

HELSINKI SCHOOL OF ECONOMICS (HSE)  
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BENEFITING FROM FOREIGN PROFESSIONALS IN DOMESTIC FIRMS IN  
FINLAND THROUGH FOREIGN RECRUITMENT AND  
INTEGRATION

SME perspective in the ICT industry

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**Tavoitteet**

Tutkimuksen päätavoitteena oli ymmärtää mitkä tekijät vaikuttavat ulkomaalaisen osaajan työpanoksen maksimointiin suomalaisissa pk-yrityksissä ICT alalla. Lisäksi tavoitteina oli määritellä millaisessa kontekstissa kyseiset yritykset nykyään toimivat työmarkkinoiden suhteen ja mitkä ovat monikulttuurisuuden tuomat hyödyt ja haitat työympäristöön. Empiirinen aineisto koostui suomalaisten yritysedustajien ja ulkomaalaisten, Suomessa asuvien teknologiaosaajien haastatteluista. Tutkimuksessa korostettiin henkilöstöhallintoon ja johtamiseen liittyviä ulottuvuuksia.

**Tiivistelmä**

Suomen demograafinen rakenne aiheuttanee tulevaisuudessa painetta ulkomaisen työvoiman käytön lisäämiseen eri aloilla, mm. informaatioteknologian osaajien suhteen. Tämän lisäksi tutkimukset osoittavat että heterogeeninen työvoima on eduksi yritysten kilpailukyvyille.

Kirjallisuuden perusteella tutkimuksessa tunnistettiin neljä tärkeää vaihetta yrityksen monimuotoisuuden hyödyntämisen maksimointiin: ylimmän johdon sitoutuminen ja organisaation muokkaus; rekrytointi; johtaminen; sekä integrointi ja monikulttuurisen ympäristön rakentaminen. Jokaiselle prosessin eri vaiheelle tunnistettiin yksityiskohtaisemmat ehdotukset niiden läpiviemiseen.

Empiirisen osan perusteella voidaan todeta tutkimuksessa ilmenneiden ulottuvuuksien pitävän suurimmilta osin paikkaansa myös suomalaisissa pk-yrityksissä ICT-alalla, vaikka tietoinen monimuotoisuuden lisääminen ja johtaminen oli vähäistä sekä haastateltujen yritysedustajien että ulkomaalaisten yrityksissä.

**Johtopäätökset**

Heterogeeninen työvoima on yritykselle kilpailuetu, jos oikeanlaisen johtamisen avulla sen potentiaali saadaan hyödynnettyä. Suomessa monimuotoisuutta tavoittelevan yrityksen ongelma on ulkomaalaisen työvoiman puute yhteiskunnassa, minkä seuraksena rekrytointi pitää kansainvälistää. Varsinkin pk-yrityksissä tätä ei koeta ratkaisuksi jo orastavalle työvoimapulalle, ja tilannetta vaikeuttaa myös makrotaloudellisten tekijöiden suuri merkitys prosessiin. Integroimisprosessissa yrityksen pieni koko voi olla etu, varsinkin jos yritys on kansainvälinen.

**Avainsanat:** monimuotoisuus johtaminen, pk-yritys, ICT-ala, integrointi

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**Objectives**

The main objective of the research was to understand which factors have an effect on the maximization of the work contribution of a foreign specialist in Finnish SMEs in the ICT sector. Additional objectives were to define in what kind of a context the companies in question act today in terms of the labor market and what are the benefits and disadvantages of a multicultural workforce in the working environment. The empirical material consisted of interviews of Finnish company representatives and foreign technology specialists that are living in Finland. In the research human resources and management related dimensions were emphasized.

**Summary**

The demographical structure of Finland will pose pressure to increase the amount of foreign workers in different fields of the economy, including specialists in the information technology. In addition research suggests that a heterogeneous workforce is beneficial for the competitiveness of a company.

Based on the literature four different important phases in the process of maximizing benefits of diversity in a company were recognized: top management commitment and organizational adaptation; recruitment; management; and integration and building of a multicultural environment. For each step of the process more detailed suggestions for implementing them were recognized.

Based on the empirical part it can be stated that most of the dimensions are suitable for Finnish SMEs in the ICT field, although a conscious diversity management was not practiced to a large extent in the companies interviewed.

**Conclusions**

A heterogeneous workforce is a competitive advantage to a company if it manages to exploit its potential through management practices. In Finland the main problem of a company that is aspiring to diversity management is the lack of foreign workforce in the society, which leads to the need of foreign recruitment. Especially in SMEs this is not considered as a solution to the already nascent shortage of labor, and the important influence of macroeconomic factors to the process complicates further the situation. In the process of integration the small size of the company can be an advantage, especially if the company is international.

**Keywords:** diversity management, SME, ICT-industry, integration

**Language:** English

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# 1 INTRODUCTION

## 1.1 *Background*

As globalization has become an increasingly eminent phenomenon, the reality of different actors of the world economy is changing. When seen from an economic perspective, globalization has amongst others been defined as moving towards a global integration system. This means that the economy can no longer be divided into national economies, but instead it has to be understood as worldwide networks and flows that tie together the different parts of the network. In this new system nation states have limited possibilities to influence dimensions of the economy that traditionally were under their control (Sklair 2001, 4).

On the other hand, the competitiveness of individual countries has become an important study object and an area of great interest (examples of international studies are those of the IMD 2003, The Global Competitiveness Yearbook 2003 and the Report of the European Commission 2003), since competitiveness is regarded as a decisive factor in determining the countries' potential to growth (Hämäläinen 2003, 7) and consequently, defines the possibilities for the future (economic) well-being of the countries' citizens (Reiljan et al. 2000, 27). The challenge for nation states to remain and gain competitiveness in the areas it still can influence in the new global economy requires innovative and efficient actions.

This Master's Thesis will concentrate on the case of Finland in the globalizing economy and one of the dimensions in which it can influence its position in the race for innovativeness and competitiveness. Finland has in the past years experienced a change in its national economy (e.g. Skrunik 2005), which has amongst other things changed the need of the quality of the workforce: more highly-educated employees are needed than before whereas jobs in production are decreasing. In addition to this, the demographical structure of the Finnish population will lead to a shortage of workforce as the expected lifespan has increased and the fertility rate has decreased beginning from the second half of the 20<sup>th</sup>

century. This in turn will lead to an increased need of the active population (e.g. Forsander 2000, 148-49 and 154). In addition, Finland is not alone in this situation: there has been conversation about replacement migration on international level too. For example the UN has conducted a study on how with the help of politics the decreasing fertility, the aging and the decrease of population can be met (in Forsander 2000, 157). As a consequence, Finland is facing the need to increase its workforce, to which foreign immigrants can give one solution for meeting the needs of the labor market. In addition, competitiveness is not only enhanced through the fact that immigrants provide a larger pool of employees, but it is also considered that a multicultural society is the cornerstone of innovation and economic growth; according to Zachary (in Florida 2002, 252) America's successful economic performance is directly linked to its openness to innovative and energetic people from around the world and the attribute to the decline of once prospering countries such as Japan and Germany, due to the homogeneity of their populations.

Different dimensions and actors of the Finnish public and private sectors that affect the phenomenon of receiving workforce through immigration and intra EU migration – policies towards foreigners, personal preferences, company level factors, the academic community etc. - all contribute to the final result and a more detailed study on them deepens the understanding of the actions that can be taken to improve the situation. This research will concentrate on one of the many factors that affect the attractiveness of Finland in the eyes of foreign people: the actions that can be taken on firm level. More in detail the dimensions are the possibilities and capabilities of Finnish firms to recruit, integrate and consequently benefit the most of foreign workers. It can be stated that this firm level point of view is of major importance, since as Forsander et al. (2004, 14) state, a global labor market, where the recruitment is implemented regardless of national boundaries and a career is built of working periods in different countries, is being born. The global mobility in the labor market is reality in fields where know-how is valued in a wider sense than from the point of view of only one culture or society. These fields are the ICT, university research and company management (Forsander et al. 2004, 14-15) – all of which are important building



blocks of the knowledge-based society Finland is aiming to be. According to amongst others Florida (2005, 3) today the terms of competition revolve around a central axis: a nation's ability to mobilize, attract and retain human creative talent. This is why Finland must join the race to meet the future challenges.

## **1.2 Research gap**

In Finland, due to cultural, economic and political reasons, immigration is a relatively new trend and hasn't been a reality before the early 1990's (Forsander 2000, 151-52). In addition, the flow of immigrants into Finland is still much minor than it is in most Western European countries (e.g. OECD 2002, 18). These facts, in addition to the ones presented in the previous chapter have retained the attention of several interest groups in Finland and research has been conducted on the matter. Examples of studies are the following ones: Raunio (2002) studies in his research the images and realities of highly skilled foreign workers in Finland; Trux et al (2000) study in their research dimensions such as the need of immigrants as workforce, the entrepreneurship of immigrants in Finland, the historical development of immigration in Finland and the multicultural working environment; Pikkarainen researches the employment of immigrants and their expectations of the working life in Finland in her Master's Thesis (2005); Forsander et al. (2004) study the attractiveness of Finland as a choice for qualified workers and Kinnunen (2003) studies the integration of foreign students into Finnish working life. Also the Confederation of Finnish Industries has acknowledged the importance and need of foreign workforce in their report from 2003 (TT report 2003).

For this research the most relevant earlier conducted Finnish studies are those of Raunio (2002), Trux et al (2000) and Forsander et al. (2004). They all regard foreign workforce as an essential key asset for the future and study how it can better be integrated and attracted. These will next be presented briefly to give an overview of the background of the research that has been conducted about the research topic. The target of the study of Raunio (2002) was to study how high-level workers can be attracted and settled down in the Finnish

society. The study was conducted by interviewing several hundreds foreign workers in Finland, with the focal aim being to study their main images before and after their arrival in Finland, in terms of Finland as a living environment as well as Finnish companies as employers. Based on the research the relevant push and pull factors on Finland as a society and working environment were outlined. *Forsander et al.* (2004) study the attractiveness of Finland to foreign workers, how globalization has changed the reality of the economy and consequently, the movement of workers, the policies affecting this change internationally and nationally and the traits needed for a successful multicultural working environment. The closest one of the previous studies to the study object of this thesis is the one of *Trux et al.* (2000). In her study it is researched through case studies how multicultural working environments have grown in Finland and what solutions have been made in these situations; what Finnish management means, how it is seen from foreigners and whether foreign employees' culture-related skills are seen as an opportunity. The research also studies how diversity management, a management style from the Anglo-Saxon world, could be adapted in Finnish circumstances.

Internationally, research has been conducted on how diverse groups of employees can best be integrated into a working environment and later how the target of a company should be to build a diverse work community. The strongest traditions of these studies are from the USA where schools of thought such as Affirmative Action and Diversity Management have emerged (see chapter 2.2.1 for a more detailed explanation). However, as Trux states (2004, 176), as these studies have been conducted in such different historical and cultural backgrounds of immigration, they can't be copied directly as such into the Finnish society and working life. Nevertheless, these studies will have an important role in this research to build the theoretical background of the study and see to what extent they could be applied to improve the challenges that Finland is now facing with more heterogeneous workers in companies – and this not only as an unavoidable response to the globalizing world, but as an aim to gain competitiveness on company and also national level.



The value added of this Master's Thesis in relation to the earlier studies is that it will deepen the studies made on the firm-level dimensions in terms of the actions that can be taken to improve the experiences of foreigners in Finnish firms' working environments. The main target is twofold: firstly, build a company level, holistic theoretical background for Finnish companies interested in attracting foreign workers and how they can succeed in it, and secondly, see how this theoretical framework can be applied into SMEs, since they have not separately been taken into consideration in earlier studies. The first mentioned target will incorporate international and Finnish studies in what has been researched distinctively from the company point of view – how they can improve in relation to the recruitment attitudes and approaches, management styles and policies towards a more diverse workforce. Through these more detailed dimensions, one essential target is to find out how a multicultural pool of employees can best be exploited in terms of innovativeness and ideas. As for the second target, the SME perspective will be analyzed throughout the study and empirically tested in the methodological part of the thesis. As the ICT- sector has developed into one of the most internationalized industries in many dimensions (e.g. Trux 2000, 287), this study will concentrate on companies that represent this particular sector in Finland, and especially the ones not representing the few multinational corporations that have already faced international recruitment. The rationale to this is that SMEs will be the next ones to face the same challenges that e.g. F-secure and Nokia already have (see e.g. Trux 2000, 289 and the Master's Thesis of Hämäläinen, 2001, respectively) and will have to adapt to the situation. This justification becomes evident e.g. in the comment of Raunio (2005, 37), who states that foreigners are virtually inexistent in SMEs in Finland, even more rare than in MNCs. The choice of industry will facilitate finding a sufficient quantity of interviewees for the empirical part of the study and will also makes the research results comparable to previous Finnish studies.

The interest groups that could benefit from the study are companies of the private sector, as in how their performance can be improved in terms of human resources management, and also to trigger their awareness of possibilities that they have in new attitudes toward foreign



workforce. In addition, the study gives supplementary research references to the groups that have been studying this phenomenon in the Finnish society – whether the experiences of foreign workers have changed since the last conducted studies and whether the reality in SMEs is different to the ones of bigger companies.

### ***1.3 Research objectives and questions***

The nature of the research topic requires a clarification of the context in which it exists. This is why in this thesis a relatively important role is given to describing the current situation of the Finnish workforce and immigration, as well as their future requirements. Secondly, the field of research will be presented on a more general level, as to what past studies on international level have discovered on having a multicultural workforce – this will clarify whether or not the process presented in the subsequent part can benefit companies. Then, the study object itself will be developed, as on how Finnish firms in Finland can manage to recruit and integrate foreign specialists in their companies to better maximize their contribution in the company. The last mentioned step will work as the basis for developing the theoretical framework, which will be the basis for the research questions in the empirical part. Throughout the study, the SME perspective will be reflected upon as in comparison to the already existing studies, and it will be the decisive criteria in choosing interviewees in the empirical part.

Based on the rationalization above, the study will to some extent be divided in three different parts, which will all be essential to answer the main research question, formulated as follows:

*How can foreign professionals best be recruited to and how can their contribution be maximized in Finnish firms in Finland, especially in SMEs in the ICT sector?*

The three sub parts of the thesis will answer to the following questions:

- 1) What does prior research suggest in terms of heterogeneous working groups' results and their distinctive requirements from the working environment?
- 2) What kind of process would be ideal for a Finnish firm in recruiting and managing foreign professionals?
- 3) What is the reality today in Finnish SMEs: how do they relate to the model developed in this thesis and what do foreign professionals in Finnish SMEs in the technology industry think of their working experiences in Finland?

The thesis will firstly in chapter 2.1 present the background and the requirements that the current demography of Finland poses on immigration. Subsequently, the different research questions mentioned above will each represent one part of the thesis (2.2, 2.3, and 4 respectively) with section 2.4 recapitulating the theoretical part in the theoretical framework, chapter 3 presenting the methodology used in the empirical part and lastly chapter 5 summarizing and drawing the conclusions of the research.

#### **1.4 Definitions**

Next, some of the terms used in the literature that will be presented will be defined to clarify their implication in this research.

*Diversity management* is defined by Cox (1993, 11) as “planning and implementing organizational systems and practices to manage people so that the potential advantages of diversity are maximized while the potential disadvantages are minimized”. On a general level, diversity management is understood as a school of thought that has been developed from policies of Affirmative Action and EEO, to decrease discrimination in working environment (e.g. Trux 2000, 268). However, in this particular paper, when used as a term, it isn't meant as only this theory and policies developed in the United States of America, but as a general working method to integrate foreigners into companies.



*Management* in this thesis includes a multitude of dimensions related to the relationship between a manager and his subordinate. Even though as a term it is often referred to as meaning rational decision making, in this thesis the most important factor of it is the multiform of interaction that there is between the foreign employee and the Finnish manager. The importance of this dimension is evident from the insight of Schein (1985, 317) who states that the unique and essential function of management is the manipulation of culture; leaders create culture, but cultures, in turn, create their next generation of leaders. The significance of this interrelation of culture and management will be evident in the theoretical part of the thesis.

*Professionals or foreign employees* in this research are defined according to the definition of Raunio (in Raunio 2002, 19): these high-skilled immigrants

1. Work in a positions that create new knowledge or that applies existing knowledge in a new way (primarily R&D) or in challenging management tasks. They can also work in other assignments in which they apply a special know-how that is essential for a company's key functions
2. Normally have a relatively high education level
3. Meet an extensive demand in the labor market

This approach was chosen since as Yin (2003, 26) states, the previous literature can become a guide for defining the case and unit of analysis, which will facilitate the comparability of the studies and thus show the development of the study object over a longer period of time. In addition to this, also the perspective of foreigners in more junior position will be taken into consideration, since through the study they appeared to be an important part of the process.

