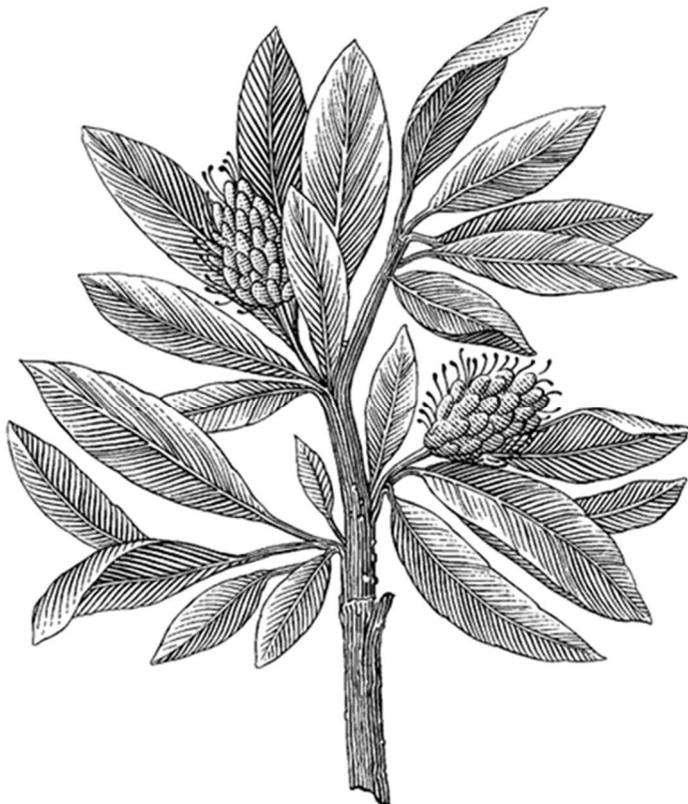


Bachelor's thesis

WHAT DO CORRUPTION AND DEMOCRACY MEAN FOR SWEDISH STATE AND
SWEDISH INTERNATIONAL COMPANIES ESTABLISHED ON A FOREIGN MARKET

A case of IKEA in Russia



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“Nations are guided only by their own interests and have no obligation to other countries which do not conform to those interests.”

-Indira Ghandi

ABSTRACT

Sweden as a small country needs to go abroad in order to support its global companies and enlarge their business opportunities. While Western markets have similar values to Swedish, non-Western can, on the other hand, show different framework for cooperation, which makes Swedish companies either follow their values or adjust to local environment. There is a qualitative study with an aim to find out what do corruption and democracy mean for Swedish state and its international companies abroad on example of a case IKEA in Russia, conducted within this Bachelor's thesis. There are two research questions formulated: how is the Swedish state affected through establishment of its global companies abroad in the case of IKEA in Russia and the pitfalls which are met on the way of establishment and to what extent can global Swedish companies like IKEA be considered as "democracy ambassadors" when they establish themselves in non-Western markets in the example of Russia. The investigation was conducted through "glasses" of three applied theories – a theory of political corruption, crony capitalism and democracy. The results showed that such pitfall on Russian market as political corruption and cronyism affect democratic values of profit-oriented Swedish companies, which brings a risk for egalitarianism of Swedish state on long run.

Key words: democracy, Swedish state, welfare, political corruption, crony capitalism, cronyism, international establishment, Swedish companies abroad, IKEA in Russia.

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1.INTRODUCTION

Sweden is known in the international arena for its sustainable way of life, democratic values such as equality and human rights, and a high standard of living. The strong welfare system, partly sustained by global Swedish companies, and partly by a high tax system, which was built gradually by the party of Social Democrats during the second part of last century, resulted in a creation of a so-called “folkhem” or “the home of the people.” It was an executive director of the Swedish car company Volvo Pehr Gustaf Gyllenhammar, who once said that, “What is good for Volvo – good for Sweden.” This quotation reflects an inseparability between Swedish global trademark and Swedish state which supplement and support each other.

The prosperity of the Swedish state is seen here from a global perspective through a prism of the successful business of Swedish companies like Volvo, Eriksson, Elektrolux, Saab, H&M, Astra and IKEA, which are established and well known abroad. The abovementioned quotation also shows the dependency of a small country on its global companies and, consequently, export, which also guarantees state financial growth. Swedish export includes to a big extent industrial goods like vehicles, machines and wood industry products. More than 40% of Swedish export belongs to manufacturing industries such as electronic goods, telecom and metal work (Ekonomifakta.se). Sweden’s proportion of the world’s trade with goods is circa 1%, which is the same for Brazil. The most important Sweden’s trade partners of both import and export of goods outside Europe are the USA, Russia and China (National Board of Trade).

Once experiencing high poverty, Swedish society created a vision to provide a guaranteed basic economic security for all the country’s citizens, irrespective of social or ethnic origins, gender or religion and is called Swedish egalitarianism. According to Britton (2009:6) the welfare state, built by people is not supposed to be based on charity or donations, but will be financed by a tax system according to principle “from each according to ability to each according to needs”. Swedish mentality and the Swedish system intertwine together in one word, “lagom,” which gives the best explanation when it comes to a “Golden Middle Way” (Bergren & Trägårdh, 2009:27). The word “lagom” concentrates in itself the notion of equality, solidarity and democracy and indicates core values, which Swedish society was struggling and still struggles for.

1.1. Swedish aspect of democracy

The developed notion of democracy is also a well-known value, which shapes the Swedish state and its prosperity. According to Campbell (2008:15), Swedish representative democracy ranking is among the top five in world. Democracy's strongest segment is a factor of publicity or transparency, which is widely spread in political and public spheres in Sweden and implies that "*...both politicians and officials work openly vis-à-vis the citizens they represent; the general public and the media are entitled to request access to government documents and papers, to examine correspondence etc.*" (Krutmeijer, 2013:9). Moreover this factor implies that "*Swedish politicians and public agencies exercise their power in a self-evident civil right in Sweden*" (Britton, 2009:6). "The principle of publicity", which still remains a goal for the majority of the world's countries, works widely in Swedish society and gives an opportunity of public access to written businesses (Ibid., 2009:6). Hence, the abovementioned principle alongside with a famous Swedish ombudsman system is a strong tool when it comes to the overcoming of such undermining factors for the democratic state as various types of corruption, which is still a big challenge even for many democratic countries as well as Western societies.

The next key factor of Swedish economic and welfare prosperity is trade. During many decades, Swedish politics and laws support and encourage companies' openness and willingness towards an international influence and cooperation. That is why both Swedish export and import play, without doubt, a vital role in the improvement of Swedish welfare and robust economic sector (Ibid., 2009:7). It proves the Swedish world's largest role is as an investor in development and research in relation to GDP, placing Sweden on a third position among other countries in the world (OECD Factbook 2011-2012: Economic, Environmental and Social Statistics).

1.2. Eastern European approach

On the contrary to the Swedish state in former communistic countries society is not used to favour free market and the capitalistic approach. Russia is a bright example of a country with a past of state-owned industries and policies, which aimed to limit the individual's potential and central planning (Bosrock, 2006:7). Current Russian propaganda against the Western European agenda and a view of the Western world through a prism of Hollywood movies and capitalistic framework can create obstacles for Western companies while trying to establish their companies in, for instance, Russia or develop further business relationships. During the

Communist regime there was a famous saying that those who became and remained rich are necessarily corrupt, otherwise there was no other way to become wealthy in a Communistic society (Bosrock, 2006:7). This old stigma is still topical and a notion of corruption creates a ponderable risk to undermine international companies established within Russian market.

The presented Bachelor thesis in the form of qualitative research with a focus on a qualitative text analysis and qualitative interviews alongside a data triangulation method, which will help to gather empirical data with the help of various data collection methods, represents a case study of the global Swedish company IKEA in Russia and what do corruption and democracy mean for the Swedish state and Swedish international companies established on a foreign market. In the presented work the focus will be directed upon text analysis and analysis of qualitative open-ended semi-structured interviews with relevant key- informants. The investigation of the example of establishment of a well- known Swedish company IKEA on Russian market intends to study and analyse how such obstacles as corruption and undermining democracy may affect the Swedish state through the established IKEA company in Russia.

