

## To What Extent Does Ericsson Adapt Their Organisational Culture When Opening A Branch in A New Culture?

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### ABSTRACT

Telefonaktiebolaget LM Ericsson (Ericsson) is a Swedish telecom company with branches all over the world. It is not a secret that a company with branches in several diverse cultures has to decide what extent the organization will go in adapting the host culture into the new branch. This essay will focus on Ericsson and a few cases on how well Ericsson decided to incorporate host cultures into their organization. The cases picked will mainly be in Asia due to the greater cultural difference between the Asian host culture and their European home culture.

Keywords: Ericsson, organizational culture, host culture, multiple case study, Europe, Asia.

### INTRODUCTION

Lars Magnus Ericsson, an ordinary man from Sweden, established a workshop to repair telegraph instruments and a few engineering jobs. Ericsson started to repair and finally installed many new inventions. From this point, he realized that communication in this world is extraordinarily broad and started to improve and creating his version of a communication device.

Ericsson is one of the leading providers of Information and Communication Technology (ICT) to service providers. Enabling the full value of connectivity from creating game-changing technology and services that are easy to use, adapt, and scale, making Ericsson is a successful company in this fully connected world.

Nowadays, people tend to find easiness in every little thing. In this increasingly complex world, Ericsson starts to create a game-changing technology that is easy to use, enabling people around the world to capture the full value of connectivity.

To conquer the world, Ericsson must know the culture in every country they jumped in. In this modern era, people across the world can communicate with ease, but how well Ericsson decides to incorporate host cultures into their organization will be the main case in this report. Europe, particularly in Sweden (Ericsson host company) with Asia's culture is different in many ways.

In this report, we will find out how this cultural difference can make things go difficult, or maybe it can be profitable to Ericsson. From the perspective of 1 Europe country and 1 Asia country with Sweden which is Ericsson's birth.

### **Background of your idea**

Market analysis in Ericsson that how get information about their customers, competitors and markets variables. They can determine the relationship between the supply and demand for the technology products on the market. Therefore, market analysis helps Ericsson to make great decisions to their marketing strategies. Ericsson aspiring to become in top 50 brand by 2020. Furthermore, Ericsson want to develop their marketing and communications by offering job opportunity. As Ban Huag referred to new marketing strategy to build brand and growth the company. As we know marketing is the process of interesting potential customers in your products. Ericsson marketing focus on customers satisfaction and developing their strategic by understanding the market. In particular, Ericsson makes partners with well-known companies that one of their marketing methods. Ericsson always going forward and improve their technology. Recently, they add new 5G to their network system which is 5G is the next generation network. Ericsson offer 5G but in unique way that every business customer can build their own platform. However, as we mentioned Ericsson marketing mostly depends on partner. Google is big and high profits company that made partner with Ericsson to deliver Pay TV experience for consumers. Pay TV characterized with Android system that can connect with the TV with your devices easily. This partnership looking forward to expand the range of set top box options available for Pay TV operators.

Ericsson is one of the world's leading deliverers of information and communication technology (Ericsson, 2019). Approximately 40% of the world's cell phone traffic moves through webs built by Ericsson. The organization delivers hardware, software, and services that unlock the networks' full potential. Currently, the company is focusing on delivering the service of providing 5G, which is the most efficient data mobility service invented to this day. Ericsson has through its long life provided over 49 000 patented inventions. The company operates worldwide and therefore, an analysis of the world market through a PESTLE analysis will be presented underneath, based on Schulz's 2019 article *Verizon and Ericsson first in the world to introduce cloud-native technology in a live wireless core network environment*, to provide an understanding of what the market currently looks like for the company.

### **Politics**

In certain regions of the world today, the internet is not open and free to explore the way it was intended, this freedom can take the form of net neutrality.

### **Economics**

economic growth leads to growth in demand on cell phones and its network/mobile data since many (add a number here) money transactions are happening on online platforms, as long as there is economic growth, there will be a profitable market. (Insert current economic trends here and what that means for the industry)

### **Social**

information is spread efficiently to a greater degree when a population has access to internet and networks, this may influence the knowledge of human rights, comparison to other regions in freedoms and benefits which could inspire a population to demand a higher quality of living.

#### Technology

Cell phones and computers add new functions for each new model released - the need for faster, more capable, and cheaper networks are needed to suit the new technology. Ericsson is currently developing 5G.

#### Law

Sweden, the parent country of Ericsson, is currently developing a law to make 5G from one competitor to Ericsson unavailable within the country's borders.