*Integration* is used in this thesis as the different measures, mostly HR related, used within the Finnish firm to accustom and facilitate the work of the foreign employees in an environment that has a different national and consequently possibly a diverse company culture than what the foreigners are used to. This firstly for the obvious reason that these



persons can then better give their full contribution to the company instead of becoming frustrated because of cultural barriers, and secondly, so that the company can exploit all their know-how even outside the technological expertise that the foreigners' roles require.

### ***1.5 Limitations***

During the study it became obvious that the perspective that can be acquired through interviewing only locally present foreigners probably gives a distorted and different picture of the needs of foreign, highly-skilled professionals worldwide. This is due to the fact that the ones that are in Finland have already made a decision of coming here and thus have certain priorities that might not be in line with the views of people that have excluded the possibility of having Finland as a country to live in. Also, the quantity of the interviewees was somewhat limited due to the financial and time constraints of the researcher as well as the difficulty of finding suitable interviewees regardless of extensive effort.

## **2 LITERATURE REVIEW**

### ***2.1 Foreign workforce in Finland – structure and need***

As Forsander states in her research (2000, 336), there is no simple way of classifying quantifiably the amount of foreigners in a country. The choice of parameters for making statistics on the quantity of foreigners is ultimately also an opinion. What should the classification be based on: citizenship, mother tongue, ethnical background or something else? Traditionally the Official Statistics of Finland have regarded citizenship as the determining factor (Tilastokeskus 2004, 7). Situations when such a perspective isn't accurate are for example when children of first generation immigrants start to become a larger part of the society. As they have a Finnish nationality but still their ethnical background might influence their possibilities in the Finnish society, statistics might be misleading (Forsander 2000, 337). Another factor that makes analyzing statistics more difficult is the unpredictability of future outcomes. As Forsander states (2000, 149), immigration and migration flows are very difficult to forecast; if one was to base study results only on factors typical to the economic research of migration flows, such as push and pull factors, the evaluation would be remarkably bigger than the real amount of in and out movers.

Despite the complexities of measuring the amount foreigners in any country, currently and in the future, to the objectives of this study a general overview of the situation with the help of citizenship statistics will be carried out. This will give an idea of how big the need of foreign, highly-educated workers might be in the future, and in this sense give a rationalization to this research.

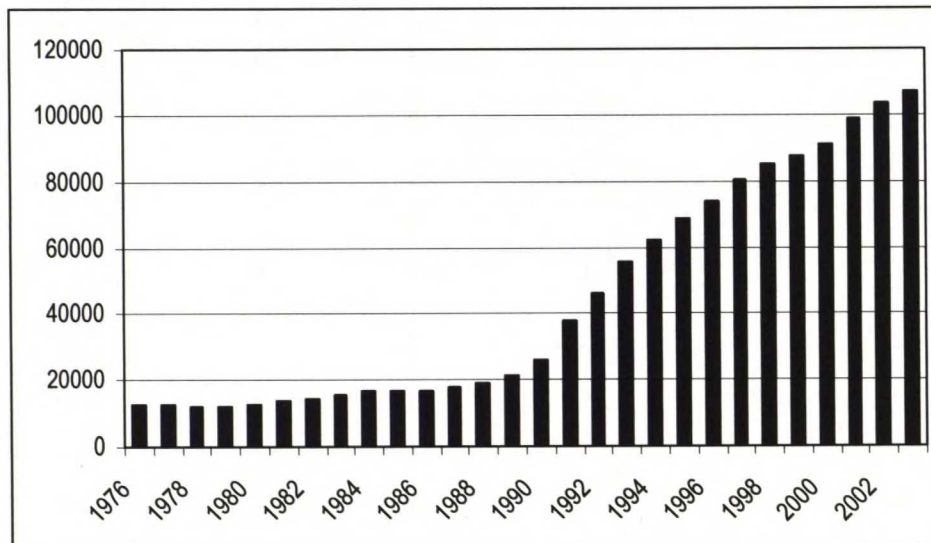
#### **2.1.1 The current situation**

In this chapter a general overview of the foreigners in Finland will be outlined: the trends of the past years, the quantity today, what is the amount in comparison to other EU –

countries, the education level of the immigrants as well as their participation in working life. Some insight will also be given to the immigration flows of people with a tertiary education, comparing Finland to other countries. Finally possible future trends will be briefly presented.

#### 2.1.1.1 *Immigration of foreign citizens to Finland 1976-2003*

The number of foreigners in Finland has been relatively very small, as already mentioned in the introduction chapter. This can clearly be seen from Figure 1, which shows the trend of foreigners in Finland from 1976 to 2003.



**Figure 1: Number of foreigners in Finland 1976-2003.**

*Source: Tilastokeskus 2004, 7.*

From the 1970s to the 1990s as a percentage of the Finnish population foreigners accounted for only less than 1% and from 1991 a big amount of the growth of the inflow is due to Ingrian re-immigrates. From then on other bigger ethnical groups have been those coming from the former Yugoslavia and Somalia to Finland as refugees (Tilastokeskus 2004, 6). These figures clearly show, that if foreigners currently in Finland should be considered as a pool of competence to use for future innovativeness, the pool is still extremely small – even as it's largest in 2003 only 2% of the Finnish population (in figures 107 003). In addition, the biggest “waves” of immigration have been of groups that are in need of help rather than



able to give expertise – having them in Finland is important, especially because as Florida states (2005, 71), it's not such an easy distinction to make between high-skilled and low-skilled immigrants, since over time (over generations) low-skill immigrants often turn into high-skill immigrants. But in the short term, the pool of potential workers for high-tech companies is even smaller than if the composition of the foreigners was different.

Finally, the amount of foreigners coming to Finland with work as the primary reason for moving highlights the difficulty of attracting high-skilled workers: according to a report of the Department of Labor, the percentage of these professionals was as low as 5-10 % of the total inflow of immigrants, i.e. only about 400 persons per year (Hakkarainen 2006, A4). In one estimate for the need of the foreign workforce in the future in Finland the number of persons moving for work related reasons from abroad should be as high as 15 000 annually (Astikainen 2006, A5). The gap between the current situation and this estimate is striking.

#### *2.1.1.2 Foreign citizens as percentage in different European countries*

Figure 2 shows the stock of foreign and foreign born labor force as thousands and as a percentage in selected European countries.

**Table 1: Stocks of foreign and foreign born labor force in selected European countries**

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Austria	277	295	304	316	325	328	326	327	333	345
% of total labour force	8,7	9,1	9,3	9,7	9,9	10	9,9	9,9	10	10,5
Belgium	303	325	342	354	362	368	377	390	386	"
% of total labour force	7,4	7,8	8,1	8,4	8,5	8,6	8,8	8,8	8,9	"
Denmark	71	74	77	80	83	88	93	98	96	96
% of total labour force	2,4	2,6	2,7	2,9	3	3,1	3,3	3,4	3,4	3,4
Finland	"	"	"	24	27	29	33	36	37	"
% of total labour force	"	"	"	1	1,1	1,2	1,3	1,4	1,5	"
France	1506	1517	1541	1593	1573	1604	1569	1586	1593	1577
% of total labour force	6	6	6,1	6,3	6,2	6,3	6,1	6,1	5,8	6
Germany	"	"	"	"	"	"	3575	"	3545	3546
% of total labour force	"	"	"	"	"	"	8,9	"	8,8	8,8
Hungary	33	15	17	20	21	18	20	22	28	35
% of total labour force	"	0,4	0,4	0,5	0,5	0,5	0,5	0,6	0,7	0,9
Ireland	39	40	37	34	42	52	51	53	57	63
% of total labour force	2,9	3	2,7	2,5	2,9	3,5	3,4	3,3	3,4	3,7
Italy	285	296	304	307	332	580	539	614	747	850
% of total labour force	1,3	1,4	1,5	1,5	1,7	2,6	2,4	2,7	3,6	3,6
Luxembourg	92	98	101	106	111	117	124	134	145	152
% of total labour force	47,5	49,2	49,7	51	52,4	53,8	55,1	57,7	57,3	57,3
Netherlands	214	229	219	216	221	218	208	235	"	"
% of total labour force	3,3	3,5	3,3	3,3	3,2	3,1	2,9	3,4	"	"
Norway	46	47	48	50	53	55	60	67	105	111
% of total labour force	2,3	2,3	2,4	2,5	2,5	2,6	2,8	3	4,7	4,9
Portugal	55	59	63	77	84	86	88	88	92	99
% of total labour force	1,1	1,3	1,4	1,6	1,8	1,8	1,8	1,8	1,8	2
Spain	171	139	117	121	139	166	178	197	199	"
% of total labour force	1,1	0,9	0,8	0,8	0,9	1	1,1	1,2	1,2	"
Sweden	241	233	221	213	220	218	220	219	222	222
% of total labour force	5,3	5,3	5,1	5	5,1	5,1	5,2	5,1	5,1	5
Switzerland	702	716	725	740	728	709	692	691	701	717
% of total labour force	17,8	18,3	18,5	18,9	18,6	17,9	17,5	17,3	18,1	18,3
United Kingdom	828	902	862	864	862	865	949	1039	1005	1229
% of total labour force	3	3,6	3,4	3,4	3,4	3,3	3,6	3,9	3,7	4,4

*Source: Modified from OECD 2002, 298*

These statistics show clearly that the amount of foreigners in Finland is both in relative and absolute terms minor in comparison to other Western European countries. Even though the statistics for Finland have an increasing trend, the quantities of foreigners are still much inferior even in comparison to the other Nordic countries, which size wise are more similar to Finland than central or southern European nations.

### *2.1.1.3 The participation in working life and education of foreigners in Finland*

In terms of the labor market, immigrants can be divided into two groups (Forsander 2000, 150):

- 1) Work related immigrants that move to Finland because they or their family member is employed in Finland



2) Not work related immigrants that move to Finland for other reasons than work. In this group are refugees, former USSR area re-immigrates and immigrants that come because of marriage or other family reasons to Finland.

In Finland, in contrast to many other industrial countries, the former group is significantly bigger (Forsander 2000, 150), which is also reflected in unemployment statistics: according to the estimate of the Ministry of Labor, the unemployment rate among foreigners in Finland in 2002 was as high as 29%, compared to 12% of the total population (Tilastokeskus 2004, 49). A large increase in the amount of foreigners in Finland happened during the deepest recession years of the early nineties, which hampered the employment of foreigners. Still today the proportion of foreign workers in the Finnish labor market is extremely small, in 2003 only slightly over one per cent. Naturally the unemployment is highest amongst nationalities that have come to Finland as refugees (Tilastokeskus 2004, 49).

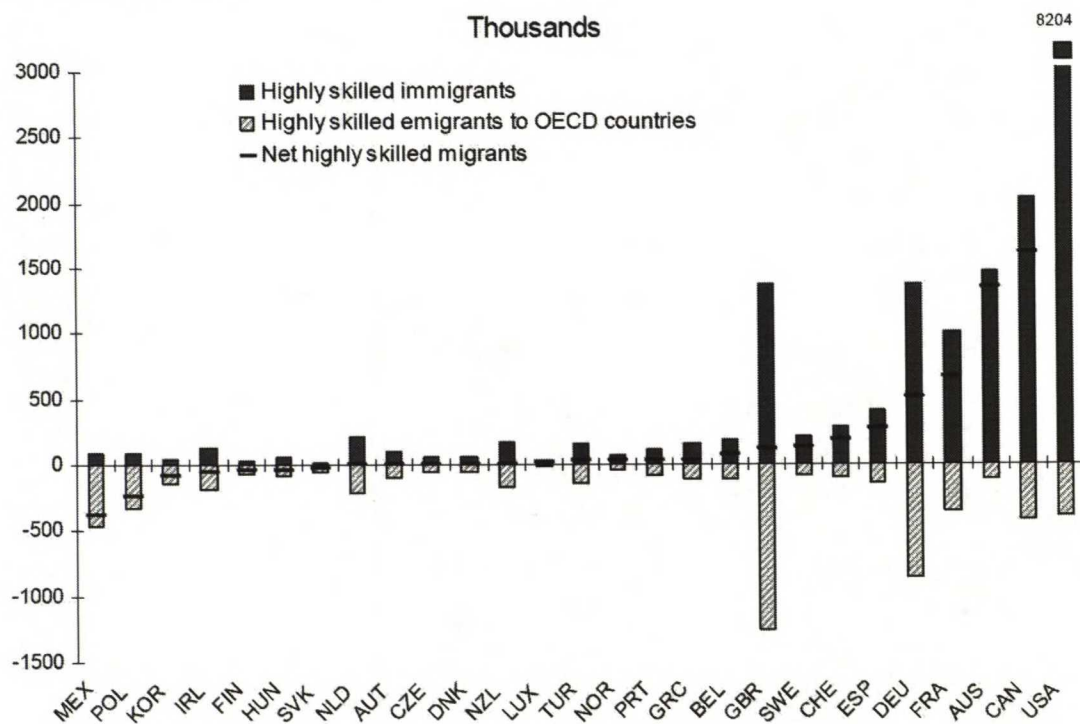
As to education, from the total of foreign citizens 18, 8% have a tertiary education, in comparison to 27, 7% of the Finnish citizens in Finland. Between the different nationalities there is a lot of variation, e.g. amongst the Russian immigrants the figure is as high as 27, 8%, whilst the different groups of immigrants have lower percentages (Tilastokeskus 2004, 33). In comparison to other EU countries the quantity of foreign workers in R&D is low (1, 3% in comparison to the EU average of 4, 1%), and in management positions the number of foreigners is proportionally even lower – about one tenth (Auriol and Sævi in Forsander et al. 2004, 28). Consequently, foreigners are overrepresented in service jobs and especially in the lower level income part of the service sector. It can be said that the Finnish labor market's internationalization is service driven (Forsander et al. 2004, 32).

#### *2.1.1.4 Immigration net flow in Finland*

Figure 2 depicts that the net flow of immigrants with a tertiary education in Finland is negative. This shows that not only are foreigners difficult to attract to Finland, but that



maintaining highly-educated Finns in their native country might as well develop into a challenge in the future.



**Figure 2: Immigrant and emigrant population aged 15+ with tertiary education in OECD countries.** Source: Dumont and G. Lemaître 2005, 28.

The figure also shows that in comparison to other Western countries Finland is doing very poorly, and according to Raunio (2002, 45), the trend is most probably going towards a negative direction, even though the numbers are now relatively small.

### 2.1.2 From at present to the future

Studies affirm that the need of workforce in Finland is not yet severe but it's rather a question of needs and offer not meeting, a shortage of know-how (e.g. Forsander 2000, 179). However, in five to ten years, depending on the economic cycles, the situation looks worse (Forsander 2000, 190). One of the reasons is that the generation change due to demographic development is going to be steep in the next 5-10 years in Finland compared to other Western states (Trux 2000, 17). Raunio states that in principal the amount of

workforce can be increased if people work longer, but real solutions to the problem don't exist yet (Raunio 2001a in Raunio 2002, 40). As Forsander adds, one possibility to solve the gap of workers is substituting immigration, people that come from abroad. According to the calculations of the UN, the amount of people needed is extremely high (Forsander 2000, 191).

In terms of more detailed industries and fields, in the ICT sector there is expected to be a shortage of workers because the amount of people needed is increasing, even though the people that are retiring is not relatively that big (Työministeriö 2002b in Raunio 2002, 40). As it is one of the fields where recruitment has become global, it is apparent that recruitment from abroad to fight the shortage is a viable and even recommendable strategy. According to Forsander (2000, 180) representatives of information technology firms are indeed the only group of actors in Finland that speak about global recruitment and worldwide competence bases.

### **2.1.3 Conclusions**

The statistical overview given above of the quantity and traits of the foreign population in Finland gives a clear message: as for the moment, they are far from being a group that can alleviate the future need for highly-skilled workers, be it in the academic world or in firms. On the other hand, it seems inevitable that there will be a shortage of workers especially in industries that are knowledge driven, due to the low fertility rate, longer lifespan and very low immigration rates in Finland. There have not yet been made any detailed quantitative calculations on how big the need of workforce from abroad will be; however, if the situation of attracting people to Finland won't be improved, the amount of foreigners moving to Finland for work reasons will be too small.