Democracy, corruption and crony capitalism are three interrelated terms, which are to be discussed within this thesis in conjunction with the role of this Swedish company as a democracy ambassador during the establishment in a foreign market. These three terms of corruption, crony capitalism and democracy will also be discussed more thoroughly in the part *Theoretical frames of references*. There are two countries with different historical backgrounds presented within the thesis. Sweden and Russia, also due their geographical location, have many historical interferences in common and a long-term trading relationship. At the same time these two states belong to a different political and cultural framework, which create complications while making business affairs.

1.3.Disposition and outline of the paper

The structure of this thesis consists of six main parts. *Introduction* introduces the topic of research and the reason why it is chosen for this thesis with the formulation of a research problem. *Method and Material* implies a description of material, which is used and analysed in conjunction with the chosen theoretical framework. *Theoretical framework* and *Previous Research* show a theory pillar and similar researches on the problem, which were conducted earlier. Country's outline is a part of chapter *Results and analysis*, which presents to the reader information about Sweden and Russia for a deeper understanding of the chapter.

Results and Analysis and *Conclusions* first introduce the critical analysis of the empirical material in the form of qualitative interviews and then show whether the collected results correspond with the theoretical framework chosen for the thesis.

2. RESEARCH PROBLEMS AND QUESTIONS

The aim of this thesis is to find out what do corruption and democracy mean for the Swedish state and Swedish international companies established in the foreign market. The case of IKEA in the Russian market is taken as a case for the given qualitative study. The possible role of Swedish companies as “democracy ambassadors” on a foreign market studied in conjunction with such possible obstacles like corruption, crony capitalism and the undermining of democracy, existing in the Russian market.

In order to clarify the research problem there are two research questions formulated:

1. How is the Swedish state affected through the establishment of its global companies abroad in the case of IKEA in Russia and the pitfalls, which are met on the way of establishment?
2. To what extent can global Swedish companies like IKEA be considered as “democracy ambassadors” when they establish themselves in non-Western markets in the example of Russia.

3. PREVIOUS RESEARCH

There were a number of academic articles and research found in connection to international import and export and the establishment of international companies abroad, which were presented from an economic angle. However there were limited sources found on the particular role of the state in the process of international establishment of a foreign company abroad and how the state can be affected by the establishment of its companies abroad from a political perspective. Nevertheless, the following sources of previous research presented below were found with relevancy to this thesis.

One of the examples is a scientific article by Kurosawa and Donze (2013), “Nestle coping with Japanese nationalism”, which highlights a number of obstacles during the establishment of the global company, Nestle, in Japan. It is stressed that European multinational enterprises favour international markets beyond European borders, which face political developments, different from those in the West. Unstable political situations and political risks are important factors within risk management of any European company established beyond European markets. This article highlights obstacles such as protectionism and nationalism, which were adopted by Japanese authorities and were not favourable for foreign companies such as Swiss Nestle. This research is of value for the thesis as it shows how the national political situation can affect the process of a European company entering into foreign, which is concordant with the problem discussed in this thesis.

Another study by Mathur and Singh (2013), “Foreign direct investment, corruption and democracy,” highlights the correlation between foreign direct investment and perception of corruption in the example of Asian countries such as China. The authors argue that the perception of corruption plays a big role for foreign companies when it comes to investment in a new market and consequently the more corrupt the country, the less flow of foreign direct investment is expected. Besides this, the study shows that the corruption perception in other neighbour developing countries may affect direct investment to a host country. Countries, which ensure political and civil rights for its citizens, are not necessarily guaranteeing economic freedoms, for example an ability to have an open trade with world’s markets. Foreign companies, according to Marthur and Singh (2013), while establishing abroad, rank economic freedoms and property rights index higher over political or civil freedoms. That is why countries like China, with a low democracy index, are still highly favourable for foreign investors. The Russian market is often compared to the Chinese due to similar characteristics

of the growing economies (Yueh, 2013). In Russia, as well as in China, the democracy index is low, but it is not a barrier for international companies like IKEA to establish themselves in the Russian market due to a still higher economic freedom.

Jonsson (2008) in her article, “A transnational perspective on knowledge sharing: lessons learned from IKEA’s entry into Russia, China and Japan,” discusses the implications which are met by international companies like IKEA on foreign markets and explains why certain companies are more successful than others. Jonsson stresses that Russian and Chinese markets are especially interesting for IKEA’s establishment due to the reason that these two markets undergo constant growth. Besides, Jonsson (2008) draws a line of comparison between three abovementioned markets and points out different challenges, which were met in every country by the IKEA company. Thus, there are three main challenges, which are counted as obstacles, such as relationships with bureaucratic authorities, the importance of having expatriates in leading positions with important knowledge in international relations and the attraction of customers as retail culture being rather new for Russian market. Jonsson (2008) stresses in her article the importance of following “The IKEA Way” in all countries where IKEA is established irrespective of cultural or political framework and to prevent a corporate IKEA culture to turn for instance into a Russian or Chinese IKEA. This study contributes relevant information to this thesis about IKEA policies and “The IKEA Way” or the Code of Conduct, which was mentioned in the qualitative questionnaires for this thesis and discussed by several interviewees who participated for this qualitative study.

Another article, written by Peterson (2013) “After courting controversy, Sweden’s TeliaSonera looks to Kazakhstan” discusses a well-known scandal of the Swedish Communication Company and its establishment in Uzbekistan’s market where the Swedish company was suspected in paying high bribes to governmental representatives in order to enter the Uzbek market. Although Telia denied its affiliation to bribery in Uzbekistan, the international scandal shows how interest in profit can eventually exceed over the importance of reputation. Similar circumstances occurred in international headlines from 2010 about IKEA in St. Petersburg, Russia and bribery scandal, which was also mentioned by several interviewees who participated in qualitative study of this thesis.

An article by Holmes (2013), “Postcommunist transitions and corruption: mapping patterns,” presents a historical insight on countries in transition and discusses it in conjunction with the corruption aspect and political frame. According to Holmes (2013), the post- communist

countries in transition, such as Russia, do not possess the label of the most corrupted countries any longer. On the contrary, this label belongs now to countries in sub-Saharan Africa. But because Russia is still in a group of former Soviet states, when it comes to bribe paying, it still bears this tag. Among different types of corruption Holmes (2013) stresses political corruption and petty corruption. Mapping countries in transition and drawing a line of difference between countries with a common communist background, Holmes (2013) is of the opinion that the level of corruption is strongly connected to the degree of democracy. In other words, the more democratic the state, the less corrupted the state is. The author mentions the presidency of former Russian president Medvedev and his strong intention to combat corruption, which was overshadowed by Putin's "tandemocracy" during Medvedev's presidency. As a result it led to concealment of further activities directed toward the decreasing of corruption. This article contributes to the next theoretical part of the thesis, where political corruption is chosen for the theoretical framework.

4. THEORETICAL FRAME OF REFERENCE

4.1.A literature review on political corruption and democracy

The transparency in any state's system ensures the trust of its citizens. Trust, freedom of speech, free elections, equal opportunities and access to the state's benefits of all its citizens are important guarantees for a democratic state. During the past couple of years, democracy became an important issue of discussion in the international agenda. Violation of democracy has been noticed in several countries, which struggle with old regimes and thereby pay a high price for the liberalisation of its societies. There are three theories of political corruption, crony capitalism and democracy chosen for this thesis since these issues are usually the most topical when it comes to establishment of Western companies in non-Western markets, such as Russian. Two countries – Russia and Sweden, with different historical and political backgrounds, are chosen for the framework of this thesis.

In order to investigate what corruption, crony capitalism and democracy mean for the Swedish state and Swedish international companies established in a foreign market, the case of the Swedish global company IKEA in Russia was chosen. Sweden is a parliamentary democracy and Russia is a federal republic, which during past years has inclined toward an authoritarian rule. This fact without a doubt can be a decisive point for an international company which enters the Russian market, as the political agenda influences all the state's spheres. The investigation of possible effects on the Swedish state, which may come through a cooperation in the Russian market, will be run through a prism of three theories: the theory of political corruption, crony capitalism and a democracy theory. These three theories are connected to each other and follow the common statement that the more democratic the state, the less corrupted it is.

