Establishing in Malaysia

The Impact of Cultural Factors

Master thesis within Business Administration

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Abstract

Malaysia is one of the developing countries in the world that is on the verge to become developed (Internationella Programkontoret, 2003). In 2004, Malaysia had a growth rate around 7% (United Nation Statistic Division, 2005) and it is implied that the Malaysian market is continuously growing. One factor that can increase the growth rate in Malaysia is foreign direct investments (FDI), which is, according to Chino (2004), one factor of sustainable growth. It has been noticed that the world is getting smaller and more companies are looking for opportunities outside the country boarders and in this situation Malaysia is an attractive alternative for establishment.

The purpose of this study is to investigate and deepen the understanding of cultural factors affecting the establishing process for Swedish companies in Malaysia, and through that create an awareness that can simplify the establishing process.

To answer the purpose of this study, a qualitative research has been used. Interviews with Swedish companies newly established in Malaysia have been performed. The respondents have been asked about the establishing process in Malaysia and the Malaysian culture. Additional interviews with the Swedish Trade Council and the Swedish Embassy have also been performed. The interview guides have been based on theories about FDI, the establishment process and culture. Hollensen's market entry strategies, Hollensen's network model and Hofstede's cultural dimensions are the main theories used throughout this study.

The authors have found through this study that the different ethnic groups in Malaysia are highly influential on the business environment and that foreign companies establishing in Malaysia have to be aware of this situation. The multicultural society is an advantage for Malaysia, through the locals' ability to adapt to different cultures and the many different languages in the country. However, foreigners moving to Malaysia need to be aware of the special treatment of the Malays and how that affects the business environment. Two main problems have been found by the authors; the Malaysian bureaucracy and the locals unwillingness to let foreigners into their networks. This can be problematic for foreign companies, but can be handled through the help of governmental functions such as MIDA or MSC, or through a company secretary or auditor.

Through this visualization of the cultural factors that affect the establishing process of Swedish companies in Malaysia, the authors hope to minimize the risk of them running into the same problems and obstacles.

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1   Introduction

This chapter will introduce the reader to the study through presenting a background of the subject. It will furthermore present a problem discussion, the purpose, definitions, delimitations, and the structure of the study.

In 1999, Malaysia was ranked number 10 on the list of the world markets that had the best growth potential for the next five to ten years (Alexander & Myers, 1999). It is now year 2006, so the question is what has happened since this list was published? Is the Malaysian market still growing?

When the list was published Malaysia had a growth rate of 6.1%, which is not the highest growth rate Malaysia has had in the past (United Nations Statistic Division, 2005). However, the Asian Financial Crisis in 1997-1998 (Clark, 2003) has to be taken into account. Consequently, the growth rate is strong bearing in mind the crisis. In year 2000 the growth rate again rose to 8.9%, but then in 2001 it dropped to 0.3% (United Nations Statistic Division, 2005). However since 2001 the growth rate has had a steady increase, and was year 2004 7.1% (United Nations Statistic Division, 2005; Malaysian Industrial Development Authority, 2005a). This indicates that the Malaysian market is still growing, and has a great potential.

1.1   Background to the Study

There is a scarce competition between the Asian countries. The so-called *Second Wave Tigers*; Malaysia, Thailand and Vietnam, are all countries that have followed Japan's and the *Four Tigers'* (Taiwan, Hong Kong, Singapore and South Korea) steps of becoming interesting counties to invest in (Dent, 1998). The Second Wave Tigers have been able to come forward because of more stable economies, emerging middle class, and more consumer income and expenditure. To the Second Wave Tigers' advantage, in the competition to the Four Tigers, are their lower costs. Still, there are other countries that can compete in this area, such as mainland China, the Philippines and India (Dent, 1998). Despite this, the future for the Second Wave Tigers is bright.

Malaysia has a population of 25.3 million citizens (2005), and is an Upper Middle-Income Country (UMIC), with a GNI between €2,470 - 7,643. This means that the country is still considered a developing country, but is close to becoming a developed country (Internationella Programkontoret, 2003). This is one of Malaysia's strengths for attracting investments. Another strength is that the Malaysian government has made the previously restricted legislation for foreign investment more relaxed, leading to easier processes during start-ups of foreign companies. Furthermore, Malaysia has a stable economy, and is also one of the founding members of the Association of Southeast Asian Nations (ASEAN), working to attract more foreign direct investments to the region (Alexander & Myers, 1999; Wong & Tan, 2003). All these factors together make Malaysia attractive for investments. Nevertheless, there are factors that companies can find problematic when entering the Malaysian market. These problems involve cultural differences, religion, bureaucracy, attitudes etcetera. Due to this the authors of this study wish to create an awareness that can simplify the establishing process for Swedish companies through investigating the cultural factors influencing the establishing process.

1.2   Background of Malaysia

During the beginning of the 16th century European colonizers were attracted to Malaysia. In 1511 the Portuguese colonized Malaysia. 130 years later, in 1641, the Dutch took over the colony. Eventually in 1786 the British colonizers built a long-lasting colony that would last until 1957 (BBC News, 2006; Smith, 2003). The British residents worked as advisors to the Malay sultans, and helped with governance and land administration, and even today the British common law is used in Malaysia (Smith, 2003). The country was allowed to continue with its Islamic faith and sultan system (Smith, 2003) that had been a part of the history since the 15th century (BBC News, 2006). In 1948, the British declared the Federation of Malaya a state of emergency (Smith, 2003), and in 1957 they became independent (BBC News, 2006). In 1963 three more areas joined the Federation and the country name *Malaysia* (Federation of Malaysia) was adopted (U.S. Department of State, 2005).

Malaysia's population consists of three major ethnic groups; 60% Malays (mainly Muslims), 30% Chinese (Buddhist, Taoist or Christian), and 10% Indians (Hindu or Christians). The political parties in Malaysia are based upon these ethnic groups. Since 1955, a cooperation between the three biggest parties called the National Front has been the ruler of Malaysia. The cooperation between the parties was made possible partly because of the ethnic bargain, *bumiputra* (Smith, 2003). This means that the Malays got the political power and the other groups can pursue economic advance unrestricted (Thoburn, 1981). Bumiputra also involves special privileges for the Malays, while the non-Malays get citizenship in return (Smith, 2003).

A heavily influential factor in the Malaysian economy is the division of ethnic corporate equity ownership, meaning that the corporate equity ownership is divided in the ethnic groups. During the time of British colonization, the British (63.4%) and the Chinese (32.3%) owned most of the urban sector. As a part of the bumiputra, a goal is to make Malays count for at least 30% of the corporate equity ownership. This means that foreigners are not allowed to have 100% ownership (Thoburn, 1981). Since this goal was not achieved in 2000 (1999 the bumiputra equity ownership was 19.1% (UNPAN, 2001)), a new goal was set for 2010 (Mohamad, 2001; Rasiah & Shari, 2001; Smith, 2003).

As of today (2001-2020), the Malaysian government is working after a strategy called National Vision Policy, or Vision 2020. The features of this strategy is the focus on strengthening the country's competitiveness and resilience, build a stable society, and continuing to attract FDI in certain strategic areas (Mohamad, 2001). To become more attractive for foreign investors the Malaysian government has created Malaysian Industrial Development Authority (MIDA), a department aiming to improve the foreign investment climate in the country (Mohamad, 2001). The Malaysian government has also initiated a unit called Multimedia Super Corridor (MSC), who aims to help global Information and Communication Technology (ICT) companies to establish in Malaysia, which is in line with Vision 2020 (Multimedia Super Corridor, 2006a).

1.3   Problem discussion

The authors of this study have noticed the actualisation of globalization; more companies are becoming global and are looking for business opportunities abroad. As a result of this, the authors think that Asia has become a more attractive market to invest in due to their low costs. However, it is getting harder for the Asian counties to differentiate themselves from one another, since more Asian countries' economies are developing and can provide a suitable business environment for foreign investments (United Nations Economic and So-

cial Commission for Asia and the Pacific, 2006). Malaysia is a country on the verge of being considered developed (Internationella Programkontoret, 2003), and more foreign investments may accelerate this development. Being a developed country brings benefits to the county in terms of being able to handle its economy more independent, making the living standard for its citizens better, being able to influence in politics etcetera. Therefore, the authors believe that it is important to show the advantages of investing in Malaysia, and give information that creates an awareness that can help simplify the establishing process.

Swedish companies are also affected by the globalization, and the authors have seen that many companies are considering moving abroad in order to lower their costs. Furthermore, it may be difficult for Swedish companies to know how to make the first contact, establish the company, and do business abroad. This study will therefore provide information that can explain these issues related to the establishing process and investigate what obstacles and problems that might arise related to the culture. Combining the viewpoints of Malaysia's market opportunities with the Swedish companies' will to move abroad, a possibility for profitable cooperations may occur.

With the above discussion in mind, the following problem questions have been formulated to be answered by this study:

- What cultural factors affect Swedish companies' establishing process in Malaysia?

- How can obstacles and problems related to the establishing process be minimized?

1.4   Purpose

The purpose of this study is to investigate and deepen the understanding of cultural factors affecting the establishing process for Swedish companies in Malaysia, and through this create an awareness that can simplify the establishing process.

1.5   Delimitations

To be able to perform this study in a satisfying way, the authors have chosen to delimitate the study to only investigate the establishing process for Swedish SMEs in Malaysia. The reason for looking at SMEs is due to their situation with less resources available than a large company when establishing a subsidiary or new company on a foreign market.

1.6   Definitions

Small and Medium-sized Enterprises (SME) can be defined either by the number of employees or the annual turnover of a company (Europa, 2003). The authors of this study have chosen to use the definition of SMEs from the European Union (EU). The reason for this is that Swedish SMEs moving to Malaysia often have different basic conditions than Malaysian SMEs, and therefore the Malaysian definition of SMEs does not apply for this study. According to the EU (Europa, 2003), a micro company is one that has between one and nine employees or an annual turnover below €2 million. A small company is defined as one with between ten and 49 employees or an annual turnover below €10 million, while a medium-sized company has between 50 and 249 employees or an annual turnover below €50 million. A company with more than 250 employees or an annual turnover above €50 million is considered a large company and not a SME (Europa, 2003).

	Micro	**Small**	**Medium**	**Large**
No. employees	09-jan	10-49	50-249	>250
Annual turnover	max € 2 million	max € 10 million	max € 50 million	> € 50 million

Table 1.1 Definition of Small and Medium Enterprises (SMEs) by the European Union (Europa, 2003).

In this study the authors will discuss the different ethnic groups in Malaysia. When using the expression Malaysians the authors refer to the whole Malaysian population, i.e. all with Malaysian citizenship. In contrast to this, when using the word Malays this only includes the ethnic Malays, i.e. the bumiputra.

The amount of time for establishment varies between different companies, and therefore the authors find it necessary to provide a definition of the establishing process. The authors have chosen to define the establishing process as the time from when the initiative to start a business abroad is taken until the day the company starts its operation on the new market.

1.7 Structure of the Study

The disposition of this study will follow the structure of Figure 1.1. The Introduction will provide the basis for the study and present the reader with the background and purpose of the study. In the Methodology chapter different methods will be presented and a discussion will lead to the choice of method for this study. In the Theoretical Framework the authors will present theories valuable for answering the problem questions and the purpose, as well as knowledge used to create the interview guides. The data collected during the interviews will be presented in the Empirical Findings. In the Analysis, the theoretical framework and the empirical findings will be processed to answer the purpose of the study. Lastly in the Conclusion, the findings from the analysis will be concluded and suggestions for further research will be presented.
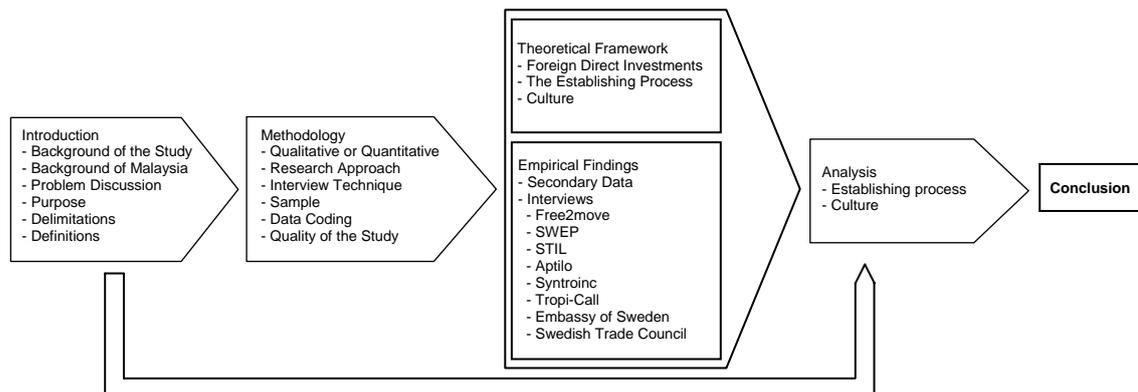
Figure 1.1 Structure of the study

2   Methodology

This chapter wishes to explain how the research of this study will be conducted. The study is a qualitative research with an inductive approach. During the personal interviews the author will use a semi-structured interview guide. Furthermore, the chapter will also explain how the data will be coded and presented. Lastly, there will be a discussion about the quality of the study.

2.1   Qualitative or Quantitative

A qualitative research is when a few numbers of participants are included in the research, to find what is common for their viewpoint. This will then lead to conclusions that can be interpreted by other persons in the same situation for their usage (Holloway, 1997). Qualitative data uses words instead of numbers to describe the situations (Bennett, 2003). Qualitative research is often carried out through interviews, focus groups or observations (Bennett, 2003; Holloway, 1997). Generally, qualitative research is used in the early stages of the research, to guide the researcher towards what they can use as a ground for a quantitative research (Silverman, 1993; Trost, 1993).

Opposite from qualitative data, quantitative data use numbers to describe the situations, which then can be analyzed by the use of statistical tools. When statistical significance is found the numbers can be generally used for the population. The data are usually gathered by questionnaires and from test results or existing databases (Bennett, 2003).

This study wishes to investigate what cultural factors affect the establishing process for Swedish companies who want to establish in Malaysia. To find the necessary information, the authors intend to use a qualitative research. By doing that, other companies in the same situation can be able to use the knowledge of this study. The authors will interview people of companies that have recently established in Malaysia. By using the qualitative method of interviews the authors will interpret what the people have experienced and try to find patterns that are common among the companies. According to Morse and Richards (2002), a qualitative research method will organize the unorganized events and experiences of the participants. The interviews will therefore create an awareness of the cultural factors affecting the establishing process.

The limitation of using a qualitative research method instead of a quantitative is that the qualitative method does not give any statistical significance. This means that it is up to the reader to interpret and use the information in the best way for fulfilling their needs and goals (Bennet, 2003). Thus, the findings of this study may influence others to make a quantitative research and use the information of this thesis to build their questionnaire.

2.2   Research Approach

According to Morse and Richards (2002), a qualitative research should not try to dictate the nature and relationships in a way that seeks to fit the framework and show that whatever was planned to find was found. To explore an empirical phenomenon in this way with the support of existing theory is called a deductive method (Tebelius & Patel, 1987). However, if research provides ways to look and focus on the theories used in a particular direction and for a particular purpose, one can use these theories as a lens for giving the problem a particular focus (Morse & Richards, 2002). This is called inductive method, since it allows the researcher to make general conclusions from the empirical facts, and use them to make new theories or develop existing theories (Tebelius & Patel, 1987). The authors will apply

the inductive approach on this study by using theories regarding FDI, Hollensen's market entry strategies, Hofstede's cultural dimensions and Hollensen's network model, for the interviews with newly established Swedish companies in Malaysia. Through this the authors wish to deepen the understanding of the existing theories for the benefit of Swedish SMEs interested in moving to Malaysia.

Hermeneutics is when you do an interpretation of the experience shared by human beings in mutual understanding. In the same way as texts can be interpreted in different ways, words during an interview can also be interpreted differently (Holloway, 1997). During the interaction between the reader and the text, and between the interviewer and the respondent the message is interpreted. The message is understood in the context in which it was generated and through the study's standpoint (Gadamer, 1960, in Holloway, 1997). When interviewing the participants of this study, four major standpoints will be used; FDI, Swedish companies, the establishment process and Malaysian culture. Since the participants will have their own interpretation what their data will mean for the study, it is important for the researchers to bear this in mind when interpreting the information (Holloway, 1997).

Primary data is the data that the authors themselves collect for the specific purpose of the study (Lekvall & Wahlbin, 2001). The primary data of the study will be the data from the interviews. In order to perform the interviews the authors will, in addition to the theoretical framework, research secondary data about Malaysian FDI, Malaysian bureaucracy, and existing guidelines for establishing in Malaysia in order to find relevant questions for the participants. Secondary data is existing statistics and previously made investigations (Lekvall & Wahlbin, 2001). However, the theories will not be tested, instead cultural factors affecting the establishment process will be investigated and explored further through the information from the interviews. Additional interviews will be held with the trade commissioner at the Swedish Trade Council and the Swedish ambassador in Malaysia to get further information about the business climate in Malaysia. The information from the additional interviews will also possibly provide a confirmation to what was found during interviews with the companies.

In order to perform all interviews the authors will go to Malaysia and do the interviews there. This has been made possible through a scholarship given from SIDA and Internationella Programkontoret. The field study in Malaysia will be conducted during an eight week period, where the authors also will be able to learn more about the Malaysian culture from a personal perspective.

2.3   Interview Technique

To be able to get the best information about the topic of the study, the authors need to interview the most suitable person of the company. This choice is very important, since the empirical findings are dependent on the responses from the interviews (Lekvall & Wahlbin, 2001). The respondents of the interviews were part of the establishing process of the respectively companies, and were therefore found to be the best respondents for this study.

An interview technique is a method where the researchers ask questions and the respondents, hopefully, answer the questions asked (Lekvall & Wahlbin, 2001). There are two ways of doing interviews; by telephone or in person (Lekvall & Wahlbin, 2001). Since the authors have been given a scholarship to go to Malaysia, the authors will have the opportunity to make the interviews in person. The advantages of doing telephone or personal interviews are that the interviewers can ask different types of questions and are able to ask follow-up questions from what the respondents previously have said, since there is a two-way communication. The negative side of doing telephone or personal interview is that it is

more costly and time-consuming than for example a mail survey. Therefore, personal interviews are not used when the sample is large (Lekvall & Wahlbin, 2001). However, in this case the number of interviews will only be eight and therefore personal interviews can be conducted.

There are three structures of personal interviews; (1) unstructured, interactive interviews, (2) informal conversations and (3) semi-structured interviews. The unstructured, interactive interview does only demand a few prepared questions. The researchers should mainly listen to the respondents and ask unplanned, unanticipated questions if needed. In the informal conversation method the researcher takes a more active role and has a more two-way communication. The semi-structured interviews use an interview guide with open-ended questions and likely follow-up questions that are prepared in advance. In addition, unplanned, unanticipated questions can also be asked (Lekvall & Wahlbin, 2001; Morse & Richards, 2002). For this study, the authors will use a semi-structured interview technique. The respondents will be provided interview guides in advance, which makes it possible for them to prepare for the interview.

The respondents for the study's interviews have been asked to schedule two hours for the interview. This gives the authors time to ask both prepared questions as well as unplanned, unanticipated questions if needed. When conducting the interview the authors will both write down the answers and record the interview on tape. This is of advantage, according to Lekvall and Wahlbin (2001), because no important answer will be missed. However, this does also result in more workload. Thus, the authors valued the advantage of being able to write down the answers verbatim afterwards. Therefore, they have planned to have time for listening to the recordings, meaning they will be prepared for the workload.

Trost (2005) says that it is most common that there is one interviewer and one respondent. However, he further states that it can be good support to be two interviewers if they work well together. By being two, the outcome of the interview can be deeper and the understanding better. Thus, the respondent can feel insecure if there are two or more interviewers due to the imbalance in power (Trost, 2005). The authors of this study consider themselves as a good team and believe they work well together. The authors have also worked together before, and feel confident about each other's way of working. Because of these factors, the authors believe that being two interviewers will be beneficial for the outcome of the interviews. Furthermore, the respondents are from top management and are therefore not believed to feel insecure being interviewed by two interviewers.

Interview guide

Two interview guides have been developed from the theoretical framework and the secondary data together with the knowledge of different kinds of question methods; one for the companies and one for the additional interviews. The authors have studied books about interview techniques such as; *Kvalitativ forskningsmetodik i praktiken – cirklar inom cirklar* by Anzul, Friedman, Gardner and McCormarck Steinmetz (1991), *Intervju – Konsten att lyssna och fråga* by Krag Jacobsen (1993), and *Readme First for User's Guide to Qualitative Methods* by Morse and Richards (2002). The books gave the authors tips, especially about how to ask follow-up questions to have some control and indirect control.