According to the literature (Arvey et al. 1996, 67-68) some firms have troubles in recruiting groups that represent minorities because of the problem of "critical mass": if there aren't enough foreigners in a company, being the only one that deviates from the rest decreases

the attractiveness of a firm; the study results of Raunio support this view, since according to him (2002, 46-47) people look for “global environments” when deciding which companies to join. This could easily be the case in national attractiveness too – since Finland has so few foreigners, it is mostly unlikely that the professionals that are willing to move abroad and that could provide the needed value-added will consider Finland as an option. Richard Florida states precisely this as a problem for the attractiveness of Finland in the quest for the professionals of the knowledge-based economy. According to him, the three most important factors for economic growth of regions are technology, talent and tolerance (Florida 2002, xix). Finland is doing well on the first two mentioned, but is challenged by its lack of diversity and tolerance if it wants to compete at the global cutting edge, even in comparison to other Northern European cities as Stockholm (Florida 2005, 173). This underlines the importance of the different representatives of Finland as attractors for foreigners, even because being a remote, small and relatively unknown country doesn’t help the situation. Since the state of affairs can’t be solved through only domestic demographic plans, foreigners need to be attracted – and firms have an important role in this process.



## **2.2 *Diversity in working environments***

This chapter will present the literature on the development and studies related to minorities as a part of working communities. Since, as mentioned earlier, the strongest traditions in this area of research are from the USA, their study results have an important part of the presentation, but also Scandinavian and Finnish research will be presented. Even though as mentioned earlier the American studies' results can't directly be copied to Finland, they are needed to give this research a stable theoretical basis, upon which adaptation to the Finnish situation can be built. These research results also direct towards the building of a theoretical, holistic framework on attracting and benefiting from foreign workers in Finland, since it guides to the issues that have to be taken in consideration.

### **2.2.1 Definitions and historical development**

The currently most important theory related to minority groups in working environments, diversity management, has historically been developed from legally mandated employment protections in the USA: the Equal Employment Opportunity and Affirmative Action (Yakura 1996, 25-26). Affirmative action has existed in the USA since the 1960s. Its goal was to alleviate inequity through social policies, and force companies to employ Afro-Americans, women, immigrants and other minorities that were prone to be discriminated (Trux 2000, 268). It has developed several negative and inappropriate connotations, because it has sometimes served to stigmatize minorities, who may be treated as though they obtained employment just because of their minority status (Major et al. 1994, in Yakura 1996, 41). Diversity management differs from Equal Employment Opportunity and Affirmative Action in that instead of homogenizing equality and neutrality, people are seen as unique, which can be linked to the potential for enhanced performance and the promise of greater creativity and responsiveness for changing markets. As every individual is included, the possibilities for discrimination, reverse or direct, should be minimized. (Yakura 1996, 42).

As can be seen from this very brief presentation of historical development, the origin of the American perspective on the issue is very different from what it is in Finland: in the USA, a society which includes a multitude of cultures is a basic presumption, and the target of the development is to integrate it in the working life at all levels. From there it has then been developed to an opportunity for companies, which should improve their competitiveness. In Finland, on the other hand, a heterogeneous population has not existed historically, as presented in chapter 2.1. This gives a different starting point in relation to diversity management, since it has never been based on non-discriminatory action, but rather it has been seen as a competitive asset or a response to a workforce insufficiency (for the few companies that have had a strategy to employ foreigners). In addition, the Finnish awareness of needs for diversity is extremely recent and also limited to small groups, as the foreigners have been almost a non-existent part of the society. Even though the points of departure are as different as these two, some common benefits through right strategies and management should be able to be gained. For example, as Trux (2000, 262) states, in Finnish companies action between cultures can already be managed, at least if it's referred to that contracts are followed, people do their jobs, freight is transported etc. But to reap all the benefits of cultural difference, that is increase innovativeness and creativity through diversity, is still a challenge – as it is in foreign countries too. Next, study results on diversity in organizations, its impacts both in positive and negative, will be presented.

### **2.2.2 Results of keeping diversity as an organizational goal**

As can be stated from the above transition in the guiding lines of attitudes toward minorities in the USA, it has developed from an issue to cope with to a key asset to try to achieve, at least from the academic point of view. Next, both negative and positive results from having a diverse workforce will be presented. In addition to giving a rationale to why it would be good for Finnish companies to have more variety in its workforce and show that the process that will be presented in the theoretical framework in the thesis is beneficial for their business, this also guides toward the dimensions which should be taken in consideration in the process of recruiting and integrating foreign employees in Finland.



#### *2.2.2.1 Positive research results*

The general opinion among scholars is that having diversity oriented human resources management is beneficial for companies in the long term. Nevertheless, the commitment has to come from top management level and the organizational culture has to be adapted to reach the goals of diversity management. Next, outcomes that are, according to the literature, positive to a company because of diversity, will be presented.

When considering potential employees from outside the traditional recruitment schemes, companies are able to develop the recruitment, development and retention of the best talents, as the pool of potential future employees becomes wider (Caproni 2001, 186). This of course would be one of the most apparent reasons for Finnish companies to take diversity management in consideration: the pool of employees nationally is too small and as discussed in chapter 2.1, it will not cover the need of highly-skilled workers. In addition, companies that yet don't feel this shortage can act to prevent it in the future, and also try to improve the quality of the workforce through a multitude of talents.

A second important reason is that through having a more diverse working environment, firms will be more cognizant of their market opportunities and develop more effective response capabilities (e.g. Cox and Blake 1991, in Florkowski, 339). Now that many firms especially in the IT-sector are acting globally, having "insider information" of markets in different cultural clusters can help to target them. This leads to reaching success through knowing markets better than competitors (e.g. Caproni 2001, 186).

Thirdly, related to the previous point, if working teams are too homogeneous their interpretations of the external environment tend to be homogeneous. This leads to restricted possibilities of seeing opportunities not only in markets and understanding them, but also in resource allocation decisions that in turn determine performance outcomes for an organization (Dass and Parker 1996, 374-75). Differentiation, a relevant strategy option for companies in the IT-industry, may be achieved by high innovation, quality and/or



customization (Porter 1980, 46) and thus employee resources and behaviors are essential for this strategy (Porter 1980, 38). Since creativity and expertise are unlikely to be the exclusive property of dominant groups, organizations practicing traditional management methods emphasizing homogeneity of thought and practice are likely to lose the cutting edge of innovation, quality or service (e.g. Cox and Blake 1991, in Dass and Parker 1996, 375). So in short it could be stated that in addition to improving possibilities to respond to the market demands of different cultures, diversity leads also to better strategy formulation and implementation.

A fourth factor that academics agree upon is that problem solving quality and innovativeness improves in heterogeneous groups, compared to homogeneous ones. The first positive research results on this are from already the 1950s and 1960s by e.g. Hoffman 1959, Pelz 1956 and Maier 1961 (Thompson and Gooler 1996, 398). More recent studies affirming this are e.g. those of Hambrick et al. 1998 (Barber and Daly 1996, 213), Nemeth 1985 and Nemeth and Wachtler 1983 (Thompson and Gooler 1996, 399). It seems that groups with minority views are more likely to consider a greater number of alternative solutions and to more carefully discuss the assumptions and implications of alternatives. In some studies, the heterogeneous teams were more productive than the homogeneous teams, in others less so; what accounted for the differences in the productivity were the heterogeneous teams that paid attention to the impact of diversity elements (Thompson and Gooler 1996, 399). This leads to an important conclusion of certain studies: even though diverse teams are likely to produce more innovative and qualitatively better results in problem solving, the initial impact on groups' interaction processes and performance might be negative (Watson et al. 1993, 599), and that heterogeneous teams reach better results if team members are given information about attitudinal differences of other group members (Triandis et al 1965, 52). All in all, it seems that diversity has been demonstrated to improve team performance, but needs to be managed correctly (Thompson and Gooler 1996, 402) and might also need more time to attain the results (Tsui et al. 1995, 206).

Finally, in addition to the above mentioned, companies can also gain positive publicity through having an image of a multicultural company (e.g. Caproni 2001, 186), which seems to be valued highly in Finnish IT companies too (Jukomaa 2001, 74). Also decreased operating costs from lower turnover of minority group employees can be attained through successfully managing diversity at the workplace, which naturally is essential to countries that want people moving in – the costs of attaining them and integrating them shouldn't go astray by losing them in a short period of time.

#### *2.2.2.2 Negative research results*

According to critics of diversity management, the business argument of how useful diversity recruitment can be is often overstated. In the Equal Opportunity Review (November December 1987) Rubinstein claims that profit-maximizing employers would have rushed to adopt equal opportunities policies if they really would bring all the economic benefits they are claimed to bring, and that sometimes racial discrimination can be quite rational behavior (in Wrench et al. 1999, 248). According to Wrench et al. (1999, 248) equal opportunities procedures cost time and money, and taking on a black employee instead of a white employee might impose a cost in terms of customer behavior. This statement clearly shows from what a different perspective American studies approach the issue: for them, diversity management is more about integrating a part of the society that has been discriminated, when in Finland it is more about seizing potential employees that are outside country borders. However, even though recruiting foreigners from abroad is not about moral, social or political goals, seeing an opportunity in the international potential employee pool gives Finnish companies a window of opportunities that gives competitive advantage, as stated in the previous chapter.

Also other academics state that even though diversity is claimed to be good for business, many attempts to increase diversity in the workplace have backfired, sometimes even heightening tensions among employees and hindering a company's performance (Thomas and Ely 1999, 122). However, the study differs from the one mentioned previously on how



they see a solution to this discrepancy between theory and practice: Thomas and Ely see it as a matter of management and the organizational culture (1999, 123), whereas Wrench et al. see as the only solution financial sanctions, the threat of law or loss of commercial contract (Rubinstein in Wrench et al 1999, 248).

The study of Adu-Gyan et al. (2000, in Lundgren and Mlekov 2002, 213) reinforces the assumption stated by the two above mentioned research groups on the negative impacts of diverse working groups. According to him, the development of competence in an intercultural setting or heterogeneous groups takes longer time when corresponding process in a homogeneous group and requires some winding detours. However, as stated in the previous chapter and as confirmed by for example Hambrick et al. (1998, in Lundgren and Mlekov 2002, 213), these heterogeneous setting often lead to more complex problem solving.

A common critique that came up several times in the literature was the probability of diversity programs becoming only superficial statements, policies that in fact are only “window dressing” and that the whole conception is only related to a hype that becomes only a “flavor of the month” that is then forgotten (e.g. Yakura 1996, 43-44). Again, this is not a negative trait of a strategy towards a more diverse working environment in itself, rather a question of successful management and commitment and diversity strategy implementation.

From the studies quoted (except from the one of Wrench et al.) it seems thus that the potential of heterogeneous groups is greater than those that are homogeneous, but time and right kind of management are needed to retain the potential. The possible measures for this kind of management will be discussed in chapter 2.3.



### **2.2.3 The Finnish perspective**

According to the Finnish literature on the subject, the positive effects from a multicultural working environment have been noticed in Finland too. According to Forsander et al. (2004, 143), Finnish managers have stated that departments that have a multicultural representation have a strength and a competitive factor in their foreign workforce. One result of the study of Raunio (2002, 122) also presented a positive factor linked specifically to the Finnish culture. He states that in certain teams the fact that foreigners were present increased the talkativeness of Finns too. This is important because one of the negative factors of the Finnish working life experienced by foreigners was the almost non-existent amount of small talk and free discussion even in work related issues – more about this issue will be presented in chapter 2.3. Raunio continues that the arising of a new discussion culture can be seen as a social innovation that opens new possibilities to the team. Openness in solutions that are not ready yet can build better problem solving opportunities (2002, 122).

### ***2.3 Process of foreign recruitment and foreigner integration in firms***

Based on the discussion of chapters 2.1 and 2.2, it can be concluded that increasing the quantity of foreigners in Finnish companies is more than recommendable, resulting in anticipation to a probable deficit in future employees and improved competitiveness on firm level through better quality in the working outcomes. This chapter will build a holistic representation of the measures that an individual Finnish company can take when targeting a working environment with diverse employees and will increase the understanding on how it can best manage this heterogeneous workforce to be able to maximize the benefits it can give to the company. The emphasis will be in the SME perspective. As much of the literature is of American origin, academic research from the USA will be dealt but with the aim to support managerial implementations that are consistent and adaptable in Finnish firms. Naturally, research conducted in Finland on issue will be dealt too.

To make the representation logical and easy to follow in interviews of the empirical part, the chapter will follow a chronological order of measures that the Finnish firm will encounter when implementing a plan of increased foreign representation in its workforce. These have been selected for this thesis based on the literature studied, combining the different dimensions that seemed to recur in different articles and books. The different steps of the process are:

- 1) Top management commitment and organizational adaptation
- 2) Recruitment
- 3) Management
- 4) Integration and building of a multicultural working environment

These will each be dealt as subchapters of chapter 2.3, firstly on a general level from the academic point of view, and then as how they are suitable to Finnish firms with a continuous interest in how the reality of SMEs is applicable to these theories. From the analysis of literature and its adaptation to the needs of this research, a theoretical

framework will be developed, which will work as the guideline in the empirical part of the study.

It is important to note that even though the four different dimensions might be implemented in the order mentioned above, they are heavily intertwined for attaining a successful diversity management in a company. Practical implementations of the different dimensions can't work if the mindset of the whole company isn't supportive, as well as if the organizational structures are wrong; middle management can't fully implement their goals if there is no support from top management, and plans on higher level won't be implemented if lower level employees don't feel involved etc. The classification is anyhow important to concretize the process, and it must also be noted that many of these hierarchy and organizational problems are inferior in smaller firms than they might be in bigger ones.

### **2.3.1 Top management commitment and organizational adaptation**

As already mentioned in section 2.2.2.2, a determining factor for a successful implementation of diversity management is the commitment of top management and an organizational culture that supports the change towards a more multicultural company. This chapter will firstly outline the rationale and the research results that show why this dimension is important and then continue on the approach that top management should have to properly improve the situation. In section 2.3.1.2 research results from Finland will be shown on current attitudes of senior management on diversity commitment, both generally and in the IT sector specifically, as well as foreigners' experiences of Finnish management systems.

#### *2.3.1.1 Literature suggestions*

Two fundamental reasons that justify a strong senior management commitment are the image of the company and behavioral patterns that are developed through it. The first mentioned is critical because as Raunio states in his study (2002, 78), factors that attract people to work in different countries are rather company related than country or region



related – a brand of a multicultural company is difficultly developed without senior management commitment and strategy formulation towards it. The latter in turn is related to deeper company specific values. An organization's culture has both a direct and an indirect impact on the allocation of power among diverse groups. The values and ideologies inherent in the organization's culture directly determine which behaviors and outcomes will be rewarded (Schein 1985, 233-34). The reward system, in turn, determines which groups are tracked into positions of power and leadership (Ragins and Sundstrom 1989 in Ragins 1995, 96-98). Groups with power are interested in maintaining their influence and may do so by supporting policies, practices and prescriptions that exclude other groups from power (Ragins 1995, 96-98). As how the SMEs are concerned, it could be stated that the image building could be more difficult, but the power structures easier to adapt in comparison to MNCs. Brand building on a global level for small companies is a greater challenge than to big ones as notoriety is not easily or cheaply achieved. However, in certain niches through networking the task is by no means impossible for SMEs either, since in certain professional networks the word of mouth can have an influential impact amongst its professionals. As for the power structures, the smallness of a company provides greater flexibility that in turn alleviates the weight of structural change.

It is important to note that these mindsets and management behaviors lead to a vicious circle where possibility to greater learning through heterogeneity in the workforce is lost, i.e. the window of opportunities of a multicultural workforce is not seized. Next, different studies on the involvement of management in diversity issues and their importance to an overall success for a well functioning multicultural working community will be presented.