4.2.Political corruption and crony capitalism

The first applied theory for this thesis is the theory of corruption. In order to investigate how an occurrence of corruption may affect establishment of foreign companies abroad it is worth to define what corruption implies. The organisation Transparency International defines corruption as *“...one of the greatest challenges of the contemporary world. It undermines good government, fundamentally distorts public policy, leads to the misallocation of resources, harms the private sector and private sector development and particularly hurts the poor.”* (Transparency International).

Political corruption implies favouritism in adjustment of governmental contracts as well as hiring and the way of legislation and regulations in favour of certain social groups (Milyo, 2014:20). Moreover, cronyism, which is not a legal activity and implies friends, members of the family and political representatives taking positions in political sphere, is correlated to “politics as usual” (Ibid.,2014:20). Political corruption, which is based on connections and is so-called “nomenclature,” is much harder to both identify and prevent. It will be mentioned in the Country’s outline Sweden that “nomenclature” or corruption, based on personal connections, takes place in Sweden. Political corruption in many cases is a general and allegedly victimless notion, or at least seems like that, and plays a role of the most harmful processes not only for society but also for liberal democracy and market economy (Ibid.,2014:21) As a result, citizens are alienated from political life and politicians, as they are bereaved of interests, based on private connections. The rule of law becomes weak because of arbitrariness, which makes the legitimacy of the state weak as well, because of the wrong interpretation of such democratic ideals as participation and equality (Salem Press Encyclopedia, 2014).

The economic sphere is affected by the dissipation of taxpayers’ money and becomes inefficient. Consequently, it leads to the wasting of time for business structures when they meet the governmental bureaucracy system, which hinders business with complicated permits, licences and signatures of “right people” (Ibid.,2014). Openness decreases and the concentration of resources in “special hands” leads towards socioeconomic inequality, entails organized crime, lack of trust between governmental representatives and citizens, who experience loss (Ibid.,2014). This definition is recognized in the article about the establishment of TeliaSonera in Uzbekistan as well as in the IKEA scandal and them firing two managers in Russia, mentioned in *Previous research* and in *Results and analysis*, where businesses knocked together with political processes of Russia and Uzbekistan, which dictate their unfair rules for establishment of foreign business on their markets.

Political corruption is a “grand” type, which happens on a high level and involves decision-making actors within politics (Amundsen, 1999:3). Political or “grand” corruption is defined from “petty” or bureaucratic corruption or corruption in the public administration sector, which in the end is still linked to politics. Nyblade and Reed (2008) in (Fjelde and Hegre, 2014:270) define two types of political corruption: “looting” and “cheating” – “...one for enrichment, the other for survival- reinforce each other since the politician who is adept at

expropriating rents and collecting bribes also has more resources available to buy political support”.

Crony capitalism is the second theory and implies an environment both within economy and politics where an attainment of favours from government ensures success in business (Macey, 2014:5). Domination of informal elite groups, like for instance oligarchs in Russia, influences the political and economic environment and therefore impacts on decision making process, receiving at the same time special privileges and state’s support (Ledeneva, 2012:152). Besides, “friendship” with governmental structures favours the notion of nomenclature as informal elites not rarely can get a position among governmental representatives and informal access to decision making. Cronyism is connected to political corruption through the favouritism of chosen elite groups or individuals. Cronyism undermines the legitimacy of governmental authorities, general trust to state and as a consequence affects in a bad way such democratic mechanism as fair political elections (Ledeneva, 2012:153). A high competitiveness on economic markets where cronyism will be not affordable and creation of a free market system where businesses will compete between each other for price, quality and service but not for profitable “friendship” and connections with government will decrease cronyism (Macey, 2014:9).

4.3.Democracy

Corruption has a tight connection to the level of democracy, low trust to state and is also one of the units that measures the democratic level apart from economy, gender equality, freedom of speech and the political system (Amundsen, 1999:1). In comparison to previous years, there are more countries in the world that have gained democracy and left the authoritarian regime behind. Fjelde and Hegre (2014:268) compare quantity of democratic countries in 1985 and in 2008 and show how the picture is, saying that in 1985, almost half of the countries in the world were ruled by autocratic regime, while in 2008 there were just 14% of autocracy in the world, which is much lower than 23 years ago. These figures show that the democratic stream significantly improved. However in the international arena there are still remnants of autocracy regimes, which are covered up behind so called “hybrid regimes” which implies the combination of both democratic and autocratic powers (Ibid., 2014:268). Even though such mixed regimes do not have a stable base, there is a significant increment of mix powers noticed in the world (Ibid., 2014:268). In those countries where such mixed regimes prevail, the levels of corruption are still high, even though it is expected to be lower due to existing

democratic stream. Such a tendency explains the fact that the abovementioned notion of political corruption is not just considered to be simply an outrage, which fades under an influence of liberalism, but also has indeed much deeper roots (Fjelde and Hegre, 2014:268).

The focus of the presented thesis lies upon establishment of the global Swedish company abroad that belongs to economic factor and on its turn is one of the units, which contribute to democracy level. In the example of Sweden, a country with a constitutional monarchy and parliamentary democracy, Swedish King Carl XVI Gustaf plays the country's representative role, especially while on official visits abroad. Apart from the King, the royal family and ministers, there are representatives from trade and industry of Sweden, who follow the foreign reception, like during the recent royal visit in France. To use official political visits with an aim to strengthen already established business relations abroad and create new ones is a good strategic tool for investment in domestic Swedish welfare in the long run. It proves debates of Porter (1998:352) who argued that Swedish politics has a good cooperation with the economic sector. IKEA became a sponsor of the royal visit in France (Svenska Dagbladet). It is worth to mention that the official representative of a meeting in France ironically highlighted for French media, that "*...it would be preferable if Swedish King could take with him a company from Sweden, which follows tax rules.*" (Ibid). IKEA's reply was that the company follows thoroughly all tax obligations in France (Ibid). Hence, economic relations, corruption and politics are connected between each other and link to the level of democracy.

During many decades democracy was considered to be the best governmental form in the world, which is often related to a special form of government, political democracy as well as economic and social statement of both state and society and signifies a rule of people and access to fair political elections (Diamond, 1999 in Dahl, Shapiro and Cheibub, 2003:29). Dahl in Shapiro and Hacker-Cordon (2006:19) argues that it is wrong to relate governments only to the states. International companies, universities, churches and many other organisations where humans are involved, also have their governments (Ibid.,2006:19). Dahl introduces a peculiar type of democracy which is called "polyarchy" and interprets it in a five-characteristic's criteria: as a regime, as a tool for nation's states democratisation process, as a necessary phenomenon for a democratic process, as a system of rights and as a system which is controlled by a competition (Dahl in Bailey and Braybrooke, 2003:106). There are seven political institutions, the presence of which is necessary in order to fulfil the polyarchy criteria: fair and free elections, freedom of expression, freedom of media, freedom of

association (or associational autonomy), elected officials, inclusive right for vote and right to run for office (Dahl in Bailey and Braybrooke,2003:107).

Polyarchy is a form of democracy that is suitable for nation-states and cannot be compared with earlier forms of democracy, as there was no necessity and need in polyarchy as such. Nowadays, polyarchy theory can be pinned on a modern form of democracy in democratic states and its criteria can be passed through the system of a democratic state in order to see whether the democratic state fulfils the polyarchy criteria or not and what a state eventually needs in order to be called “polyarchic”.

Three above discussed theories of corruption, crony capitalism and democracy were chosen as the most suitable for conducted qualitative study as they touch on problems and issues, which can be met by a company from a Western democratic state such as IKEA from Sweden, while entering non-democratic non-Western markets such as Russian, where corruption and crony capitalism are visible barriers on the way to democratic way of political and business affairs.

5. METHOD AND MATERIAL

The choice of the case for investigation in the frames of this thesis is not completely new, although it has various modifications when it comes to previous research. There was similar research in this field conducted before, for example about Swiss Nestle in Japan or Swedish TeliaSonera in Uzbekistan, but not with the same organisations and companies involved in investigation in connection to the Swedish state. There are many Swedish companies that started to enter international markets a long time ago but the location of the market predetermines to a big extent on whether the way of establishment abroad will be complicated or smooth. For example we cannot compare the establishment of a Swedish company in German and Russian markets in an equal way due to different cultural, historical and political frameworks of mentioned countries as well as mutual sharing or not sharing of the same Western democratic values.