Here follows some examples of follow-up questions that probably will be used during the interviews:

- What do you mean by that? (Anzul et al., 1991)
- You said… please tell us something more about that. (Anzul et al., 1991)
- You said… How come? (Anzul et al., 1991)

- Could you tell us something about… (Krag Jacobsen, 1993)
- Can you tell us about the difficulties concerning…? (Krag Jacobsen, 1993)
- Now we want to talk about something else, what did you do when…? (Krag Jacobsen, 1993)

The interview guide for the companies (see Appendix 1) has been divided into four parts. The first part deals with the company and its history. The next part will go into the reasons for establishing in Malaysia and what happened during the establishment in terms of obstacles and the bureaucracy. The third part deal with questions related to work force, while the last part considers culture related to doing business in Malaysia. The interview guide for the additional interviews (see Appendix 2) follows the same pattern as the interview guide for the companies. The first part handles the role of the Swedish Embassy respectively the Swedish Trade Council. In the second part, questions about the establishment process and the bureaucracy in Malaysia will be asked. The next part deals with work force, while the last part concerns the Malaysian culture.

2.4   Sample

When making a qualitative research it is most common not to use a random sample. This is because the research may want to look at the extreme cases or those who are most appropriate for the research. Morse and Richards (2002) give four examples of techniques used for qualitative research method; (1) theoretical sampling (those who goes in line with the emerging theoretical scheme), (2) nominated sampling (recommended by other persons), (3) convenience sampling (those who are available) and (4) purposeful sampling. The purpose sampling involve that the researcher selects the participants because of their characteristics. The characteristics could be those who know the information, are willing to reflect on the situation, have time, and are willing to participate (Morse & Richards, 2002). The purpose sampling method will be used when the sample of this thesis is going to be selected.

The companies that will be contacted and asked about their willingness to participate in the study will be retrieved from the Embassy of Sweden's list of Swedish companies situated in Malaysia (Embassy of Sweden, 2005). Large companies, according to the European Union's standard (see Table 1.1) (Europa, 2003), will be excluded due to the delimitations of the study. SMEs established in Malaysia after 2000 will be selected and e-mails will be sent out to them.

The number of companies contacted was 19. However, three companies had incorrect e-mail addresses and had to be excluded from the selection. Five of the companies contacted accepted to be interviewed. According to the European Union's standard for SMEs regarding number of employees (see Table 1.1), four of the companies are micro-sized enterprises, while the fifth is a small-sized enterprise. If instead looking at the annual turnover, four of the companies are considered micro-sized enterprises, one small-sized enterprise and one medium-sized enterprise. One of these companies asked us to be anonymous; this company will be referred as *Company A*.

During one of the interviews the authors was acknowledged of another Swedish company that is presently going through the establishing process in Malaysia. The company was contacted and accepted to be interviewed.

Company	In Malaysia since	No of employees	Annual turnover
Aptilo Networks Sdn Bhd	2001	5	1.4
Company A	2000	35	12
Free2move Asia Sdn Bhd	2004	4	0.15
STIL Trading Malaysia Sdn Bhd	2004	1	0.5
Syntronic Malaysia Sdn Bhd	2002	6	2.8
Tropi-Call	2006	2	-

Table 2.1 Companies interviewed

As additional interviews, the authors will also interview the trade commissioner at the Swedish Trade Council in Malaysia and the Swedish ambassador at the Swedish Embassy in Malaysia.

2.5 Data Coding

In qualitative research the authors have to code what the respondents are saying. Coding means that the authors identify and label concepts and phrases by writing down what was said during the interviews (Holloway, 1997). According to Holloway (1997), through the coding the authors are making an early step in the analysis of data. Trost (2005) divides the coding process into three steps; (1) processing the data, (2) analysing the data, and (3) interpreting the data. Trost (2005) states that these three steps are interrelated and can occur in different orders and also in the same time. The occurrence of the analysis and interpretation will also be done automatically without the researchers' awareness during the whole process (Trost, 2005).

The processing of the data means that the authors collect the data and make the data available (Trost, 2005). In this study the authors are doing qualitative interviews, therefore, the data will be collected through interviews and the interviews will be written in the empirical findings. As mentioned before Trost (2005) says that it is positive to use a recorder during the interviews since it enables the authors to access the data after the interviews are done. Furthermore, Widerberg (2002) says that it is good to sort the data according to different themes. As stated before, for this study, the authors will use a recorder during the interviews. Afterwards, the authors will listen to the recordings and type down the answers verbatim, and then restructure the data in order to fit the interview guide. The interview guide is already divided into different themes that will be used. Trost (2005) emphasizes that this method is preferred since it makes it easier for the authors to analyse and interpret the data. This method also involves that the authors delete information that is not applicable for the study (Trost, 2005). However, because the authors will have the recordings, the data will not be lost, even though some parts will be deleted from the presentation in the empirical findings.

The data in a qualitative research method is analyzed different from quantitative data, where the researchers can use a statistics programme in the analysis (Trost, 2005). Trost (2005) says that when analysing qualitative data the authors will have to read what has been written down from the interviews and consider what was seen and heard during the interviews. Through this the authors can have a discussion about the data (Trost, 2005). Lundahl and Skärved (1999) say that the purpose of the analysis is to organize and process the data so that it becomes usable and interpretable. In this study the authors will read through the presentation of the interviews written in the empirical findings, and answer the questions from the interview guide for each interview. The most relevant answers will be typed

into another document, where every respondents' answers will be typed underneath each other. Trost (2005) means that by doing it this way the authors will be able to see the overview better, and also be able to analyse the data easier. After that, the most important factors found in the interviews and the additional interviews will be summarized in a table presented last in the empirical findings.

According to Trost (2005), some people mean that the analysis should be done during the interview, and other people mean that the authors should wait until all the interviews are done. Trost (2005) believes that it is good to write down ideas that the authors get during the interviews, but it is best to get some distance from all the interviews before the work of analysis is started. He further believes that the analysis and interpretation should be done during relaxed circumstances, meaning the analysis should be done after the interviews are completed (Trost, 2005).

Lastly, the researchers will interpret the data and what has been analysed with the help of the theoretical framework (Trost, 2005). According to Trost (2005), the aim of the interpretation will be to show that the interesting findings really are interesting for the study. In order to be able to show that it is interesting, the data will be interpreted in connection to the theoretical framework. There are two ways to interpret data; word-by-word or line-by-line. When the authors interpret word-by-word the authors should look for words that are repeated by the single respondent as well as repeated by several respondents. In the other way, line-by-line, the authors look for expressions in clauses and sentences (Trost, 2005). Both ways will be used for this study. Lundahl and Skärved (1999) also emphasize that during the interpretation the authors goes further than describing the data and instead are trying to clarify what different things mean, create an understanding, and tries to draw conclusions and get learning from them.

2.6   Quality of the Study

There are two types of measurement that are commonly used when measuring the quality of the study; reliability and validity (Holloway, 1997; Trost, 2005). If the study is reliable and valid, one should be able to show that the findings are sincere and relevant for the study (Trost, 2005).

The *reliability* of data means that the measurement is stabile and not exposed to bias. For example, the interviewers should ask the same questions in all the interviews and the respondents should be asked under the same condition as all the interviews (Trost, 2005). All the interviews will be held in the respondents' offices. The measurement of one interview should give the same results as if it would be done in another occasion using the same technique (Bennett, 2003; Lundahl & Skärved, 1999; Trost, 2005). However, then one has to assume that it is a static relationship, meaning the situation does not change over time (Trost, 2005). Thus, in this study the authors are investigating how the establishing process in Malaysia looks like today, but they cannot assume that the establishing process will be the same in the future. Therefore, this study is proactive and it is assumed that the situation will change in the future. Trost (2005) says that in the proactive approach one expects to get different results in different point in time. Furthermore, Holloway (1997) says that often when talking about reliability of a qualitative research one tries to explain to which extent the findings are true and accurate. Therefore, the authors will use secondary data to show that the respondents' answers are not untrue or inaccurate.

Lundahl and Skärved (1999) mean that one can get better reliability by standardising the research. However, Trost (2005) states that when looking at the reliability for qualitative studies, one has to have a low standardisation of the interviews, since it can be good to use ac-

cidental incidents in the analysis, such as how the respondents react to different questions. Therefore, interview guides that are semi-structured will be used.

Trost (2005) divides reliability into four components; (1) congruence – the similarity of questions that aim to measure the same thing, (2) precision – how the interviewers will register the respondents' answers, (3) objectivity – that the interviewers register the respondents' answers the same way, and (4) constancy – that the phenomenon and attitude does not change over time. Congruence is dealt with by using the same interview guide for all the interviews with the companies respectively another interview guide will be used for the additional interviews. The additional interview guide is based on the interview guide for the companies. The registration of the respondents' answers is both going to be recorded and written down during the interviews, so that the answers will not be forgotten nor lost. This makes the precision good. Concerning the objectivity, the authors are going to talk about what they heard during the interviews, and also discuss how they are going to present the answers in the empirical findings, analysis, and conclusion. This will make the objectivity high. As mentioned before, constancy is not relevant for this study, since the authors assume that the establishing process will change in the future and that people are not static, rather they are participants in processes.

The *validity* of the data is when the questions asked can measure what they claim to be measuring (Bennett, 2003; Lundahl & Skärved, 1999; Trost, 2005). However, Trost (2005) states that it is hard to measure this in a qualitative research, since when a question is asked, the authors are also interested in what the underlying opinion of the respondents' interpretations of the question are. Therefore, for example, the question "Are there any stereotypes in Malaysia and its business environment?", does not aim to get a "yes" or "no" answer, rather it wishes to make the respondents explain the stereotypes, how these are understood in the Malaysian society, and how the fact that there are stereotypes affect the establishing process.

Furthermore, validity also strives to find out if the findings are the truth (Holloway, 1997). Therefore, after the interviews are typed down, the respondents will be able to read the material and comment if the authors have understood them correctly, and they can add information that are missed by the authors. This will also confirm that the authors have found the truth.

Through this discussion about the quality of the study, the authors believe that the used method will be more reliable and valid.

3 Theoretical Framework

This chapter will state the theories later used to analyze the empirical findings. The authors start by explaining FDI and its benefits, followed by Hollensen's market entry strategies. The next part considers culture and Hofstede's cultural dimensions. Lastly, the network model by Hollensen is explained.

3.1 Foreign Direct Investment

Foreign Direct Investments (FDI) can be defined as *"investment of capital by a government, company, or other organization […] that are located in a foreign country"* (A Dictionary of Business, 2006). There are three main forms of FDI financing; equity investments, intra-company loans and reinvested earnings, where the dominating form is equity investments with about two-thirds of the total FDI flow. However, in developing countries reinvested earnings are constantly more important (UNCTAD, 2005).

Investments, both domestic and foreign, are an essential factor of sustainable growth (Chino, 2004). Up to the 1980s, many developing countries saw FDI as a threat and thought of it as a modern form of economic colonialism. FDI is an attractive alternative as capital income instead of bank loans and it is a more stable form of foreign capital (Brooks, Fan & Sumulong, 2004). As of today most developing countries welcome FDI, not only as a way to gain investment funds and foreign exchange, but also as a source for new technology (Chino, 2004; Wei & Balasubramanyam, 2004). FDI also helps raising the competition among domestic companies which in turn leads to stimulation of the domestic investments (Chino, 2004). This increasing competition among domestic companies, leading companies to seek new and more effective ways of improving their competitiveness, together with an increase in prices for commodities have helped stimulate FDI to developing countries who are rich on natural resources (UNCTAD, 2005). FDI can also be characterized by its stability and its ease to be handled compared to commercial debt and other investments. There are many potential benefits for the host country with FDI, and not only from the increase in outflow and inflow (Brooks, Fan & Sumulong, 2004). In addition, FDI can be seen as a way of filling gaps in the domestic economy. Mostly used is the idea that FDI fills the gap between the targeted or desired investments and locally mobilized savings in the host country (Todaro & Smith, 2006). UNCTAD (2002) means that FDI has great potential to generate higher employment, increase productivity, bring skills and new technology, enhance exports, and play a part in the economic development of the host country.

However, there are some concerns about FDI and its influence on growth. Some of these concerns are that FDI may hold back the development of local companies in the country and that it may have a negative influence on income distribution. Also, the possible negative impact on the governance and rent-seeking in the country is of concern (Chino, 2004). For the host country to be able to maximize the benefits and minimize the costs of FDI, they have to implement incentives and regulations and this has been done in most developing countries (Chino, 2004). These incentives and regulations have been reduced in recent years due to a number of factors. Among these, the accelerating change in technology, the emergence of globally integrated production networks, and the positive evidence that developing countries are more open to FDI, have been important in this development. This increased openness has led to a drastic rise in FDI over the past 20 years (Brooks, Fan & Sumulong, 2004).

The Division on Investment, Technology and Enterprise Development (DITE), a division under the United Nations (UN), and the United Nations Conference on Trade and Devel-

opment (UNCTAD), has as one of their focal points in their program for investments and technology to promote the understanding for FDI and to help foster consensus on matters concerning FDI (UNCTAD, 2005). They also work to promote the benefits from more foreign investments to developing countries, including the transfer of technology and knowledge, and development (UNCTAD, 2005). DITE works with assisting developing countries to attract and benefit from FDI. In addition they focus on making the developing countries more productive and help creating international competitiveness (UNCTAD, 2005).

UNCTAD ranks countries on how well they attract inward foreign investments through looking at inward FDI performance and potential. The intention of the comparison is to provide data to policymakers on variables that can be quantified for a large number of countries (UNCTAD, 2002). When comparing the two variables, UNCTAD has created a two-times-two matrix comparing the inward FDI performance and potential (see Figure 3.1).

	High FDI performance	Low FDI performance
High FDI potential	Front-runners	Below potential
Low FDI potential	Above potential	Under-performer

Figure 3.1 Inward FDI indicies (UNCTAD, 2002).

Front-runners are the countries with high FDI performance and high FDI potential. Malaysia was situated among these countries between 1988-1990 and 1993-2001. The countries with high FDI performance but low FDI potential are called to be above potential, while the countries with low FDI performance but high FDI potential are called to be below potential. Between 2001 and 2003, Malaysia was regarded as below potential. The last box is the under-performers, countries with both low FDI performance and low FDI potential (UNCTAD, 2002).

3.2 The Establishing Process

3.2.1 Hollensen's Market Entry Strategies

When a company has decided upon which country to establish in, the company needs to consider the best way of entering that market (Hollensen, 2004). Hollensen (2004) says that this decision is crucial concerning the success of the entry. He further claims that this first step is especially critical for SMEs. An inappropriate market entry can threaten future opportunities and potential expansion activities (Hollensen, 2004). Hollensen (2004) has developed a description of different entry modes that are placed on a scale where one of the extremities is low control, low risk and high flexibility, and the other is high control, high risk and low flexibility (see Figure 3.2). These extremities are the classifications of different market entry modes; export modes and hierarchical modes, and the middle of the scale stands for the intermediate modes.
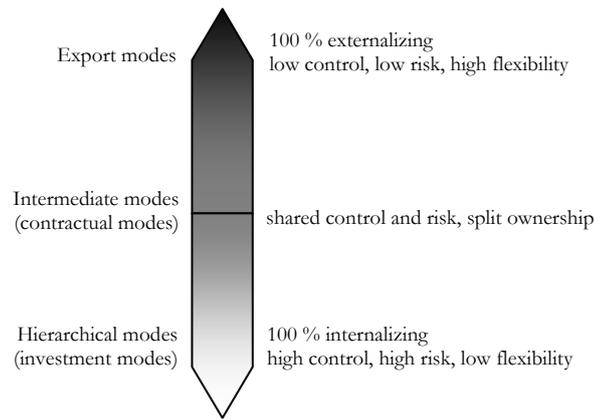
Figure 3.2 Classification of market entry modes (Hollensen, 2004, p. 274)

Export Modes

Hollensen (2004) explains the *export modes* as when a company is exporting products to another country and the production is set in the home country or in a third country. The exporting company uses a selling channel in the foreign country in order to sell the products. According to Hollensen (2004), the export modes are the most common type when first entering a new international market. Furthermore, Hollensen (2004) states that the export modes often gradually evolve towards foreign-based operations. There are different types of export channels the company can use, and the company also needs to decide what responsibilities will lay on the external agent. The exporting company can use indirect export, direct export, or cooperative export (Hollensen, 2004).

Indirect export means that the company is selling the products in the home country to an agent that will sell the products in the foreign market. This means that the sale is the same as domestic sale, and the company does not engage in any marketing activities outside the country (Hollensen, 2004). According to Hollensen (2004), this alternative is often used by companies that have limited international expansion objectives, have minimal resources, or want to try the new market before engaging in any bigger commitments. The risks of doing indirect export involves lack of control over the marketing activities in the new market, the company cannot control what sale channel is used in the new market, or what price is set on the products. If mishandled, these issues can damage the company's reputation and image. In such situation it can be hard for the company to explore other opportunities in the new market in the future. Furthermore, the company has little insights in how the agent is operating regarding sale channel etcetera, which means that the company will not learn how these things work in the new foreign market. Because of this, the company will not gain any knowledge for an possible expansion using another market entry mode in the future (Hollensen, 2004).

When using direct export, the company sells the products to an agent or importer in the foreign country. Similar to the indirect export mode's sale process, the direct export sale is also handled in the same way as domestic sale. In addition, the global marketing is handled by the agent or importer, but the company can provide global marketing know-how. This implies that the risk and control are limited, but the company will have more knowledge of how the sale is done in the foreign market than the indirect export mode (Hollensen, 2004).

The cooperative export mode is commonly used by SMEs. It involves that companies are collaborating with other companies concerning exporting functions (Hollensen, 2004). Hollensen (2004) says that the motive for SMEs to use this mode is the opportunity of ef-

fectively marketing products to larger customers. However, he further states that there are few companies engaging in this mode, because the possible conflicting views about what the cooperating companies should do. In similarity to the other two export modes, the cooperative export mode is influenced by low risk, but the company has not much ability to control the whole export functions (Hollensen, 2004).

Intermediate Modes

Intermediate modes mainly involve making a contribution to the foreign market though a knowledge or skill transfer. This can be done though franchising, licensing, joint venture, strategic alliance, etcetera. These modes does not imply full ownership, instead the ownership will be shared by the parent company and the local partner (Hollensen, 2004).

Franchising means that the company sells a concept that can be used by a foreign company. An example of this is McDonald's. If the company, on the other hand, is selling patent for single products it is called licensing. Both franchising and licensing involve that the company gives information and teach the franchise branch or licence taker about how the concept respectively the patent should be used and sold. In other words, there is a knowledge transfer between the parties of the contract. Since franchising and licensing involves that a contract or agreement is signed, the risk associated with these types of intermediate modes are external and may arise if the foreign market has high political risk (Hollensen, 2004). Hollensen (2004) advices companies who are engaging in countries with high political risk to seek high initial payments and create a timescale of the agreement.

A joint venture is when two companies create a subsidiary together, and strategic alliance is an extended cooperation between two companies. The knowledge transfer in these situations occur when the two companies share their knowledge and information in order for both companies to get more value and develop (Hollensen, 2004). Hollensen (2004) stresses that one reason for engaging in these intermediate modes is that many less developed countries try to restrict foreign ownership. By creating a joint venture or a strategic alliance with a local company, the company can get by these restrictions and enter the market (Hollensen, 2004). Hollensen (2004) further stresses that the risk of joint venture and strategic alliance is connected to the power difference between the companies. One of the companies may get more influence and control over the operations. The companies also have different bargaining power which is affected by the balance of learning and teaching (Hollensen, 2004).

Hierarchical Modes

Unlike the other of Hollensen's market entry strategies, the *hierarchical modes* imply that the foreign subsidiary is 100% owned by the company. This means that the risk level is high, but as a positive effect the company has total control. The hierarchical modes are done either by greenfield investment or by acquisition (Hollensen, 2004). Hollensen (2004) has also found that the more the company is internalizing the establishing process, i.e. using their own abilities internally, the larger likeliness that the company will use a hierarchical mode.

When the company uses direct investments to building the foreign company from the beginning it is called greenfield (Hollensen, 2004). Hollensen (2004) states that the reasons for choosing this hierarchical mode are the ability to integrate operations across countries and being able to expand the business in the future on the company's own terms.

Acquisition means that the foreign company acquires an existing company and takes total control over it. The acquisition enables the foreign company to enter the market quickly. Since the acquired company already has had operation in the country, it possesses valuable

information about the distribution channels, existing customers, etcetera. If the foreign company does not have experiences of international management, it will be of advantage to make use of the acquired company's management team (Hollensen, 2004). Hollensen (2004) says that there may be difficulties to enter certain markets, and that is why companies find entry opportunities through acquisition.

Some developing countries find it difficult to accept a foreign company using an export mode, since they are seen as exploiters of the country's resources (Hollensen, 2004). However, Hollensen (2004) stresses that if the foreign company uses the hierarchical modes to establish a subsidiary in the foreign country that is completely owned by the company, the risk of being seen as an exploiter will be reduced. Thus, this presupposes that the country is political and economical stable (Hollensen, 2004).