Childs Jr. points out in his article (2005, 73-74) that workforce diversity can't be delegated and that it must be a partnership; although the HR team plays the key staff role, total delegation from the top, without active involvement, is a recipe for failure. According to him, leaders must help all people involved with their business understand that workforce diversity can be the bridge between the workplace and the marketplace and that workforce

diversity is about effectively reaching customers and markets. Yakura (1996, 44-45) goes much in the same direction as Childs. She states that most researchers (e.g. Jones 1991, Taylor 1991, Hitt and Keats 1984 in Yakura 1996, 44-45) agree that commitment from the senior management in the organization is the key to the success of any kind of diversity programs. In addition, Yakura affirms (1996, 44-45) that a critical precondition to the commitment of senior management is their understanding of diversity integration issues; otherwise commitment will only be shallow. This will most probably lead to only wasted time, as no effective plans could follow. To avoid these kind of failures, Kossek and Lobel (1996, 5) guide that managing diversity shouldn't be dealt as an end in itself, but as a mean to reach organizational goals; in consequence, a company should look ahead to the key outcomes that it wants to achieve, before it can take a step back and identify how the existing HR system needs to be reshaped, designed and re-integrated. Other researchers go even deeper in the same direction, stating that diversity strategy should be integrated with business strategies, such as globalization, cost, innovation, speed quality, and customer service (Jackson and Alvarez, 1992 in Kossek and Lobel 1996, 10). Through a most probably lower hierarchy in SMEs, and a certain flexibility arising from the size of the company, SMEs should have a benefit in terms of these changes needed. The lower amount of people working in an organization makes the relationships more personal, and reciprocal relationships are more easily developed, e.g. between the HR and senior management. Also, strategy formulation and adaptation throughout the company is expectedly smoother than in larger corporations.

Thomas and Ely give an interesting stance to this issue in their article "Making difference matter" (Harvard Business Review on Managing People 1999, 121-52). They outline two currently used paradigms in companies that take diversity in consideration but don't succeed in reaping all of its potential benefits: the discrimination-and-fairness paradigm, which is based on the recognition that discrimination is wrong and where progress is measured by how well the company achieves its recruitment and retention goals, and the access-and-legitimacy paradigm, in which organizations tend to emphasize the role of



cultural differences in a company without really analyzing those differences to see how they actually affect the work that is done. As a remedy to the problems of these two paradigms they suggest a third one, the learning-and-effectiveness paradigm, which incorporates aspects of the first two but goes beyond them by concretely connecting diversity to approaches to work. They too argue that the desired transformation requires a fundamental change in the attitudes and behaviors of an organization's leadership. As examples of this they state that companies often operate with an assumption that the main virtue identity groups have to offer is knowledge of their own people, which is a limited and limiting approach and detrimental to diversity efforts. Companies should instead try to acquire all new information and knowledge about how to actually do work – how to design processes, reach goals, frame tasks, create effective teams, communicate ideas and lead. The article guides companies to change their overall view of diversity – it should be understood holistically, as providing fresh and meaningful approaches to work instead of only related to information gain on regions that people come or their ethnical background. In Finnish SMEs this could mean not only exploiting the foreigners' technical knowledge but rather try to learn new ways of working and other not strictly profession related knowledge.

All in all, the essential guiding principle seems to be a thorough understanding of diversity starting from top management level, a commitment to it and a mindset that links diversity to the strategies of the company, in addition to seeing a diverse workforce's benefits in a larger context. It is also worth to note, that according to some sources, taking advantage of the benefits of multiculturalism doesn't require vast capital investment. Ali-Yrkkö et al. state (2000, 104) that it's rather about reaping the benefits and coordinating the experiences of internationalization. Adding the cultural dimension as a part of human resource and management development doesn't require big changes, rather a deliberate aim to make multiculturalism into a competitive factor of the company. This point can be debatable, however. As this thesis will show in the coming chapters, employing and integrating foreigners to Finland unfortunately causes financial burdens to a company through specific



services that might be needed or through special contracts offered. So, in terms of commitment the costliness can be of minor importance, but in terms of action less so – whether Finnish SMEs feel that the costs might outweigh the positive consequences of a multinational workforce will be studied in the empirical part.

To make the implementation of diversity management possible in a company, diversity theorists concur that effective management of diversity requires organizational change (e.g. Cox 1993, 225). Managing diversity begins by looking at the system within an organization. A number of basic questions must be asked by top management: Are we getting the highest productivity possible? Is morale as high as we wish? Does our system work as smoothly as it could? If not, the core of culture must be changed (Chemers and Murphy 1995, 171). In the same vein Caproni suggests as the reasons for failure of diversity plans the lack of systematic planning, since a diverse workforce can become a competitive advantage only if understood, carefully managed, and viewed as long-term investment (2001, 186).

Thomas and Ely (1999, 140) suggest the following steps to be considered to become an organization that succeeds in benefiting from diversity:

- 1) The leadership must understand that a diverse workforce will embody different perspectives and approaches to work, and must truly value variety of opinion and insight
- 2) The leadership must recognize both the learning opportunities and the challenges that the expression of different perspectives presents for an organization
- 3) The organizational culture must create an expectation of high standards of performance from everyone
- 4) The organizational culture must stimulate personal development
- 5) The organizational culture must encourage openness
- 6) The culture must make workers feel valued

- 7) The organization must have a well articulated and widely understood mission
- 8) The organization must have a relatively egalitarian, no bureaucratic structure

These guidelines have many common traits to what has been called a flat or organic organization, and are supported by countless examples in the literature: Lundgren and Mlekov (2002, 212) state that the process of learning must be made part of the culture to attain successful diversity management; Hämäläinen (2001, 15) adds that a democratic leadership style is believed to enhance the loyalty and commitment to the organization and its objectives and therefore to improve the satisfaction of the employees; Raunio (2002, 115-16) continues that one of the most important dimensions of the working community is the innovative atmosphere seen from the point of view of the individual, since it gives opportunities to professionals to develop and challenge themselves through interesting work tasks and commits them to the job in question; and finally Florida (2002, 40) who adds that companies that can provide an environment that lets individuals to be creative and values their input, challenges them and have mechanisms for mobilizing resource around ideas, regardless of size, will have an edge in attracting, managing and motivating talent. As the last mentioned research result implies, company size isn't decisive in this dimension, and actually SMEs tend to have a certain flexibility that can even facilitate the organizational adaptation in these terms.

These traits presented above of a "flat organization" have in fact been one of the qualities that have been widely appreciated amongst foreigners while working in Finnish companies, and even suggested by Finnish researchers to be something to use for "marketing" Finland as a good place to work in (Forsander et al. 2004, 222). This kind of mindset seems to be essential since also according to Raunio (2002, 117), knowledge intensive companies on international level emphasize respect for the individual and empowerment. In this kind of setting power is delegated from the top and the importance of individuals for the company



is highlighted, which gives a certain liberty for the individuals on one side, and on the other independency to take care of the tasks (Brown 1999, 118-24 in Raunio 2002, 117).

Last but not least, for a sustainable development Caproni suggests that good planning can be reached through obtaining information about how well your company is managing diversity in comparison to other companies' best practices, as well as measuring results and reward progress (2001, 196). Kossek and Lobel add to this that while conducting assessment of effectiveness of the current culture can help awareness, it won't work if conducted as an isolated strategy. To work, they should focus on the redesign of HR systems and practice, such as pay and promotion systems, which give clear messages about what behaviors in the culture are valued (1996, 4).

If a company succeeds in effectively managing diversity, there should be a proportional heterogeneity in employment position across rank, department, and specialization (Cox 1993, 193).

#### *2.3.1.2 The Finnish perspective*

Forsander (2004, 176) states that a management style regarding diversity is an operating method embedded in countries where migration has been a part of history, but requires modification in different countries, as Finland. In addition to signifying that international guidelines for diversity management should be applied with thorough contemplation, this could also be interpreted as a sign that an awareness of diversity and a commitment to it should be even more important in Finland than elsewhere, since there are virtually no traditions and experience of it. Next, some examples of researches on attitudes and strategies towards foreign worker employment will be outlined to illustrate the current situation, firstly generally in companies, even on a Nordic level, then more specifically in the IT sector in Finland. Lastly, research results on foreigners' points of view on Finnish management systems will be presented.



Nordic studies give a rather negative picture of the wider awareness and recognition of the importance of diversity in the workforce. According to Alvesson and Berg (1988 in Lundgren and Mlekov 2002, 216), in Sweden there seems to be a clear striving towards homogenization in the entire HR domain, as well as in the less formalized leadership trends of creating organizational cultures. According to the study of Florida the society as a whole in Sweden is however amongst the most tolerant in the world (2005, 153), which really calls to question Finland's ability to reflect diversity tolerance in the workplace. Argyris states (1990, 117) that the learning culture needed for fruitful utilization of a diverse workforce requires a tolerance of uncertainty and conflicts to which according to Adu-Gyan et al 2000 (in Lundgren and Mlekov 2002, 213) we in Nordic countries are traditionally not used to. Finnish studies support this reality in Finland too: the attitudes towards foreigners are a big problem. Especially older generations are hesitant in their regards, and according to studies of EVA, the situation hasn't improved in the past years (Forsander et al. 2004, 214). The situation is anyhow different among the educated, urban dwelling youth, and the IT sector, as the two studies of Trux and Forsander referred to later will show. However, in the research by Forsander et al., also interviews of foreigners reflect these negative attitudes: when asked about their opportunities outside the companies they were working in at the time, the respondents were very pessimistic. They said that in addition to not knowing the language, a barrier they felt companies had in employing foreigners was the company's ability to integrate a non-Finnish speaker into the working community (2004, 152). They also stated as a negative trait that many companies had as members of the top management only Finnish persons, which makes foreigners think that it gives a message of the company culture and how it values more Finnish persons when promotions are made (Forsander et al. 2004, 150). Finally, in the study of Forsander et al. (2004, 29) it also comes out that approximately only 50% of Finnish management representatives didn't even know the breakdown of ethnicity in their company. This tells several things: for first, the amount of foreigners is so small that it's not noticed; secondly, that in Finnish companies it is illegal to register people and employee registers according to ethnicity; thirdly, the lack

of knowledge reflects that the companies in the study don't follow any kind of diversity related, planned organizational strategy.

One competitive advantage of Finnish firms is that according to studies, Finnish companies in the high-tech industry have chosen English as a corporate language, which enables them to recruit from global pools of foreigners (Forsander et al. 2004, 180 and Jukomaa 2001, 83). In contrast to e.g. France, Germany and Japan where IT professionals are required to speak the local language, Finland has developed English speaking communities, as islands of the global economy, which is an asset compared to other foreign potential employers (Trux 2000, 267), and should also be profited in SMEs to the largest possible extent.

As for research on the attitudes of Finnish ICT companies, somewhat different results in terms of their interests in hiring foreigners can be seen. Since studies that have been conducted have been rather qualitative than quantitative in nature, an overall image of the situation is hard to obtain. In two studies, namely those of Forsander et al. (2004, 216) and Trux (2000, 303), the two IT -companies that were interviewed affirmed that recruiting foreigners was indeed a company goal, whereas in Jukomaa's study (2001, 59-64), out of seven high tech companies only one had had an active involvement in recruiting from outside country borders. This shows that no general attitude can be concluded, but rather that attitudes are case and probably even period specific – the study of Jukomaa was conducted in 2001 after the crisis of the IT sector.

It seems thus that some few companies in the ICT field have adopted a management mindset that strives towards diversity, while the general attitude in Finland is rather the opposite. Whether these kinds of attitudes are persistent also in Finnish high-tech SMEs today will be studied in the empirical part. Unfortunately though, the attractiveness of certain companies can be outweighed by the attractiveness of a country as whole, especially since a new trend in the labor market is its horizontal nature, i.e. that careers are no longer built vertically in one company but rather through sideways moves between companies



(Florida 2002, 114). This is why single companies have to be even more assertive and understand their role as part of the Finnish high-tech industry: they are the ones that can build a thicker labor market for foreigners, and thus improve the attractiveness of Finland.

In terms of Finnish management as experienced from foreigners, there are different kinds of results in two of the studies used as literature. According to Raunio (2002, 119), the Finnish opinion on management highlights the equality of people despite their role in the company; the lack of hierarchy in Finnish companies is stronger than in many foreign companies, whereas Hämäläinen (2001, 63) states that a feature that was criticized by both Finns and foreigners was the invisibility of top management, in this case, meaning the managers for your direct manager. Result of it is a situation where employees don't have a clear vision of the future scenarios and what is expected in the long run. As related to cultural diversity, in the study of Forsander et al. a company that had organizational goals towards a heterogeneous workforce, shows that it has been felt to progress slowly and from below, without proclamations from management, visible campaigns or management training (2004, 219). This suggests that progress towards diversity has been left somewhat to develop "naturally" without extensive guiding throughout the process. This isn't necessarily in contrast to the American theories of management commitment, since it can be seen as the conscious strategy that leads to a situation where such down-up development is possible.

As referred to earlier, the brand of the company is of great importance when a foreigner makes his decision about his or her future job. As a result, in addition to nations and regions, also many companies try to be part of the field of decisions that professionals meet when they decide to take an occupation (Forsander et al. 2004, 108). This is of even heavier importance to companies in Finland, as it is such a small country. In fact, Trux (2000, 290) states that in the research the attractiveness of the company was the main factor for the decision to move, and the decisive touch was given from Finnish networks, that concretized Finland as a possible living- and working environment. SMEs face a challenge in the



branding issue due to limited resources, but in specialized fields as the ICT-industry they can however build a good reputation among professionals' networks.

### **2.3.2 Recruitment**

Recruiting is of imperative importance to Finnish companies wanting to achieve a diverse employee base, since as dealt in chapter 2.1 the pool of foreigners is extremely limited in Finland. This leads to a situation where recruiting from abroad is practically the only option left for improving company performance through multicultural competence. In addition, research suggests that foreign professionals that come to Finland do it for a certain job, never for the country or region in itself (Raunio 2002, 77), which emphasizes the role of the company as an initiator. Companies should also bare in mind the possibilities of the recruitment of foreign students that study in Finnish universities – they are already in Finland, have knowledge of the local culture, are able to give value-added that Finnish students might not have and should have up-to-date information of their field.

For a successful international recruitment, a company should have good *human resources planning systems and structures, an efficient recruitment process* and *use the right methods* (or recruitment channels) to target the right potential employees. Studies on all of these three dimensions as related to international recruitment will next be presented in section 2.3.2.1, after which the Finnish perspective on the matter will be dealt.

#### *2.3.2.1 Literature suggestions*

As briefly was dealt in the previous chapter, organizations tend to have *HR systems and structures* based on models of homogeneity. This seems to be the case even internationally, as Kossek and Lobel (1996, 3) state. Examples of this are recruiting practices that emphasize hiring people from sources that have historically been reliable and selection practices that stress choosing candidates similar to those who have been successful (Jackson 1992b in Kossek and Lobel 1996, 3). Explanations to these kinds of schemes of behavior are e.g. that the demography is homogenous and it is difficult to recruit a diverse

workforce; psychological reasons (the need to belong to a group which is perceived to be similar as oneself is a universal human tendency); and the fact that corporations tend to create routines and traditions that will exclude risk factors in order to obtain stability, which is assumed to be necessary for good results (Lundgren and Mlekov 2002, 209). If wanting to achieve a diverse workforce these kinds of mindsets should naturally be changed. A comment that reflects a constructive attitude towards global diversity recruitment is that of Olli-Pekka Ihalainen, recruitment manager of Nokia, who states that Nokia is not searching for a certain gender, age or nationality, but rather know-how (Tekniikka & Talous 16.11.2000 in Jukomaa 17). As Jukomaa comments this statement in her thesis (2001, 17), this kind of approach to person specification could be recommended also to other companies that are competing for the skilled people on the IT labor market.

Other problems that may arise when planning to recruit a diverse workforce are the inability to pass a “critical mass” of diverse workers in the company and thus impede the attractiveness for minority groups, who might not feel welcome unless there are more of them; the fact that the recruitment may take considerable time, as turnover is often relatively slow in organizations and attempts to change the HR characteristics of an organization can be impeded by the workforce already in place even in the organization with the best of intentions; and the underlying business conditions, i.e. the company is not expanding and does not have the resources (Arvey et al. 1996, 67-68).

It is important to note that the *recruitment process* is a heavier engagement to both the company as well as the future employee when it is done cross national borders. According to Heneman et al. (1996, 75), the best way to make this process of staffing more efficient for achieving diversity is through theoretical precision. E.g. while it is important to know that an organization does not have any women or foreign managers, it is even more important to know why this is the case. The same article states also that to keep diverse applicants in the recruitment pipeline, greater efforts should be made to streamline the recruitment and selection process (Heneman et al, 1996, 68). In addition, when done



internationally two important details that differ from the normal recruitment process are according to Jukomaa, that the information about the terms and conditions should be communicated as early as possible, even in the job offer (2001, 23), and that the company should carefully consider what kind of additional services it should offer to facilitate the arrival and integration of the employee, e.g. helping to find an apartment, practical guidance for everyday life, courses on the culture and language etc (ibid 2001, 18). These issues will be dealt more in detail in chapter 2.3.4 on the actual integration process – however, during the recruitment, planning of these services and informing about them to the employee should be considered.