5.1.Data collection

The materials which were chosen for both *Theoretical frame of references* and *Results and analysis* create an empirical ground for this thesis and are divided into four parts: scientific articles, theoretical books, material for internal education of IKEA personnel and results of qualitative semi-structured open-ended interviews, conducted with the relevant key-informants. In order to answer research question 1, “How is the Swedish state affected through the establishment of its global companies abroad in the case of IKEA in Russia and the pitfalls, which are met on the way of establishment?” there will be used and analysed such materials as scientific articles, results of qualitative semi-structured open-ended interviews and theoretical books. In order to answer research question 2, “To what extent can global Swedish companies like IKEA be considered as “democracy ambassadors” when they establish themselves in non-Western markets in the example of Russia” material will be used and analysed from internal education of IKEA personnel and results of interviews. Nevertheless, in order to make a deeper analysis and answer the two research questions, the author of the thesis refers also to the chapter, *Previous research*.

Most of the scientific articles were derived through on-line sources due to the reason that nowadays Internet extrudes more and more printed volumes and is more practical. The right consistency is of a high importance when it comes to the on-line searching process. The author of this thesis used a combination of words such as *political corruption*, *crony*

capitalism, cronyism, Swedish company abroad, democracy in Russia, Swedish state, polyarchy, democracy, establishment of IKEA abroad and The IKEA Way which were most suitable for finding relevant articles. The tendency not to be critical during the searching of relevant sources and their analysis was noticed by the author of the thesis due to two reasons. Firstly, this is due to the author's personal affiliation with IKEA and secondly due to ethnical belonging to Eastern Europe. That is why while reading and analysing scientific material and interviews the author of the thesis kept in mind the consistency of text analysis and tried to follow an objective framework.

At the beginning of the investigation there were certain other difficulties noticed by the author and connected to the language barrier. Even though the author of the thesis possesses a good knowledge in English and Swedish, there was still a necessity to use dictionaries in order to be precise in the formulation of meanings and be sure that translation from Russian and Swedish corresponds with the English text of the thesis. Besides, it is worth to mention significant cultural differences between Sweden and Russia that are also depicted through the language, meanings and sayings and were taken into consideration while translating and analysing interviews and scientific materials.

5.2. The choice of the method

The choice of the method applied in this thesis is qualitative content analysis with a use of qualitative research interviews. According to Schreier (2013:10) qualitative research is based on the collection and interpretation of symbolic material, such as visual or verbal data and artifacts, which give a researcher much space for interpretation, while quantitative research focuses on numerical data which does not give a broad possibility for interpretation. A qualitative research was chosen for this thesis as it is based on data collection in the form of qualitative interviews and that is why it is considered to be most suitable for the analysis of results and its interpretation. Schreier (2013:27) argues, that "*Qualitative research is interpretive in three ways: it deals with symbolic material that requires interpretation; different interpretations of the same material can be valid; and it deals with research questions exploring personal or social meaning.*"

There was a systematised research of qualitative type of text analysis used for this thesis with an aim to classify the content of scientific articles and other theoretical materials. This type of research aims to put the content of thoughts into a correct and summarised headline (Esaiasson, 2012:211). In the presented thesis the summarised headline is what do corruption

and democracy mean for the Swedish state and Swedish international companies established in a foreign market. Esaiasson (2012:211) is of the opinion that *“it is you who tells a story with a help of text, but not a text, which tells a story for you.”* This type of qualitative text analysis complements the analytical framework that is used within this thesis.

5.3.Sampling procedure

5.3.1.Empirical study

In order to collect the data for the results' analysis the framework of qualitative data collection was chosen as the most suitable for a qualitative method of investigation. Its flexible framework and quickness of conduction was relevant to the thesis due its restricted time frames. The main aim of the qualitative research applied for this thesis was to collect the necessary qualitative data, which will contribute to a big extent to the qualitative text analysis and examination of the two theories chosen for this thesis. The researcher within a qualitative research is expected to have a feature of flexibility, which is acknowledged by *“...taking others' perspectives onto account when creating your coding frame and by making the grounds for your interpretations transparent...”* (Schreier,2013:52). The qualitative research in this thesis consists of open-ended questions which aim to derive information about key-informants' experience and intend to diminish an unequal balance of two powers of key-informant and interviewer as much as possible, based on a high sense of confidentiality and anonymity (King&Horrocks,2010:49).

The concept of data triangulation was applied for qualitative data analysis, which uses either multiple methods of data collection or multiple sources of data for studying a particular phenomenon (Mays&Pope,2000 in King & Horrocks,2010:164). In this thesis the phenomenon of establishment of the Swedish international company IKEA in the Russian market was studied as a single study.

5.3.2.Selection of key-informants

In order to receive a broader dimension and a perspective not only on IKEA in Russia but on Swedish international companies in general, there were two groups of key-informants chosen for this empirical study. Firstly, in order to receive a more narrow perspective on the establishment of a Swedish company abroad in example of IKEA in Russia there were key-informants with affiliation to IKEA in Sweden and Russia chosen for the interviews. Secondly, in order to receive a broader perspective on Swedish companies abroad in general

and on the Russian market in particular as well as the role of the Swedish state, there were key informants selected from the governmental sector and organisations with affiliation to both Russia and Sweden, such as the Russian-Swedish company of Scandinavian furniture export based in Moscow, regional association Southern Småland in Växjö, Sweden, The Trade Representation of the Russian Federation in Sweden in Stockholm and The Swedish Trade and Invest Council in St. Petersburg, Russia.

5.3.3.Key informants/subjects

There were 20 relevant respondents in total contacted with a request of participation in interviews and 11 qualitative interviews were conducted in total. Unfortunately not all contacted respondents expressed an interest in participation in the interviews due to the sensitivity of the topic of corruption. It was noticed that representatives of IKEA in Sweden with a higher position talk more openly about corruption in the Russian market than other IKEA co-workers. Key-informants with no affiliation to IKEA were very careful while answering the questions and touched only slightly on this issue. In the analysis of empirical results each key- informant is called Informant and has a number which corresponds to the Table 2 in *Appendix 2*. It will make easier for the reader to follow the analysis of derived data and discussion.

5.3.4.Type of interviews and choice of questions

In order to interview key-informants there were three different types of open- ended interviews used for the given thesis: semi-structured face-to-face interview and remote interviewing such as semi-structured Skype interviews and E-mail interviews. Remote interviews were chosen due to its flexibility and suitability for key-informants, who live abroad or in other parts of Sweden. Semi-structured interviews imply interviews with questions, prepared in advance. Questions can be changed by an interviewer during the process of interview, depending on how the interview goes (King& Horrocks, 2010:35).

Interview questions were divided into two groups and can be found in *Appendix 1*. Questions were formulated according to the theoretical framework of political corruption and democracy chosen for the thesis. The first group of questions was focused on the general perspective on the establishment of Swedish companies abroad and on the Russian market in particular, which pitfalls are met on the way and whether Swedish companies can be seen as “democracy ambassadors” abroad. The second group of questions was narrower and addressed to IKEA

co-workers with a focus on the company's Code of Conduct, implications for IKEA in the Russian market, corruption issues and the possible role of IKEA as a "democracy ambassador" in Russia. At the same time formulation of the questions provided enough space for interviewees to come up with other information, which they considered might be relevant to this research and related to their professional knowledge and experience.

5.3.5. Interviews

The 11 qualitative interviews were conducted in December 2014 in Sweden and included two semi-structured face-to-face interviews with representative of IKEA in Sweden and regional association Southern Småland in Växjö, one semi-structured Skype interview with the head of Swedish- Russian company, which exports Scandinavian furniture to Russia, six remote interviews with IKEA co-workers in Sweden, one remote interview with The Trade Representation of the Russian Federation in Stockholm and one remote interview with The Swedish Trade and Invest Council in St. Petersburg, Russia. Eight interviews were conducted in English, one in Swedish and two in Russian and then translated into English. In *Appendix 2* in a *Table 2 Classification of qualitative interviews* there is more detailed information on key-informants, who participated in qualitative interview can be found.

5.4. Analysis

The data, collected with the help of eleven qualitative interviews was based on a systematic process of assessment, which consists of a few steps. Firstly, the data derived from face-to-face interview and Skype interview was summed up in a written form.