Hollensen (2004) mentions that setting up a regional office, through hierarchical modes, in a global area that has access to the surrounding countries, assuming the countries have similar conditions, is a good strategy when establishing abroad. This will give the company opportunities that are more extensive and will also help the company to grow (Hollensen, 2004).

3.2.2 Hollensen's Network Model

Defined by Cook and Emerson (1978, in Axelsson & Easton, 1992, p. 239) a network is *"sets of connected exchange relationships"*. Hollensen (2004) means that networks in a business environment can be used to handle interdependence between several actors on the market. Dependent on the relationships between the actors, the network will differ. According to Håkansson and Johansson (1992), the relations between the actors, activities and resources in an industry form a structure that can be described as a network. An actor in a network develops and maintains relationships with the other actors and vice verse. The activities are related to each other in the same way and create networks through the relationships. Similarly, the resources are connected through relations in the network and all together these three networks (actors, activities and resources) are closely related to each other (Håkansson & Johansson, 1992). According to Håkansson and Johansson (1992) the stability and development of a network are closely related and both stability and development are important for the network. A business network is shaped by the actors' relationships and their willingness to engage in these relationships. A network is often loosely tied together and due to this it can change and shape more easily, actors in a network can find new relationships and end old ones and thereby change the structure of the network. Furthermore, a business network is flexible which means that it can change in response to a changing environment. This is especially important for companies in industries with rapid change (Hollensen, 2004).

Hollensen (2004) means that business networks emerge when a relationship between specific actors can give strong gains and in industries with rapidly changing conditions in the business environment. The network model implies that the main object of study is the exchange between the actors and not the actors themselves (Hollensen, 2004). An international company has to be analyzed in relation to other actors in the environment and not as an isolated actor (Hollensen, 2001). Furthermore, the model implies a move towards more lasting relationships forming the network within which international business develop. Relationships in a network are hard to grasp and therefore it is hard for an outsider or a potential actor to observe the relationships within a network. An assumption in the network model is that the individual actors are dependent on the other actors in the network and

their resources. The network give the actors access to external resources that otherwise would not be accessible (Hollensen, 2004).

To enter a network as a new actor can be hard and requires that the actors already in the network are willing to engage in a new interaction. To engage in a new connection can be resource demanding and require that the actors in the network adapt their way of making business to the new actor. When entering a network, the internationalization process of the company will most probably proceed more quickly (Hollensen, 2004). Hollensen (2004) means that this can be especially important for SMEs engaged in high-tech industries. Companies in this situation tend to move directly to more remote markets and start subsidiaries more rapidly (Hollensen, 2004).

A network in one country does not have to be restricted to that country only, but can extend far further than the country's boarders (Hollensen, 2004). Relationships that a company has on the domestic market can also be used to make connections the other networks abroad (Johansson & Mattson, 1988 in Hollensen, 2004).

3.3   Culture

Hollensen (2004) acknowledges that there are almost as many definitions of culture as there are authors having written about the subject. He means that the probably best known definition of culture comes from Hofstede (1980, in Hollensen, 2004, p. 193) who means that culture is *"the collective programming of the mind which distinguishes the members of one human group from another"*. Hofstede further means that this includes a system of values that are the building blocks of culture (Hollensen, 2004). Hofstede (1983) states that the invisible set of mental programs that form the culture in a country are hard to change. He further states that within a country, changes in culture are very slow. This is because tradition and a common way of thinking have been rooted in the culture and this may be different to other cultures. What the people in a population believe is right has become crystallized through the government, legal system, educational system, family structure, religious organizations, etcetera (Hofstede, 1983).

Through the self-fulfilling prophecy, culturally determined ways of thinking are enabled to continue (Hofstede, 1983). Hofstede (1983) means that if people of a minority are seen as irresponsible and due to that not given any responsibility, they will never get the chance to learn to take responsibility, and therefore also most likely behave irresponsibly.

Culture is said to have three characteristics; (1) it is learned from other members in a group over time, (2) it is interrelated which means that each part of the culture is deeply connected to the other, and (3) it is shared among the members of a group and passed on to an individual from the other members of the group (Hollensen, 2004).

3.3.1 Cultural Layers

Culture is, according to Hollensen (2004), said to have four layers; national culture, business/industry culture, company culture, and individual behaviour (see Figure 3.3). These layers can be of great importance when people with different national cultural backgrounds are employed in an international company. The cultural layers can provide the employees with a common framework enabling them to understand the behaviour and way of making business of different individuals. The national culture determines the values that influence the culture of the business/industry, and the business/industry culture then determines the company culture of the individual company (Hollensen, 2004).
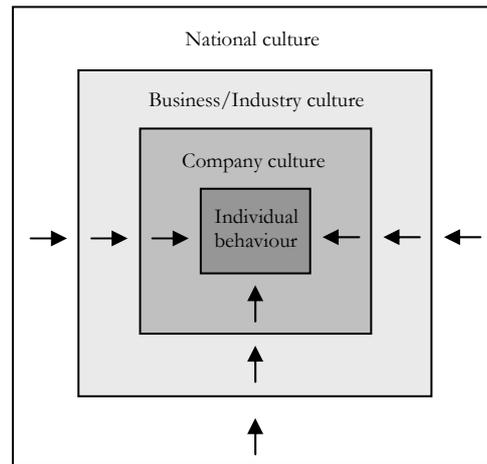
Figure 3.3 The different layers of culture (Hollensen, 2004, p.196).

In a buyer-seller situation the behaviour of the individual buyer is affected by cultural aspects in each of the different cultural layers (Hollensen, 2004). Hollensen (2004) means that the different cultural layers are nested into each other in order to grasp the interplay between them.

The *national culture* gives the overall framework of cultural notions and legislation for business activities. The *business/industry culture* has its own cultural roots and history, and the actors within the cultural layer know what rules apply. This layer of culture is often similar across national borders. The *company culture* often consists of several subcultures of different functions. The culture within a company is expressed through shared values, meanings and behaviours of the members. An *individual behaviour* is influenced by all the other layers and the individual becomes a person that interacts with the other actors. Since culture is learned and not innate, all individuals have different cultures due to different learning environments and different personal characteristics (Hollensen, 2004).

3.3.2 Elements of Culture

The elements described below are some of the elements that, according to Hollensen (2004), are included in the concept of culture:

Language   A country's language is a part of its culture and Hollensen (2004) means that if one is to work extensively with a different culture it is important to learn the language. Language can be divided into verbal and non-verbal language. Both verbal and non-vernal language are important in communication, but in different ways. Verbal language communicates vocal sounds that can be interpreted by the receiver and provides clues as of who the person speaking is. Non-verbal language is communicated through body language, silence and social distance. Non-verbal communication is less obvious but still very powerful (Hollensen, 2004). According to Hollensen (2004), non-verbal communication in international business includes: time – the importance of being "on time", space – conversational distance, material possession – the relevance of material possession of the latest technology, friendship patterns – the significance of trusted friends as a social insurance, and business agreements – rules of negotiations.

Education   The concept of education, in this situation, includes the process of transferring skills, ideas and attitudes, and training. Everybody has been educated in

this sense. Education can be a way to transfer an existing culture from one generation to the next, or it can be used to change a culture. Education can have an impact on various functions within business. For example when educating personnel internally, their educational background has to be taken into account (Hollensen, 2004).

Religion   Hollensen (2004) means that religion can provide the basis for trans-national similarities under the shared belief of the different religions. In many countries religion is of great importance and it is important to have respect for people's different beliefs. There are many aspects to be aware of as an international company when it comes to religion. For example, religious holidays vary greatly and for the Muslims the holy month of Ramadan is very important. The Muslims also has to pray facing Mecca five times each day and this is something that a company has to consider. Also the role of women varies between different religions.

3.3.3 Hofstede's 4 + 1 cultural dimensions

The cultural dimensions described by Hofstede is a framework that describes five types of differences, or value perspectives, between different countries. From the beginning the framework consisted of four dimensions but some years after the first study Hofstede and Bond (1988, in Hollensen, 2004) identified a fifth dimension, the time perspective. People in different countries understand and interpret their world out of these dimensions and people are formed by them. The five dimensions of culture are: power distance index, individualism, masculinity, uncertainty avoidance index, and time perspective (Hofstede, 1991; Hollensen, 2004). Hofstede has analyzed most countries in the world from the four first dimensions and his analysis of Malaysia can be found in Appendix 3 (Itim International, 2003).

Power distance index is focused on the equality or inequality between the people within the society in a country. A low ranking of power distance denotes that the differences between power and wealth in the society is de-emphasized, instead equality is stressed. If a country is high on the ranking of power distance it indicates that there is an inequality of power and wealth within the society and that this inequality has been allowed to grow (Hofstede, 1983; Hofstede, 1991). The level of power distance in an organization is related to the degree of centralization and authority and autocratic leadership within the organization (Hofstede, 1983).

Individualism is related to how the society reinforces individuality or collective behaviour and interpersonal relationships. A country ranked high on individualism emphasize the importance of individuality and individual rights within the society, while a low ranking indicates a society where collectivism and close ties between individuals is important (Hofstede, 1983; Hofstede, 1991)

Masculinity concerns the extent to which the traditional male work role model of male achievement, power, and control is important in the society. For example, how the roles in the society are divided between the genders. A low ranking of masculinity indicates that the society is equal and that females are treated equally to males in all aspects of the society. Being highly ranked on masculinity means that the country has a high differentiation between men and women, where males dominate the society and power structure, while women are being controlled by male domination (Hofstede, 1983; Hofstede, 1991).

Uncertainty avoidance index indicates how tolerant for uncertainty and ambiguity the individuals in a society are. For instance, how the society handles the fact that the future is unknown and always will be. A high ranking of uncertainty avoidance indicates that the country has a low tolerance and this creates a society with many laws, rules, and regulations to reduce the amount of uncertainty. A country being ranked low on uncertainty avoidance has a higher tolerance and the society is less rule-oriented, more open to changes, and takes on more risks (Hofstede, 1983; Hofstede, 1991).

Time perspective describes to what extent a society reveal a realistic long-term view of the future or a short-term point of view. Countries scoring high on the time perspective have a long-term orientation, accept changes, and have an economic attitude towards investments. Many of the countries scoring high on the time perspective are Asian countries. Scoring low on this dimension indicates cultures that believes in absolute truth, are traditionalists, short-term oriented, and have a concern about stability. Among the countries scoring low on this dimension are many Western countries (Hofstede, 1983; Hofstede, 1991).

Hollensen (2004) discusses the strengths and weaknesses of Hofstede's cultural dimensions. The main strengths that Hollensen mentions are the big sample of the research, the spread of the population across countries, the significant comparisons between national cultures, and that the connections of the dimensions are highly relevant. Hollensen (2004) also means that the study by Hofstede is the best there is since no other study compares so many different cultures in such detail. The weaknesses that Hollensen (2004) finds with Hofstede's study are the use of one single industry for the sample which can be misleading, the cause of technical difficulties due to an overlap of the dimensions, and the possibility that the definition of the dimensions can differ between cultures.

4 Empirical Findings

In this chapter the secondary data and information retrieved from the interviews will be presented. The chapter starts with secondary data concerning Malaysia, continues with information from the six interviews with Swedish companies in Malaysia, and is ended with the interviews with the Swedish trade commissioner and the Swedish ambassador.

4.1 Secondary data

4.1.1 FDI in Malaysia

Malaysia has been successful in attracting FDI and the main reason for this is their stable macroeconomic situation, their well developed infrastructure, and their relatively transparent legal system. The government in Malaysia has invested heavily in these areas over the years as a part of Vision 2020. Also the low cost of labour and relatively liberal trade regime have influenced this trend. The fact that the legal system in Malaysia is based on the British system has also been positive for the country as an attractive investment destination. The country's openness towards foreign investments has yielded a steady foreign capital inflow since the end of the 1960s. Even though there has been an openness towards foreign investments in the country, the government has been more restricted to investments in the service industry than in the manufacturing industry (Siew-Yean, 2004).

The Malaysian government encourages foreign companies to joint-venture with Malaysian companies (Malaysian Industrial Development Authority, 2005b). Until 2003 there was a legislation forcing foreign companies to joint-venture with Malaysian companies (Malaysian Industrial Development Authority, 2005b), because of the regulation of equity ownership (Thoburn, 1981). However, this legislation has now been removed. Due to capabilities and expertise in Malaysian companies in certain areas, there are equity restrictions in these areas. The areas concerned are manufacturing in paper packaging, plastic packaging, plastic injection moulded components, metal stamping and metal fabrication, wire harness, printing and steel service centres (Malaysian Industrial Development Authority, 2005b).

In order for the Malaysian government to increase the foreign investment confidence the Investment Guarantee Agreement (IGA) was created. Today the agreement includes 66 countries, one of them being Sweden. The main feature of IGA is that companies are not obliged to restructure an approved equity. Other features that IGA involves are; to protect against nationalization and expropriation, to ensure prompt and adequate compensation in the event of nationalization of expropriation, to provide free transfer of profits, capital and other fees, to ensure settlement of investment disputes under the Convention on the Settlement of Investment Disputes, and to provide international conciliation or arbitration through the International Centre for Settlement of Investment Disputes (Malaysian Industrial Development Authority, 2005b).

According to the Malaysian Industrial Development Authority (2005c), investing in Malaysia has many advantages. Companies can get exemption from import duty on raw material and components no matter if the products are to be exported or sold in the domestic market. Also machinery and equipment can be exempted from taxes. Since the policy of the Malaysian government is not to impose taxes on machinery and equipment that are not produced locally, full exemption is given even on machinery and equipment that are actually taxable (Malaysian Industrial Development Authority, 2005c).

4.1.2 Regulations and Guidelines

When starting up business in Malaysia there are some requirements that need to be fulfilled. Depending on if the company will be locally incorporated or not, or if it will be manufacturing activities or service activities there are different guidelines (Malaysian Industrial Development Authority, 2005b).

Different types of Establishments Abroad

There are three types of establishment alternatives when starting a company in Malaysia; locally incorporated company, branch of foreign company, and regional/representative office (Sveriges Ambassad, 2006). The most common of these is to start a locally incorporated company (Bhd or Sdn Bhd) (Bjarnås, Estberg & Snellman, 1992; Sveriges Ambassad, 2006).

An establishment through creating a locally incorporated company means that the company will be operated as a legal person that is separated from its parent company. The locally incorporated company will have rights and responsibilities by itself and it needs to have a certain minimum capital depending on which country it will operate in (Bjarnås et al., 1992). The minimum capital in Malaysia is €110 000 (Malaysian Industrial Development Authority, 2005d). During the founding of the locally incorporated company the company needs to go through certain processes (Bjarnås et al., 1992). These processes are the same for foreign companies as Malaysian companies (Marwick & Megat, 1987).

A branch of foreign company will undertake some of the operations of the company in the foreign country and it needs to have a determined operation office in the foreign country (Bjarnås et al., 1992). A branch of foreign company in Malaysia will be regulated by both Swedish and Malaysian laws. The result of the branch of foreign company will be included in the annual report of the company in Sweden and the legal person is the whole company, not the branch of foreign company by itself (Bjarnås et al., 1992). To start a branch of foreign company in Malaysia requires the company to be locally incorporated, meaning it will have to obey to the rules of the Companies Act (1965) (Malaysian Industrial Development Authority, 2005d; Marwick & Megat, 1987)

A regional/representative office does often undertake limited operations, such as market research regarding the company's products, or it can be used during the establishing process' beginning to find more information about how the establishment should be done. If the company plans to establish in the country in the future, the regional/representative office can be an alternative that is not so costly and will better ensure success for a future locally incorporated company. The regional/representative office is not a legal person, instead it is a part of the parent company's operations. The operations in the regional/representative office do seldom bring income to the company and, therefore, the regional/representative office is seldom obliged to pay tax in Sweden and is often founded without any formal registration nor bookkeeping (Bjarnås et al., 1992). A regional/representative office in Malaysia is not required to be locally incorporated nor registered under the Companies Act (1965) (Malaysian Industrial Development Authority, 2005e).

Regardless of which business the company will perform, the company needs to register how the company will conduct its business. If the business will be conducted as a locally incorporated company the registration of the company name costs €6.5. The company also needs to have a registered office in Malaysia and a company secretary. This also applies to foreign registered companies having a regional/representative office in Malaysia (Malaysian Industrial Development Authority, 2005f).

The company secretary is the person who will see to that the company is following the procedures of the establishment in Malaysia (Masson Group, 2004). All companies in Malaysia need to have at least one company secretary (US-ASEAN Business Council, 2003), and the person need to have its residence in Malaysia and be a member of a approved organization or is licensed by the Registrar of Companies (Malaysian Industrial Development Authority, 2005f; US-ASEAN Business Council, 2003). In addition to the company secretary, the company needs a company auditor and at least two directors who have their principle or only residence in Malaysia (Malaysian Industrial Development Authority, 2005f).

Multimedia Super Corridor

Multimedia Super Corridor (MSC) is a unit initiated by the Malaysian government with the aim to help global Information and Communication Technology (ICT) companies to establish in Malaysia (Multimedia Super Corridor, 2006a). Companies that are engaging in these business areas can apply to Multimedia Super Corridor (MSC) for MSC Status (Multimedia Super Corridor, 2006a). There are six criteria for MSC status (Multimedia Super Corridor, 2006b):

- Be a provider or a heavy user of multimedia products and services

- Employ a substantial number of knowledged workers

- Provide technology transfer and/or contribute towards the development of the MSC or support Malaysia's knowledge based economy initiatives

- Establish a separate legal entity for the MSC qualifying multimedia business and activities

- Be located in a MSC designated cyber city (Cyberjaya, Petronas Twin Tower 2, UPM-MTDC Incubation Centre 1 Serdang, Technology Park Bukit Jalil, or KL Tower (Multimedia Super Corridor, 2006c))

- Comply with environmental guidelines

The MSC-status application process is divided into three steps before approval; (1) pre-application, (2) internal assessment, and (3) formal application. Three days after the pre-application's submission the company will get an account manager, who will help to guide the company and revise the MSC application and business plan (Multimedia Super Corridor, 2006d). The formal application is divided into nine sections (Multimedia Super Corridor, 2006e) that have to be submitted to MSC together with a fee of €440 (Multimedia Super Corridor, 2006c). The documents are considering the business activities, the employment, the marketing activities, and the financial template. Before the submission of the application, the company is obliged to have a discussion with MSC in order to make sure that the application meets the MSC criteria (Multimedia Super Corridor, 2006c). This is called the internal assessment. When the account manager has approved for the company to apply, the formal application can be submitted. The application should be approved within 30 days from the submission (Multimedia Super Corridor, 2006d).

Companies with MSC-status will get an exemption from the whole statutory income granted for the first five-year period. The tax of all the investments will also be reduced. In addition to this, the company will also easier get help with research and development, they can have 100% foreign ownership, they do not have to have 30% Malays in the company, and they are free to source capital and borrow funds globally (Multimedia Super Corridor, 2006f).

Immigration procedures

There are four types of visas that can all be issued upon arrival in Malaysia. To enter Malaysia, Swedish citizens do not need any visa if their stay is maximum three months. This is called a Visit Pass (Tourist). A Visit Pass (Temporary Employment) can be applied for if the person is going to work in Malaysia for maximum two years or will earn less than €550 per month. If the person is going to work for more than two years and earn more than €550 per month he/she will need an Employment Pass. A person with an Employment Pass in Malaysia is called an expatriate. A Visit Pass (Professional) is for persons that want to enter the country for the purpose of work on short-term contract with any agency. People that are eligible for this pass are researchers, experts in installation and maintenance, trainees, etcetera. Family members of a person who have been issued an Employment Pass can be issued Dependant's Passes. The application for this pass need to be applied together with the Employment Pass or after the Employment Pass is approved (Malaysian Industrial Development Authority, 2005g).

Since the Malaysian government is working for knowledge transfer they encourage companies to train the Malaysians so that every position in the company mirrors the ethnic composition (Malays, Chinese and Indians) of the country. Foreign companies are allowed to bring in personnel from their own countries if there is a shortage of trained Malaysians. There are also some key posts that can be permanently filled by foreigners. Thus, in order for Malaysia to gain from the knowledge transfer and get more investors the government has liberalized the policy about foreign employment. If an employed expatriate is transferred between posts within the company the person need to apply for a new Employment Pass. Also, if a person is replacing another person the new person has to apply for a new Employment Pass for the same position (Malaysian Industrial Development Authority, 2005g).

4.1.3 Costs of Establishment

For a company starting business in Malaysia there are certain costs that one have to be aware of. For a company to get incorporated they have to pay fees for reservation of the company name, €6.5, and the registration of the company, €220-1,500, to the Companies Commission of Malaysia (CCM). The company will need a company secretary for its establishment. The monthly fees for the company secretary are divided into professional fees and retainer fees. If the company secretary is dormant, the fees are €1,100 respectively €2,200. If the company secretary is semi-active, the fees are €2,200 respectively €3,300, and if she/he is active, the fees are €3,300 respectively €6,600 (Malaysian Industrial Development Authority, 2006a).