The different stages of the recruitment process defined by Storey and Wright (2001 in Jukomaa 12) are:

- 1) defining the vacancy
- 2) attracting applicants
- 3) assessing candidates
- 4) making the final decision

Suggestions on how to handle these steps according to the literature will next be presented.

In the first step of the recruitment process, defining the vacancy, companies should carefully consider on what terms they would like to occupy foreigners and how they most probably could succeed in attracting them to Finland. As Forsander et al. state, many foreign specialists do not come to a country to settle permanently, in stead for periods of two to five years (2004, 181) – recruiting foreigners on a contract basis instead of for permanent jobs may in addition to increase the pool of potential specialists help to pass the problem of the “critical mass” mentioned earlier in this chapter. The notion of brain circulation presented by Raunio (2002, 48) also confirms the different kind of priorities foreigners might have: a part of the foreigners won’t stay for long but rather gain experience and then return on the international recruitment markets. Literature from the USA states that even though the labor market is experiencing ever more horizontal careers



(i.e. between companies instead of vertically in a firm), most workers in the knowledge based professions are not free agents. They move around frequently, but their fundamental condition is that of employees (Florida 2002, 106). Thus it seems that even the professionals recruited as employees might be almost as mobile as freelance consultants. Which sort of employment the company chooses to offer should be carefully analyzed, since the costs and services that the company has to provide will differ greatly if the post is a consultancy kind of job or a long-term contract.

In the second part of the recruitment process, i.e. attracting applicants, in addition to keeping in mind the different recruitment channels, companies should be aware that one of the main reasons for which people move abroad, in addition to the career, are financial reasons. Forsander et al. state (2004, 22) that amid foreigners that have come to Finland to work in the ICT field some did so because of financial reasons. It must be noted that these people came here with special contracts, and that generally taking Finland is not an attractive place in financial terms. Research results from the United States suggests that regions and cities with the highest amount of knowledge based and innovative enterprises also have the highest inequality in income terms (Florida 2002, xv) – this signifies that people that represent these professionals that also Finland is trying to attract are used to and can get higher salaries outside Finland. This might turn into one of the most important issues for not succeeding in attracting high-skilled immigrants to Finland, since the low salary level is an off-putting factor. Possible solutions to these problems might be more consultancy based jobs, where remuneration standards are different, a general wage increase in the Finnish industries or more pressure from the industry to have flexible taxation solutions for certain immigrant groups. These could without doubt turn into the most troubling factors to SMEs and Finnish companies in general. It is apparent that companies should have to accept the rising costs due to foreign employees, if not in other terms at least for the replacement services. As for the image issue, companies should have an aggressive approach to the recruitment, since a worldwide brand is unlikely to be the starting point of the companies this study is concentrating on. The social networks of

current foreign workers in Finland is an extremely effective way to increase international awareness of the company; know-how attracts know-how based on individuals' networks and the word of mouth, which often inform on work opportunities (Raunio 2002, 85).

As when arrived to the third step of the process, assessing the applicants, companies should bear in mind the risks of judging applicants from a homogenized point of view, especially if the company has got very low diversity in its workers. As a remedy for this, Heneman et al. (1996, 91) suggest that not only should multiple evaluators with diverse background be used in selection decision-making but multiple sources of information about the applicant should also be solicited. In addition, Heneman et al. suggest that companies should also consider multiple dimensions as predictor of suitability, which decreases the probability to giving too much importance to certain traits. Finally, Raunio points out the importance of finding culturally competent persons (2002, 46) – the technical expertise is not enough; the person should verify his or her adaptability to a new culture.

The last of the three dimensions dealt in this chapter are the *methods of recruitment*. Arvey et al. claim that organizations might need to pursue special recruitment methods to attract qualified diverse labor pools. E.g. different recruitment methods might provide greater “yields” of qualified diversity group members than somewhat traditional methods (1996, 68). This is confirmed in the Finnish literature too, since according to Jukomaa (2001, 19) different recruitment methods seem to have a somewhat different image in the eyes of the applicants and also in the eyes of the recruiters. Rantala (1999, 66) points out that for instance employment agencies and newspapers advertisements are not competing of the same job and the same applicants, but they are specialized on different segments of the labor market. It can be assumed that in most cases when the company is recruiting highly skilled workforce from abroad, it has to rely on the external recruitment methods compared to internal (Jukomaa 2001, 20). However, internal channels, when possible to use, usually produce good results due to the “pre-screening” that occurs for instance in employee referrals (Jukomaa 2001, 21). Other informal channels are e.g. personal contacts and word



of mouth (Storey and Wright 2001 in Jukomaa 2001, 21). Next, both the external and internal recruitment methods will be presented more in detail. For a more detailed breakdown of the channels used in Finnish companies to recruit foreigners, please refer to appendix 1.

In external recruiting two options are possible for companies: taking care of the recruitment themselves or outsourcing it to an employment agency, job rental service or a special consultant's service (Jukomaa 2001, 21). In the outsourcing option the specialist agencies in the Finnish recruitment market can be roughly divided to three groups: executive search and selection agencies (which usually mean head-hunting), recruitment agencies and the job rental services. The head-hunters are actively looking for talented people, who are often not even planning to change job at the moment.; the recruitment agencies are usually helping the company to carry out the entire recruitment and selection process or enter only at the final selection stage in order to give consultant advice to support the company's selection decision; the job rental agencies are providing employees, who are actively looking for a new job (Jukomaa 2001, 39). If the company chooses not to outsource the recruitment process, i.e. use internal recruitment, the Internet seems to be a highly valued recruitment channel on international level, especially amongst high-tech professionals. As Raunio states (2002, 81), it can be seen as a "map" for the professionals navigating in the net of the global economy, where opportunities are searched for and conveyed. It is also cost effective in terms of the number of people that it reaches, it may reach applicants who are not even looking for a job and it can also help to keep up the image of the company as up-to-date (People Management 1996 in Jukomaa 2001, 22).

Internal recruitment methods are, as referred to in the previous chapter, about networking and contacts through current employees or other business related acquaintances. As outlined earlier, if possible to use they are very recommendable.



Finnish SMEs should consider which results they can attain from the different practices. Outsourcing might be more expensive but faster and targeted to a certain kind of professionals. It might also reach a certain pool of people that could be hard to contact otherwise. External recruitment only through the Internet might be cost efficient, but not so effective in terms of results. Internal recruitment through networks could provide the best results, if a company has a possibility to it.

#### *2.3.2.2 The Finnish perspective*

In the study of Raunio (2002, 169) it is stated that for foreign professionals, the jobs they had taken in Finland were found before moving to the country; professionals didn't come to Finland to a certain area with the industry related to their field and hope to find a job. This, again, emphasizes the importance of the initiative of the company to search for foreign employees abroad – they won't be found in Finland. In relation to this, companies should also be aware of the importance to familiarize the future employee of the Finnish society and culture (Raunio 2002, 83), since they usually are virtually unknown for foreigners; this step can be of major importance to the employee for his adaptation ones he chooses to take the job. In Finland also relocation service companies provide these kinds of services – these will be dealt more in detail in chapter 2.4.

When the employee finally comes to Finland, he or she might be surprised if the visas or working permit process takes too much time, especially since they probably are having other working opportunities on hold (Raunio 2002, 9). Trux states (2000, 173) however, that foreign workers in the ICT field get virtually always their working permit, so to make the process faster a company should have an active role and take this in consideration already when planning for the recruitment process. Forsander et al. (2004, 134-35) continue, that some companies have decided to collaborate with the police and the KELA institute to smoothen the visa and social security procedures. This of course isn't easy for companies that are smaller in size, but the actions that are made put pressure on authorities to improve the situation.

Finally, as Forsander et al. (2004, 136) point out, the attitude of the employer and their service ability is of great importance also because they are often the first connection foreigners have to Finland and based on that they develop their image of the country and its attractiveness.

### **2.3.3 Management**

On a broad level, the two most important dimensions affecting a good integration of the chosen foreign workforce into a company are a management style that supports the diversity goals determined, and as a consequence the organizational culture that builds on the values and procedures in which a multicultural working environment best can utilize the skills that a diverse workforce can offer. These two are interlinked and can create a vicious or a virtuous circle, depending on in what direction the company starts to move. This chapter will deal the suggestions of the literature to best meet the challenges of the management related to a diverse working environment, whereas chapter 2.3.4 will continue with the integration phase that companies will meet with their foreign workforce. In this chapter, section 2.3.3.1 will present the importance of management for diversity issues, as well as link it to the total process of integration and present shortly specifically diversity related issues managers will have to face. Section 2.3.3.2 will present how Finnish managers have been experienced by foreigners.

#### *2.3.3.1 Literature suggestions*

When targeting an improvement in the organizational culture towards the multicultural level, management plays an important role in determining the success of the efforts made. Maunula (1997, 71-91) has listed the responsibilities of a manager in the organization on detailed level: recruiting, familiarizing the newcomer, planning, decision-making, delegating, motivating, team building, personal contact to subordinates, develop subordinates, communicate, evaluate and sustain constancy. It is clear that most of these tasks are directly related to a functioning diverse workforce. It is also important to note how



the different dimensions or “steps” presented in this thesis are interlinked. For example, Hämäläinen states (2001, 24) that elements such as a strong organizational culture, company values and beliefs have become issues affecting the management style chosen by managers. This clarifies how the first chapter on top management commitment and organizational change is so important for the functioning relationship between a foreign employee and his manager. Hämäläinen adds also that a manager is an indispensable link between top management and subordinates (2001, 26). One could pose the question whether these formal manager subordinate settings should even be necessary to develop in smaller companies, as the ones studied in this research. An open, professional relationship could be a good way to build the company on. This point of view is also supported by Florida, who states that knowledge workers respond well to organizations with solid values, clear rules, open communication, good working conditions and fair treatment. People don’t want to be abandoned and they don’t want to be micromanaged. They don’t want to take orders, but they do want directions (2002, 133).

In the literature, stereotyping seems to be an important issue when considering leadership of a multicultural workforce. According to Chemers and Murphy (1995, 170) good leadership includes the orientations and behaviors appropriate to the successful coordination of working situations with workers with different ethnical backgrounds, whether characterized by real or stereotypical difference. They also argue that good leadership is based on the establishment of authentic and open relationships between leaders and followers, and for such relationships to exist the leader must be sensitive to the needs, expectations, and perceptions of followers whatever the origin of those states. The problem in the multicultural environment is that ethnic differences between leader and follower may result in expectations or working styles that threaten the development of high-quality exchanges (Chemers and Murphy 1995, 178) – therefore a personal sensitivity in cultural issues of managers is of great importance. As a solution they propose directing diversity efforts to diminishing stereotypes and emphasizing their similarities in needs, values and abilities (ibid 1995, 181). Trux (2000, 310) implies somewhat the same ideas.



She states that multiculturalism requires that it is handled without being something excessively exotic. When it is given the status of an exceptional thing, immigrants and foreigners are seen as something strange and problems might be interpreted as related to them.

To avoid stereotyping and managing effectively multicultural groups, Caproni (2001, 186) proposes two different dimensions of improvement: firstly, enhance one's own personal multicultural competence and secondly, create a working environment that promotes cultural synergy. As for the first mentioned, Caproni suggests improving both culture-specific skills and culture-generic skills. For culture-specific skills is meant qualities that help to understand a foreign culture, e.g. learning their language, learn the dos and taboos of the culture, as well as its social context as history and politics. For culture general skills are meant those skills that help in overall interaction with different people, like desire to work with people from different cultures, invest in self-awareness, and develop boundary-spanning relationship skills, flexibility, emotional resilience and attention to inequities. Raunio (2002, 126) has a somewhat different point of view in terms of the dimensions Caproni calls culture-specific skills. He states that is useless and even impossible for managers to learn every specifics of each culture in the world, which is why company culture is so important – cultural openness can and should be transmitted at every level of the firm. Thus, it could be said that he refers to Caproni's culture-generic skills as the most important ones, and not only from the point of view of an individual but as crossing the whole company culture. As a SME most probably increases its foreign workforce gradually, the chance to learn through newcomers is of great importance, also because relations might be closer due to the size of the company. Also, representatives of small companies could improve these managerial skills through courses on diversity management, as suggested by Raunio (2005, 47).

What should be kept in mind when implementing any kind of strategies on managerial level for increasing foreign worker adjustment, is that they shouldn't be implemented piecemeal,

but rather as integrated with other systems (Kossek and Lobel 1996, 4). This should, together with senior level management commitment, also prevent a situation where diversity management efforts become only superficial (Kossek and Lobel 1996, 5).

#### *2.3.3.2 The Finnish perspective*

As mentioned previously, one of the good traits of Finnish management culture and organizational life is low hierarchy. Manager subordinate relationships are anyhow built on many other management related traits that are even linked to a national culture. Relatively much research has been done on the topic, which will next be presented.

According to Ali-Yrkkö et al. (2000, 101), the Finnish management culture's maybe most eminent trait was low hierarchy combined with pragmatic, at its best even dynamic-flexible and as its worst straight forward management. This is actually what was reflected in several other studies too: the fact that on one hand Finnish managers are democratic, but on the other hand communication is not sufficient (e.g. Raunio 2002, 121; Hämäläinen 62 and 79; Ali-Yrkkö et al. 2000, 102). The difficulty of successful management in diverse working environments is that certain characteristics can be interpreted in different ways when seen from different cultures. For example, Hämäläinen (2001, 68) points that the fact that the relationship with the manager was informal was experienced both as positive and negative from different persons: some found it effective, others felt that the manager didn't really care about what was going on. The research of Ali-Yrkkö et al. (2000, 102) confirmed these experiences, since it showed that some foreigners felt Finnish manager's didn't have enough authority. This was felt e.g. also in terms of team work: in the research of Hämäläinen (2001, 74) a problem for foreigners was also the cooperation between the teams within their department, since none of the managers were supportive. Last but not least, also the lacking of enough feed-back was seen as negative trait. The fact that there is not enough communication impedes the open relationship noted also by Chemers et al. in the previous chapter, which is important for a company to build a strong multicultural working environment from.



In summary, a Finnish manager's style seen from a foreign subordinate's perspective is informal, task-oriented, fair and trustable. He is a person who makes decisions fast and respects individual but is unable to create a future vision or give feed-back. The manager organizes the subordinates in teams but is unable to support the teamwork, solve conflicts, or support open communication and discussions. Use of motivational tools could be improved but support for personal development is top-level, as well as trustworthiness (Hämäläinen 2001, 81). These problems could easily be aggravated in small companies, and should be taken in consideration even more carefully.

#### **2.3.4 Integration and building of a multicultural work environment**

According to Cox (1991, in Lundgren and Mlekov 2002, 203), to create a multicultural organization recruiting a diverse workforce is the most important single factor, but it isn't enough – utilizing the competencies, skills and talent of a diverse workforce is what really makes the final difference. This part of the process will be dealt in this chapter: section 2.3.4.1 will introduce organizational settings that nurture diversity, the role of teamwork and stereotypes in an organization striving towards diversity management as well as deal the situation of integrating foreigners, both in the sense of services provided for newcomers and as practical action that can help in the day-to-day working life with a diverse workforce; finally, section 2.3.4.2 will present how foreigners have found Finnish working environments, both in positive and negative, how multiculturalism can be improved in Finnish companies and how they are already now taking action to meet the new demands of a diverse workforce.

##### *2.3.4.1 Literature suggestions*

To better be able to build up towards a cultural change, Cox (1991, in Lundgren and Mlekov 2002, 229) suggests a progression from a monolithic through a plural to a multicultural organization. Cox depicts his classification of the different stages of the organizational culture as follows (1991 in Lundgren and Mlekov 2002, 229):

- In a *monolithic* organization the presence of individuals from different cultural groups is minimal, especially when extent of integration is examined by function and level. Minorities expected to adapt to existing organizational norms.
- A company with a *plural* organization is more heterogeneous and has programs, such as training to reduce prejudice, selection and promotion efforts targeting diverse groups and compensation audits to insure quality. Minorities expected to adapt to organizational norms.
- At the final level, in a *multicultural* company diverse groups are present at all levels and in all functions and there is a two-way socialization process which individuals adapt to the organization's norms and, at the same time, the organization's norms change as a function of the influence of the diverse member's alternatives.