Secondly, there were necessary comments and reflections added by the author of the thesis to the data, derived from all the interviews.

Thirdly, the analytical reading of the derived data was done with an aim to find similarities and differences between the opinions of key-informants from IKEA and other abovementioned organisations and companies and to see how they perceive the role of the Swedish state as a "democracy ambassador", the establishment of Swedish companies abroad, the pitfalls on its way and aspects of corruption and democracy.

Fourthly, the important and relevant meanings were chosen from texts, written during conduction of Skype interview, face-to-face interview and E-mail interviews. It helped the author to concentrate on the next step of the assessment of the theoretical framework in the

Results in conjunction with derived empirical data. Some of the parts of derived data were generalised in order to concentrate on more important subjects such as the pitfalls along the way of a Swedish company's establishment abroad, the role of a Swedish company as "democracy ambassador" as well as corruption and democracy aspects. The generalised parts were in turn related to the *Results* in the form of connective links such as the importance of the establishment of Swedish companies abroad and to follow reputation or to strive for profit.

5.5. Ethical considerations of the study

The ethical aspect was taken into consideration during the preparation and conduction of the interviews. All key-informants were notified about the anonymity of the interview and the treatment of the interview's data in a respectful way. Thus, the information about key-informants' age, gender, name and working position is concealed. The aspect of anonymity was especially important for representatives from IKEA due to sensitivity of topic. That is why the information about IKEA's department or a town, where the company is located is not mentioned. Interview conducted via Skype was recorded on an electronic device with a permission of a key-informant, who participated in an interview.

5.6. Delimitations of the study

The time spent for preparation and conduction of the given Bachelor research lasted from the 1st of November 2014 until the 11th of January 2015. There were 11 interviews conducted in total but there were 20 key-informants requested for participation in the research. The author of the thesis delimited herself by focusing on corruption issue in conducted qualitative interviews, which caused difficulties while gathering qualitative data as not all key-informants were feeling convenient with this sensitive topic which was also a possible reason for refusal of 9 requested key-informants in interviews' participation. There was a tendency noticed during the conduction of interviews that the Swedish key-informants showed more initiative towards the participation in questionnaires rather than foreign ones. The issue of corruption is a very sensitive topic for all companies, which can explain a low interest in participation in interviews. The questionnaires do not contain any direct questions about corruption even though key informants were very careful about answering on them. Moreover, not all key-informants who participated in interviews gave answers on all questions. It was explained by the lack of knowledge in the particular area of expertise, which was reflected through the questions e.g issues of democracy and political corruption.

The other delimitation was done with regards to two countries Sweden and Russia and establishment of Swedish global company IKEA on Russian market due to author's personal affiliation to IKEA and therefore an easy access to relevant key-informants as well as author's Eastern European background. Being familiar with Russian cultural framework helped the author of the thesis to understand why certain key-informants with foreign background avoided to answer the questions about corruption and situation on democracy in Russia or provide a clear picture on it while Swedish IKEA co-workers were more open.

Besides, the lack of time was also a significant reason for limitation of the study. The time frame delimitation was set from the 1st of November 2014 until the 11th of January 2015. Therefore a big period of research time collided with Christmas and New Year's holidays, which limited an access to relevant key-informants. The possible involvement of more participants, working in IKEA and other Swedish companies and organisations in Russia would give a broader view on the problem discussed in the thesis and in order to do this more time is needed, which can be suggested for a further research.

5.7.The choice of IKEA

The Swedish company IKEA was chosen as an example among a large number of other Swedish companies established in the Russian market. This was due to the highly discussed issue of the interaction of IKEA in the Russian market during the recent couple of years as well as the personal affiliation of this research's author with IKEA in Sweden. Moreover, the author of this thesis was born and raised within a Communistic framework herself and has an experience of living both in a former Soviet environment and Sweden during past several years. These important factors helped the author to look at the discussed issue from a broader perspective and made it possible to compare not only systems of both countries Russia and Sweden, but critically analyse the chosen problem from an international prism. The presented thesis can be useful for further research on similar problems, which states throughout the world face by establishing its global companies abroad. Often a framework, combined of different mentalities, backgrounds and political systems differs from values of established company- guest from abroad. That is why the choice of the topic for research is both personal and scientific.

5.8.The choice of two countries

The choice of Sweden and Russia was made due to several reasons. First of all the author's interest was challenged by two bipolar political systems of respective countries, which are inherently connected to different historical backgrounds. Moreover the case of the establishment of Swedish companies in particular in the Russian market has been a subject of international media debates for several years due to some contradictory principles of doing business, which differs from Western perspective and was mentioned in *Previous research*. Besides, Russia as a political actor today remains as a "bad hero" in the headlines of international media due to violation of human rights, anti-democratic agenda and ignorance of international opinion. Sweden on the contrary plays a role of an antipode to the Russian portrait abroad and is represented as a "good hero" and a delegate of one of the best democracies in the world. Finally, the fact of being familiar with the Russian system because of an Eastern European background contributed to a big extent to the author's choice of Russia.

There is a focus on three main pitfalls of political corruption, crony capitalism and violation of democracy chosen for the investigation and which are considered to be of high discussion in the modern world. The Russian Federation as a country, where the lack of public faith and trust in the state, its rulers and democracy in general have developed over the years, have a risk to be threatened (Diamond, 2008:48).

6. RESULTS AND ANALYSIS

In order to make it easier for readers to understand the analysis of empirical study in this chapter and to get a deeper insight on issues of political corruption, crony capitalism and democracy from the perspective of Sweden and Russia, there is a short information on these two countries and the situation of corruption and democracy presented in a context of this thesis.

Indicator	Russia	Sweden
Population (in millions)	143,5	9,5
GDP per capita (in USD)	14,612	60,430
Global Democracy Ranking	95	2
Freedom of press	176	1
Corruption Perceptions Index	127	3

Table 1. *Countries' data*

6.1. Focus Russia

Today's Russia represents a federal republic with a population of 143.5 million and 14,612 GDP per capita in USD in 2013 (World Bank). The Russian Federation is one of 15 former Soviet countries in transition, which after collapse of Soviet Union was considered to be among "young democracies" apart from Turkmenistan and Uzbekistan (Hale, 2009:33). Nowadays, more and more researchers rank Russia among autocracies due to the current political situation under the governance of Putin. Recently, the violation of human rights through harassment of sexual minorities and participation in the Ukrainian conflict provoked many countries to political criticism towards Russian agenda in the international arena. Hale (2009:34) argues that "hybrid" political regime is the most suitable for the current political system in Russia with a brightly expressed power vertical and pyramid type governance.

According to research presented by Global Democracy Ranking on December 2013, the Russian Federation possesses 95th place among 115 countries where the 1st position indicates the highest democracy rate and the 115th, the lowest one (Global Democracy ranking). The improvement of the rule of law in Russia will lead to a reduction of such a problem as corruption and therefore will increase the trust in the state. The political character of the problem of weak rule of law, cronyism and petty corruption is discussed in chapter *Theoretical frame of references*. According to research, mentioned by Åslund (2010:35), it

was found that political corruption is higher expressed in Russia than in other countries in transition such as Poland or China and besides, petty corruption was indicated by Russian businesspeople in a poll as a significant obstacle for doing business in Russia. The persecution of the Russian music band “Pussy Riot” for their opposition attempts to struggle with the system and the removal of a gay couple from a Russian IKEA catalogue as a tribute for anti-gay propaganda in Russia contributes to discrepancy with Western views.

Organisation Transparency International presented the Corruption Perceptions Index and ranked countries worldwide according to the level of corruption in the public sector. In 2013 there were 177 countries included on the list. Sweden possesses the 3rd place and Russia, 127th (Transparency International). This data shows an obvious discrepancy between the two countries as well as different attitudes about trustful relations between the state and public sector in both countries.