The cost of an office space depends on where it is located. An office space in Kuala Lumpur is the most expensive, while the least expensive area is in Ipoh (Perak). Prices can vary from €3-12 per m². Also the cost of industrial land and factory building varies hugely between the different states of Malaysia, prices between €2-46,500 per 100 m² (Malaysian Industrial Development Authority, 2006a).

The cost per month of the most common types of human resource is found in Table 4.1.

Position	Wage rates, before taxes
General manager - sales and marketing	€2,200-4,000
Company secretary	€1,300-2,400
Production manager	€1,000-1,900

Engineer	€510-1,020
Programmer	€310-820
Secretary	€280-620
Foreman	€230-550
Production operator - semi-skilled	€130-300
Production operator - unskilled	€110-250

Table 4.1 The table shows that the most expensive work force is general manager within sales and marketing with a cost of €2,200-4,000 per month before taxes. The normal working hours in Malaysia cannot exceed 8 hours per day or 48 hours per week. Malaysian employers has to pay at least 12% taxes per the employees' wages, and the employees have to pay tax for least 11% of their wages. Foreign employers does not have to pay taxes, but they can make a contribution of €1.1 per employee per month. All foreign workers and expatriates do neither have to pay taxes, but they can make a contribution of 11% of their wages per month if they want to. Additional costs for the employers are also for the social security, which is 1.25% of the employees' wages. Apart from the 10 days of public holidays per year, the employees have paid annual leave right, which is dependent on how long the employee has been working in the company; less than two years gives eight days leave, less than five years gives 12 days leave, and over five years gives 16 days leave. The right for paid sick leave is also dependent on how many years the employee has been in the company; less than two years gives 14 days sick leave, less than five years gives 18 days sick leave, over five years gives 22 days sick leave, if hospitalization is needed the employee can get up to 60 days sick leave, and the paid maternity leave is 60 days (Malaysian Industrial Development Authority, 2006b).

Position	Wage rates, before taxes
General manager - sales and marketing	€2,200-4,000
Company secretary	€1,300-2,400
Production manager	€1,000-1,900
Engineer	€510-1,020
Programmer	€310-820
Secretary	€280-620
Foreman	€230-550
Production operator - semi-skilled	€130-300
Production operator - unskilled	€110-250

Table 4.1 Cost of human resources in Malaysia (Malaysian Industrial Development Authority, 2006b)

4.2   Interviews with the Companies

4.2.1 Free2move Asia Sdn Bhd

Martin Harnevie, personal communication, 2006-04-03

Company background

Free2move was established in 2000 by a research group at Halmstad University in Sweden and they offer their customers wireless communication products based on RFID and Bluetooth technologies. It is a small company with 12 employees in the three offices in Halmstad, New York and Kuala Lumpur. In Kuala Lumpur there are four employees. The Kuala Lumpur office is responsible for marketing and sales in Asia, Pacific, Australia and New

Zealand, and Middle East. The annual turnover in this territory is € 150k (2005), and the whole concern has an annual turnover of € 2 million (2005).

The Malaysian branch office was established in 2004, and the activities are mainly marketing, sales and service activities, but they have plans to start up R&D and manufacturing activities, according to Martin Harnevie. They want to get a good establishment on the market before they start with production. The office has customers in the Asia Pacific area.

The establishment in Malaysia

Martin Harnevie says that the reason why Free2move chose to establish in Malaysia was the chairman of the board, Bengt Forsberg's and Martin Harnevie's personal infrastructure and familiarity to Malaysia. Martin Harnevie had been working in Malaysia and Singapore since the beginning of the 1990s, so he had many contacts in Malaysia that could be useful for the establishment of Free2move. Martin Harnevie had also done country analyses for other companies, where he had found Malaysia suitable for them, so his personal experiences had great influence on what country to choose. According to Martin Harnevie, Malaysia is also found to be good in terms of costs, establishing process and the access to Asia.

The formulation of the agreement took about two weeks, and after that it only took a couple of month to establish in Malaysia, according to Martin Harnevie. Martin Harnevie acknowledges that the legal system in Malaysia is based on the British legal system, which makes it easy to understand. The first thing Martin Harnevie did when starting the company in Malaysia was to hire a company secretary, who could take care of all the paperwork concerning the incorporation of the company. Martin Harnevie explains that the company secretary finds out all the formal documents that have to be signed and approved by the government, so he finds it very easy to establish in Malaysia, since the company does not have to focus so much on those things. The company secretary was found through Martin's personal contacts, but one can also find good company secretaries from advertisements, according to Martin Harnevie. Martin Harnevie further explains that in order to incorporate, the company got capital from another company, AIAK Capital (which is a Switzerland-Malaysia based merchant banking boutique), so that the process would go faster. In the paper process the company also secured the name of Free2move. During the establishment process the company also needed an auditor, which they also found through personal contacts. Every year they have to turn in their annual audit, which their accountant makes.

When the company was registered, Martin Harnevie put up a webpage and wrote public press releases to make the company official and create awareness about it. He then looked through his personal database to search for contacts that could become potential customers, and arranged meeting with them. He also arranged meetings with other potential customers in the area to present the company. The company did not have any customers in the region before the establishment in Malaysia, but they had had requests from potential customers who wanted them to start up there.

Martin Harnevie finds the Malaysian regulations for establishment to be much easier than the ones in Sweden, as well as the tax system. The only traps of the Malaysian system are the customs and immigration, which can prevent companies from establish in Malaysia. According to Martin Harnevie, the customs has a bureaucracy that makes the process long. It can be difficulties when the company wants to import components for local customisation and assembly and re-export. Thus, it is always important to be flexible. The immigration problems are related to if the company wants to hire workers. However, it is not difficult for Swedes; it is only regarding certain countries. Martin Harnevie says that corruption

is present in the Malaysian government. However, he further stresses that in the non-government linked or government-dependent private sector there is not much corruption to talk about.

There are some industries where companies have to have Malaysian ownership, according to Martin Harnevie. For example banks with full rights and telecom industries. Martin Harnevie further says that when a company has Malaysian ownership it is easier to get licences. The ministers in Malaysia often exert direct involvement in operational and implementation matters, whereas in Sweden such ministerial government rule is unconstitutional, therefore it can be good to maintain good contacts with them.

Free2move did not have any problems during the establishing process. If there will be problems with the customs in the future, Free2move might consider opening an office in Singapore, which is a free-trade zone. This is a very common thing to do, according to Martin Harnevie; having an office in Singapore and manufacturing in Malaysia.

The technology that Free2move brought to Malaysia is new to the market. It involves a system that can track valuable assets, such as laptops or industry equipments, so that they can not be stolen or so that they can be found if they are missing. Free2move's customers are mainly industrial companies who use the technology to see to that their industry equipment does not get out of their factories. Among Free2move's customers in south-east Asia are Toshiba, Intel, Pentamaster and Siemens, all foreign or local owned manufacturers whose products are chiefly exported.

The work force

Today there are problems with the education system in Malaysia, according to Martin Harnevie. He further says that the quality of the education is getting worse but the government is trying to fix it. When hiring, the company needs to take the labour laws into consideration because of the strict labour laws, according to Martin Harnevie. This area needs a lot of caution and Martin Harnevie advices others to bring in experienced Malaysian human resource experts to handle that kind of issues.

There are four employees at the office in Malaysia and Martin Harnevie is the only Swede. Martin Harnevie says that when employing new employees the requirements differ depending on what job the person is supposed to do. In the near future Free2move are planning to employ a number of technicians, and when doing that it is important that they have the right education and experience for the work. Martin Harnevie says that the company is always trying to find the best person for the position and most of the times they try to find that person through their personal contacts. They have never used a local agency to find new employees. Sometimes they get recommendations from their employees, and this is alright as long as the persons are not family.

Martin Harnevie believes that a mixture of different religions and cultures is the best work environment since it stimulates the employees. He means that if there are only Chinese employees at the office they can be hard to control, if you only have Indians you cannot trust them, and if there are only Malays there will be internal camp-wars and the work would not be done efficiently. One often overlooked advantage with Malaysia is the cosmopolitan environment, which comes naturally from the mix of race and religion. The ideal mix is about 40% Malays, 25% Chinese, 15% Indians and perhaps 20% Westerners, according to Martin Harnevie.

Martin Harnevie does not experience any language problems when working in Malaysia. However, there are problems in the country with the English language, according to Martin Harnevie. He points out that when Malaysia got independent in 1957 they signed a contract

with the United Kingdom that they would keep English as their first language for 25 years. Unfortunately, after these 25 years they switched back to Malay as their first language and they stopped using English as the learning language in schools. According to Martin Harnevie, this has led to less people speaking English and the development in the country has been affected by this. However, he says that the last five years have seen a new realisation that English is important for Malaysia's furtherance, and there is now a tendency to revert back to English in many sectors, not the least higher education.

To obtain confidence among the employees in the company, Martin Harnevie means that you have to respect each other and each others' religions and cultures. Most Malaysians are comfortable to be working for westerners.

The Malaysian culture

It is important to get to know the cultures in Malaysia to be able to work there, according to Martin Harnevie. He further stresses that you have to be aware of the different religions in the country and, for example, not book a meeting with a Muslim during prayer time, etcetera. Martin Harnevie also mentions that every workplace in Malaysia also needs to have a place for prayers for the Muslims. Likewise, for many Chinese, feng-shui plays an important role in interior design of offices etc. Concerning time in Malaysia, Martin Harnevie says that an academic quarter is accepted but you should try to be punctual. However, this can be hard in Kuala Lumpur where the traffic is unpredictable.

Martin Harnevie does not think that Swedes moving to Malaysia will have any problems with culture shock since Kuala Lumpur is the first thing you see when coming to Malaysia, and the city is well-developed and influenced by the western parts of the world. Martin Harnevie means that the cultural differences will fall to place after a while. When Martin Harnevie first moved to Malaysia he did not prepare in any special way, and he does not think that it is necessary to do so. If he would employ any other Swede in the company he would look at that person's experience, both concerning the work and concerning travelling and working abroad.

As a small company, Martin Harnevie says that Free2move has to be flexible since they do not know how their sales will look in the future and therefore employees are not employed permanently from the start but on a contract for a certain time. Martin Harnevie means that he does not want to employ a worker and then have to fire him shortly later. If employing technicians Free2move wants them to stay within the company since they will get educated internally and learn about internal confidentialities.

When establishing a company in Malaysia the most important thing to consider is religion, according to Martin Harnevie. He further stresses that religion plays a much bigger role in Malaysia than it does in Sweden and one needs to be sensitive to religious needs. There are always pros and cons with moving to another country, but these will be learned over time, some things have to be learned the hard way. One thing that Martin Harnevie thinks is important to remember is to erase the common "Europe/Western/Sweden is better-attitude". The difference between the Swedish and Malaysian culture had no impact on the establishment of Free2move in Malaysia, according to Martin Harnevie.

Martin Harnevie states that Malaysia as a country is very anti-racist, people from different ethnical backgrounds work together and spends time together. Martin Harnevie believes that it is the government that keeps them separated through different means. For example, when filling in any form you have to state your ethnical background, and at the bank the interest rates are different for the different ethicises. In addition, the political parties in the country are racial, you cannot vote for the Chinese party if you are not Chinese etcetera. However, Martin Harnevie says that there are recently exceptions to this; a few newer political parties accept all races.

Martin Harnevie points out that there are certain stereotypes in Malaysia and he means that the Chinese and Malays think that Indians are not trustworthy, while the Malays and Indians think that the Chinese are not trustworthy. Furthermore, the common thought about Malays is that they are slow and lazy and often gather in camps that fight internally. However, those stereotypes should have zero and nil impact on hiring decisions. Martin Harnevie has always hired the best person for the job regardless or race and religion, the only other factor being the aim to build a mixed team as per the discussion earlier.

4.2.2 Company A

AA, personal communication, 2006-04-03

Company background

Company A was established in 1983 and are producing braced heat exchangers to OEM (Original Equipment Manufacturer) customers who use Company A's products for their finished goods in the climatization industry. As of today the company has production in Sweden, Switzerland, USA and Malaysia, and they are planning to start up in Slovakia and China.

In 2000 they established the manufacturing industry in Malaysia, covering China and the Asia Pacific region. Today the company has 450 employees, whereas 35 in Malaysia. The annual turnover in Malaysia is €12 million (US$ 15 million). The parent company in Sweden has an annual turnover of €75 million.

The establishment in Malaysia

Company A needed to establish a factory in Asia due to pressure from their customers to shorten the lead-times. They had sales offices in Asia, but not any production. Most of the customers were situated in Japan, China, India and Australia, and they wanted to be able to reach the customers easy by sea-shipment. Shipping products from Sweden to the Asia Pacific region takes too long and the products are too heavy to be delivered by plane, according to AA. A second reason for moving production to Asia was to minimize the production costs.

AA says that Company A started to evaluate the potential countries of interest by research and by travelling around in the Asia region during 1998 and 1999. They were not comfortable of starting up in China as the first establishment because of the complexity of the Chinese market and the language barrier. Soon they narrowed it down to two counties; Malaysia and Singapore, and started to find the pros and cons of each country. AA states that English is used as a second language and taxes are similar. However, according to AA, salaries in Singapore are higher and in addition the Singaporean currency it is more expensive, which both makes it more expensive to operate in Singapore than in Malaysia. AA further states that the communication with the government officials in Malaysia through MIDA was more welcomed than from Singapore's opposite, and the company felt that MIDA could offer them good help during the establishment. The contact with MIDA was also made in an early stage for research purposes to get inputs of what pros there are to be in Malaysia. The result was that Company A chose Malaysia for its new factory.

The business plan and project plan for the factory in Malaysia was approved by the owners in the end of 1999. In April 2000 Company A got a rental contract for the factory, which is obliged to start a business in Malaysia according to AA, and production started in May 2001.

According to AA, the cost of starting up a company in Malaysia is not more than a few ringgits for the document costs, but when counting the cost of the lawyers, audit consultancy, blueprint changes, administrative activities, and actually starting up the factory, the cost for Company A was about €10 million. The company also had education and training costs. Some of the employees were sent to Europe to learn the production techniques and some were educated in Malaysia by people from the European factories.

In reference to AA, Company A's thoughts about establishing in Malaysia are that it is important to establish a contact with an advisor from MIDA in order to get other contacts that can be vital. It is also important to send a person or a consult to the country quick in

order to get closer to the market. AA further states that a local person is good to have who can help with the establishing process. The advisor from MIDA can help to find a consultancy company for that purposes. The advisor from MIDA can also assist the company with important information about which persons to contact within the ministries regarding different permits, according to AA. The advisor from MIDA is very important and can be a valuable asset even after the establishment. Furthermore, a project leader should be sent to the country as soon as possible so that he/she can start to feel a responsibility for the establishing process. AA states that when starting to establish a business in Malaysia it is important for the project leader or someone else from the company to be present and to be able to reflect over what is happening. From this you can take your own decisions in line with the company's culture and objectives. It is important to be open minded and not locked in one certain way of thinking.

When talking about the obstacles that could occur in Malaysia, AA means that the obstacles they encountered was obstacles that could happen anywhere. They had some problems with the power cables, but when their advisor from MIDA was contacted he/she saw that Company A got in touch with the right person and helped to solve the problem. AA further states that the best way of encounter possible obstacles is to get the employees from Sweden to go to the country to learn. The biggest problem could be the physical distance relating to the internal obstacles. It is therefore important to deal with those first, and by going to Malaysia that can be fixed. When coming to Malaysia other obstacles, such as cultural distances, can be dealt with as well. However, the obstacles in Malaysia are few according to AA, and Company A's establishment was a success. Thus, AA advises that a support function is always good to have, because one should be prepared for anything regardless how well the planning has been.

Company A is the first company who is producing braced heat exchangers in Malaysia, according to AA. 95% of what is produced in Malaysia is exported. The government is not negative to companies exporting most of their products, since the government is keener on getting foreign companies to have their production in Malaysia.

The work force

For the factory in Malaysia, Company A uses technically educated work force. The least level of education demanded for workers on the factory floor is high school, while other positions such as team leader and operator demands a degree from college or university. The people working at the factory need to be able to read blueprints and use the computer programs used in production. The equipment used is valuable and has to be handled in the right way. The people working in the office are required to have a university degree. AA states that it is important that the employees can understand English since all instruction manuals are in English and the language used in the company is, and has always been, English, but Company A has no requirement that the employees in production should speak fluent English. The company only uses Malay as a language when they have to. Most of the people working in production are Malays or Indians but there are also some Chinese. In the office there are mainly Chinese people. The reason for this has to do with that the company is working at lot with China and the employees need to be able to read Chinese.

AA says that when Company A needs to employ new workers they use the same methods as they do in Sweden, mainly advertising in newspapers and on the Internet. They can take recommendations from their employees but they avoid employing family members. When getting recommendations these persons are evaluated on the same criteria as everybody else.

AA starts the discussion about confidence by saying: *"Confidence is good, control is better"*. However, Company A gives a lot of confidence to the employees. They have had improvement programs and teamwork events to establish better confidence among the employees, according to AA. Every day at 9.30 am there are meetings with all the employees. They have also an agenda for every meeting. The monthly meeting is also a routine that is kept. The company is very open about problems and how they can solve them. In every group of workers there is one leader. AA thinks that it is important to have it that way in order to secure the situation. Company A has an achievement program that evaluates every quarter of the year. If the company is showing good results, the workers will get a bonus.

The Malaysian culture

AA states that the Malays are getting special treatment from the government in Malaysia, for example lower interest rates when taking loans. This might be seen as a positive thing for the Malays but in the long run it is not, according to AA.

AA acknowledges that when starting a business in Malaysia you have to think about the different religions present in the country. Since a large part of the population is Muslims, a room for prayers has to be installed in the office or factory. The diversity of ethnicity in Malaysia has not been a problem for Company A. AA believes that the situation is handled in a more efficient way in Malaysia than in Sweden. In Malaysia they have a liberal way of looking at the situation. The most important holidays from the different religions are celebrated in Malaysia, for example Christmas, the Chinese New Year, Ramadan, etcetera. AA does not see this as a problem but as a positive effect, since there is always somebody working at the factory due to the mixture of different cultures and religions.

Moving to Malaysia as a Swede is normally not a problem, according to AA, since Malaysia is like any country in Europe. AA means that Malaysia is an easy country to live in, people in Malaysia are in general very friendly and helpful. The difference to Sweden is that you do not spend as much time outside due to the warmth. This means less freedom; you do not go for walks, take a ride on your bicycle or send the children over to the neighbour's house to play. Much of the social life is focused on the children's schools where parents meet and socialize. To prepare for the move to Malaysia, AA and his family went to Malaysia on holiday to feel the atmosphere. It is of great importance that the family is comfortable with the situation.

There is only one Swedish person (apart from AA) working at Company A in Malaysia, and he is working with sales in the region (excluding Japan). According to AA, it is important, when hiring a Swede to work abroad that he/she has experience from travelling, other cultures or earlier experiences of working abroad. Normally, when contracting a Swede to work in Malaysia the contract is for two years at Company A.

According to AA, the most visible difference between Swedish and Malaysian business culture is the usage of hierarchic management. In Malaysia they are used to hierarchy but Swedes do not have the same thought about that. In Malaysia an order is carried out directly when given without discussions. AA says that Company A are working in Malaysia as they are in Sweden concerning hierarchy, discussions and suggestions from the employees are welcomed, and they are using Kaizen as a tool for continuous improvements in quality.

When asking about stereotypes in Malaysia, AA says that there are three typical stereotypes that commonly known. It is said that the Chinese are hungry and ambitious and they think education is of great importance. The Malays are seen as lazy, as if everything will sort itself out. The Malays are said to have the political power while the Chinese are said to have the

economic power. Indian people are regarded to be good administrative workers and middle managers.

As a final remark, AA recommends for other companies to establish in Malaysia, since the market is suitable for both producing companies and service companies. In addition, the infrastructure in Malaysia is highly developed and the costs are quite low. It is also easy for expatriates to move there and live in the country.

4.2.3 STIL Trading Malaysia Sdn Bhd

Michael Cederkvist, personal communication, 2006-04-13

Company background

Soft Touch International Ltd (STIL) Trading Malaysia was established in 2004 in Malaysia. Its parent company is Soft Touch AB situated in Partille, Sweden. STIL is mainly purchasing and selling items in the personal protection business, such as safety gloves and safety garments. The purchasing is done in Asia and the products are mainly sold in Scandinavia. The parent company, Soft Touch AB, also has a subsidiary in Hong Kong, China, since 2001. The Honk Kong subsidiary is responsible for purchases from China, Hong Kong and Taiwan. The subsidiary in Malaysian is responsible for the control of purchases from all Asian countries in terms of logistics, planning and marketing the business idea. However, the establishment in Malaysia is not a common type, since the CEO, Michael Cederkvist, working there, is almost like a consult for himself.

