empirical findings also show that the companies understand that just having these new competencies is not going to have an impact by itself. The firms have to be able to utilize and incorporate them into their business strategies. To conclude, by bringing different knowledge and competencies, HSMs make the new markets easier to access and thus the companies are able to exploit this by expanding their operations to new countries.

2) The second research question examines how HSMs encourage organisational innovation within Swedish companies. The literature review shows how foreign labour is an integral part of improving companies’ internal structure by providing new perspectives and knowledge. For this reason, HSMs provide the Swedish firms with organisational innovation because of the new tacit knowledge. By bringing new perspectives, new ways of thinking HSMs create organisational innovation within companies that leads to a competitive advantage. Additionally, it was found that this is created by transmission of the tacit knowledge within the companies. By combining the knowledge of people with different backgrounds, the creativity is boosted which results
in the innovative environment inside the companies. However, if the diversity of the nationalities is not appropriately managed, it can halt the innovative processes as well as the overall performance of the firms. To conclude, by contributing to the new perspectives and knowledge, HSMs change the internal organisation processes and the way the companies confront problems.

6.2 Theoretical implications

The studies regarding the impact of HSMs on the Swedish companies have been largely limited. More specifically, the research on the effects of HSMs on the internationalisation and organisational innovation processes are insufficient. Thus this thesis was aiming to fill the gap in the research area. The results of the research reveal that when the Swedish companies are incorporating bottom-up organisational approach and viewing the resources brought by HSMs as assets, they can benefit a lot.

6.2.1 Revised theoretical model

The findings of the research are illustrated in the revised theoretical that can be seen in figure 5. Firstly, was discovered that the skills of HSMs that are valued most by the companies are the market and cultural knowledge, which is demonstrated by presenting them in a green color in the model. Secondly, different educational backgrounds, new perspectives and technological competencies were identified as very important for the firms as well; thus they were added to the revised model and written in italics to emphasise the change. It was confirmed that when brought to the companies, these intangible resources aid the internationalisation as well as contribute to the organisational innovation. Additionally, it was recognized that the Network Model is not necessarily the most recognizable in the expansion processes of the companies. Having the international labour force can also result in the Born Global Model for internationalisation, which is also added to the new theoretical model and written in italics. Finally, it was discovered that if not handled properly, the variety of nationalities inside the companies can result in culture clashes that might hinder organisational innovation. This is illustrated by the red dotted line that intercepts the arrow from “company” to “organisational innovation”, showing the negative impact that it can have on the firms’ processes. Therefore, the findings of the research allowed to validate the theoretical answer proposed by the initial theoretical synthesis as well as add new aspects making the model more representative of the existing situation and explaining the connections better.
6.3 Managerial implications

Our empirical findings show that HSMs positively affect the companies in many ways. In our opinion, the thesis contributes to the recognition of the significance of HSMs as human resources together with all the input that they bring to the companies, encourages the firms to place more focus on them as a strategic asset. Firstly, our research demonstrates the need for Swedish companies to seek a more international labour force. Secondly, the findings show that the firms should be ready to empower the foreign employees and accept the changes that they bring. By creating an open organisation for people with different backgrounds, the firms would be able to benefit from the easier internationalisation due to the foreign market-related knowledge and skills as well as the more extensive networks. Furthermore, by accepting the
improvements of the organisational operations of the companies that HSMs bring, the overall performance and effectiveness of the companies could be improved as a result of the organisational innovation. Additionally, our empirical findings also encourage the understanding of the role of the managers in being able to put all the input of HSMs into practice and gaining advantages from that. They should be aware of the possible difficulties arising due to the cultural diversity of the company and be prepared to handle that. Therefore, this thesis sheds light on the phenomenon of HSMs and the need for the companies to diversify their workforce.