6.2. Focus Sweden

Sweden is a parliamentary democracy and constitutional monarchy with a monarch, Carl XVI Gustav, as a head of the state. The population is 9.5 million and the country’s GDP per capita in USD is 60,430 (World Bank). For a long time Sweden has been an exemplary model of a democracy for many countries in the world. In comparison to the Russian Federation with its 95th position in democracy ranking, Sweden possesses the 2nd place among 115 countries presented on the list (Global Democracy ranking). High notion of democracy has always been a distinctive feature of not only Sweden but also other Scandinavian countries. Active cooperation of Swedish organizations with organizations and authorities abroad in struggle for human rights, gender equality and democracy through various projects, educational think-tanks and workshops raises Sweden’s international profile as a country of freedom, justice and equal rights for all. The transparency of the Swedish social and political system contributes to the higher trust of citizens of the state rather than in other countries. Press Freedom Rankings on 2014, evaluated by Freedom House indicate Sweden in 1st place and Russia in 176th among 197 countries, where a higher number shows less free media and a lower one, more free (Freedom House).

Britton (2009:6) argues that even the business sector of a private character is open and transparent for the rest of society. The principle of free access to public records has even bigger effect upon companies, organisations and authorities in Sweden, rather than formal tools of control. The fact that Sweden has not participated in wars for a long period of time

contributes to the development of the democratic mainstream within the nation and serves as a good example for other countries.

Low tolerance for corruption among citizens is a very high preventive tool, which plays a big role on the way of revealing and struggle with corruption and support of the rule of law (Andersson, 2012:91). Nevertheless, even if different types of corruption such as petty corruption or bribes are much easier to reveal in Sweden due to the openness of its system to its citizens and the presence of Parliament ombudsman (who provides redress for Swedish citizens and has a role of a barrier against breach) there are still certain types of corruption. Corruption based on misuse of connections in order to set aside judicial decision making is rather common in Sweden, as it is difficult to be caught and that is why it can be easily neglected (Ibid.,2012:91).

6.3. Main focus of the study

There are two main questions that this study intends to answer – how is the Swedish state affected through the establishment of its global companies abroad in the case of IKEA in Russia and the pitfalls which are met on the way of establishment and to what extent can global Swedish companies like IKEA be considered as “democracy ambassadors”, when they establish themselves in non-Western markets in the example of Russia.

The empirical base of this thesis consists of a qualitative study, which combines both qualitative literature review and eleven conducted qualitative interviews, which are important pillars, upon which this part, *Results and Analysis*, rests. In order to investigate the research questions, the Swedish company IKEA with a broad global perspective, was chosen among many other companies. IKEA’s establishment in the Russian market, which is beyond the Western European area, was chosen due to the peculiarities of the Russian market that differ from those of the European Union. There are three theories of political corruption, crony capitalism and democracy applied as the theoretical framework and two abovementioned research questions will be investigated through the “glasses” of these three theories. The notions of political corruption and crony capitalism, which contribute to undermining of trust, democracy and its violation in Russia, has been a topic of discussion for many years and is considered to be already an old tradition of Russian culture with its roots in the Soviet era. Political corruption in Russia collides with Swedish principles of democracy when Swedish companies enter Russian market.

6.4. Why Sweden needs to go beyond its borders

Before going deeper into the investigation of the two research questions it is necessary to find out why in general there is a necessity for Swedish companies to go beyond Swedish borders. As mentioned in previous chapters, the Swedish market is small with high prizes for both labour and land, which explains Sweden's intentions for broadening its horizons. Sweden has a small population, high living standard and a relatively stable inland market, which does not provide Swedish global retailers enough space for growing (Larimo and Huuhka, 2008:66). Informant 11 verifies that *"The Swedish market is too small for companies to grow large and gain economies of scale."* Informant 1 contributes to the abovementioned opinion and argues that *"...it is important for the Swedish economy to have establishment abroad especially for the export industry. It is also a good branding for the country."*

The Russian market, due to its size and relative geographical closeness, became attractive for IKEA a long time ago when the company opened its first store in Moscow in the year 2000. In 2003 IKEA was the fourth largest European investor in the Russian market and in 2005 IKEA had 50% share of all Russian import (Ibid., 2008:82).

6.5. When two cultures collide

Usually when a company wants to enter a foreign market, it chooses a country with a similar culture and traditions in order to avoid or diminish misunderstandings and obstacles that may occur just because of cultural differences. IKEA entered the Russian market being already a well-established international retail company; therefore the cultural factor has not played a significant role as it could do if IKEA had been a starting company. Nevertheless, cultural differences is a factor of no small importance even for a well-established international company like IKEA, when it collides with corporate culture and values that are different from Western. On its turn this different corporate culture is affected and influenced by national political processes, as it starts to play according the domestic rules in order to survive. The first research question on how the Swedish state is affected through the establishment of its global companies abroad in the case of IKEA and the pitfalls that are met on the way of establishment is very much connected to cultural differences and is analysed here with the help of such materials as scientific articles, results of qualitative interviews and theoretical books.

Swedish and Russian cultures have more differences rather than similarities. Swedish society is expressed through its individualistic values while Russian society is collectivistic, which remains as a leftover from the Soviet communistic era (Hofstede, 2001:217). According to Hofstede (2001:214), individualistic societies, like in Sweden, strive for political democracy and human rights while collectivistic societies, like in Russia, are concerned with interests of a group. Gender factor plays also a significant role as Russian culture with its vertical hierarchy is related to masculine culture while Swedish culture, with its horizontal hierarchy, to feminine. Hofstede (2001:300) argues that “...*masculinity implies a focus on economic growth and competition... femininity implies a focus on supporting the needy in the country (welfare) and in the world (development cooperation) and on preservation of the global environment.*” Thus, this definition shows that Russian and Swedish cultures have in fact a bipolar character which can also explain different political and economic situations in these two countries: competitive political environment in Russia and consensus oriented in Sweden. Informant 11 contributes to Hofstede’s definition of Russian society as hierarchical and therefore more formalistic than Swedish, saying: “*Sometimes there is a lack of understanding and acceptance of the lengthy administrative processes that are required in order to access the Russian market.*”

Many of those Western values such as transparency, the rule of law and democracy will not be helpful and, moreover, would not be applicable to non-Western cultures due to different historical development. Thus Hofstede (2001:222) argues that it will not function for such societies like Russian to “go West” due to a big vacuum in institutions which are not empowered to make democratic decisions after the fall of the Soviet Union and where an advantage of the situation is taken by organized crime, which supports kleptocracy framework. Kleptocracy is connected to cronyism as often mafia and chosen elites linked together and therefore favours political corruption in order to gain needed profit from governmental bodies. Informant 4 also acknowledges the need of the rule of law in Russia and its biggest pitfalls: “...*reliability of the court system, objectivity of the judges... Corruption – century old tradition in Russia. Need to have clear Code of Conduct inside the own company. Raise an own staff with own ethical standards.*”

Hence, such Western values and streams as democratic development, free market capitalism, trust in the state and human rights movements will not be valued in the same way in Russia as it is in Sweden. In addition Informant 8 pointed out, that in Russia, state and society have

always had two separate lives which made people carry on with their lives and do not care about what is going on in the state.

6.6. “When in Rome do as Romans do”

Continuing to investigate the first research question on how the Swedish state is affected through the establishment of its global companies abroad in the case of IKEA in Russia and the pitfalls that are met on the way of establishment, it is necessary to mention that the company’s Code of Conduct “The IKEA Way” or the set of rules and responsibilities which every person in affiliation with the company needs to follow, is considered to be applied in over 30 countries where IKEA is established. In its roots “The IKEA Way” reflects the mentality of people from Småland, the South of Sweden, where the company way was established in 1943 (Tarnovskaya and de Chernatony, 2011:604). All these 30 countries have different cultures from Swedish and one of the questions from the qualitative questionnaire intended to find out whether these values can be understood differently in other countries, and if they may lead to conflicts and misunderstanding.