The concern has a turnover of €8.5 million (SEK80 million), and the turnover for STIL is €500 000 (SEK5 million). The company in Malaysia is a private incorporated company and has only one employee, Michael Cederkvist, who is also the owner of all the companies in the Soft Touch concern. The parent company in Sweden has 17 employees and the subsidiary in Hong Kong has three employees.

The establishment in Malaysia

Michael Cederkvist says that the reason why Soft Touch wanted to establish a branch in Malaysia was purely for the owner's self-fulfilment. Michael Cederkvist travelled to Asia about six times a year before the establishment. He wanted to develop and get experiences from working abroad. The easiest solution would have been to move to the already established subsidiary in Hong Kong, but due to personal requirements Michael Cederkvist and his family started to look at other options. They had earlier visited Malaysia and had some knowledge about the country. Michael Cederkvist went to Malaysia to find out more about the country, both regarding business and family life. He met with Peter Chong, who became his auditor, and he also talked to the Swedish Embassy in Malaysia. The establishment in Malaysia would make travelling and business within the Asian region easier for the company, and still enables Michael Cederkvist to be close to his family. Michael Cederkvist emphasize that Malaysia is a good country for establishments because of its strategic position in Asia. Furthermore, it has good education possibilities for foreign children, and has a stable society that is adapted to the modern business.

The first thing Michael Cederkvist did when the choice of country was decided was to contact Revisorringen, as small audit company in Sweden with a network including Malaysia. Through them, Peter Chong was made the auditor for STIL and he helped Michael Cederkvist with all the arrangements top start the company. Michael Cederkvist says that in order for the company to be incorporated it needs to be able to present an office address. STIL used the audit company's address as a c/o address, since Michael Cederkvist was

planning to have his office in the family's home. He made that decision since he was going to be working alone, and the cost of having a telephone operator in an office is about €450-650, and it did not seem to be needed. Michael Cederkvist had to write a resume of him and his family, and attach his grades from the compulsory school, high school, military service and university in order to get a work permit. This was done after he had entered Malaysia on a Visit Pass (Tourist). The establishing process started in May 2003 and in December 2003 all the paperwork was completed. Michael Cederkvist and his family moved to Malaysia in the beginning of January 2004 and started the business.

Michael Cederkvist thinks that the consult services, such as the auditor service, are pretty cheap in Malaysia. These services are vital for the establishment to take place, since the bureaucracy of Malaysian establishment process is quite complicated. The government does not make it easy for foreign companies to establish due to the different regulations for each type of company. However, Michael Cederkvist says that the auditor will be able to sort these things out and make the establishment smooth in Malaysia.

The only problem Michael Cederkvist was confronted with was when his application for a work permit was incorrect registered and therefore got rejected. However, it could be sorted out in not too long time. Michael Cederkvist further states that the system can seem to be a bit resistant and nagging. There are no problems concerning establishing a subsidiary in Malaysia, but the person who is in charge of the establishment need to be able to delegate. It is impossible to handle everything by oneself due to the bureaucracy and regulations. The person needs to be able to trust others to do the job. The path to the goal may be a little bit more winded, but with the help of an auditor one does not need to be scared.

The only contribution to the Malaysian economy Michael Cederkvist sees in his establishment in Malaysia is that he is paying taxes in Malaysia.

The work force

Since STIL does not have any employees in Malaysia, Michael Cederkvist has not needed to consider any problems with culture or language.

The Malaysian culture

Michael Cederkvist means that the Malaysian culture is very multicultural, where the different groups respect each other. The Malaysian culture does not look at racism the same way as the Swedish does. One example of this is how ethnical background can be stated as a requirement for a job in Malaysia, something that is not accepted in Sweden.

Michael Cederkvist thinks that Swedes moving to Malaysia might experience a culture shock due to the different ways the countries look at equality and time. Sweden is a very equal society compared to Malaysia. Regarding time, Michael Cederkvist states that the Malaysians do not have the same respect for time as Swedes do. They can show up late for a meeting or not even show up at all. This is something that Swedes can have difficulties to understand. Michael Cederkvist did not experience any problems of his own when moving to Malaysia but he believes this was due to his experience in travelling and earlier visits to the country. One thing that Michael Cederkvist has noticed in the Malaysian culture is the special treatment of the Malays in Malaysia. The different ethnical groups in Malaysia are under different laws and regulations. One example of this is different interest rates at the bank. Michael Cederkvist thinks that the most important is to accept and respect the culture and norms in Malaysia

There are a couple of stereotypes in Malaysia that Michael Cederkvist believes are noticeable in business life. The common thought is that Malays are lazy, Indians are ambitious,

while Chinese are businesslike. He furthermore can see a connection between Malays working in the municipal/government administration sector, Indians working as taxi drivers and in restaurants, and the Chinese owning everything.

4.2.4 Aptilo Networks Sdn Bhd

Jan Sjönell, personal communication, 2006-04-14

Company background

Aptilo Networks is a company that produces systems for wireless networks. The system is often used at coffee shops, airports and hotels and is often referred to as hotspots. Aptilo's system is currently used by TM Net, Luftfartsverket and Scandic etcetera for their wireless internet connections. The company was established in June 2001 after a management buy-out from Axis communication, where 15 managers took over the operations concerning the AAA (authentication, authorization, accounting system). The head office is situated in Stockholm, Sweden and has also regional offices in Norway and the US. The office in Malaysia is in charge of the Asian, the Middle East and the Oceania markets, and has almost none research and development operations.

The concern has 25 employees whereas five are situated in Malaysia. The annual turnover for the concern is €5 million and the Malaysian office accounts for 1/3 of it (€1.4 million). In year 2003-2004 the competition for the wireless network system got fiercer, but Aptilo is still the leader of this technology and is a driving force of its development.

The establishment in Malaysia

Jan Sjönell says that the reason for why Aptilo chose to establish business in Malaysia was that it is cheaper for a small company to operate in Malaysia than in for example Sweden. He further states that the cost of the work force is one reason for the low costs. An engineer will cost about €530 in Malaysia, whereas the cost in Sweden would have been about €5 300. This is due to that there are no employer's costs in Malaysia. According to Jan Sjönell, Aptilo wishes to move more of the research and development to Malaysia in the future, since there is no difference in the competencies of the countries' engineers (most of the Malaysian engineers are educated in the US, the UK or Australia).

Jan Sjönell points out that Aptilo also looked at the Singapore and Hong Kong markets, but the company thought that those markets were saturated. The Malaysian market was bigger for Aptilo to start in. The pros of being in Malaysia are also, according to Jan Sjönell, that most people understands English, the infrastructure is well developed, it is a safe society, and it is more fun to live in Malaysia.

Jan Sjönell tells that when Aptilo was establishing in Malaysia they got help from Multimedia Super Corridor (MSC). According to Jan Sjönell, foreign companies who managed to be so-called MSC-companies will get benefits, for example they do not have to pay company taxes for five years up till ten years, they can take in foreign work force without any questions, and they get better IT-prices.

The company wanted to become a MSC-company , so they applied for MSC-status by presenting a business plan and a five-year plan for their operations. Jan Sjönell states that after Aptilo were approved as a MSC-company the company can use a function of MSC that provides services. A personal contact person from MSC sends papers that need to be signed and appoints an accountant that is in charge of the establishment in the shared office area (in Petronas Twin Towers or Cyberjaya). The services also include giving work

permits for the foreign workers. The costs of all these services are minimal. Jan Sjönell states that he did not reflect so much about them.

Jan Sjönell acknowledges that the shared office areas have many business centres build by several companies that shares one reception. The operator of the reception takes care of all the incoming calls for each company. When someone makes a phone call to a specific company in the business centre, the operator can see who the person is calling, and answers therefore by the name of the specific company.

Jan Sjönell means that Aptilo has not had any problems with the Malaysian bureaucracy, and they did not see any problems during the establishment. He further states that if a company is not approved as a MSC-company, the establishing process might be more complicated.

Jan Sjönell means that personal contacts and networks are of great importance in the Malaysian business climate. He acknowledges that there is corruption in the country but this is something that Aptilo does not accept. They work with another company who normally takes care of everything and they also have agents working for them. What these agents do and do not do Aptilo does not need to know about. A positive sign, according to Jan Sjönell, is that the Malaysian government has appointed a function to control the corruption in the country.

The work force

According to Jan Sjönell, the workers mostly employed by Aptilo are engineers. When they hire new employees their previous experience is the most important requirement since they do not have time to educate them within the company. They look at what the persons have accomplished during other employments. Jan Sjönell also points out that it is important that they have the right personality and attitude. All employed engineers must be able to speak both English and Chinese. Especially Chinese is important since the company has many Chinese customers and they work a lot with that region. Jan Sjönell means that due to their requirements they do not experience any language problems within the company.

Jan Sjönell stresses that since the company is a part of MSC they do not need to consider the law regarding 30% Malays among the employees. Jan Sjönell can see differences between the different ethnical groups, where the Chinese are more engaged and active in their work.

When recruiting new employees, Jan Sjönell states that they mainly use the website jobstreet.com, which is an Asian jobsite. They use recruiters for professional interviews of the matching applicants. Religion can play a part when employing new workers, according to Jan Sjönell. For example a Muslim that has to pray at certain times a day might not be the most suitable for the job. Sometimes they get recommendations from their employees regarding contacts to employ but it is not their main source concerning recruitment.

Jan Sjönell means that as a westerner within the IT business you have an advantage in Malaysia because there is an ideal concerning westerners as qualified workers. In Malaysia they have a more hierarchical way of treating their employees compared to Sweden, according to Jan Sjönell. Even if Malaysians are working within a Swedish company this hierarchical thinking is in their mind and is influencing their behaviour. Despite this, Jan Sjönell stresses that Aptilo are trying to adjust their way of working after how it is done in Sweden. Jan Sjönell believes that as long as the employees are doing their job they can do it whenever they feel like it. They do not have to be at the office from 8.30am until 5pm.

The Malaysian culture

For a Swede to move to Malaysia should not be too inconvenient. Jan Sjönell means that Malaysia is an easy country to live in, people are very helpful and most people speak English. He also means that it is harder to adjust to the Thai, the Vietnamese, or the Indonesian culture. According to Jan Sjönell, when Aptilo employs people from Sweden to work in the company they first and foremost look at their competences and experiences from past employments. Hypothetically, if Aptilo would employ someone from Sweden, that person would probably be staying for about 3 years.

Jan Sjönell believes that Swedes coming to Malaysia have to adjust to the Malaysian culture and not believe that they know everything the best. According to Jan Sjönell, it is easy to get the impression that things do not work and that everything goes slow but it is important to realise that is the way it works. You have to understand the differences and be aware of their existence.

Concerning stereotypes in the Malaysian society, Jan Sjönell points out that they have a historical and religious background. The Indians came to Malaysia as British slaves and therefore they often end up taking jobs that no one else wants. On the other hand there is the Chinese, who came to Malaysia during the war. They are an ambitious group who work hard and are very engaged in their work. Chinese value entrepreneurial success over academic, while the Indians value academic success higher than entrepreneurial. According to Jan Sjönell, Malays are seen as lazy and they often work with administrative tasks. He further states that the regulations for the ethnic groups are an issue of how the stereotypes of Malaysia are made up from. The Malays does not have to fight so much for where they get since they have special benefits, such as lower interest rates of loans and that some cheap houses cannot be bought by others than Malays, even though an Indian or Chinese may be in more need of the house.

4.2.5 Syntronic Sdn Bhd

Victoria Sundin, personal communication, 2006-04-26

Company background

Syntronic Malaysia Sdn Bhd is the subsidiary of Syntronic AB in Sweden. The parent company was established in 1984 and today the annual turnover is €20 million. The subsidiary in Malaysia was established in 2002 and has an annual turnover of €2.8 million. The concern has also a recently opened office in Beijing, China.

There are about 200 employees in the concern, of which six are working in Malaysia. Two of the employees in Malaysia are Swedish. At the most the Malaysian office has employed 70 employees, who were working on projects around Asia.

The company's business is electronic design, where they sell consultancy services for customer adjusted products. The consultancy is within the areas of research and development, product management, verification and tests, and support and duplication/prototyping/-production assignments. Among their biggest customers are Ericsson, ABB, Elektrolux and Saab Automobile. Syntronic's competitors are bigger companies who do product development by themselves in their research and development activity.

The establishment in Malaysia

Victoria Sundin states that the reason for why the company wanted to establish in Malaysia was because one of their current customers wanted support activities in Asia, due to the

time difference to Sweden. The company looked at several countries but since Victoria Sundin was going to move to Malaysia, due to her husband's job there, she was assigned the task to establish the office in Malaysia.

In February 2002, Victoria Sundin moved to Malaysia and started the establishing process. The company could start its operations in May-June 2002. Syntronic applied to become a MSC-company, so that they could get MSC's assistance and benefits, such as tax reduction. According to Victoria Sundin, being a MSC-company does also approve the company to have free ownership and control which is important for Syntronic since they have the intension to always have Swedish managers in Malaysia.

Before starting the company, Viktoria Sundin also met a person at the Electronic Industry Division at MIDA but the company did not feel they could avail from MIDA's functions since they are focused on producing companies. However, Viktoria Sundin used a register from MIDA to search for and get in contact with possible customers, suppliers, partners etcetera.

The first thing that had to be done, according to Victoria Sundin, when starting the company, was to register the company and apply for their company name. However, Victoria Sundin states that the name was rejected the first time since there was another company with a similar name, but the situation could be dealt with, and finally they got to use Syntronic anyway. Victoria Sundin thinks that there is a lot of bureaucracy in Malaysia. She means that it is as though the government do not want it to be easy to start up companies in Malaysia. Victoria Sundin states that the company needs to get help from an accounting firm or the Swedish trade council, who can handle the registration of the company. Since all the papers, such as the registration of the board members, the share capital, the owners and the banking accounts, that needs to be signed are in Malay it is impossible for a non-Malay speaking person to handle the process. Victoria Sundin means that with the help of a company secretary, from the accounting firm, the process will be easy and done within one month.

Victoria Sundin stresses that in contrast to the registration of the company, the MSC-application is much more intense. For Syntronic to become a MSC-company they needed to present a project plan for the next five years and five-year budget in detail. Victoria Sundin further states that in the project plan the company needs to show how their company can be beneficial for Malaysia. This process is more complicated than the registration and takes a longer time to go through. However, Victoria Sundin says that when a company seeks contact with MSC they get a contact person, as so-called account manager, who assists in writing the project plan. Through the account manager the company will know in an early stage whether it is any idea to apply for MSC-status or not. According to Victoria Sundin, MSC does one follow-up every year regarding the operations, the employees of the company, and if the company is following the project plan.

Victoria Sundin says that since Syntronic was going to be approved as a MSC-company they could move into the Petronas Twin Towers, which is one of the five places MSC-companies can operate in. Syntronic experienced no difficulties getting an office space.

Victoria Sundin does not feel that the company had any problems during the establishing process. She emphasize that if a company gets a good accounting firm, which can be trusted, and a good contact person at MSC, the process will go easy. However, Victoria Sundin points out that some processes can seem to be time-consuming, such as opening a banking account where all shareholders have to sign a paper in order for the account to be approved. Still, with the help of the company secretary, who will deal with the documents, it is not seen as a problem.

Victoria Sundin does not feel that the corruption in Malaysia is very high. She tells that Syntronic has not experienced any difficulties with this since they are working mostly with international companies. Corruption is therefore not noticed in their daily activity.

Victoria Sundin means that it can be hard to enter the Malaysian market as an unknown Swedish company since the Malaysians can be suspicious whether the company will stay at the market for a longer time and if a partnership can be long-term. She further means that because of this they find it easier to do business with their own people; Chinese doing business with the Chinese for example, because they know they can trust each other from the beginning. According to Victoria Sundin, another difficulty during the establishing process can be to find the right employees. Since Syntronic is analysing product development it is the employees that will hold the company's competence. Therefore, Victoria Sundin states that the company needs to find employees that they can trust and who will stay in the company for a longer period.

Since Syntronic is not selling any products of their own, Victoria Sundin stresses that one cannot say that they have brought new and improved technology to Malaysia. However, since they are educating their staff in product development they are fulfilling one of Vision 2020's aims to make a knowledge transfer to Malaysia. Moreover, Victoria Sundin believes that Syntronic are benefiting the Malaysian economy by their investments in Malaysia, such as the establishing of the office activity and when they are buying equipment from the local companies.

The work force

Victoria Sundin says that the employees at Syntronic are mostly engineers with some kind of knowledge within electronics. When hiring new employees, Victoria Sundin means that it is important that they have the right background with an education within electronics or technology. It is also important that the person have previous experience, within the telecom industry or with product development so that he/she has an understanding for the process, but in the end it is the person's attitude towards the job that influences the final decision. According to Victoria Sundin, the person has to be able to fit into the company and the company culture. When Syntronic needs to employ new people they mainly use the Internet and the website jobstreet.com, but also local recruitment agencies that are specialized within their area. However, Victoria Sundin points out that they in some cases take in an outside company to do interviews and test the applicants to find a suitable person.

During the first two years in Malaysia, Viktoria Sundin worked alone in the company and hired staff for different projects when needed. The employees working at Syntronic today are mainly Chinese. The main reason for that, according to Victoria Sundin, is the need for skills in Chinese to simplify the communication with the office in China. Victoria Sundin means that they have not experienced any language problems since everybody speaks English.

Viktoria Sundin points out that as a westerner in Asia you get a certain degree of respect from the locals. According to Victoria Sundin, there is a very hierarchic order within companies in Malaysia and people respect persons having a higher position within the company. To gain confidence from you employees Victoria Sundin means that it is important to employ the right people and then try to establish a mutual respect for one another. She further states that Swedes respect and treats their employees in a better way than Malaysians which also creates respect and confidence within the company. Syntronic are not a hierarchic organization and they try to work in Malaysia as they do in Sweden in a more decentralized organization.

The Malaysian culture

Viktoria Sundin means that it is a common picture that everybody in Malaysia lives in harmony with one another, but this is not really the case if you look beneath the surface. She believes that the racism that exists underneath the surface will probably not be accepted anymore. Victoria Sundin says that the situation with the Malays having benefits compared to the Chinese and Indians goes back 60 to 70 years when the Chinese started to come to Malaysia. Most Malays were farmers at that time and the Malaysian government was worried that the Chinese would take over the country. She also says that to prevent this they introduced various rules and regulations concerning business in Malaysia, which meant that every company had to have a certain percentage of Malays among their employees and in the board. According to Victoria Sundin, it was said to be only for ten years, but when the first ten years had gone they extended the period with another ten years, and so it went on. Viktoria Sundin believes that the Chinese and Indians will not accept this situation for long and that they probably will demand some kind of change soon.

Victoria Sundin means that coming to Malaysia as a Swede is not really a problem since it is an easy country to live in. As a Swede, Viktoria Sundin thinks that you kind of live in a 'bubble', where you can put your children in good schools, live in a nice neighbourhood, and interact with other foreigners. You do not really have to face the real Malaysia if you do not want to. However, she also means that when working in Malaysia with Malaysian customers the country is seen in a different way. Before coming to Malaysia Viktoria Sundin and her husband got the opportunity to meet with people who had worked in Malaysia and ask questions. They had also visited Malaysia privately before, so they had some experience of the country.

Viktoria Sundin believes that to come and work in Malaysia as a woman can be tough. There is a big difference between men and women in the Malaysian culture and there are still many traditionalists who believe that the woman should be at home taking care of the children etcetera. Viktoria Sundin says that she has experienced men ignoring her when greeting and not looking her in the eyes during meetings. She means that to not look a woman in the eyes during a meeting can be either lack of respect for her, but it can also be a way to be respectful towards her husband. Because of this Viktoria Sundin thinks that as a woman in business life in Malaysia you have to be tough and straight forward.

According to Victoria Sundin, there are many differences between the Swedish and Malaysian cultures. One thing that Viktoria Sundin means is of significance is the importance for the Malaysians not to loose one's face. To prevent this you cannot raise your voice at someone in a public place or tell them off. Instead you have to speak to the person in private, so he/she do not make a fool of himself/herself. Victoria Sundin stresses that it is essential as a foreigner to be humble and respect this. She further states that this is also important to keep in mind when training the employees. Even if they do not understand they will probably say that they do when asked, in order to not loose face. This means that training has to be adapted and more practical than it normally is in Sweden. Another thing Viktoria Sundin mentions that have to be considered is the different ways of thinking between Swedes and Malaysians. As a foreigner it is important to remember that you are a guest in Malaysia and you cannot claim that your way of doing things is the right way. Therefore, it is essential to adapt to the Malaysian culture.