If a company analyzes at which level it currently is, it can more easily understand what kind of measures need to be taken next to improve the situation. However, as Ali-Yrkkö et al. state, such an organization that can say "now the cultural differences have been won" doesn't exist. On the other hand, knowing one's own point of departure, the culture of the company as well as the personal national culture, is a big help in trying to make compatible the different views of the world. It requires however the courage to get to know one's own organization tacit knowledge and practices that deviate might from public values, both from the management and the workforce (2000, 104). Company culture and its values can be analyzed only case-by-case. National cultures, however, can be studied from a more general point of view. Even though generalizations and stereotypes aren't always only positive, different studies often show repeating characteristics and models, and can be a help in analyzing oneself, and improving intercultural conflicts. In comparative studies on cultures one can also find specific differences related to representatives of certain cultural clusters. More detailed explanation on what has typically been found in studies on Finnish general and management culture can be found in appendix 2.



In Lundgren and Mlekov (2002, 212) the development towards a more multicultural organizational culture is linked to a culture that nurtures learning, which was in fact already mentioned in chapter 2.3.1. Thomas (1996 in Lundgren and Mlekov 2002, 212) states that “Using diversity competencies and the unexpected implies open communication and empathetic listening. It means creating a safe learning environment, in which a person is willing to participate.” Lundgren and Mlekov (2002, 212) continue that functioning diversity management requires organizational structures that simulate learning through openness to differences, ambiguity and uncertainty, conflict, and the unexpected and transcending boundaries. In the same study also Argyris (1990 in Lundgren and Mlekov 2002, 213) is referred to due to his theories on double-loop learning, in which attention to any occasion when a team member performs in a different way, time for reflection and questioning, and also communicating these factors within a group, is emphasized. It is necessary to increase the awareness and understanding of different backgrounds, experiences and socially learned patterns, factors with a great impact on our way of working and problem solving. According to Argyris (in Hämmäläinen 2001, 24), there are four factors that prevent individuals from expressing themselves freely in an organization:

- 1) Division of work
- 2) Hierarchical management
- 3) Up-down objective setting
- 4) Lack of self-responsibility due to the tight control

According to the studies presented earlier, it seems that these behaviors are the opposite of what the foreign interviewees had experienced in Finnish companies, at least in terms of official guidelines and structures. However, it seems that the same kind of management, i.e. empowerment and respect for the individual, was somewhat impeded by the Finnish communication styles (Raunio 2002, 118). This highlights the importance of the cultural background and earlier experiences of employees, tells how case-specific some experiences are and that certain company policies might be harder to implement than to formulate.

Teamwork is an essential part of the diversity management since it can provide the vehicle to capitalize on the wealth of resources people from different backgrounds bring to the organization, but it can however also worsen or further intensify the problems that occur when people of diverse backgrounds come together, depending on how it is managed. Ali-Yrkkö et al. (2000, 104) add that to improve intercultural information flows and networking, interviewees of their study stated an active commitment to employee development and taking in consideration cultural differences e.g. in employee changes between countries and within company communication was seen important.

Thompson and Gooler (1996, 410) discuss stereotyping and its effects on a multicultural working environment. They state that research findings suggest that stereotyping is more likely to be spontaneously activated in diverse teams, even among members who believe that they are not prejudiced or biased (e.g. Devine et al. 1991 in Thompson and Gooler 1996, 410). Attempts to suppress such negative feeling may leave individuals feeling uncomfortable and less positive about being part of the team. The amount of negative stereotyping is important because it determines the extent of commitment to the group and in consequence accepting the group's goals and working towards them. Thompson and Gooler (1996, 420) suggest as a solution to the problems created by stereotyping teaching the members of the teams how the other team members' backgrounds and experiences provide the framework through which they perceive the world. They need to learn how to stop and reconsider the assumptions and conclusions they make about their teammates that are different from them. Communication is also something that needs to be taken into consideration. The variations in behavior due to ethnical background divergence may create opportunities for miscommunication because of conflicting nonverbal as well as verbal communication patterns. In order to prevent the potential process losses these miscommunications are likely to develop, diverse team members and leaders need to better understand the dynamics of the communication process (Thompson and Gooler 1996, 409).



The whole attitude towards any kind of diversity related strategies or programs must be supported by an organizational focus on change - managers need to be skilled in the process for managing change, a skill which can have multiple applications in other areas of the organizational and business life (Kossek and Lobel 1996, 237). All in all the organizational culture is of major importance particularly in the situation of people moving into a country, because as Raunio (2002, 52) states, a part of the professionals that move between countries don't even plan to stay for a longer period but rather integrate themselves to the company or professional community than to the national society.

When considering more practical literature suggestion on foreigner integration, the guidelines found in the Finnish and international literature where emphasizing to some extent different steps of the process: the Finnish literature dealt more integration services related to a newcomers in a country, whereas international literature dealt more the working situation itself, i.e. how the company culture should be, how it can be improved and how teamwork can be enhanced. Next, both of these will be presented, first the integration process and then the company culture and team work aspect.

The Finnish literature presents different ways of integrating foreigners to the country and company when they move into Finland (these are services that are not country related and thus dealt in this chapter instead of 2.3.4.2). Raunio (2002, 42) for example presents three different ways: help provided by recruitment or HR departments from the recruiting company, relocation service companies and tutors or "buddies" from the employees within the company. He continues that there is no one best way to handle these issues, solutions are however case-specific. Some companies had developed relocation services as part of the organizational attractiveness (ibid 2002, 42), others found them as impersonal and preferred to offer tutoring or "buddy" –systems (ibid 2002, 124). Relocation services provided for newcomers offer help in everything from filling in official papers, finding an apartment and getting a phone, opening a bank account and even shopping for groceries and using public transportation (Trux 2000, 291). Other "bridge builders" in the company

can develop the needed company culture. This task can be executed by the following kind of roles in the company: tutors that help mainly in work related issues; buddies that help also in tasks outside the office, related to living and social issues; the managers, who help primarily in adapting the work issues; the work community and its readiness to meet newcomers; the HR department and relocation service professionals that provide a myriad of services (Raunio 2002, 125). A company studied in the research of Trux (2000, 291) went even further and offered a whole “packet” of services: a financial moving help, the rent for half a year, a relocation service provided by another company, a Finnish language course and a tutor amongst the workers for the first period of the stay. Understandably, foreigners were very satisfied with these services. In addition to services provided when foreigners first arrive, the Finnish literature also emphasizes the importance of outside work activities as a good way of integrating foreigners, building trust among employees and creating team spirit (Raunio 2002, 125). The international literature emphasizes this dimension too, since according to Florida high-skilled workers are often a more “active class” than the population on average (2002, 170), and since Finland in itself cannot compete with world metropolises in terms of leisure, sport and culture activities, the role of the companies is accentuated. This was seen in the study of Trux (2000, 294) too, where it is stated that even though foreign professionals had had few improvement suggestions for better organization and management styles, they had been related to wishes dealing with increased social interaction at work, as more for example more social lunches.

An important factor to succeed in adapting the newcomer to the life in the new country is the integration of the family and spouse (Raunio 2002, 132). This is a delicate issue since one of the main reasons that push professionals out of a country is the inadaptability of the family to the country and culture. Some companies and relocation service agencies have begun to offer services that cover this side of the integration process; see appendix 3 for detailed explanation.



The importance of organizational adaptation and management styles for the successful integration of foreign professionals is of crucial importance in this study, since as e.g. Trux's study shows (2000, 294) one of the most important factors foreign professionals valued in their job abroad was work motivation and enjoyment (Trux 2000, 294), which can be increased through the above mentioned factors. The enjoyment in itself is also directly related to the professionalism of the firm and its ability to provide a challenging working environment. This is actually according to Florida the most important factor for job contentment: he says that today's professionals want the ability to learn and grow, shape the content of their work, control their own schedules and express their identities through work (2002, 13). Also, he states that the acceptance of difference and diversity in the workplace can manifest itself through a freer company attitude towards the dress code (2002, 120), which gives an ability to work flexibly and express identities through the appearance as well as flexible work schedules (2002, 121).

As was clearly pointed in the previous section, diverse work groups shouldn't be left alone to try to create an effective organizational culture, because often the structures of organizations are robust and the task requires commitment from management (e.g. Cox 1991 in Lundgren and Mlekov 2002, 208). Next, some more practical suggestions given in the literature will be presented.

Caproni suggests that on company level, measures that can be taken to achieve the general goal mentioned in the earlier chapter are: endorsing support groups (2001, 198), for example support groups organized on national level for representatives of a certain ethnicity; provide diversity training (2001, 198); and change the way the work gets done, i.e. encourage employees to challenge current assumption and explore whether the current organizational policies and norms are truly necessary for organizational effectiveness (2001, 199). In an article by Schmidt and Varian (2005, 48-53) on Google, which was presented due to its policies to attract and get the most out of knowledge workers, one of Google's not-so-secret weapons is presented, namely an idea mailing list: a companywide

suggestion box where people can propose things ranging from parking procedures to the next killer application. In addition to an atmosphere open to new suggestions, these kinds of practical procedures could be useful in increasing the employee involvement.

Diversity training is presented and recommended in other articles too. Thompson and Gooler (1996, 421) affirm that diversity awareness training when done correctly can be a useful tool for helping diverse team members to gain an understanding of how diversity is currently impacting the functioning of the team (ibid 1996, 422). However, it seems that often training program design factors contribute to the relative ineffectiveness of diversity training programs. For example training efforts are usually not tailored to the specific need of an organization. Often there is a lack of clear objectives for the overall training program, and they are rarely conducted with intact diverse work teams which could help members to understand the diversity issues that are unique to their team or to their organization (ibid 1996, 421). Fredman (1995, 57) continues that diversity training should include learning that individual uniqueness is not compromised by group membership; it may be enhanced by it. The individual self-constructions may be a very valuable vehicle in doing diversity training; it is certainly needed to go beyond presenting lists of cultural features to other groups.

Kossek and Lobel also suggest cultural audits (1996, 4). They can be useful not only to make people aware of the cultural differences but also to identify the similarities that the culture and supportive HR systems can reinforce to achieve organizational objectives. Pucik (1993 in Kossek and Lobel 1996, 10) is also referred to in the same article. According to him, rather than limit training to cross-cultural knowledge, as has traditionally been done, current emphasis is on developing multicultural teams and networks to better utilize diversity as a competitive advantage.



#### *2.3.4.2 The Finnish perspective*

According to research foreign employees have been rather satisfied with the Finnish working life and the environment in companies; it was felt less competitive than what the professionals had been used to before (e.g. Raunio 2002, 112 and Hämäläinen 2001, 78). The Finnish company culture has also been found relatively functioning in international occasions, when Finnish multinationals have internationalized; these models can however be adopted only partially in Finland (Trux 2000, 110). One of the reasons that these lessons learned can't fully be adapted is that multicultural working environment is much more multidimensional if representation of employees is from many different countries (Forsander et al. 2004, 44-45) and naturally the whole Finnish society is reflected even in intra company working methods. In Finland this has happened only in the latest then years through fusions and acquisitions (Forsander et al. 2004, 44-45), and the case is even more challenging for small and medium sized enterprises.

The negative sides of Finnish working culture found in researches were the following ones: lack of conversation culture and social interaction, both between manager and subordinate (Raunio 2002, 119) and amongst co-workers (e.g. Hämäläinen 2001, 73); the fact that people might suggest only ready propositions instead of being willing to discuss openly and "brainstorm" (Raunio 2002, 122); that because of the language foreigners were sometimes feeling left outside since in more unofficial situations the language might switch back to Finnish (Forsander et al. 2004, 149); and finally that there was a big emphasis on individual work and self-motivation (Raunio 2002, 10). These problems are not only related on how welcome foreigners might feel in a company or how easily they start feeling as a part of the working community, but they have an impact on the effectiveness of the whole working community and in consequence on the competitiveness of the company. In addition to causing confusion for foreigners, since they see their task setting as not clear enough and there are not guided properly, they lower the contribution of workers (both foreign and Finnish), since he or she cannot make himself heard (Raunio 2002, 113), and

impede a creative problem solving environment (Raunio 2002, 115), which is essential in knowledge based industries. According to Raunio (2002, 115), a creative problem solving environment is something that gives possibilities to improve knowledge through official and non-official forums, networks, institutions and organizations. Tacit knowledge can be transmitted in such environments and is part of the “social capital”. These traits notify the importance of building an effective environment; without them, potential competitiveness is lost.

How can Finnish companies then improve from these integration and competitiveness impeding schemes? All the problems are somehow related to the Finnish national culture, and are therefore not easily changed just through some guidelines. In fact, Raunio (2002, 118) states that an important reason to the unsuccessful adaptation is when the influence of the local culture in the working environment is forgotten; familiarizing with the working environment and the habits in the company doesn't tell enough about the national culture itself. Thus managers need to more clearly depict the situation of the subordinate or familiarize the subordinate to the local way of working (Raunio 2002, 120). However, the same research states that the situation can be improved by managers knowing their own culture and working habits and their impact on foreign workers, because cultural stereotypes on foreigners are rarely valuable (Raunio 2002, 10). These problems were also found to be smaller in multicultural working environments (Raunio 2002, 10), which tells how a conscious strategy towards a more diverse workforce has incremental benefits. With the right kind of management towards multiculturalism misunderstandings can be avoided and conflicts can be taken advantage of to develop different problem solving methods and innovation (Forsander et al. 2004, 45); this leads also to a more positive experience of the job, which also eases the adaptation and commitment of foreigners (Forsander et al. 2004, 141).

Finally, the recreation activities mentioned also in the international literature were experienced positively in the Finnish researches, and it seems that it was a common policy



of Finnish companies to provide them. Some of these activities were pastime happenings, programs for wellbeing, cruises, trips, Christmas parties and recreation happenings suggested by the employees, as common sporting events (Trux 2000, 285). Further precision on these actions were that all the interviewed of the study wanted cultural related activities to the workplace but were shun about being labeled as “a representative of a culture”. Still they agreed that some supervision about the cultural development in the company is necessary, not to get hierarchy according to ethnicity, or clicks of the workers of certain groups tell about inequality among workers (Trux 2000, 304).

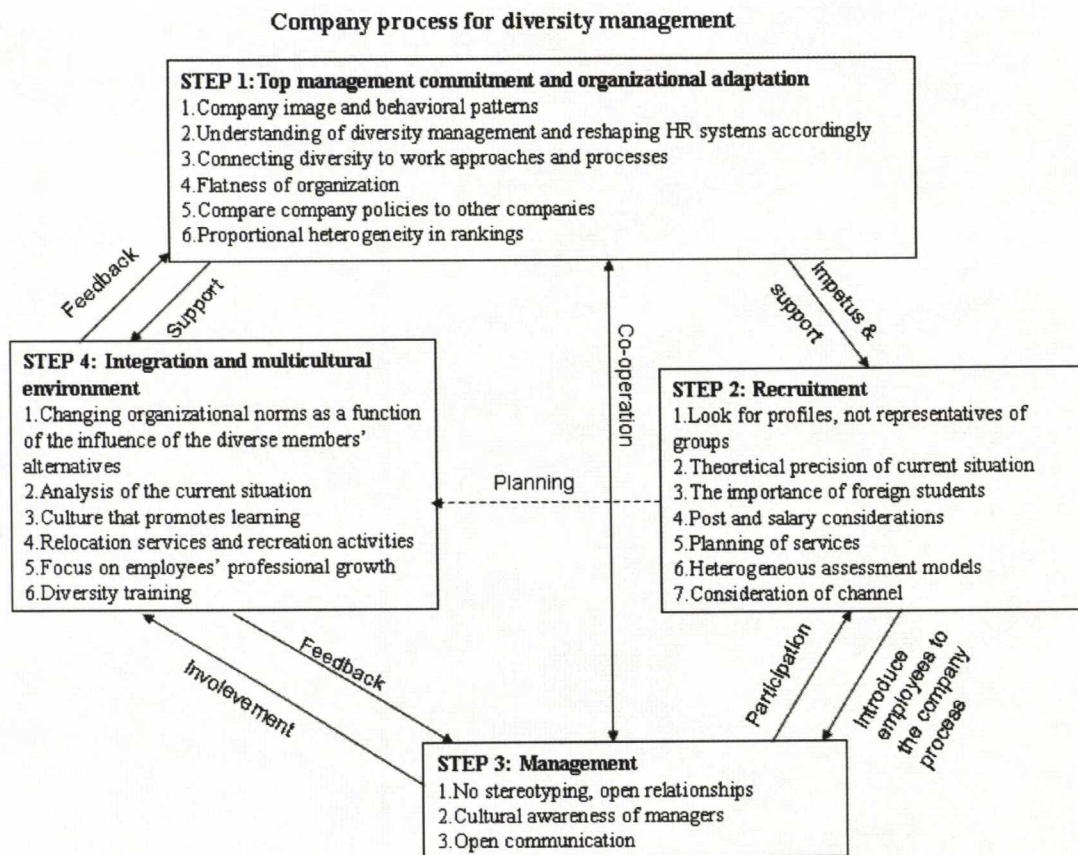
Trux states (2000, 309) that in the end, the practices of the Finnish working life create a good ground to build multiculturalism. According to her, the sense of community in the working life, different activities arranged by the employers and common parties give possibilities to build good relationship between the employees. Also the interest towards the wellbeing at the workplace, and the working community are a valuable asset. Multiculturalism can easily be included in many dimensions and actions improving the working community and through this it can more easily be accepted. The result can also be expected to be more long term than if the practices were brought completely from the outside as a new “method”, that is given from the top of the hierarchy and that the employees just have to accept. When people feel that they are listened to and that they can influence more, they become more committed. This can only work through the participation of management; Trux finds that instead of a visible strategy it can however decide to choose an indirect strategy, where multicultural goals have been incorporated in general improvement.