Informants 1,2,3 and 5 stressed that the way IKEA’s Code of Conduct is understood in IKEA’s companies abroad is not the same. Informant 2 argued that “...*the further we come from Småland the bigger the variations of that interpretation. For IKEA, our values have always been a strong foundation in how we do things...and we have to a great extent managed to implement the concept outside Småland but I believe that it will never be fully understood by people brought up under different circumstances and a different zeitgeist than Småland 80 years ago.*” On the other hand Informant 4 is of the opinion that “...*in general the IKEA group has a clear Code of Conduct adapted and implemented to all its companies globally. This CoC is carefully worked through in all levels of the organisation and every co-worker in the Ikea companies I have worked for knows this by heart.*”

Informants 1,2,3,5,6,8 and 9 agreed that the occurrence of rule breaking is not unusual for Swedish companies abroad. Informant 3 pointed out that after learning about the local rules of the Russian market, the Swedish company “adjusts” for new requirements: “...*when we started up in Russia, we sent containers with only wooden pallets to see what would happen and they were of course stolen. We learned how it worked and where needed to adapt to that. Then the bigger we got, we had more “to say” about these kind of things. But of course we have had some bigger problems some years ago and I’m sure it will continue in some way.*”

Here by “bigger problems” this key- informant implied the IKEA bribery scandal with two Swedish managers in St. Petersburg, mentioned in *Previous research*.

The set of rules, gathered in the Code of Conduct is supposed to be followed by IKEA companies all over the world in the same way as Swedes do it, but at the same time there is no guarantee that these rules will be understood in the same way in Russia as it is in Sweden. The difference in interpretation of the company’s general rules gives a space for “adjustment” to the local framework of a new market, which can easily lead to breaking rules and supporting corrupt authorities or cronyism affected elites in order to enter a new market. Swedish companies are considered to be exemplary in other parts of the world for its transparency, general trust, innovation and honesty. Through Swedish companies these qualities also reflect the mentality of Swedish society, as a Swedish company plays a role of “a visit card” of Sweden. But do Swedish companies behave abroad in the same way as they do in Sweden?

Informant 2 gives a broader perspective, which embraces not only IKEA abroad but few other Swedish companies and the enforcement of an “adjustment” on a new market: “... *it happens, that Swedish international companies “adjust to local cultural tendencies” when it comes to bribes for instance. We have seen this within IKEA in St. Petersburg a couple of years ago and several times when SAAB has created deals to sell military aircrafts to foreign countries, where large “consultant fees” has been paid out to local companies in order to achieve a better position in the selection process. Recently we have also been informed of Swedish truck manufacturers presumably involved in illegal price fixing on the international markets. This is of course against Swedish legislation...*” Thus de jure Swedish companies, following ethic and morality, exclude corruption interference both in Sweden and abroad, de facto – corruption occurs for profit’s sake. Here theories of political corruption and crony capitalism are applicable as corruption and crony capitalism are acting links between Swedish companies and foreign authorities and are the biggest pitfalls for Swedish companies, established abroad. It is often important to find a “representative” in a face of local authorities or chosen elites from a foreign environment who will “support” a newcomer on a new market and pay all necessary unofficial fees. It is worth mentioning that key- informants either from The Trade Representation of the Russian Federation in Sweden or The Swedish Trade and Invest Council in Russia have not mentioned such pitfall as corruption and crony capitalism in their answers.

It shows that the key-informants from Swedish companies themselves talk openly about such important pitfalls for Swedish companies as corruption, connected to it crony capitalism as well as highly formalistic administrative processes in the non-Western Russian market in comparison to the key-informants from authorities. It contributes to the fact that corruption is a highly sensitive topic and cannot be revealed even by such a democratic aspect as freedom of speech that exists in Sweden. Thus Informant 11 presents a smoother picture: *“We never recommend anyone to break rules, cut corners, get involved in corruption, give or take bribes or anything related. There is a moral side to it that businesses need to act as good corporate citizens and act morally correct. It is better to work clean from the very beginning and not risk getting involved in bad business. Once you go bad and start covering up, it is hard to get out.”*

It is necessary to remember that all the key-informants provided their subjective opinions, based on own professional experience.

6.7. Swedish companies abroad and Sweden: doing more harm than good?

The aim of the first research question is to find out how the Swedish state is affected through the establishment of its global companies abroad in the case of IKEA in Russia and the pitfalls, which are met on the way of establishment. We have already identified the main pitfall – a formalistic administrative processes in connection to political corruption and crony capitalism in Russia, which Swedish companies meet on Russian market.

The Russian market and the Swedish company IKEA were chosen as a case example due to the bipolarity of both states involved and, consequently, different rules of the same game which is played by IKEA in Russia and in Sweden. As mentioned by Hofstede (2001:223), Russia represents a highly competitive society while Swedish society values cooperation. Larimo and Huuhka (2007:83) argue that formalistic bureaucracy in Russia affected IKEA's entry in the Russia market by *“...delays in getting visas, difficulties in coping with the local planning regulations and widespread corruption”*. Even Informant 11 mentions that *“Swedish business people are much less formalistic than the Russian companies and authorities call for. This causes problems in all phases of business in Russia. Oftentimes however, problems are less challenging than they might seem at first.”*

Formalistic bureaucratic machines in society with remnants of Soviet mentality, hybrid type of state and “power vertical” political system favour political corruption and crony capitalism

with “oligarchs” or chosen elites and undermine trust in state, neglect democratic freedoms and rights, which in turn excludes the polyarchy ideal of state. According to theory of polyarchy and its criteria, applied to democratic societies and discussed in theoretical chapter, Sweden represents an example of a democratic state that meets its antipode in the face of the Russian state through cooperation between Swedish and Russian companies, which is also mentioned by key-informants.

According to Porter (1998:704) it is of a high importance for the Swedish state to keep Swedish leading companies Swedish-based even when going global as “*Swedish values minimize the risk that Sweden will drift to the wealth-driven stage*”. The Swedish economy and Swedish government are in tight cooperation as Swedish diplomats assist business deals and establish new business relationships for a better future of the Swedish state’s welfare. There are a number of governmental programs that aim to help Swedish companies to perform better (Ibid., 1998:704).

Nevertheless, collision in foreign markets, such as Russian, with factors that are contradictive to Swedish democratic values such as crony capitalism, political and petty corruption on different levels, make Swedish companies disregard traditional Swedish values. As a result, it may lead to the neglecting of Swedish well-known egalitarianism and concern for welfare for profit-driven sake: “...*but if I need to make a choice it will be the profit otherwise it would be impossible to continue,*” stated Informant 3 and Informants 1,2 and 4 expressed a similar opinion. In the long run it may undermine the concept of “folkhem”, previously discussed in *Introduction*. The fact that Swedish companies abroad can de facto go against their values, moral beliefs and ethical views for gaining a profit is controversial because in the end, running after profit abroad, Swedish welfare can be affected in a negative way.

6.8. Democracy ambassadors

In order to answer the second research question, to what extent global Swedish companies like IKEA can be considered “democracy ambassadors”, when they establish themselves on non-Western markets in the example of Russian, empirical qualitative interviews and material for the internal education of IKEA personnel were used.

Sweden went far ahead of many countries in such aspects as innovation, environmental protection, public welfare system, democracy and protection of human rights. These pieces of a big Swedish puzzle embedded not only into Swedish laws but also into the mentality of

Swedish people. By belonging to the top five democracies in the world, Sweden associates with trustworthiness, equality and reliability, which form an egalitarian state where all people are equal. That is why Swedish companies, established in other countries of the world, might transfer Swedish democratic values and serve as “democracy ambassadors” apart from doing business abroad. In order to investigate the second research question and to find out to what extent can global Swedish companies like IKEA be considered as “democracy ambassadors” when they establish themselves in non-Western markets in the example of Russia, it is necessary to come back to the results of the 11 qualitative interviews and compare it to what “The IKEA Way” says.