#### Environment

With the company delivering mostly software, the biggest environmental factor is the work environment for their employees and the environment in which their technology is stored.

## RESULTS AND DISCUSSIONS

### Germany vs. Sweden comparison

For more than 60 years Ericsson is present in the German market and employs about 1,800 people today at 10 different locations. In Germany Ericsson operates under the name of Ericsson GmbH and provides services to all major telecom companies such as Telekom, Vodafone, Telefonica or Versatel. In the current development of establishing a 5G network in Germany, Ericsson is working as a partner for the German government. (Ericsson.com, 2019)

When having a closer look at the cultures of Sweden and Germany, several differences become clear, which are of high importance for Ericsson to take into account when operating and doing business in Germany. The way Swedish people do business, their working behavior and communication can be very different from what Germans know and practice. A good overview of the differences in cultures is provided by Hofstede's six dimensions. Professor Geert Hofstede first introduced them as the result of his team's intensive research about cultural differences between countries and his results have been a widely used model with great success. The six dimensions consist of Power Distance Index, Individualism vs. Collectivism, Masculinity vs. Femininity, Uncertainty Avoidance Index, Long Term Orientation and Indulgence vs. Restraint. The model and dimensions will be explained used to examine the core differences in culture, values and the way of seeing the world.

1. *Power Distance*: This dimension deals with the inequalities within a society, and how they are handled and accepted. Germany has a low power distance with a score of 35, showing that decisions are often decentralized and participation is appreciated and expected. Co-determination is valued and others' opinions have to be taken into account for the management when making decisions. Sweden has a slightly lower score of 31, based on the belief that hierarchy is needed for convenience only, equal rights are of high importance and superiors are accessible. A popular leading style is the "coaching leader", a leader that gives freedom in the way how work is done to his team and is in the role of a consultant in difficult situations where his expertise is needed and his opinion is asked. Control is not liked and people will generally speak to each other on a first-name basis, which is a clear symptom of the low power distance.

2. *Individualism*: Both countries are similar in terms of their individualistic approach and view. This dimension examines if a society's people have strong collective needs or prefer to care about themselves rather than being dependent and a member of a group. Here Germany scores a high number of 67 points, which means that Germans tend to be individualistic. They strive for self-actualization and loyalty towards their employer is low. Honesty and directness in communication are appreciated, even if it may hurt other people's feelings. Sweden has an even higher score of 71, so they also prefer to take care of themselves rather than seeing themselves as being a member of a group. In these terms, the Swedish and the Germans behave similarly and share the same beliefs.
3. *Masculinity*: The next dimension is "masculinity". It describes if a society is competitive or rather about caring for each other. Is it important to be the winner or is life more about living itself? Germany's society is masculine with a score of 67, which means that the main focus is on performance and people are more likely to live for their work and taking pride from it. Also, status symbols such as cars are common. This is the dimension with the largest difference between the two countries. Sweden has a score of only 5 and therefore is a feminine society. A good life-work balance is of high importance and the manager is in a very supportive and consulting role, caring for the wellbeing of his team members. Decisions are made through the involvement of employee's opinions and Swedish people are known for their long discussions until a consensus is reached. Equality, solidarity, and quality are shared values.
4. *Uncertainty Avoidance*: The Fourth dimension is "uncertainty avoidance", which describes how the unpredictable future is being handled. Is there an attempt to control the future or does society prefer to take things as they are? In Germany, there is a high avoidance of risk with a score of 65. Planning and being prepared is highly valued. Also, a comprehensive legal and political system is put into place to support this preference. Sweden on the other hand score 29 points, meaning they believe in a world that should not have more rules than necessary. Schedules are more flexible, and innovation and change are welcome. They are also willing to take more risks in business decisions than their German counterparts.
5. *Long Term Orientation*: The next dimension is "long term orientation" which determines whether a society is living future-oriented and will put short term goals behind to be successful in the long run. Germany with a score of 83 is very long term oriented, and people will strive for long term success rather than short term pleasure. Sweden instead has a score of 53 and doesn't show a clear preference for a short- or long-term orientation, it simply depends on the circumstances.
6. *Indulgence vs. Restraint*: It examines if people within society will follow their desires or first impulses, based on the way they were raised. Weak control of those impulses is referred to as Indulgence and strong control as Restraint. Here Sweden has a very high score of 78, which makes it an Indulgence-oriented society. They follow their desires and impulses, valuing enjoyment in life and fun. They tend to be optimistic and leisure time is of high importance. Germany, on the other hand, has a more restrained society. They tend to be more pessimistic and try to control their impulses and feel a little guilty when indulging themselves. So, here is another big cultural difference that will affect every day's life of Swedish and Germans working together. (Hofstede-insights.com, 2019)