Viktoria Sundin mentions some stereotypes in the Malaysian society. According to her, Chinese are said to be hard working and focused. They have to work harder than the Malays because there is only a certain amount of places available at schools for other than Malays. This means they have to fight to get that place. Victoria Sundin means that many Chi-

nese send their children abroad to study due to this. Further, Victoria Sundin states that Malays are said to take each day as it comes. They are not as money oriented as the Chinese; they focus more on religion and their family, and they do not have the same driving force as the Chinese. According to Victoria Sundin, the Malays are getting benefits from the government, for example better interest rates for car and house loans and better interest rates for their bank accounts. Also a certain percentage of the employees in companies have to be Malays, which makes it easier for them to get a job. Victoria Sundin says that many Malays are working in the public sector. Indians are in the same boat as the Chinese, they have to fight harder to be able to go to school. Unfortunately they do not have the same resources as the Chinese, which means that they cannot send their children abroad to study in the same extent. The most popular professions among the Indians are doctors, lawyers, and engineers. They focus on the short-run more than the long-run, so they can get the most out of every opportunity.

4.2.6 Tropi-Call Sdn Bhd

Karin Nelsson, personal communication, 2006-04-27

Company background

Tropi-Call is currently in the state of establishing in Malaysia. It is an independent company that does not have a parent company in Sweden. However, Karin Nelsson and her partner are both Swedish. Karin Nelsson has a lot of experiences from the call centre business, she has been the CEO of Gallup and she has also started three companies within the market research area. In addition, she has experiences of the call centre business through being a board member of such company.

The business idea of Tropi-Call is to provide outsourced services and solutions as a call centre. The customers are suppose to buy call centre services that are both inbound (e.g. help desk support) and outbound (e.g. marketing research). They are going to differentiate themselves from other companies in the same business by trying to create more valuable solutions with the help of analysts in a marketing department.

At the moment there are only Karin Nelsson and one business partner working on the establishing process. However, in the future the company will hire people for the different projects as a call centre. Other areas, such as economy, human resource, and information technology (IT), will be outsourced if there is a need for it. Through their experience Karin Nelsson and her partner knows the importance of finding new channels.

Questions related to the establishment in Malaysia

Karin Nelsson moved to Malaysia in 2004 when her husband got a job there. She had at the time recently started a company in Sweden with market research activity. However, to have time for Tropi-Call she sold the majority of the shares in that company during the summer of 2005. Karin Nelsson is an entrepreneur and is constantly searching for new openings on the market. When she saw the business opportunity of starting a call centre in Malaysia she wanted to take the chance. Malaysia's development within call centre is behind what Karin Nelsson have experienced in Sweden. She thought that since Sweden has gone through certain stages in the development, her experiences could be useful and would be an advantage for the company. Another reason for starting a company was that Karin Nelsson felt that she wanted to have a job in Malaysia. She started to research the possibility to start-up a call centre already before she moved to Malaysia. Through her husband's job she got in contact with MIDA. They provided her with brochures about the cost situa-

tion in Malaysia etcetera. However, since a call centre is categorized as an IT company, Karin Nelsson could apply for Multimedia Super Corridor (MSC) status. The establishing process started in the fall 2005.

Karin Nelsson states that the first step of the application to MSC is approved and Tropi-Call has a working homepage, visiting cards and four to five prospect customers that are in discussions. According to Karin Nelsson, Tropi-Call has a company secretary, but at the moment they are not using that person for any activities. Karin Nelsson means that the next steps are to make deals with some customers, and then write a business plan that will be sent to MSC for approval.

According to Karin Nelsson, the establishing process so far has been long and strenuous. She uses her international network, which is mostly situated in Europe, to find out what to do and who to contact. However, she points out that it is still important to create a new network in Malaysia. Tropi-Call's customers are supposed to be global companies. Karin Nelsson acknowledges that one of the demands for MSC is that at least 70% of their customers have to be international companies. Another requirement from MSC is that the customers cannot already be established in Malaysia. This means that Karin Nelsson needs to turn to the global market, and find customers from all over the world. The customers that Tropi-Call wants should also be able to make big deals with at least 20-50 workers per job involved.

Karin Nelsson acknowledges Tropi-Call has its office in an office hotel. There the company gets the services of a receptionist, computer space, fax, business lounge, and a room for meetings. The cost for this is €20 per month. However, Karin Nelsson states that she is mainly working from home at the moment. In the future when the operation of the call centre is functioning it will be situated in one of the downtown areas approved by MSC. Tropi-Call has established a cooperation contract with a call centre company that has 360 places, which Tropi-Call will be able to utilize.

Karin Nelsson means that the Malaysian bureaucracy makes the process of establishment impossible to do without help from an organisation, such as MSC. She uses her maid when she gets documents in Malay, so that she does not have to go through MSC, which would take longer time. The corruption in Malaysia is also visible, according to Karin Nelsson. She has not yet experienced this in her company activity, but she notices it in her daily life. An negative aspect in Malaysia, according to Karin Nelsson, is the lack of information and a functioning democracy together with the censorship of the newspapers.

Karin Nelsson's network is the main obstacle she has experienced during the establishment. Since her network does not involve Malaysia, she needs to expand it in order to get customers. Karin Nelsson is also a mother to two small children. Therefore, she works mostly during the morning when the children are at school, and during the evening when the children are asleep. She means that this makes it hard for her to work with broadening her Malaysian network during the day, which she feels is a necessity. According to Karin Nelsson, some customers demands that the company they use for call centre activity has at least two years experience. One of Karin Nelsson's contacts has made her aware of that Malaysians tends to use their own network first, before turning to someone new. For example, the Chinese do business with their Chinese network first. Karin Nelsson also wants to point out that her gender in this respect has not involved any problems. Another obstacle that Karin Nelsson points out is that she cannot become the CEO of the company until she gets a working permit. When she started-up the company her visa was still a Dependent's Pass, since she followed her husband to Malaysia. Karin Nelsson means that MSC is of great help and makes the establishing process much easier than when starting-up in

Sweden. Now, when writing their business plan Karin Nelsson and her partner gets a lot of help from her contact person at MSC. Furthermore, Karin Nelsson states that the legal parts of the establishing process have not been any problems, since she has worked in a British concern before, and the Malaysian legal system is based on the British system.

Karin Nelsson believes that her effort of starting-up Tropi-Call contributes to the Malaysian economy by creating more jobs, since call centres are very labour intensive. Moreover, she also thinks that a call centre that has a MSC-status involves that the technology is highly advanced through its computer- and communication system that are being used. Tropi-Call can use the system that its cooperation partner has in the Petronas Towers, but they are going to use the same software as their Swedish cooperation partner. There is no problem in doing it this way.

Questions related to the workforce

According to Karin Nelsson, the competence within call centres in Malaysia is high, higher than in for example India which is another option for companies moving their support service abroad. This is due to the higher level of education in Malaysia compared to neighbouring countries. Since Malaysia is such a multicultural society, Karin Nelsson believes that Tropi-Call will be able to offer their customers up to 20 different languages. Karin Nelsson means that one reason to choose Malaysia instead of India is because of the rapidly increasing salaries and the higher additional costs in India. The additions costs for a company include for example picking up and dropping off their employees at home every day and bringing the employees' parents to the factory once in a while to show them what their children are doing. This is due to that many people in India live with their parents and when they have to work during the night, because of time differences, the parents might wonder where their children go every night. According to Karin Nelsson, this situation occurs in Malaysia as well, but not as regularly. Companies have to pay employment tax in Malaysia but it is not as high as it is in Sweden. The productivity in Malaysia is higher than in India and not that far from Sweden. In Malaysia they have a productivity of about 60%, while it in Sweden is about 70-80%.

When it is time for Tropi-Call to find workers, Karin Nelsson believes that they will use different jobsites on the internet and advertisements in the local newspapers. They will, furthermore, search for people locally and they will be required to have a degree from a college or university and good knowledge within language and computers. Karin Nelsson states that previous experience will not be required because Tropi-Call will educate the people they employ. English will be the concern language, but to speak fluent English will not be a requirement for employees in the call centre. Karin Nelsson stresses that since the company will be working on commissions they will employ workers for the different commissions. Dependent on the customer and the language that will be used during the commission, people of different ethnical background will be employed. She further states that due to the commission employment they wish to have as long-term commissions as possible to be able to keep the employees that they have trained for a longer time. These long-term commissions are normally inbound calls, but it is good for the business to have both inbound and outbound commissions at the same time since this enables the employees to call out when there are no inbound calls.

Karin Nelsson believes that it is better to have fewer employees and therefore they will probably outsource most functions within the company, for example economy, human resource, IT, etcetera. According to Karin Nelsson, most customers in Malaysia and in the call centre business want the company to have been established for a couple of years and to have some experience. To come around this problem, and to be excused from finding their

own space, Tropi-Call has an agreement with a Malaysian call centre that enables Tropi-Call to use their space. This means that Tropi-Call have 360 places available for calls.

Questions related to the Malaysian culture

As a Swedish expatriate and expatriate's wife/husband, Karin Nelsson says that you live like in a 'bubble'. The neighbourhood is nice, people spend time with other expatriates, and do not really see the 'real' Malaysia if they do not want to. Karin Nelsson means that the multicultural society in Malaysia is good; they accept and reinforce the differences between the different religions and cultures. However, she means that this can be both positive and negative. On the positive side is the belongingness, you know where you belong and who you are, but on the negative side the different groups tend to retire and they do not let anybody else in. As a westerner in Malaysia, Karin Nelsson feels that people see you as very exotic and it can be a status symbol to bring a westerner to an event.

Karin Nelsson and her family did not experience any culture shock, and she does not think Swedes moving to Malaysia experiences any culture shock. This has probably much to do with the simplicity of living in Malaysia. Nevertheless, Karin Nelsson believes that it can be hard to adapt to the new way of living, finding grocery stores etcetera, but eventually you get used to how it works. Before they moved Karin Nelsson and her husband had been in Kuala Lumpur for two days to find schools for the children and find an apartment etcetera.

There are many differences between the culture in Sweden and the culture in Malaysia according to Karin Nelsson but she does not see this as a problem in the business life. A company in Malaysia with Muslim employees is required to have a room for prayers, but this is not a problem. It is the same thing in Sweden where all companies are required to have a resting room. One thing that Karin Nelsson emphasizes is the importance of treating the employees in a good way. Due to the different religions and cultures you have to address the employees one by one and make sure everybody understand. She also points out that because of the cultural importance not to loose ones face the information has to be practical instead of theoretical so that you can see if people understand or not. It is important to be able to take a step back and overlook the situation.

Karin Nelsson says that in the personal life there are also differences from the Swedish way of living. One example of this is that the children cannot go out and play on the streets, ride their bike or build a tree-house, etcetera. But at the same time you have more time during the weekends to spend time with the family. Karin Nelsson feels that it is good for children to live abroad because it gives them a deeper respect for people's equal value.

Karin Nelsson acknowledges stereotypes in the Malaysian business environment. Malays are pictured as slow and uneducated, not getting things done. Chinese are enterprising, they get things done, and everything is about money. Indians are seen as smart, but has a reputation of being unreliable.

4.3   Additional Interviews

4.3.1 Swedish Trade Council

Tomas Dahl, personal communication, 2006-05-10

Introduction about the Swedish Trade Council

The Swedish Trade Council is own by the Swedish government and Näringslivet. The first office was started in the 1970s and as of today there are 45 offices around the world. Their

main businesses are consulting, advice and market research for Swedish companies, visa and work permit assistance, and activities together with the Swedish Embassy to promote Sweden. However, the consulting part is the biggest of their activities. The Swedish Trade Council in Malaysia was established in September 2005. Most of their clients are medium-sized enterprises (€5 million to €300 million in turnover).

The establishment in Malaysia

According to Tomas Dahl, when a small company wants to establish in Malaysia the Swedish Trade Council can help to find an agent or a distributor, whom the company can work through. He states that this is the easiest way for small companies to reach the Malaysian market. Tomas Dahl says that the Swedish Trade Council also can provide market research information about for example the competition and potential players on the market. When doing market research for a company, the person doing the research is formally employed by the Swedish Trade Council, but informally the person is working for the company wishing to establish in Malaysia. Tomas Dahl further states that if the company is small (less than €50 million in turnover and less than 50 employees) they can get help from the Swedish government as a so-called business chance project. The government will then pay for half of the costs. Tomas Dahl adds that another function of the Swedish Trade Council is that they can help with the incorporation of the company in Malaysia, they rent out office space to companies in the beginning of their establishment in Malaysia, and they can help the company to find employees.

Tomas Dahl acknowledges that the Swedish Trade Council in Malaysia has a good contact with the person working for MIDA in Sweden, situated at the Malaysian Embassy. He means that Swedish companies getting in contact with the Malaysian Embassy about establishment questions will be forwarded to that person. Since the Swedish Trade Council is mainly working for the Swedish market, they have most contacts with MIDA in Sweden, and less with MIDA in Malaysia.

As mentioned earlier, the Swedish Trade Council helps with the incorporation of a company and the legal issues concerning that process. Tomas Dahl says that it takes about two months to find a distributor, and the incorporation normally takes about two to three months. He further states that not all companies are allowed to have 100% Swedish ownership, but they have to have a local partner. This is depending on what business sector the company is working in. Tomas Dahl means that the business sector where it is easiest to start-up a company within is IT, telecom and biotech, because you are allowed as a foreign company to own 100% through the Multimedia Super Corridor. It is much more difficult in the detail trade business.

According to Tomas Dahl it is easy to establish a company in Malaysia. Only two ringgits are required to start an incorporated company. However, a company needs help to go through the establishing process. Tomas Dahl means that the process differs depending on which type of sector the company operates within and if the company wishes to employ foreign workers. However, if the company wishes to establish a factory there can be more obstacles to encounter. Since the Swedish Trade Council has only been operating in Malaysia for nine month, they have not yet had any operations within that sector.

Tomas Dahl believes that the con of starting up in Malaysia instead of China or India is that Malaysia has only a market with 25 million citizens. However, according to Tomas Dahl, the pros for starting up in Malaysia are several; it is easy to start-up a company, everybody speaks English, and the people are used to western people because of Malaysia being a British colony. The cost of the workers is twice as high as those in China for example, but the cost of management and engineers are lower. Tomas Dahl stresses that the Malay-

sians are well educated, and every year about 60 000-70 000 students come back from studying abroad in the UK, the US, Australia and New Zealand. Chinese who have been studying abroad and are returning to China are much more expensive than the Malaysians returning to Malaysia after studies abroad. Tomas Dahl concludes by saying that it is probably better to establish simple production, such as textile and toys, in China, Bangladesh, Vietnam etcetera, due to the lower cost of employees. Thus, businesses concerning hi-tech are more suitable for Malaysia in terms of the cost of employees and their knowledge.

The biggest problem in Malaysia, according to Tomas Dahl, is the bureaucracy, but comparing Malaysia to other Asian countries it will show that Malaysia has less bureaucracy. When starting a company, one needs to know that everything can be handled, but it may take some time to get things done. For example, to get a working permit takes about three months. However, Tomas Dahl acknowledges that this is a problem that the Swedish Trade Council can help with, since they have good contacts within immigration. It is easier for big companies to handle the bureaucracy since they have more resources and more contacts. Generally, Tomas Dahl has heard among the small companies that they think it is troublesome. The Swedish Trade Council is constantly discussing with the immigration about the work permit situation, and they say that they are working on improving the process. Concerning corruption, Tomas Dahl, means that Malaysia has a quite low level of corruption compared to many other countries in Asia. The Swedish Trade Council advises companies moving to Malaysia against using bribes to get certain deals and contracts. Tomas Dahl means that if a company wants a reach a target faster it is better to use a local consultant who can help to achieve the target. He further states that the corruption in the private sector is not a problem, it is a bigger problem when doing business with the government and public companies.

Tomas Dahl points out that a company in the IT and biotech business can apply to MSC. MSC is very professional according to Tomas Dahl, and the rules are much easier to understand. If a company in the IT or biotech business contacts the Swedish Trade Council they will forward immediately to MSC, because of their good assistance.

Tomas Dahl thinks that obstacles for establishment in Malaysia are mostly related to the legal parts, such as ownership, immigration policies, etcetera. Since Malaysia wants more Malaysians in foreign companies to get knowledge transfer, it can be hard for foreign companies to get foreigners allowed to work in the company. The immigration policy is restrictive and people under 27 years old will not get a working permit, due to their lack of work experience and thereby low knowledge transfer. However, Tomas Dahl states that to fill key posts in the companies with foreigners is not a problem; it is when the small companies want foreign worker permits that problems mat arise. Another problem during establishment in Malaysia is if the company chooses the wrong partner, which can mean that things will not happen as they should. Malaysians, like other Asians, tend to take on too much, causing them to fail to go through with all their undertakings. Therefore, Tomas Dahl emphasizes that one needs to find the right partner that one can trust, and do not take on things they will not finish.

The Swedish Trade Council's operation deals with mostly export related questions. Tomas Dahl believes that this does benefit both the Swedish market and the Malaysian market, because of the investments done in Malaysia. By providing the Swedish goods in Malaysia, Malaysia gets a larger variety of goods in more segments. Tomas Dahl states that there is a general interest for Malaysia in Sweden, however, Swedish companies in Malaysia are not only interested in Malaysia, but does also make business with the surrounding Asian areas and see the Asian market as one when moving to Malaysia.

The work force

Tomas Dahl acknowledges that the Swedish Trade Council helps companies by hiring people for them through their contacts; it is one of their services provided. They have the competence to find the right persons when a company is newly established and they can provide the first three to four employees to simplify for the company. Tomas Dahl says that many of the companies moving to Malaysia are companies that the Swedish Trade Council previously has worked with through market research projects of the Malaysian market.

Tomas Dahl means that people in Malaysia are generally well-educated and English-speaking, which makes it easier to find appropriate candidates. Most employees have high work morale and work hard. Many Malaysians are also used to Westerners and the Western culture through studies abroad and western TV-shows. Most of the companies that Tomas Dahl has talked to are satisfied with their work force.

The Malaysian culture

Tomas Dahl believes that the fact that Malaysia is such a diversified society is an advantage for the country. Due to this situation, Malaysians are good at adapting to different cultures and do not have any problems working in an international company. Malaysia could according to Tomas Dahl, beneficially, be used as a regional base where a Chinese could be working with an area covering Singapore, Taiwan and China, while an Indian could be working with India, and a Malay with Malaysia and Indonesia for example. Another positive aspect of the diversity of the Malaysian society, that Tomas Dahl emphasises, is the many different languages within the country.

Tomas Dahl means that most of the time people talk about three different races within Malaysia, but nowadays one can actually see four of them; Malays, Indians, Chinese, and westerners. The big influence of the western world can be found in the other cultures as well. Tomas Dahl believes that this makes it easier for Malaysians to work in Western companies because they have an understanding for the Western culture and they can speak English.

Tomas Dahl thinks that whether a person experiences a culture shock when moving to Malaysia or not depends on that person's previous experiences and the basic condition. Swedish people coming to Malaysia, who have previously been to Asia should not have any problems adapting to the Malaysian society. Tomas Dahl means that if you cannot handle the Malaysian society and its culture, you will have problems adapting to any other society and culture. It is very easy to live in Malaysia, much because of that it is influenced by Great Britain and other western countries.

To prepare for a move to Malaysia Tomas Dahl thinks it is important to read and learn about the country's history, religions, cultures, politics etcetera. It is also important to be aware of the positive special treatment of the Bumiputra that exists in Malaysia. In Malaysia people are not only Malaysians but the Indians are also living like Indians and the Chinese are also living like Chinese, no matter how many generations ago they moved to Malaysia. According to Tomas Dahl it is important for a company to be prepared for the differences and be aware that the business climate and way of doing business is different from Sweden. In Malaysia, like most parts of Asia, people have problems saying no to work and they take on too much. Tomas Dahl means that this can become a big problem when things do not get done in time etcetera. He further states that the hierarchical view is different between Sweden and Malaysia. In Malaysia it can be hard to know what people think in a matter or to know people's opinions since they believe that it is best to agree with the boss. However, one similarity according to Tomas Dahl is that companies in both Sweden and Malay-

sia are working for consensus, in contrary to the Americans or British who just tells their employees what to do.

Tomas Dahl was asked about stereotypes in Malaysia but chose not to answer this question.

4.3.2 Embassy of Sweden

Helena Sångeland, personal communication, 2006-05-10

Introduction about the Swedish Embassy

The main purpose of the Swedish Embassy is to look after Swedish interests. This is done in two ways where the first includes helping Swedish people outside Sweden with new passports and helping foreigners, who wants to go to Sweden, with visas. The second way is through promoting Sweden. This is divided into three parts; (1) culture – bringing Swedish dancers, actors, singers etcetera, to foreign countries to perform and in that way increase the knowledge about Sweden, (2) politics – symposiums about equal rights, traffic security, human rights, death penalty etcetera, and (3) export promoting activities – to help Swedish companies to increase export which is done together with the Swedish Trade Council. Most efforts are done for export promoting activities.

The Swedish Embassy also analyses what is going on in the country where it is situated and how the economic situation is developing, and reports to the Swedish government about it.