The question about the Swedish company IKEA as a “democracy ambassador” and Swedish companies in general was a part of questionnaires for both key-informants from IKEA and those with no relation to IKEA and it showed controversy in the results. Informants 1,2,3,5,6 and 9 were convinced that Sweden has a role of “democracy ambassador” that is expressed through Swedish companies abroad who represent a democratic style of working such as *“involving, supporting, developing, respecting each other”* (Informant 5). Informant 2 argued: *“By showing people that there are other ideas existing outside the local community, the IKEA values and ideas will affect how people think. Democracy, or any form of politics, is formed by the power of the mind and the demands expressed by the ones thinking, hence if IKEA or any other international company affects how people think we will also see effects in the political area. Depending on the situation and to what extent people are allowed to express their thoughts, this process will be either faster or slower, but it will be there.”*

However Informants 4,7,8,10 and 11 were unsure whether Swedish companies are capable to carry such a task as being “democracy ambassadors”, as they are not delegated to be involved in the politics of the country where they establish their business, and that it is not their task. Informant 10 in contrary to abovementioned Informant 2 is of the opinion that *“Swedish companies in Russia keep a distance from being engaged in politics, as they do not want to bring out problems within leading a business on political plane.”* Informant 4 adds rather sceptical: *“What says that a democratic system is “better” than e.g. an autocratic system, just because this is the system in Sweden? In Russia they might see it different than the Swedes see it. Should the Swedes decide on how Russia shall be ruled politically?...Sweden is good but it is not excellent.”*

Other key-informants, who were unsure about the role of Swedish companies as “democracy ambassadors”, were of the opinion that if Swedish companies would involve themselves with political issues of the country where they established themselves, it may affect profit and reduce opportunities for expanding business. It can provoke a danger for a Swedish company abroad and loss of turnovers, which means that it is better to adapt to a new market rather than experience a loss. Adaption to a new market can on its turn involve interference with cronyism groups and political corruption. Informant 7 points out “...*I do not think that the companies would get involved directly into politics that could potentially cause even more conflict in some areas.*”

However, Informants 3 and 4 admit that Swedish companies, like, IKEA, while entering new markets can influence a situation with the exploitation of children and using child labour and here their role as “democracy ambassadors” will gain power. Moreover the same key-informants still agreed that Swedish companies can be a role model for other markets and share a good democratic experience on how to be successful, more transparent, cooperative and honest but it should still not be mixed with the political agenda of this or that particular market. In the previous discussion of research question one we got to know that “breaking rules” and interaction in crony capitalism and corruption issues occurs in Swedish companies’ agenda for profit’s sake, while they are abroad. It strongly contradicts to democracy values, promoted in Sweden, as well as to moral and ethical beliefs, presented in IKEA’s internal material (IKEA Services AB).

The combination of the connection between the purposes of IKEA’s Code of Conduct, or “The IKEA Way”, discussed earlier on in this chapter, with the key-informants’ answers gives a contradictive result. On one hand “The IKEA Way” can be compared with the Bible for all IKEA co-workers around the world (IKEA Services AB). Besides, the company’s corporate managers have a role of “coaches” for managers in other countries where IKEA is established in order to make sure that everything will be done “The IKEA Way” (Tarnovskaya and de Chernatony, 2011:604). On the other hand the qualitative study conducted within this thesis shows that “The IKEA Way” works differently in other countries, depending on the country’s historical background and political framework, which enables such global Swedish companies to be sooner ambassadors of values and Swedish culture rather than “democracy ambassadors,” as it demands a political penetration. But even an aspect of “Swedish values” abroad can be doubted here as, according to the empirical qualitative study conducted within this thesis, Swedish companies can neglect it, making profit the priority.

To sum up the chapter of *Results and Analysis*, which was based on a qualitative research and three theories of political corruption, crony capitalism or cronyism and democracy that played the role of “glasses” for the author of the thesis, as well as to lift up the answers on two research questions, it is necessary to point out two aspects. Firstly, the Swedish state becomes affected through cronyism and political corruption, which it faces in such markets as in Russian. Political corruption as well as cronyism undermine the principle of democracy and trust in the state, which Sweden stands for. Due to its profit-oriented character, Swedish companies can allow themselves to be involved in corruption cases abroad, which might affect the egalitarianism of Swedish welfare in the long run and to turn people wealth-oriented instead of preserving the values of the Swedish “folkhem”. Secondly, again for the sake of profit, Swedish companies step aside from political involvement abroad. They can introduce the Swedish way of doing business, Swedish culture and values but it cannot legitimize them to be “democracy ambassadors” from a perspective of politics.

7. CONCLUSIONS

The presented Bachelor's thesis provided an analysis of what do corruption and democracy mean for Swedish state and Swedish international companies established on a foreign market, conducted with a help of two research questions: how Swedish state is affected through establishment of its global companies abroad in the case of IKEA in Russia and the pitfalls, which are met on the way of establishment as well as to what extent can global Swedish companies like IKEA can be considered as "democracy ambassadors", when they establish themselves in non-Western markets on the example of Russia. There are three theories- theory of political corruption, crony capitalism and democracy were used during the qualitative research, which had a framework of triangulation.

Eleven conducted qualitative interviews served as a main empirical pillar for this thesis. Therefore the derived results are controversial at some point and have a subjective character, as they are based on personal and professional experiences of requested key-informants. Thus the conducted empirical study showed that political corruption and crony capitalism are the main pitfall for Swedish companies abroad on example of IKEA in Russia as Russian and Swedish states have a bipolar character. In order to enter Russian market Swedish company can neglect its democratic views and values in order to gain the profit. Striving for profit can affect egalitarian values of Swedish society and welfare state, where equality stays on the first place. By introducing Swedish culture, values and democratic way of doing business Swedish companies can be compared with ambassadors of Swedish culture and values but not with "democracy ambassadors" as they prefer to stay aside from politics and preserve their interest in profit. Three applied theories supported the correlation between discussed problems and showed that corruption and crony capitalism have direct affection on the trust in the state and its authorities, which therefore affects the level of democracy. It was clearly noticed through empirical study where key-informants stressed on a big difference between two states: Russian with a low democracy level and an opposite to it – Swedish. Swedish state might become affected of factors, inherent in society with a low level of democracy if Swedish companies established abroad will only prioritize the profit.

Participation of more key-informants also from Russian side and other Swedish companies established on Russian market could contribute on a big extent to this study and provide a broader perspective on discussed problems of corruption, democracy and undermined trust into the state. However due to limitation in time and sensitivity of topic there were only

eleven key-informants involved in this study which shows a necessity in a further deeper research.

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Questionnaire for IKEA co-workers

1. According to your opinion why it is important for Swedish international companies to establish themselves abroad and how such establishment can contribute to both sides?
2. Which responsibilities does Swedish international company have while establishing on Russian market?
3. What are main pitfalls for Swedish international company like for example IKEA when it comes to establishment on Russian market?
4. According to your opinion, is it usual that Swedish international company can adjust (or in some cases break the rules) in order to enter the foreign market?
5. According to your opinion, do you think that “The IKEA Way” is understood and followed by established IKEA companies abroad in the same way as it is understood in Sweden?
6. Do you think that Swedish international companies established abroad can also have a role of “democracy ambassadors” on example of IKEA and if yes – to which extent?
7. What Swedish international companies like IKEA can bring to Swedish state from their international establishment apart from financial side?
8. According to your opinion, what is more significant for Swedish international companies like IKEA, established abroad - reputation or profit and why?

Questionnaire for key-informants outside IKEA

1. According to your opinion why it is important for Swedish international companies to establish themselves abroad and how such establishment can contribute to both sides?
2. What are main pitfalls for Swedish international companies when it comes to establishment on Russian market and how do you think companies can overcome these pitfalls?

3. According to your opinion, is it usual that Swedish international company can adjust (or in some cases break the rules) in order to enter the foreign market?

4. Do you think that Swedish international companies established abroad can also have a role of “democracy ambassadors” and if yes – to which extent?

	<i>Company/organisation and a position of key-informant</i>	<i>Geographical location of key-informant / interview language</i>	<i>Type of interview</i>
Informant 1	IKEA /white collar	Sweden /English	Remote (E-mail)
Informant 2	IKEA /white collar	Sweden /English	Remote (E-mail)
Informant 3	IKEA /white collar	Sweden / English	Remote (E-mail)
Informant 4	IKEA /white collar	China /English	Remote (E-mail)
Informant 5	IKEA /white collar	Sweden /English	Remote (E-mail)
Informant 6	IKEA /blue collar	Sweden /English	Face-to-face
Informant 7	IKEA /blue collar	Sweden /English	Remote (E-mail)
Informant 8	Swedish-Russian company, which exports Scandinavian furniture /white collar	Moscow, Russia /Russian	Skype interview
Informant 9	Regional association Southern Småland /white collar	Växjö, Sweden / Swedish	Face-to-face
Informant 10	The Trade Representation of the Russian Federation in Sweden / blue collar	Stockholm, Sweden/ Russian	Remote (E-mail)
Informant 11	The Swedish Trade and Invest Council in Russia/ white collar	St. Petersburg, Russia / English	Remote (E-mail)

Table 2. *Classification of qualitative interviews*