6.4 Limitations

During the development of this thesis, several limitations have been identified that can influence the quality of the research as well as the ability to answer the research questions that were formulated. Firstly, due to rather small sample size, having interviewed only five companies, it can be difficult to generalize the findings that would apply to all Swedish companies. However, since the answers from all the interviews were quite similar, clear patterns and connections could be established, and thus the conclusions can be drawn. Secondly, the focus of this thesis was not on one specific sector in the country, which could also make it more difficult to make generalizations. However, as we targeted only certain branches of some companies, such as IT department in SEB, or industrial turbomachinery division in Siemens, all interviewed firms can be said to be technology companies, which makes the results more consistent. Thirdly, the answers from the interviewees might include a certain amount of bias, since it could be seen as somewhat inconvenient and outdated for them to deny the importance of HSMs in their organisations, as this would harm their image as global companies. Thus it should be taken into account that the views presented by the interviewees might be slightly distorted.

6.5 Suggestions for future research

The topic of HSM seems to be of high importance for the global companies these days. Thus during the process of our research, we have identified specific aspects that could be relevant to explore more:

1. **To carry out qualitative research on the same topic, however, with the larger sample size.** In order to be more relevant and able to generalize conclusions better, it could be useful to use a larger sample size.

2. **To carry out quantitative research on the same topic.** In order to investigate the subject on a broader scope, triangulation of the research approach could be beneficial. By studying the topic using different research methods, the conclusions could be more extensive and have more reliability.

3. **To investigate the impact of HSMs on companies from the employee perspective.** In order to explore the influence that HSMs have on the organisation, it could be
useful to have two approaches to the matter - the one showing the company’s view on the input of HSMs and another demonstrating how the international employees see themselves in accordance to the contribution to the company’s performance.

4. *To investigate the difficulties that HSMs face when looking for employment in foreign countries.* Even though the subject of the barriers that foreign workers face has been researched quite extensively, this matter could be looked from the perspective of difference in the barriers that they encounter in regards to whether they come from the EU or from outside the EU. This could allow understanding the differences in the migration flows around the world and the challenges workers from different countries have to overcome.

5. *To investigate the global talent flow around the world.* It could be relevant to explore and compare the attractiveness of different countries for HSMs regarding employment. Reasons for choosing to leave the home country and to come to the specific country could be examined. This way a better understanding of the HSM as a phenomenon could be gained.

6. *To investigate the phenomenon of the culture clash that appears due to having international workers inside the company.* Almost all interviewees in this research have mentioned that sometimes due to the diversity of cultures in the company, difficulties might occur. They all recognize the need for the organisation to be able to handle this matter attentively. Thus it could be relevant to explore the matter of the culture clash in the organisations due to increased globalisation in more detail.
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Articles


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**Interview Participants**

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Appendices

Appendix A Interview guide

Background information

1. What is your position in the company?

2. What is company’s position on employing HSMs?

3. How many HSMs are employed in your company?

Internationalisation

1. Do you think that HSMs are able to provide your company with certain skills/competencies that Swedish employees cannot? (if yes, what kind of skills? If no, why?)

2. Do you think that Swedish employees have any skills/knowledge that HSMs don’t have that are important for the company? (if yes, what kind of skills?)

3. How does your company benefit from the competencies that HSMs bring?

4. Do you think that the company could benefit from the knowledge and experience of HSMs in process of internationalisation of your company? (if yes, how?)
   • What is the importance of HSMs in the process of internationalisation?

5. Do you think that the processes in your company would be different without the foreign labour input? (if yes, how?)

6. How would you evaluate the importance of HSMs as a resource for creating competitive advantages against your competitors in the process of internationalisation?

7. Do you have any more insights about the impact of HSMs on internationalisation of your company?

Organisational Innovation

1. Do you think that HSMs have influenced the way your department/the whole company operates? (if yes, how? If no, why?)
2. Have HSMs brought about new ways to work, carry out procedures, ideas for products/services? (if yes, what kind of ways?)

3. Would you consider these changes as innovations that benefit your company’s performance on the organizational level?

4. How would the processes in your company be different without the foreign labour input?

5. How would you evaluate the importance of HSMs as a resource for creating competitive advantages against your competitors in terms of innovation?

6. What is the importance of HSMs in terms of innovation in your company?

7. Do you have any more insights about the impact of HSMs on innovation in your company?