## **2.4 *Theoretical framework***

Until now, the largest share of research on heterogeneous working groups and their integration into the working community has been conducted in the United States of America, whereas Finnish research has concentrated more on dimensions related to national attractiveness and employees of companies as a part of this research topic. Through the literature review presented, this study concentrates on understanding better dimensions that are important for a single company that aims to have a more diverse representation of employees in its workforce, specifically in the Finnish context. Consequently, the most important area of business that is dealt is human resources related actions that a company will face in this process.

The theoretical framework presented below recapitulates the findings of the literature review on the intra firm process for improved diversity management, i.e. how to best recruit, manage and integrate the foreign high-skilled workers. This process is the decisive factor for how much a company can benefit from its foreign employees, as was presented in chapter 2.2; in other words, the process is the vehicle for maximizing foreign employee contribution, which in turn will increase company competitiveness. The four different steps recognized in the literature and their most important dimensions are presented in the framework, as well as their connections.





**Figure 3: Theoretical framework**

Even though not shown in the framework it is important to note the importance of the process of diversity management in relation to the two factors dealt in the beginning of the thesis in chapters 2.1 and 2.1, namely company competitiveness through improved work results, as well as industry cluster and the macro economy. These processes are reciprocal, in a sense that companies that are thriving well attract high-skilled workers, which in turn can improve company performance. The case is the same with company and national level competitiveness: through particular companies and structures that support them (functioning universities, research and company supporting practices) countries can succeed to build clusters which promote an atmosphere and competition which helps companies to prosper, which enhances national competitiveness. This is the case

particularly in sectors that have a wide impact on the economy, as the ICT-industry that will be studied in the empirical part of the thesis.



### 3 METHOD OF RESEARCH

This chapter explains how the empirical part of the study has been carried out and which procedures have been chosen to gather and to analyze the data. The chapter presents the research design, which is the logical sequence that connects the empirical data to a study's initial research questions and, ultimately, to its conclusions (Yin 1994, 19).

#### 3.1 Research approach

The research question of this study leads us to the rationale behind the choice of methodology used in the empirical part of the thesis. As formulated in the first chapter, the research question is:

*“How can foreign professionals best be recruited to and how can their contribution be maximized in Finnish firms in Finland, especially in SMEs in the ICT sector?”*

The contribution of the empirical part of the study is to illustrate how well the framework built in the theoretical part corresponds on one hand the companies' attitudes towards foreign employees and their conception of managing them, and on the other hand what foreign professionals think of the current measures used in firms in Finland, how they can be improved and whether these actions are according to the thesis' model. After the empirical part the data from the interviews will be compared to the model developed in the literature review in order describe how the process is in real life and to highlight the needs expressed by the foreign professionals in the interviews.

The question clearly shows that the subject of interest is related to interpersonal, human resources related and managerial issues, which are rather abstract in nature. This is why the empirical part is conducted with qualitative research methods instead of quantitative ones, which are the two different options in categorization of research methods (e.g. Ghauri et al. 1995, 84). Next, theoretical support to this choice will be presented.

Firstly, the aims of the study are according to the criteria for a qualitative study mentioned by Eskola and Suoranta (1998, 61): no statistical generalizations are targeted, but instead the goal is to describe a certain event, understand a certain action or to give a theoretically meaningful interpretation of a certain phenomenon. Secondly, this study also follows the typical qualities mentioned by the same researchers (ibid 1998, 15) as specific to qualitative studies: no numerical data is available or would clarify the research question; the viewpoint of the interviewees is the core of the empirical part and can be obtained only through a detailed in depth field study, where the interviewer's role must not affect the phenomenon; no statistical sampling is possible due to the complexity of the study theme and in consequence, the study objects; no clear hypothesis is presented, rather a framework that needs to be developed further and verified.

### 3.2 Case study

In addition to choosing a qualitative approach as to the methodology, the study will be conducted as a case study. As Yin (2003, 1) states "case studies are the preferred strategy when "how" or "why" questions are being posed, when the investigator has little control over events, and when the focus is on a contemporary phenomenon within some real-life context". This, again, can be reflected to the research objective of the study: understanding *how* foreign professionals can best be recruited and their value added exploited in firms in Finland. Eskola and Suoranta continue (1998, 65) that actually all qualitative studies are case studies; the aim is not to make empirical deductions that can be generalized as in statistical research, and that is why it is important that the analyzed material forms a whole, a case. Yin (2003, 2) states also that the case study method allows investigators to retain holistic and meaningful characteristics of real-life events, which is the essence of this study.

More in detail the study will be composed of several different interviews, thus representing a *multiple-case study method*. This is necessary to make the study more compelling (Yin 2003, 46-47) through replication. This research is performed to reach literal replication, i.e.



the cases selected predict similar results, as contrary to theoretical replication, where contrasting results are predicted but for knowable reasons (Yin 2003, 47).

Often in business related research the case study method is chosen when single organizations and factors involved in some aspect or behavior of an organization or a smaller unit are being studied (Ghauri et al. 1995, 88). However, as Ghauri et al. continue (ibid 1995, 88), it is equally possible to study a number of organizations with regard to a set of variables we have already identified or assumed, which is the underlying principle in this research. Such case studies are called *comparative case studies*, and in them we ask or study the same questions in a number of organizations (or as in this research, representatives of different organizations) and compare them with each other to draw conclusions. This is why in this research it was chosen to interview first of all two different parties (Finnish company representatives and foreign employees) and more than one interviewee from each group. They give different point of views and data that can be compared both within the representatives of the same groups as well as between the two sides that are part of the framework.

This comparability in two ways leads us to the last definition of the case study method that will be used, i.e. *cross-case analysis*. It is essential to the element of a comparative study in the analysis part. Reasons to this approach are that it enhances the generalizability of the study and deepens understanding and explanation (Miles and Huberman 1994, 173). Miles and Huberman also divide further the strategies of cross-case analysis to case-oriented and variable-oriented strategies. The former means that each case is studied in depth, and then successive cases are examined to see whether the pattern matches the previous cases. The latter, i.e. variable-oriented strategy means that certain variables and their relationships are the focus point, and cases are inspected to see whether they fall into clusters or groups that share certain patterns (ibid 173-76). Miles and Huberman mention that it is possible, and usually desirable, to combine or integrate case-oriented and variable-oriented approaches, to form a mixed strategy. The approach taken in this study falls to the category of a mixed

study. It is closer to the variable-oriented study, concentrating on elements and themes that cut across cases. However, it has some features of a case-oriented strategy as well, since in order to form a thorough picture of each company's and individual's point of view of the diversity management needed, the data from the interviews has been also studied separately reflected to the company's and foreign employee's background.

### ***3.3 Selection of case companies***

As Ghauri et al. (1995, 90) state, as in other methods of data collection, in a case study it is also important to decide the target population which is to be used for the investigation. It includes those firms, individuals, groups or elements that will be represented in the study. The next stage is to assess the accessible population, and out of this population we have to select one or few cases, objects or firms, for study.

The target population of this study consists of all Finnish SMEs in the ICT-sector that have recruited professionals from abroad, both their HR representatives or other employees that are responsible of hiring people, and on the other hand also the foreign professionals that have been hired. The accessible population is limited to the individuals of these firms that would be willing to give an interview about this topic, and also to companies that are within reach for the researcher in terms of financial and time constraints of the study, limiting the potential study population to the Helsinki metropolitan area.

For the selection of case companies Ghauri et al. (1995, 91) advice that the cases should also correspond with our theoretical framework and the variables we are studying. This study's theoretical framework deals with dimensions that have to be taken into consideration when recruiting and having foreign employees as workers, thus the case companies must either have had or have currently foreign-born professionals amongst their employees. The quantity of the foreigners is not relevant, since the fact that there is at least one tells that the company has already taken an initiative to have foreigners as workers and has gone through the different steps that the theoretical framework represents.



In addition, the study concentrates on the ICT-industry and small and medium-sized enterprises. The definition of the case companies' industry is very wide, since the objective is rather concentrated on professionals of a certain level and field, and these can be found in many different kinds of companies. In other words, as long as the foreigners that have been recruited represent the definition presented in chapter 1.4 and the company has some kind of technology as part of its core services it will meet the requirements of this study. As what comes to the definition of small and medium-sized enterprises, the one of the European Commission was used. Please refer to Appendix 4 for more detailed information of the definition.

The search for potential case companies was conducted in two different ways: firstly, through contacting representatives of companies that had had job advertisements targeted to technology professionals written in English in Helsingin Sanomat and [www.monster.fi](http://www.monster.fi) and secondly, through contacting companies that had participated to one of two technology fairs in Helsinki and Espoo (ICT-week in Wanhassa Satama 13.9.-15.9.2005 and Contact Forum at the Helsinki University of Technology 2.2.2006) and had job advertisements in English on their web site. Before calling the companies their background information (services provided and size) were confirmed to make sure they corresponded the requirements of the study. After this confirmation, the companies were contacted and asked whether they had currently or had had foreigners working for them in positions that require technological know-how, and then asked if the person responsible of HR or equivalent would be willing to give an interview.

### ***3.4 Selection of interviewees***

As the theoretical model of the thesis is clearly based on the interaction of two different parties, i.e. the foreign professionals and the employing firms' managers, the empirical part will also reflect this duality: the interviewees will be representing both of these sides. Yin (2003, 26) states that the previous literature can become a guide for defining the case and unit of analysis, which is one of the reasons for choosing foreigners currently employed in

firms in Finland as interviewees, as was done in the research of Raunio (2002, 187). As to the quantity of the study objects the guidelines of Eskola and Suoranta (1998, 62) will be followed: one sensible way is deciding the quantity is saturation, i.e. when new cases don't bring any new information to the research question.

The interviewees representing the employing side were determined already when contacting the company, since the person that could best reply to the interview in question was the one that agreed to the interview. The interviewees representing the foreign professionals were contacted through two different ways: firstly, through the contacts given from the HR representatives interviewed of foreigners working in their companies, and secondly through an Internet forum for foreigners living in Finland. The attributes of these interviewees were confirmed to represent the ones presented in chapter 1.4 on foreign professionals and also their hiring company size was verified to meet the criteria of the study. Both the companies and foreigners will be presented more in detail in chapter 4.1.

### **3.5 Data collection**

This chapter describes how the data to the empirical part was gathered, both the data collection methods used and also a description of the data collection process.

According to Yin (1994, 79) there are six different sources of evidence for case studies: documentation, interviews, direct observation, participant-observation and physical artifacts. As Yin notes (1994, 80), the various sources are highly complementary and a good case study will therefore want to use as many sources as possible. For this study, *interviews* were chosen as the primary source of information. As Yin states (1994, 85), they are important in case studies since most of them are about human affairs. These human affairs should be reported and interpreted through the eyes of specific interviewees, and well-informed respondents can provide important insights into a situation. The weaknesses of interviews as sources of evidence are common problems of verbal reports, in other words bias, poor recall and poor or inaccurate articulation. As Yin suggests (*ibid*), these problems



can be minimized through corroboration with information from other sources. This is why also *documentation* will be used in this study, chiefly through company information from their web-sites and annual reports. Finally, also *observation* will be used as a method, during the interviews.

The fact that two representatives of the same phenomenon were interviewed in the study enables what Yin calls theory triangulation (2003, 98-99). All the interviews were carried out with a similar method, i.e. semi-structured interviews. The questions were open-ended in nature, which enabled to obtain in detail the opinions, attitudes and experiences related to matter (Yin 1994, 84). The interviews were also focused, meaning that the duration of the interview was in most of the cases under one hour (Yin 1994, 85), but the fact that the questions were developed beforehand based on the theoretical framework made the overall direction of the interview clear and thus enabled also free conversation.

The interviews were conducted at the company's premises both in the cases of company representatives and foreign professionals. All the interviews were done in English and had a relaxed atmosphere. Each time the questionnaires used (please refer to Appendices 5 and 6 to see the questions in detail) worked only as help to guide the discussion, and every time a possibility for further deepening of certain issues related to the matter was possible, the interview was left to run freely. The duration of the interviews varied from thirty minutes to over an hour, and they were all tape recorded. With some of the interviewees the discussion continued also after the interview itself, giving further possibilities to ask even more freely about certain opinions or events for example over lunch.

### **3.6 Data analysis**

The questionnaires used in the interviews were built up to reflect the different insights found in the theoretical part, with the aim to best understand how they meet the reality and opinions of the people involved. Interview questionnaires used in previous research on the subject were also consulted to make the questions more comprehensive, and the

questionnaires were also improved during the process in proportion as more interviews were done and new important issues came up. The questionnaires were also sent beforehand to each of the interviewees so that they could be read prior to the interview and reflected upon. After the interview the tape recorded discussion was transcribed on the same day, and some insights that had come along the interview were noted to best be able to analyze the information when all the interviews had been carried through.

When all the interviews had been performed and transcribed a comprehensive analysis was carried through. The material was read through several times to have as broad a view of it as possible, both of the cases individually and as a whole. As already mentioned in chapter 3.2, a combination of two different kind of strategies was used to analyze the data: the case-oriented approach, which considers the case as a whole entity, looking at configurations, associations, cases and effects *within* the case – and only then turns to comparative analysis of a (usually limited number) of cases; and also, the variable-oriented approach, which is theory-centered from the start, casting a wide net over a (usually large) number of cases, and where the “building blocks” are variables and their intercorrelation, rather than cases (Miles & Huberman 1994, 174). The use of the latter mentioned can be justified since the interview guide had had as a base the theoretical framework and the literature on the subject that was studied before conducting the empirical part, thus making the interviews guided by the theory. As Eskola and Suoranta (1998, 152) suggest, the main findings of the theoretical framework help to find the different themes according to which certain coding can be done across the cases, based on which the variable-oriented analysis can be carried out. The variable-oriented approach was in practice carried out through reorganizing parts of the interviews according to the different themes, so that all the data related to one theme was more easily analyzable. The use of the case-oriented study is also important, since all the interviewees were very separate cases and their backgrounds naturally had an impact on their experiences; this is especially true to the foreigners living in Finland, but also on different companies’ situations. This is why the themes were reflected on the interviewees’ background both before and after having done cross-analysis of the cases. The case-



oriented study reflects also better the empirical part of this study in a sense that the amount of cases wasn't that numerous.

### **3.7 Research validity and reliability**

According to Yin (1994, 32-33) the four tests that are relevant to case study research are construct validity, internal validity external validity and reliability. Since internal validity is for descriptive or explanatory studies only they will not be dealt in this research.

*Construct validity* refers to establishing correct operational measures for the concepts being studied (Yin 1994, 33). This dimension has been found to be especially problematic in case studies since "subjective" judgments might be used to collect the data (ibid 1994, 34). In this study to improve the construct validity multiple sources of evidence were used in order to see the research phenomenon from different perspective. Also the fact that the theoretical part was built completely before doing the empirical part of the study enabled a clear and solid base to conducting the latter part in a more objective manner.

*External validity* establishes the domain to which a study's findings can be generalized (Yin 1994, 33). Research results can aim at statistical or analytical generalizations, the latter one being the aim in case studies, in which the investigator is striving to generalize a particular set of results to some broader theory. The generalization can be ensured through replication logic, which was already mentioned as a method to be used in this research. Two other important dimensions used in this study improve the external validity were firstly the fact that two different parties of the phenomenon were interviewed and secondly the fact that the amount of the interviewees which was set to a when saturation of research results was achieved.

*Reliability* demonstrates that the operations of a study, such as the data collection procedures, can be repeated with the same results (Yin 1994, 33). The goal of the reliability test is to minimize the errors and biases in the study. For adding reliability, the

research process of this study has been documented in detail and through this documentation as many steps of the process have been made as easy to replicate as possible.