The establishment in Malaysia

The Swedish Embassy helps companies during their establishing process in Malaysia through giving them information about the country, such as the political and economic status and the legal situation which is required. They also help with contacts and can be able to open doors that would be hard to get to without the help from the embassy. Even though the Swedish Embassy gives more benefits during talks with the public sector, they also help with contacts with private companies. Helena Sångeland also mentions that before the Swedish Trade Council came to Malaysia, the Swedish Embassy also did market research and analysis for companies wanting to establish in Malaysia. However, that part has now been handed over to the Swedish Trade Council.

According to Helena Sångeland the first thing a lot of Swedish companies do when moving to Malaysia is to contact the Swedish Embassy though telephone or email. The Swedish Embassy will then provide useful information, and sometimes forward their questions to the Swedish Trade Council.

Most big companies do not have any problems with the Malaysian bureaucracy, according to Helena Sångeland. She further says that some companies get problems with the bureaucracy while others testify that there are no problems at all. It seems to depend upon which business sector the companies work within. Helena Sångeland thinks that production companies will probably have it easier because they employ several employees, which is beneficial for the Malaysian economy. Helena Sångeland has no experiences of the Malaysian corruption. She has not heard anything about it from the companies she has met in Malaysia. However, she believes that it exists and that companies can encounter difficulties connected to the corruption, so it is important to consider how the company should act in such situation.

Helena Sångeland says that the obstacles concerning the establishment in Malaysia are mostly connected to the bureaucracy. It can take time to get licence and permits for differ-

ent activities. However, the legal system is pretty comprehensible. Another problem can include getting in touch with the right person in the right department, but this is where the Swedish Embassy can help. Helena Sångeland notes that problem also can be related to the many languages of Malaysia. If the company is supposed to do business with a company that is led by Chinese, it might be good to know some Mandarin.

Helena Sångeland believes that costs in Malaysia are no problem. Compared to other Asian countries she thinks that Malaysia is very competitive. In terms of the number of companies establishing in a foreign country, Malaysia is after China and India. Thus, Malaysia has a well-educated work force at a reasonable cost, the people are English-speaking, and the costs of renting office space in Malaysia are relatively cheap. All of this is benefits for establishing in Malaysia, according to Helena Sångeland. As a SME, Helena Sångeland states that it can be beneficial to look at Malaysia for many reasons. The obstacles in Malaysia are much less than the other Southeast Asian countries, and Malaysia can be good to establish in for the purpose of having a regional office, exporting to the neighbouring countries.

Bringing more Swedish companies to Malaysia creates a higher employment in Malaysia, and contributes to the knowledge transfer, according to Helena Sångeland. The Swedish Embassy's role in this stage is to open doors to contacts, and to create publicity by being present at company openings. The Swedish Embassy's purpose is not to engage in activities to get more companies to Malaysia, but it is still trying to create a good image as possible of the Malaysian market. The Swedish Embassy is also constantly working with the foreign trade rules. Helena Sångeland acknowledges that the globalization is part of pushing governments to open up their markets. She further points out that both Sweden and Malaysia are members of World Trade Organization, which have made a lot of progresses regarding the ability to establish companies in a foreign country.

The work force

Helena Sångeland says that the Swedish Embassy does not have the knowledge and competence to help companies with work force questions, but they encourage them to contact the Swedish Trade Council instead.

Concerning the female work force, Helena Sångeland means that there are many good and ambitious women in the Malaysian work force; one can find women at central positions within companies, there are three female ministers in the government, and there are many good women working as business managers. To be a woman in the Malaysian business environment is not difficult, and Helena Sångeland does not think that women experience any certain obstacles. She further says that due to the many women in the work force in Malaysia it is not seen as strange to have women working in companies at any position.

The Malaysian culture

It is important to be aware of the multicultural society in Malaysia and that the different races have different religions and cultures, according to Helena Sångeland. Every ethnic group tries to keep and maintain their own culture. She also acknowledges that the fact that Malaysia is a Muslim country does affect the way of living in the country. For Swedish companies with no prior experience of doing business in a Muslim country, Helena Sångeland thinks that this will be a new and different situation. Most differences do not have to do with business, but rather with how to eat, what food to offer, how to greet a person, how to give gifts etcetera. Helena Sångeland points out that it is important to know how to act in order not to offend anyone.

Helena Sångeland does not think that Swedes will experience a culture shock when moving to Malaysia, since the country has a well-developed infrastructure and the language barriers

are not very high, almost everybody speaks English. However, she says that it is still important to be aware that not all of Malaysia looks like Kuala Lumpur. She further explains that the government is working with this issue through their Vision 2020, which means that Malaysia will be a developed country in 2020. Helena Sångeland states that to prepare for and prevent a possible culture shock it is important to read about the country, including reports from the embassy, information about religion, culture etcetera. She advices that before moving one can talk to the Malaysian Embassy in Sweden and through them get important information and a chance to ask questions about the country. Helena Sångeland also says that she reads novels from local authors to get an insight in how they think. This can be a good complement to plain facts.

When starting a business in Malaysia the most important to think about is to create a network, according to Helena Sångeland. This can be done through the help from the Swedish Trade Council, who have a list of potential customers and suppliers, and also with the help from the Swedish Embassy. Helena Sångeland emphasises that it is essential to do proper market research before moving, and to find a good and trustworthy advisor. If the company would get into some legal problems it is important to know whom to contact. In this situation the Swedish Embassy might be able to help and find out what is happening. Helena Sångeland also points out that it is also important to think about the timing. It can, for example, be hard to get anything accomplished during the Ramadan.

Helena Sångeland thinks that the difference between Sweden and Malaysia when it comes to doing business is that everything takes more time in Malaysia. One has to have patience and not rush things.

There are stereotypes and generalisations in Malaysia but they are not always accurate, according to Helena Sångeland. She further states that these stereotypes are that Malays are working in public companies and are given preferential rights to jobs in these sectors. Chinese are dominating the private sector, while the Indians are working in the service sector. As a conclusion she says that these stereotypes can be good to be aware of when starting a business in Malaysia.

4.4   Summary of the Interviews and the Additional Interviews

Here follows a summary of the most important factors that were found from the interviews and the additional interviews. "x" indicates that the respondent has acknowledged the factor, and N/A indicates that the respondent could not answer the question due to organisational features, or did not comment on the factor.

Factors\Company	Free2move	Company A	STIL	Aptilo	Syntronic	Tropi-Call	STC*	SE**
100% equity ownership is important			x	x	x		(N/A)	(N/A)
Locally incorporated companies	x	x	x	x	x	(N/A)	(N/A)	(N/A)
Reason for choosing Malaysia: Low costs	x	x		x		x	(N/A)	(N/A)
Reason for choosing Malaysia: Regional position	x	x	x		x		(N/A)	(N/A)
Reason for choosing Malaysia: Good infrastructure		x		x	x		(N/A)	(N/A)
Use of MIDA/MSC/STC		x		x		x	(N/A)	(N/A)
Use of company secretary/auditor	x		x		x		(N/A)	(N/A)
Acknowledged problems with bureaucracy	x	x	x		x	x	x	x
Acknowledged problems with corruption	x	x	x	x	x	x	x	x
Obstacles in the establishing process		x	x		x	x	x	x
Brought improved technology to Malaysia	x	x					(N/A)	(N/A)
Educational requirements for workforce	x	x	(N/A)	x	x	x	(N/A)	(N/A)
Experience requirement for workforce	x	x	(N/A)	x	x		(N/A)	(N/A)
Use of internet and newspapers to employ		x	(N/A)	x	x	(N/A)	(N/A)	(N/A)
No language problem experienced	x	x	x	x	x	x	(N/A)	(N/A)
Almost everybody speaks English	x	x		x	x	x	x	x
Awareness of the special treatment of the Malays	x	x	x		x			
Positive effects of being a multicultural society	x					x	x	
Swedes will not experience a culture shock	x	x		x	x	x	x	x
Malaysia is an easy country to live in		x	x	x	x	x	x	
Prepared before going to Malaysia		x	x		x	x	x	x
Important to create a network						x		x
Do proper market research before the establishment							x	x
Acknowledgement about "loose face"				x	x	x	x	
Malays are lazy/slow	x	x	x	x	x	x	(N/A)	x
Many Malays are working in public companies			x		x		(N/A)	x
Many Indians value academic success				x	x		(N/A)	
Many Indians are working in the service sector			x				(N/A)	x
Indians and Chinese need to fight harder than Malays		x	x	x	x	x	(N/A)	x
Chinese value entrepreneurial success		x	x		x	x	(N/A)	
Many Chinese are working in the private sector		x	x				(N/A)	x

* the Swedish Trade Council
** the Swedish Embassy

Table 4.2 Summary of most important factors found in the interviews and the additional interviews

5   Analysis

In this chapter the authors wish to analyze the empirical findings together with the theoretical framework. The analysis has been divided into two major parts in reference to the purpose of the study; the establishing process and culture. The chapter will end with the authors' contributions to the field of the establishing process. The information from this chapter will later be used to draw conclusions.

As cited in A Dictionary of Business (2002), FDI can be defined as *"investment of capital by a government, company, or other organization […] that are located in a foreign country"*. According to Chino (2004) both domestic and foreign investments are important in the creation of sustainable growth. Since Malaysia is a developing country on the verge of becoming developed (Internationella Programkontoret, 2003), it is argued that the foreign investments invested in the country are of importance for the continuous development of the country and may be a push to take the last step to become a developed country. There are many benefits to gain from FDI as a host country, including new and better technology brought into the country, increased competition leading to increased domestic investments, higher employment, etcetera (Brooks, Fan & Sumulong, 2004; Todaro & Smith, 2006). As a confirmation to this, the interviews show that the companies investing in Malaysia does not only contribute with their investments but also with the new technology used within the company, and knowledge transfer by employing locals, who will get education and training from the company. Furthermore, by buying equipment from local suppliers, creating more job opportunities, and export their products the companies contribute to the Malaysian economy even more (Chino, 2004).

However, Chino (2004) means that, in spite of the positive influences of FDI, there are some concerns about its influence on growth. This includes holding back the development of local companies (Chino, 2004). The interviews imply that this may not be the case in Malaysia. Since some of the companies are buying their equipment from local suppliers they support the local companies and give them a chance to develop. The additional interviews also show that Swedish companies, by providing new products to the Malaysian market, help improve the product range and variety in the country and this may increase the competition among local companies. In resemblance to this, Chino (2004) means that increased competition on the domestic market is a stimulator to more domestic investments, which is one factor influencing growth. The additional interviews implies that the Swedish Trade Council and the Swedish Embassy contribute to the development of the Malaysian economy, but in an indirect way. This is done by promoting a good picture of Malaysia to attract more investments, working for better trade regulations, and help in opening doors for companies interested in investing in Malaysia.

If using UNCTAD's ranking of FDI host countries' performance one can see that Malaysia have moved from being a front-runner to being below potential (UNCTAD, 2002). Being below potential means that the country have high FDI potential but low FDI performance (UNCTAD, 2002). It is possible that the reason for this situation in Malaysia is a result of the bureaucracy in the country. The interviews show that most of the respondents have had problems with the Malaysian bureaucracy and that it is very time-consuming and complicated. However, it is argued that with the help from for example MIDA, MSC or a local auditor, most problems can be solved. Seeing that Malaysia is ranked as a country with high potential (UNCTAD, 2002) is positive for the country and if only the performance could become higher the development of the country would probably be increased (UNCTAD, 2002). Nevertheless, the work of the Malaysian government with Vision 2020 may be a step in the right direction. The interviews show that the respondents believe in this plan and

that the situation will change in the future. In addition, it is argued that the FDI performance will improve due to this vision.

It is implied that there are many reasons for choosing Malaysia as the host country for FDI. The main reasons mentioned during the interviews and found in the secondary data, are the low cost of starting a company and living in Malaysia (Malaysian Industrial Development Authority, 2006a), and that it is an easy country to live in for foreigners. Also the fact that almost everybody in Malaysia speaks English simplifies for foreigners to work and live in the country. One important factor for choosing Malaysia as the country of establishment is its good location with access to many surrounding countries (Bjarnås, et al., 1992; Hollensen, 2004). Many of the companies being interviewed are doing business not only on the Malaysian market but with other countries in the Asian region. Hollensen (2004) means that by doing so it give companies an extended market and a possibility to grow. Furthermore, the interviews show that the high level of development in the country with its highly developed infrastructure also had an impact on the decision to choose Malaysia. It is argued that these reasons for choosing Malaysia, also are reasons for the high FDI potential in the country. Being a developing country on the verge of being developed (Internationella Programkontoret, 2003), but still with the lower costs that characterise a developing country (Malaysian Industrial Development Authority, 2006a), is argued to be a great positive factor talking for more FDI to Malaysia in the future. This together with English as a second language is highly positive for Malaysia. The interviews show that for westerners moving to a different country the most important factor, on a personal level, is that it is an easy country to live in where the children can go to school and be safe. Most of the respondents have found Malaysia to fulfil these criteria. However, it is claimed that in order for Malaysia to attract more FDI and keep them, they have to increase their FDI performance ranking. It is argued that one of the reasons for the low FDI performance ranking in Malaysia is the extensive and complicated bureaucracy that all foreign companies have to deal with. This may deteriorate the foreign companies' image of Malaysia as a good country to invest in. For Malaysia to increase their FDI performance, it is alleged that the process of starting a business has to be simplified, as it has been done for ICT companies through MSC (Multimedia Super Corridor, 2006a). MSC is a good initiative from the Malaysian government and it is possible that with more initiatives like that for other industries, the Malaysian FDI performance ranking can be improved.

However, despite all the positive aspects of investing in Malaysia the interviews also shows that there can be problems and obstacles that have to be solved. According to the respondents and additional respondents, most of these problems and obstacles are concerned with the bureaucracy in Malaysia, where everything takes time to get done and in addition, most documents are in Malay. The Malaysian bureaucracy can be, as one respondent put it, resistant and nagging. It is also argued that there can be problems with immigrations due to that the Malaysian government does not want too many foreigners working in the country. The government want companies to employ Malaysians instead, and in addition have at least 30% Malays in the company (Multimedia Super Corridor, 2006f). Another factor that can be problematic for foreign companies is the regulation of foreign ownership in Malaysia (Mohamad, 2001; Rasiah & Shari, 2001; Smith, 2003). The interviews and the additional interviews show that this is seen as a negative aspect of Malaysia as the host country for investments. It is noted that many companies are reluctant to share ownership with an unknown, local actor and this may cause some companies to choose a different country for their investments. However, if being an ICT company, 100% ownership can still be granted through obtaining MSC-status (Multimedia Super Corridor, 2006f).

5.1 The Establishing Process

When entering an international market Hollensen (2004) describes different kind of market entry strategies companies can use. All of the companies being interviewed used, what Hollensen (2004) call the hierarchical mode by locally incorporate (Bjarnås et al., 1992) the companies to enter the Malaysian market. It is implied that this was done mostly because the companies wanted to work as they do in Sweden and also be able to work as independently as possible. Furthermore, in reference to Hollensen's (2004) statement about internalization, meaning that companies use their own abilities to establish, the interviews show that since the companies did internalize the establishing process, the likeliness that they would choose a hierarchal mode became higher. From the interviews it is noted that the research regarding establishing abroad was of initial interest to do independently, which is also meaning that the likeliness of the companies choosing a hierarchical mode is high (Hollensen, 2004). In addition, Malaysia is fairly political and economical stable (Alexander & Myers, 1999; Wong & Tan, 2003), which favours Malaysia for foreign investments through the hierarchal modes (Hollensen, 2004).

According to Hollensen (2004), establishing through the hierarchical modes is of greater risk than using any other market entry strategies. Also, Bjarnås et al. (1992) acknowledge that being a locally incorporated company gives both rights and responsibilities, which is also argued to be a factor that gives more risk to the establishing process and should therefore be considered when choosing market entry strategy. Furthermore, the interviews and the additional interviews show that it is important to be well-prepared before establishing in Malaysia. To avoid any problems of risks, establishing regional/representative offices, which can be used for doing market research, can make the establishing process more stable and successful (Bjarnås et al., 1992). Through the additional interviews it is noted that the Swedish Trade Council can help to establish a regional/representative office and rent out office space. This would give the companies the ability to do market research before the establishment of the local incorporation (Bjarnås et al., 1992), which can be risk minimizing when starting-up in Malaysia.

However, it is argued that since there are good guidelines for establishment in Malaysia, establishing a locally incorporated company is an as good option as a regional/representative office. This is confirmed by the respondents belief that the establishing processes in Malaysia is simple, presupposing the company employs a company secretary or auditor. Furthermore, none of the companies have done the establishing process through first establishing a regional/representative office, which confirms the above statement. Moreover, it is implied that locally incorporating the company is to prefer in Malaysia for two reasons; (1) it gives almost the same responsibilities towards the Malaysian legal system as establishing a regional/representative office (Malaysian Industrial Development Authority, 2005f), and (2) the cost of the incorporation in Malaysia is very low (Malaysian Industrial Development Authority, 2006a).

During the establishing process a company needs to consider what workforce is needed. The interviews show that the respondents have requirements of some degree of education and experience in their specific fields. In addition, personality and ability to perform well in the company are valued by the respondents. Furthermore, the respondents employ local workers, and it is possible that this is because the cost of human resource in Malaysia is significantly less than in Sweden (Malaysian Industrial Development Authority, 2006a). Employing Malaysian workers does also contribute to the knowledge transfer the Malaysian government is working for (Malaysian Industrial Development Authority, 2005g). The interviews show that most of the companies use websites and advertisements in local news-

papers to find workers. Thus, personal contacts are also used to find workers. It is implied that the Swedish Trade Council can help with the employment process through their contacts and competence of finding people to companies.

There are different visas to apply for depending on for how long a person will stay in Malaysia, how much money he/she will earn and the purpose of the visit (Malaysian Industrial Development Authority, 2005g). The interviews show that the respondents applied for visa in the beginning of the establishing process and it is implied that the immigration procedures have not been a problem for the MSC-companies. The application for an Employment Pass can be done when the person is entering Malaysia (Malaysian Industrial Development Authority, 2005g). If a worker from Sweden will work in Malaysia only for a short period, for example when educating local workers, the person can apply for a Visit Pass (Temporary Employment) that permits the person to stay for two years (Malaysian Industrial Development Authority, 2005g). There can, however, be problematic to get an Employment Pass if the application is done after entering Malaysia. In that situation one have to hand in extensive information about oneself, which can be troublesome.

No matter what entry mode strategy a company choose, the establishment will always involve an interaction with the host country's society and culture (Hollensen, 2004). The interviews show that the companies included in the study did not prepare for a possible culture shock in any way, still they did not have any problems adapting to the new culture in Malaysia. However, the respondents and additional respondents recommend people not used to interacting with other cultures to read about the country beforehand and try to understand how the citizens of the country are thinking and how the society works. With the information from the interviews and the additional interviews, it is argued that it is of great importance to prepare before coming to a foreign country in order to fully understand the new society and culture. Furthermore, it is noted that with a greater knowledge about the customs the person will be better equipped to find and keep customers and suppliers, and do business. With some knowledge about the foreign country, it is argued that it will be easier for the family, following the worker, to adapt and accept the new situation.

Using a direct export mode (Hollensen, 2004) does not involve much contact with the culture in the foreign country. The only contact concerned is the contact with the local importer (Hollensen, 2004). Despite this, it is argued that it can be good to read about the country and its customs to be able to understand how the products will be received in the new market. However, the company cannot influence the sale process (Hollensen, 2004). If the company is using indirect export mode there is even less contact than in the direct export mode, meaning the company does not have any contact in the foreign country and cannot influence the sale process (Hollensen, 2004), which implies that no preparation is needed. The intermediate modes, on the other hand, involve knowledge transfer (Hollensen, 2004), and the company should therefore consider the new culture and its customs. In order to be able to teach and make the franchise branch or licence taker understand, the company needs to understand how the concept or product will work in the new country.

The entry modes that demand the most preparation are the hierarchical modes, since the company will own 100% of the subsidiary in the new market and be present in every decision (Hollensen, 2004). The respondents of this study have all used the hierarchical mode of direct investments, and the interviews show that preparation is beneficial for succeeding with the establishment. One of the respondents mean that during the preparations one person needs to be in the country to be able to integrate with the local partners and distributors. Furthermore, in order to minimize the risk of ending up in a situation that will damage the negotiations in business, the company needs to know about Malaysia's customs and business codes. In addition, during the additional interviews it is mentioned that it is good

to know how to behave in a private situation outside work, if one would be invited to a customer or business partners' home. It is noted that one way of learning customs and business codes is to read reports and information about the country, as well as reading novels written by Malaysian authors. However, the respondents and additional respondents mean that there is a small chance of getting a culture shock when moving to Malaysia. Malaysia is well-developed for a developing country, especially Kuala Lumpur where most of the foreign companies are situated. Nevertheless, one also need to understand that all of Malaysia is not as well-developed as Kuala Lumpur. The cheapest regions in Malaysia for starting up production, for example Ipoh (Perak) (Malaysian Industrial Development Authority, 2006a), are less developed, meaning the foreign company may need more information about Malaysian culture and customs if establishing in those places.