As a better understanding of both countries' views is now made, it becomes clear that Swedish and Germans will have some differences in the way they work and handle things in the workplace. For example, Ericsson has had some problems in the past with the different hierarchy orders among the numerous countries they do business in and the way they communicate with each other. Therefore, members of the organization must be educated in terms of knowledge about their colleague's cultural beliefs. Only the understanding of each other's culture and values will enable them to avoid or at least minimize to be influenced by self-reference criteria and ethnocentric views. Ericsson must adapt to the host countries' culture to be efficient in leading the people there. But of course, the organization also has practices that are based on the Swedish cultural values, that can only be understood and accepted by German employees when they understand and know about the Swedish way of working and communicating.

### **India vs. Sweden comparison**

Since more than 110 years Ericsson is active in the Indian telecom industry, since then Ericsson India has provided power to all areas of telecommunications, over Mobile broadband, and Management Services to newer areas such as Media, IT, and Industries. In total Ericsson India has 19,971 employees in engineering research and development, therefore Ericsson has its most employees in India. They operate in areas such as revenue management, internet, protocol, network, and big data. As already mentioned, cultural aspects play a huge role when operating in a foreign country. For this reason, the Sweden company Ericsson should consider major cultural differences while operating in India. These major cultural differences between Sweden and India are also evident in the cultural dimensions of Hofstede.

The results of the six cultural differences were as follow:

1. *Power Distance:* As already mentioned this dimension deals with inequality between all individuals. Thereby, India has a high and scored 77, this shows that India has a high value for hierarchy and top-down management and organizations. Most of the time employees depend on the boss and take acceptance of unequal rights between those in power. Furthermore, real power is centralized, managers rely on the obedience of their employees, and employees expect a clear orientation regarding their tasks and the expectation. Also, the approach to managers is formal, even if the first names are used. Contrary to India Sweden has a low power distance with a score of 31, therefore in Sweden factors as equal rights, being independent, the hierarchy for comfort are prioritized.
2. *Individualism:* In terms of individualism, India lies in the middle with a score of 48, thereby India has collectivistic and individualistic features. The relationship between employer and employee is driven by expectations, such as the loyalty of an employee or "family protection" by an employer. Therefore, decisions are often made on the foundation of relationships, which is the essence of a collectivist society. However, the individualistic aspect is recognized by religion/philosophy (Hinduism). In Hinduism, people believe in a cycle of death and rebirth, where the way of each rebirth depends on how the individual lived their life. Sweden has a higher score than India with a score of 71, therefore Sweden is an individualistic Society.
3. *Masculinity:* In this dimension, India achieves a score of 56 and is, therefore, a masculine society. On the one hand, India is a very spiritual country with different deities and religious philosophies. On the other hand, India is a very masculine country in terms of the visual representation of success and power. Therefore, the focus is on

successes that are based on material gains. Work and success in the workplace are symbolized as the center of life and holds big importance in Indian's culture. However, in this dimension a big difference between India and Sweden exists, Sweden scores a low of 5 and is, therefore, a feminine society. Other than in India in Sweden, the focus and importance lie on the work-life balance and not just on work as a single component.

4. *Uncertainty Avoidance:* India's Uncertainty Avoidance achieves a medium-low result of 40. The result is justified with the acceptance of imperfection, therefore in Indian's culture, it is acceptable if not everything goes as planned. Besides, India is a known country for having a high tolerance for uncertainty. In comparison to India, Sweden has a higher Uncertainty Avoidance and scores 29, which means that Sweden has a low preference to avoid uncertainty.

5. *Long Term Orientation:* The dimension of long-term orientation in India reaches an intermediate of 51. One of the reasons is that time is not seen as a priority such in most western countries, the focus lies in religion and philosophical thinking. Sweden reached an intermediate of 51 however, no preferences are expressed towards this dimension.

6. *Indulgence:* India has a low score of 26 within the dimension of Indulgence and is, therefore, a culture of restraint. In comparison to indulgent societies, restraint societies do not value leisure time and are likely to control their satisfaction of desire. Sweden has a relatively high score of 78, it shows that Sweden is a culture of Indulgence.

Through the analysis of the six cultural dimensions, cultural differences between India and Sweden become clear, especially in terms of taking actions and thinking. India and Sweden have completely different ways of doing business and different values, e.g. dealing with employees. In contrast to Sweden, India relies on hierarchy, whereby Hinduism and the caste system still play a major role.