As mentioned before, the respondents emphasize that it is easy to live in Malaysia. However, the freedom of being out, taking walks, and let the children go out to play is limited. Living in Kuala Lumpur close to other foreigners can create a 'bubble', where one get little connection to the Malaysians. The interviews imply that a possible culture shock may be related to equality and time. Equality is treated different in the sense of equal rights between the ethnic groups, whereas time is seen differently in the sense of being on time and that some periods during the day is hard to book meetings for, since Muslims pray at certain times. Also, being on time is not common in Malaysia; Malaysians will commonly be late for meetings, whereas Swedish people are almost always on time. It is implied that one can prepare by meeting people who have already worked in Malaysia to get information and answers to questions about living and working in Malaysia. Furthermore, the Malaysian Embassy in Sweden is also available for responding to such questions.

Networks are of great importance when moving a company abroad (Hollensen, 2004). However, the interviews show that there can be a problem finding customers and extend one's network due to the Malaysians' suspiciousness and resistance of doing business with foreign companies newly established in the country. Hollensen (2004) means that it is hard to enter an existing network, but entering a network is essential for the establishing process in order to find new ways of reaching the goal. It is argued that this is the situation when entering the Malaysian market. Much of the difficulties lie in that the Malaysians are uncertain about foreigners' intentions. Håkansson and Johansson (1992) state that stability is important in networks to enable development. It is implied that a foreign company that will only be in the market for a couple of years is not seen as a contributor of stability to the network. It is therefore important for foreign companies to have a long-term vision if they wish to enter an existing network (Hollensen, 2004). If doing so, it can be easier to get into a network. The interviews show that existing Malaysian networks are primary interested in cooperating with companies that are of the same ethnic group. First after exploring the possibilities to find such contacts, the Malaysian companies will turn to foreign companies, meaning the foreign companies are seen as a secondary option. However, the Swedish Trade Council can assist in finding customers and suppliers. This means that the Swedish Trade Council can help with the networking.

Regarding networks, Hollensen (2004) also states that companies in a network are dependent on each other and each other's resources. It is noted from the interviews and additional interviews that when establishing a company in a foreign country such resources from a network can be vital for succeeding. It is argued that it is important to get into a network or create a network of your own as soon as possible. The list of suppliers that the Swedish Trade Council possesses can be a good start. The interviews show that the respondents know each other and have created a network or 'bubble', even though this network is more private than professional. Nevertheless, this kind of network can be valuable since they can

ask each other for help or advice if needed. As a member of a network, Hollensen (2004) says that one need to be flexible, because the environment can change and it is vital to be able to adapt to changes and adopt changes.

Hollensen (2004) acknowledges that a network does not have to be restricted to one country, but that it can reach outside the boarders. The companies interviewed do business with other countries in the region. One of the respondents says that she have an European network, but it does not stretch to Asia. Due to this, she had to look for new contacts in Asia, and since her company is interested in global companies, she had to look for companies not only operating in Malaysia.

5.2 Culture

Culture is a concept that can be hard to grasp and there are several definitions of culture (Hollensen, 2004). Hofstede (1983; in Hollensen, 2004) means that culture is values and invisible sets of mental programs of people that can be really hard to change. Hofstede (1983) further states that cultural ways of thinking are enabled to continue over time through the self-fulfilling prophecy. The interviews and the additional interviews implies that the stereotype about Malays is very strong, where Malays are seen as slow and lazy. In reference to Hofstede's (1983) theory of culture, it is argued that since the common picture of the Malays is that they are slow and lazy, they may not be given a chance to prove the opposite. They are not given positions within companies where they have to take responsibility, they rather get work as operators. A pattern like this can be hard to break, and it is possible that if the Malays are not given any responsibility they will continue being slow and lazy because they believe that is what they are. Hofstede's (1983) reasoning about the self-fulfilling prophecy and its effect on cultural groups can be applied on all the ethnic groups in Malaysia.

Hollensen (2004) discusses four layers of culture and their importance for an international company with employees from different cultures. He means that these layers and the cultural framework they create can help the employees to better understand the behaviour of different people (Hollensen, 2004). There is a belief among some of the respondents that the multicultural environment in Malaysia makes it easier for Malaysians to work in international companies. This can be of advantage for foreign companies when employing in Malaysia. Some of the respondents also mention the benefit of having a multicultural work force. One of the benefits mentioned is that the different cultures have different religions, and the different religions have different holidays. This means that the factory can be running almost every day because of the multicultural work force, since only the specific religious group have the day off. The interviews also show that another benefit can be a working environment more stimulating for the employees. One of the respondents means that if having employees from one ethnic group the work environment can stagnate.

The interviews and the additional interviews show that the culture of Malaysia and Sweden are different in certain matters. Both the Swedish and the Malaysian societies can be seen as multicultural. However, while the Malaysians are divided into three ethnic groups legally separated by the government, the Swedish government works for equality so that its refugees should be seen as Swedes regardless how long they have been Swedish citizens. It is noted that the special treatment of the Malays has caused them to take things for granted, and at the same time made the Chinese and Indians work harder for their personal goals. This understanding is very clear when the respondents are asked about the stereotypes, where they state that Malays are seen as lazy and slow. Malays make up for 60% of the population (Smith, 2003), so it is implied that companies wanting to establish in Malaysia

has to be patient and understand that things take more time to be completed. In addition, it is noted that since the majority of the population are Muslims (Smith, 2003), companies also need to consider how the religion is affecting the business life. Hollensen (2004) means that religion is one of the elements affecting the culture and that it is important for foreign companies to be aware of and respect the religion in the host country. The interviews show that the respondents are aware of the religious differences between Sweden and Malaysia; they see the Muslim religion in Malaysia as a natural thing. For example, the Muslim prayer room that has to be provided at every company is seen by the respondents as as natural as the resting rooms that are obliged in Sweden.

Another element of culture that Hollensen (2004) discusses is language. He means that language is a big part of a culture and if a person is to work and live in another culture, it is important to learn the language. In this sense, the interviews and the additional interviews confirm that Malaysia is a good choice for establishment abroad since English is their second language and almost everybody in Malaysia can speak English. Hollensen (2004) continue his discussion with verbal and non-verbal communication, and it is noted from the interviews and the additional interviews that due to the high level of English in Malaysia, the verbal communication is not a problem. However, the non-verbal communication can involve problems. Hollensen (2004) means that in international business the non-verbal communication consist of time, space, material possession, patterns, and business agreements. As mentioned earlier, Malaysians have a different attitude towards time and Swedes can experience problems with this. It can, for example, be problematic when people does not show up for meetings in time and where meetings cannot be booked with a Muslim at certain times of the day, due to prayers. However, the other factors are not very different from the way things are in Sweden and it is implied that these factors should not cause any problems.

Education is another element that Hollensen (2004) talk about and this element includes the transfer of culture between generations. In Malaysia it is not unusual that children go to ethnic or religious schools, i.e. Chinese children can go to Chinese schools, Indian children can go to Indian schools, Hindus can go to Hindu schools and Muslims can go to Muslim schools, etcetera. This situation influence the children from their early years to follow the culture of their ethnic group and their religion, the cultural and religious beliefs are transferred to the children.

To better understand the differences between the Malaysian and Swedish culture, and to create an understanding about what cultural factors affect the establishment process in Malaysia, the Malaysian culture will be described and analyzed in relation to Hofstede's (1983; 1991) cultural dimensions. There are five cultural dimensions that Hofstede (1983; 1991) has developed; power distance, individualism, masculinity, uncertainty avoidance, and time perspective.

Concerning Hofstede's (1983; 1991) cultural dimension of power distance, the interviews and the additional interviews show that Malaysians value status and the hierarchical view of companies as many other Asian countries. Furthermore, it is implied that due to the hierarchy, employees see the manager as a person with more status and influence, and they believe that the manager therefore should not be questioned. This can make it difficult for the employees to say no when it comes to take on more work and for the managers to get sincere answers and good feedback from the employees. One of the respondents emphasise that a company can still work for a more decentralized organisational structure. The respondent further states that because of the deep-lying understanding that you should look up to the managers, it will take a while before the employees understand what a decentralized organisational structure involves. Due to this, it is important for foreign companies

moving to Malaysia to be aware of the situation, so they can be able to handle it in a good way. Another factor of the hierarchical way of thinking that has to be regarded is the understanding that one should not loose one's face. This means that the manager might not get the feedback he/she could get due to that the employees do not want to loose their faces or make the manager loose his/her face. This is a mutual way of thinking, meaning that the managers should avoid exposing the employees of loosing their faces. In order to avoid such situation, the interviews show that the manager should handle the employees privately, without any other persons around, if they need to confront them in any situation. Both the respondents' and the additional respondents' statements show that there is a hierarchical view in Malaysia, which indicates that the power distance is high (Hofstede, 1983; Hofstede, 1991). This confirms Hofstede's calculation of Malaysia's power distance index showed in Appendix 3 (Itim International, 2003).

According to Hofstede's calculation of Malaysia's individualism (Itim International, 2003), it shows that they have low individualism, meaning the people are concerned about collectivism and the importance of their network (Hofstede, 1983; Hofstede, 1991). However, the interviews imply that there is a higher level of individualism in Malaysia than what Hofstede believes, meaning it is more in the middle of the scale. Malaysians preferably sticks to their own ethnic group, and when doing business they firstly try to find customers and suppliers within their own network before they consider contacting someone else. However, a difference between the ethnic groups can be seen, where Malays and Indians are more concerned about the well-being of their families and friends, while the Chinese are more individual and money-orientated, trying to pursue their personal goals. Nevertheless, due to that the majority of the Malaysians are Malays, it is understandable that the individualism for Malaysia is ranked low according to Hofstede (Itim International, 2003).

Malaysia is a Muslim country and the interviews show that the traditional view of men being the heads of the families are present in Malaysia. However, one of the additional respondents points out that there are many good women in the Malaysian business environment, working in top management. In addition, the interviews with female respondents show that these women do not see their gender as a problem, and they feel that they are able to pursue their goals without any clear obstacles. One respondent further says that she is aware of that some men have difficulties of accepting her and looking her in the eyes during meetings, but she has learned to be more straight forward and not take notice of such incidents. Hofstede's calculation of Malaysia's masculinity (Itim International, 2003), puts Malaysia slightly above the middle between masculinity and femininity. However, the statements from the interviews and the additional interviews put Malaysia as having low masculinity. The interviews also show that the ethnic groups are treating one another with respect, and are working together in harmony, which indicates solidarity that are more connected to femininity (Hofstede, 1983; Hofstede, 1991). Furthermore, it is argued that the multicultural part of Malaysia can be seen as an advantage since the multicultural society have made the Malaysians good at adapting to other cultures, and working together with people with other cultural backgrounds.

In reference to Hofstede's (1983; 1991) uncertainty avoidance index, the interviews, the additional interviews and the secondary data (e.g. Malaysian Industrial Development Authority, 2005b; Malaysian Industrial Development Authority, 2005e; Malaysian Industrial Development Authority, 2005f) show of a high uncertainty avoidance due to the strict regulations. The interviews and the additional interviews imply that there is a problem with the Malaysian bureaucracy, because it is time-consuming and extensive. A company secretary or a accountant can help with the paper work during the establishing process (Malaysian Industrial Development Authority, 2005f), and can be essential to the company. Fur-

thermore, there are many forms to fill in before the establishment is completed (e.g. Malaysian Industrial Development Authority, 2005b; Malaysian Industrial Development Authority, 2005e; Malaysian Industrial Development Authority, 2005f) and this can be indicated as that the Malaysian system is depending on the regulations in order to feel less insecure. Having the regulations will make the people and companies not to question the system and therefore the Malaysian resources can be protected. Hofstede means that the uncertainty avoidance in Malaysia is quite low, below the middle of the scale (Itim International, 2003). However, it is argued that the situation is more on the upper part of the scale due to all the regulations, rules and laws in the country.

The Malaysian government are working for Vision 2020, meaning that the country should be a developed country in year 2020. Through this programme, among other things the government puts a lot of emphasise into creating a good environment for companies within the ICT industry (Mohamad, 2001). This focus goes in line with the time perspective of Hofstede's cultural dimensions (1983; 1991). The government is striving for change in the long-run, and are persistent in keeping to the plan of Vision 2020. In addition, Vision 2020 emphasises FDI, meaning that Malaysia has an positive economic attitude towards investments, which Hofstede (1983; 1991) means is a characteristics of the time perspective. The interviews confirm Hofstede's (1983; 1991) statement that many Asian countries score high in this dimension.

6   Conclusions

In this chapter, the authors will draw conclusions from the analysis. A reflection of the method chosen and a discussion about suggestions for further research will then be presented.

It has been noticed throughout this study that there are many cultural factors affecting the establishing process for Swedish companies in Malaysia. All factors found through this study are important and relevant but to different extent. Therefore the authors wish to acknowledge the importance of seeking broader knowledge about Malaysia in order to obtain an awareness of the overall situation.

The purpose of this study was to investigate and deepen the understanding of cultural factors affecting the establishing process for Swedish companies in Malaysia. The authors have found that the different ethnic groups in Malaysia are highly influential concerning business life and therefore also during the establishing process. The multicultural society conveys positive characteristics of the Malaysians in terms of their ability to adapt to foreign cultures. Also the many different ethnic backgrounds and the different languages connected to them, together with English as a second language, are great advantages for the foreign companies establishing in Malaysia. However, the ethnic groups in Malaysia are not equal in the eyes of the government due to the special treatment of the Malays. Even though there might be conflicts below the surface this is nothing noticed by the respondents of the interviews. Thus, the authors believe that it is important to be aware of this situation; not underestimate the competition between the groups and not be fooled by the sense of harmony.

The ethnic groups have different religions and different ways of living, and the authors believe that this influence their attitude towards foreigners and other ethnic groups in Malaysia. Foreigners are treated with respect because being a westerners is seen as a status symbol. The authors believe that this is the reason for the westerners being accepted in the society. Concerning respect towards the other ethnic groups in Malaysia, the authors have gotten the impression that the different religions are able to live together and tolerate each other, which makes it easy for foreign companies to blend into the Malaysian society.

The authors have found that all the respondents have a consensus about the stereotypes in Malaysia, and the authors furthermore think that this is a disadvantage due to Hofstede's reasoning around the self-fulfilling prophecy. Since Swedish people are said to have a high level of tolerance, the authors believe that Swedish companies should try to contribute to the attempt to break away from these stereotypes by treating all the ethnic groups equally. The belief of the respondents that a mixture of the different groups is the best solution might help the situation. Nevertheless, the authors think that the best applicant for the position should be appointed regardless of ethnicity and composition of the team. This indicates that being aware of the different stereotypes and their effect on the business environment is vital for foreign companies moving to Malaysia, due to that people have preconceived notions.

The hierarchical view of management in Malaysian companies is the cognitive mindset. Respect for authorities is important and the employees do not want to loose face or make their superiors loose face for their actions. This implies that Swedish managers have to be careful in their way of approaching employees concerning criticism. To make someone else loose face is almost as bad as loose face oneself. The authors believe that this can be compared to the feeling of humiliation by Swedes when getting fired from a position.

There are two main problems with establishing in Malaysia that were found through this study; bureaucracy and networking. The bureaucracy in Malaysia is time-consuming and extensive which can be hard for foreign companies to handle by themselves. Therefore the authors believe that it is important to use the help one can get from for example MSC, MIDA or the Swedish Trade Council. An alternative to these governmental functions can be to use a company secretary or auditor that is made in charge of the administrative process. The authors think that networks are of great importance for the survival of a foreign company in Malaysia. This is because of the mentality among the locals to turn to their local network before contacting other companies. As a Swedish company in Malaysia one can use the Swedish Trade Council if having trouble with networking, and through them get in contact with possible customers and suppliers.

Through this visualization of the cultural factors that affect the establishing process of Swedish companies in Malaysia, the authors hope to minimize the risk of them running into the same problems and obstacles.

6.1 Method Reflections

The method used for this study was a qualitative research done by semi-structured interviews. The interviews were held with key person from Swedish companies established in Malaysia. Even though these key persons were responsible for the establishing process and were active during it, there are some information the authors were unable to get from them, such as more in-depth information about the documentation and step-by-step activities. However, the authors believe that such information was not needed for the realization of the purpose.

The respondents got the interview guide before the interview took place. This could have affected the study negatively since the answers could have been biased. The answers given might not have been the most appropriate for the study, because the respondents could prepare the answers beforehand, meaning that the answers were not spontaneous. However, the authors saw the chance to prepare more as a positive factor, since it enabled the respondents to give as good and proper answers as possible. Therefore the authors do not think that the answers were biased.

Since many of the companies interviewed were in the same network and knew each other personally, there can be a question if the answers got biased because of that. Thus, the authors think that this problem was unavoidable, since the number of Swedish companies in Malaysia is low. The authors, furthermore, believe that the answers were not biased because the companies represented different industries, and also since the interviews with the Swedish Embassy and the Swedish Trade Council confirmed some aspects of what the companies had answered.

6.2 Suggestions for Further Research

The authors hope that this study can be used as a starting point for more research of the Malaysian market and culture. There are many other angles of the study that can be interesting to look deeper into. This study has only looked at the cultural factors, and problems and obstacles during the establishing process. It could be interesting to follow up this study in a couple of years to see how the companies find the culture at that time and what problems and obstacles they experience as an established company. It could also be of interest to look at what other factors affect the establishing process, apart from culture, and what effect these factors have. The authors believe that such an investigation could be used as a

compliment to the present study to further simplify for Swedish companies to establish in Malaysia. This study has only investigated Swedish SMEs establishing in Malaysia. However, the authors believe that a study of the impact of culture, bureaucracy, religion, etcetera, on large companies could be interesting.

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Appedix 1

Interview Guide

Introduction of the company

1) Could you tell us about your company (company history, kind of establishment, number of employees, annual turnover, when the company was established in Sweden and Malaysia)?

Questions related to the establishment in Malaysia

2) Why did your company choose to establish in Malaysia?

3) What are the reasons for choosing Malaysia?

4) How was the establishing process? How did it take place?

5) What was the first thing that had to be done according to the Malaysian laws and regulations during the establishing process in Malaysia?

6) How do you experience the bureaucracy in Malaysia in reference to the different forms and regulations?

7) What obstacles did you experience when you established here in Malaysia?

8) What are the biggest problems, in your opinion, concerning establishing a subsidiary in Malaysia?

9) Did you bring any new and improved technology from Sweden to Malaysia when you moved here?

10) What do you think your contribution is to the Malaysian economy through your establishment in the country?

Questions related to the work force

11) What work force do you mainly use and why?

12) What are your requirements concerning employees (education/experiences/ethnic background)?

13) How do you employ workers?

14) Have you experienced any language problems?

15) How do you obtain confidence from your employees in Malaysia?

Questions related to the Malaysian culture

16) How do you experience the diversity of the Malaysian culture?

17) Do you think that Swedes experience a culture shock when moving to Malaysia?

18) How did you prepare for a possible culture shock?

19) What kind of Swedes are working in the company?

20) How long do these Swedes normally stay in Malaysia for work?

21) What is most important to think about in Malaysia and about Malaysia's culture during establishment?

22) How did the differences between Swedish culture and Malaysian culture affect the process of establishment?

23) Are there any stereotypes in Malaysia and its business environment?

Appedix 2

Additional Interview Guide

Introduction

1) Could you tell us about the Swedish Embassy/Swedish Trade Council in Malaysia and its functions?

Questions related to the establishment in Malaysia

2) How can the Swedish Embassy/Swedish Trade Council guide/help companies during their establishing process in Malaysia?

3) How does the establishing process in Malaysia take place?

4) What is the first thing that has to be done according to the Malaysian laws and regulations during the establishing process in Malaysia?

5) How do you experience the bureaucracy in Malaysia concerning the establishing process for Swedish companies?

6) What obstacles can companies experience when they establish here in Malaysia?

7) What are the biggest problems that can occur when establishing a Swedish company in Malaysia?

8) How does the Swedish Embassy/Swedish Trade Council contribute to the Malaysian economy through guiding/helping Swedish companies establishing in Malaysia?

Question related to the work force

9) What channels do you recommend to companies who want to employ local workers?

Questions related to the Malaysian culture

10) How do you experience the diversity of the Malaysian culture and how does it affect the establishing process for Swedish companies?

11) Do you think that Swedes experience a culture shock when moving to Malaysia?

12) How can one prepare for a possible culture shock?

13) What is most important for a Swedish company to think about in Malaysia and about Malaysia's culture during establishment?

14) How do you think the differences between Swedish culture and Malaysian culture affect the process of establishment for Swedish companies?

15) Are there any stereotypes in Malaysia and its business environment?

Appendix 3

Hofstede's Cultural Dimensions – Malaysia