Furthermore, cultural aspects are to consider while entering a new market, which means Ericsson should take into account cultural differences. While doing that it is necessary to link Swedish corporate culture with the Indian one, to be successfully established in the market and to create a good working atmosphere. Lastly, it is important to know that not only the company itself should be aware of differences, instead every employee of the organization who is involved when entering India's market should be aware of Indian's culture and belief to avoid misconceptions which could lead to a bad work environment.

### **Idea application**

#### **How the idea can be applied –**

April Armstrong, CEO at AHA Insight, defines company culture as "the unwritten, unspoken norms that drive the behavior of how people work together, coexist together and get things done." Core values are part of these unwritten, unspoken norms, and, according to Armstrong, if there is a discrepancy between stated values and enacted values, your company will suffer.

Once you've conducted an audit, it can be tempting to move full speed ahead on implementing changes. However, real change doesn't happen overnight, and changing your company's culture can be time-consuming.

Change begins with understanding the different types of company culture and where your company fits – and doesn't fit – into each type.

"It's hard to typify company cultures,". "Cultures are an amalgamation of factors: environment, hierarchy, public versus private, decision-making processes, benefits and values."

Companies should understand how their unique identity will influence the transformation of the culture. For example, a company with nose-to-the-grindstone workload expectations might add benefits like catered food and in-house, high-tech coffee machines. On the other hand, a company that values work-life balance, like the flexibility to work from home, might not have as many benefits outside of standard health and life insurance benefits.

1. Demonstrate to employees that their involvement is critical. Invite employees to share their thoughts both during company culture discussions and during day-to-day operations.
2. Make sure management's actions don't clash with stated values. If the founder, CEO or other executives are not "walking the walk," employees will not be inspired to do so either.
3. Align everything (department, initiatives, processes, etc.) to support company culture, and remind employees that they are invited to contribute to that culture through collaboration and innovation.
4. Conduct periodic (preferably annual) culture audits. Don't wait until something significant happens (e.g., top employees quit) to evaluate if your efforts are working

Conducting a behavioral interview as part of the hiring process. Behavioral interviews entail giving a candidate a scenario or test to see how they respond. Depending on your company, this test can vary. Organizations where making decisions under tight deadlines regularly happens could design a test that candidates must complete within an hour.

Of course, beyond how candidates respond to behavioral assessments, you want to ensure that candidates understand your company culture. To do this, communicate your company's culture and core values in job postings.

Once you've chosen a candidate, don't let your efforts end there. As the employer, you should encourage growth, leadership development and top-down collaboration. Mentorship programs and regular goal-setting and evaluation are other examples of cultivating a positive workplace culture where talent will want to stay.

If one decides to open a new company location abroad, there are always certain risks involved. The following section explains the biggest risks involved in implementing the idea.

External risks include demand, regulatory, economic, political and sustainability risks. One of the biggest problems with intercultural cooperation is cultural barriers. In Germany, rules are desired and structured working is a MUST. In Sweden, on the other

hand, plans are more flexible and only as many rules as necessary are required. This cultural difference must be recognized in good time so that a successful market entry can be guaranteed. A further risk is different communication languages between company locations, as these can lead to misunderstandings and translation errors. Another risk is the economic and political stability of the country. New trade laws can have a massive impact on cooperation between companies. In addition, different working time laws, for example, can jeopardize cooperation between different locations. In their home country, companies know their local competitors and know how to evaluate them. Unknown trading partners appear abroad. Since the background information about these companies is missing, this can represent a risk for your own company.

Internal risks in implementing the idea include strategic planning, stakeholder relationships, company norms and values, and available resources.

### CONCLUSIONS

As described in the previous section, there are some external and internal risks associated with opening a new location abroad. To conclude, in this chapter, you will find some recommendations for action that should simplify the implementation of the idea.

To start successfully in a foreign country, you need a strong team and the right partners. Ericsson is a very large company with many locations and knowledge, but each country is different. It is therefore imperative to involve local employees and benefit from their knowledge. Local partners should be wisely selected and pursue the same long-term goals.

To expand, you also need the right infrastructure. Management structures should be clear and organized. Communication channels within the site and with the main plant should be defined. It should be clarified which decisions can be made on a local or international level. Products and procedures abroad should be reconsidered. Foreign customers may have different needs. These new ideas should be used to improve the company's performance and possibly adapt the products.

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