## **4 EMPIRICAL FINDINGS, DISCUSSION AND ANALYSIS**

### ***4.1 Presentation of case companies and foreign professionals interviewed***

The two following tables recapitulate the facts of firstly the different companies of which company representatives were interviewed and the role of the interviewees in the company, and secondly the foreign representatives, some facts of their background and the company they were working for.

**Table 2: Facts of interviewed company representatives and their company background**

<b>Company</b>	<b>Role of interviewee</b>	<b>Foreigners' positions</b>	<b>Amount of personnel in Finland</b>	<b>Amount of foreigners in Finland</b>	<b>Business Field</b>
<b>First Hop</b>	HR responsible	Several positions at all levels	55	9	Mobile value added services (VAS) business management solution vendor
<b>Synocus</b>	Senior Consultant	Junior consultants	~ 25	2 (previously)	Support strategic consulting projects and systems solutions
<b>Omnitele</b>	Vice President, Head of Finance and Administration	Senior consultants	50	2	Telecommunications consulting
<b>Cidercone</b>	Vice President of services organization	Project manager and software developer	~ 65	2	Solution provider specializing in wireless web based technologies
<b>Aldata</b>	Human resources manager	Software development positions	70	4	Provider of software solutions for the global retail industry

As can be seen from the table, all the companies had some kind of technology related services as their core business. In addition, it can be seen that not all the positions of the



interviewees were only HR related, but this is understandable as the companies were small in size.

All of the five companies are Finnish based and have international business operations of some kind, some to a larger extent than others. It must be noted that one of the companies, Aldata, did not entirely fulfill the requirements of the definition of a small and medium sized enterprise used in this thesis, but since the personnel in Finland was according to the definition, the overall personnel was not seen to be a problem, taking in consideration the aim of this research.

**Table 3: Facts of the foreign professionals interviewed**

<b>Nationality</b>	<b>Age</b>	<b>Role</b>	<b>Personnel of employing company</b>	<b>Time in Finland</b>
<b>German</b>	33	Senior presales consultant	55	3 years previously, now 2 weeks
<b>Romanian</b>	27	Consultant, Software designer	~ 20	10 months
<b>Mexican</b>	28	Software Architect	60	1,5 years
<b>Pakistani</b>	28	Usability consultant	25	4,5 years
<b>Greek</b>	32	Senior Consultant	50	5 years previously, now 3 months

The table shows that the foreigners interviewed had a relatively low average age, which emphasized the dimension of people that were at an early stage of their career, comparable to foreign students conducting one part or their whole degree in Finland. This highlights the importance of this age group in the research, as they seem to be a relevant option to companies starting to recruit for a more diverse workforce, even though they obviously can't fulfill the lack of know-how that might exist for more senior professionals. All the foreigners interviewed however had a higher academic degree in some technology related

field, several years of work experience and three out of five had worked in a third nation in addition to their native country and Finland.

It is also important to note that none of the interviewees had children, which also facilitates their mobility, and most importantly none of the interviewees started to work for their company without a former linkage to Finland (studies in a Finnish university or a Finnish spouse) or having being solicited by the Finnish company to come. Even though not being a statistically valid research, this highlights that it is not probable that Finland is in the field of choices of foreigners.

## **4.2 Findings of the study**

Next, the findings of the study will be dealt according to the themes of the framework developed in the theoretical part of the thesis. Each of the following sub chapters will deal one of the themes of the theoretical framework on which the questionnaire to the interviews was based, first the four different steps of the intra firm process, i.e. top management commitment, recruitment, management and finally integration and building of a multicultural working environment. To conclude, since the macro environment was experienced as important by many interviewees, it will be given a separate sub chapter. All these five issues will be dealt firstly from the point of view of the company representatives, then from the foreigners' perspective. These viewpoints will be discussed in relation to each other, and also in relation to the literature dealt in chapter 2.

### **4.2.1 Top management commitment**

#### **4.2.1.1 Company perspective**

The companies interviewed had different backgrounds in terms of intentional actions taken towards foreign recruitment, which makes comparison amongst them impossible. For three of the companies foreigners had just happened to be recruited instead of Finnish persons, whereas for two companies it was an absolute value, making it one part of company goals.



The fact that so few of the companies had tried to implement anything that could be interpreted as diversity management makes the comparison of theory and practice somewhat difficult. However, insights to how improving company practices can be drawn based on the interviews; most of the suggestions presented in the literature review seemed adaptable and further suggestions can be derived from the interview data.

The different starting points in terms of intentional actions of the companies provided interesting insights: firstly, that company size is not related to the ability to have a more diverse workforce and secondly, that internationality within the firm in terms of a multicultural workforce seems to be related to the internationality of a company in business operation terms.

*"It was our president's [initiative to hire foreign workforce]. He had this vision that, in which I think he was right; that you can't claim that you are international if not your whole personnel is used to deal with other people than Finns."*

This became evident also because two of the companies told that they provided mostly services within Finland, and even for some technology related positions the not knowing the Finnish language can become a hindering factor for employment if needed in customer contacts. Consequently, one of these two companies had had foreigners only at junior positions. However, some of the companies that did have international operations did not have plans for a multicultural workforce. Thus it can be stated that internationality can be a prerequisite for being aware of the need to recruit foreigners and also being able to benefit fully from their contribution, but internationality in itself does by no means automatically lead to action. An important issue is also that the two companies that had a mindset toward recruiting foreigners said that they weren't growing in Finland for the moment, and that if possible the future employees recruited would be located in foreign offices of the company. Since the companies that were interviewed were small in size, one factor that was common in each of them was the flatness of the organization, which can be interpreted as a very

positive trait. This also enables the ability to bring new viewpoints through open communication at all levels:

*“It’s based on competences, it’s based on behavior. I mean those people who can express themselves in English have the advantage, they are listened to and they are heard. That creates some sort of a structure. Which means that even if you’re not a top notch vice president of the company, but you express yourself rather fluently in English, you become heard.”*

Many of the companies also stated that they have a typically Finnish informal company culture in addition to the low hierarchy, which is also a positive trait, both in terms of what previous research states and in what the foreigners interviewed preferred.

If diversity was at all taken into consideration at the work place, top management seemed to be very present at the planning of it; it was evident that without the active involvement of the senior management the recruitment of foreigners remained something really superficial or rather accidental – actually this was the case even in one of the two companies that declared that they had plans to recruit foreigners. This highlights the importance of systematic commitment and planning, without which diversity at the workplace won’t become reality. In all of the companies except in the one that did recruit proactively from abroad, it seemed like the consideration of trade offs of recruiting foreigners proactively from abroad in comparison to the advantages it can bring to the company hadn’t even been considered. This fact that diversity related considerations seemed to be somewhat in their infancy in the companies suggests that comparisons to other companies that already have implemented these kinds of plans could be necessary. However, these kinds of comparisons hadn’t been made in any of the companies interviewed.

Naturally, any extensive conclusions on the general attitudes of SMEs in the technology industry in Finland can’t be taken due to the small amount of the interviewees, but it seems



that only few have taken a proactive approach and an implementation toward a more diverse workforce. This is somewhat in contradiction to the general atmosphere that the company representatives had experienced from the job market, since all of them stated that currently it is more the employees' than the employers' market to jobs of a certain level:

*"One of my biggest problems is to find good and motivated, skilled employees working for our company. For example at the moment I'm looking for four or five new people, employees, for example new project managers I haven't been able to find in about six months, while I have been searching."*

Thus, it looks like many of the companies don't even regard employing from abroad as an option, which speaks of rather homogenous and standardized attitudes towards the possibilities to change workforce composition.

Finally, something that came up several times during the interviews was the fact of trying to have English as the corporate language. Even though it seems like somewhat of a trivial step, the implementation of it seemed rather difficult even in occasions where it was officially declared as the chosen language of the company. This highlights the importance of company commitment from the highest level to have this one significant change throughout the company, because naturally, it affects the foreigners' ability to act in the company.

#### *4.2.1.2 Foreigner perspective*

The flat organization and informal communication had been experienced by most of the interviewees as described by the company representatives and the employees appreciated it a lot. This is something that has been found in previous research as well in Finnish companies and SMEs naturally don't seem to be an exception in this matter.

*“Very informal and very relaxed, how it should be, if you ask me. I’m kind of like the younger generation employees in high tech firms and I know that hierarchy doesn’t really help anyone. I mean the ability of a leader to stand out is very important, but you don’t need hierarchy, you don’t need a special title or a special term to convey that to your fellow workers.”*

The fact that senior management was experienced to be at the same level as the employees also at unofficial occasions like lunches and recreation activities was found as positive and as improving the general atmosphere. Even though most of the foreigners interviewed explained the situation in the company as hierarchically low and with open communication, one interviewee had found it otherwise, and the commitment to the company was low partly due to this trait. So generally it can be said that this is something Finnish companies excel at, but still it is not obvious and certainly a dimension that is necessary for committing employees, no matter of which nationality.

One interesting dimension was the branding of the company in terms of an attracting factor for the foreigners. It seems that even though most of the interviewees were satisfied with the company they were working for, some of them would have preferred to work for a multinational corporation, even though two of the interviewed expressed contrasting opinions. The latter mentioned had deliberately chosen to work in a smaller company after feeling that MNCs had too heavy structures. However, three thought that the fact that big corporations can offer a managerial ladder to climb up was even more attractive than the freedom and low hierarchy that a small company might be able to offer, and this was not related to the fact that they felt they can’t progress due to their nationality, but due to the flatness of the organization. Every single one experienced possibilities to evolve professionally in their current occupation, but this mindset of “company name looks good on my CV” or the opportunities to be of higher ranking level sometimes outweighed the professional side of personal development. Both kinds of attitudes were found both in the



interviewees under thirty and over thirty, so experience didn't seem to have an effect on the matter.

In addition to the branding in the sense of a company name that is recognized, internationality seemed to be of some importance, even though not mentioned explicitly by everybody. Some said that the fact that the company was international in operation terms didn't matter much when they did the decision, whereas for some it was a decisive factor; however, even the individuals who didn't mention internationality as critical said they planned to move abroad even in a short term of time – that is, if the company can't offer new opportunities abroad, there is a big probability that the foreigners will change employer. Also, internationality within the firms in terms of nationalities represented seemed to be important to some extent - not so much because of the feeling of not being able to progress hierarchically due to one's foreign nationality, but rather for having a more international company atmosphere and attitude.

#### **4.2.2 Recruitment**

##### *4.2.2.1 Company perspective*

All the companies stressed the importance of looking for a certain profile with skills and capabilities instead of persons from a specific group, which is positive in terms of foreigner recruitment.

*“We're not looking for workforce in general; we're looking for skills and for competencies. It doesn't matter, the nationality, race, religion, color, doesn't really matter at all.”*

However, somewhat controversially only one company had taken a proactive approach to look for these diverse people from abroad. This discrepancy in the mindset and actions of the companies is limiting the Finnish companies' abilities to implement their approach because of the low amount of foreigners in Finland or foreigners following Finnish recruitment channels. As an example, it is no coincidence that the foreigners interviewed

for this study either had a prior connection to Finland through studies or personal relationships or had been contacted by a Finnish company. Thus, it would be recommendable to companies to have a theoretical precision to why they are in the current position, not only in terms of having a certain amount of foreigners but also in consideration to the difficulties of recruiting, and then analyze what can be done about it.

None of the companies had changed its recruitment processes after having had foreigners in the company – the only company that proactively recruited foreigners had done it from the day the company was founded. In terms of recruitment channels the ones used by the interviewed companies were newspaper advertisement, the company's website, personal networks, internet recruiting web services, recruiting companies, recruitment fairs for students and headhunting. Since most of the companies didn't actively recruit foreigners these might not be considered as models for international recruitment; the company that did search for employees internationally had found them through headhunting and international recruiting web services like [www.monster.com](http://www.monster.com), because people who are interested in working internationally use these channels – whether these two channels can be recommended as the best ones is debatable since based on the experience of only one company, but they do provide two good options. Internal channels were mostly regarded as positive because they somehow guarantee the quality of the future employee, but one company thought that they might be risky as well:

*“But it's kind of a risky business to do that because if somebody comes from abroad and starts to work for you company, then he calls to a couple of his or her friends and they start to work for the company, when one leaves it might trigger a kind of a chain reaction. It is a bit risky, so we don't favor that. We don't mind if somebody wants to work for us but it's not really about networking it's not really about... how can I say, it's more about your competences.”*



In terms of the recruitment process the companies used somewhat standard practices: interviews, tests, checking references and finally in one company also business case solving for incoming trainees. Whether these processes have an approach that is heterogeneous enough is difficult to evaluate, but all of the interviewed company representatives stated that being a foreigner was rather a plus than a minus and that several people were involved in the process. Also, the decision makers were representatives from throughout the company, including the persons from the specific responsibility field that the future employees would work for, which emphasizes also the professional standpoint in the recruitment, as opposed to person specific traits.

One of the most difficult dimensions of the recruitment, if wanting to do it proactively, is the considerations of the salary level. However, the company that did recruit from abroad had implemented an interesting approach:

*“You have to be careful with that, since the people we are looking for could sell their skills all over the world. Our VP of sales is from the States, has been working for a UK company in the States, and I wouldn’t hesitate for a minute to say that he could sell his skills in Australia as well. [...] If we hire somebody, like the German guy, we hired him from Switzerland, we have to compete with the salary levels of Switzerland, of course. They are a bit higher than in Finland, so if we want to get that person to come here, to stay here in Finland, we have to pay him about 30-40% more than the person would get if he or she was hired from Finland. It always depends on the market rate.”*

Other companies, on the other hand, said that raising the salary would be a big problem since the company couldn’t do that due to financial constraints – this was the comment also from companies that operated globally, and thus their competitors are not paying Finnish salaries to their employees. The salary issue had also another dimension to it, namely the cheaper labor force from abroad:

*"I would say that the other aspect of this is the off shoring model. I have many contacts for example in India and they are able to sell software development at about 20 euros per hour and our internal rate in the company has been about 30 euros per hour. So they can offer quite drastic cost reduction in that sense."*

Finland seems to fall in between of these two ends: high-skilled workers are somewhat cheap labor in comparison to other Western countries, but on the other hand, lower level white-collar jobs are more expensive than in other countries.

In terms of posts offered, all the companies had their employees as permanent workers.

Lastly, it must be taken into consideration that if companies do recruit from abroad the risk involved is bigger, which is why the company that did international recruitment stated that they also need the person to have some prior international experience either from studies or work, so that they have somehow "opened their eyes". Another approach to this problem could be recruiting foreign students from Finland, because they already know the local culture and can bring multiculturalism to the company. Naturally, they could only provide potential for future more senior position posts or improve the multicultural competence of the company, not meet the shortage of senior level professionals.

#### *4.2.2.2 Foreigner perspective*

The foreigners felt that there weren't differences in the Finnish recruitment practices in comparison to what they had experienced abroad; they rather felt that differences were found between big and small companies regardless of nationality. Small companies were naturally found to have more flexible and informal recruitment processes than multinational corporations, and also the persons involved were found to know more about the specific needs for the post and being able to ask more precise questions.



As stated earlier, all but one of the interviewed foreigners had prior experience of Finland before joining the company, and consequently, they wanted to and knew how to look for jobs through Finnish recruitment channels like oikotie.fi or alternatively, had contacted the company through personal initiative. The only one that didn't have prior familiarity with Finland was contacted by a Finnish company that has as its core business providing consultants to companies acting in Finland.

An important insight is that each one of the interviewees was not planning to stay in Finland for an unlimited time, even though they all had permanent employment. The notion of brain circulation seems to be very much the reality also for companies of small and medium size, also because people are aware of the needs of the current demands of the global markets:

*"Today you do need international experience in order to advance on you career and I've seen very, very few people on management level today that actually had no international experience. I mean the more international experience, the more appreciated today, because obviously the business is global, so if the business is global the more you understand where you're doing business."*

As this comment demonstrates, companies need to take into consideration the global mobility of people, especially in terms of plans for future workforce.

The salary was also an important factor, but understandably more for those that were a bit further in their career. It must be remembered that the foreigners already had chosen to live in Finland, which might somewhat bias the relative importance of this dimension (i.e. it probably would have been a more important factor to foreigners from occidental countries that are planning to move abroad):

*“So, many European countries are actually having the same problem as Finland has, basically come up with special arrangements for skillful foreigners that might be willing to work in the country. So yes, it [the salary] was an issue, I will say it was the most difficult part in the negotiation. We, both I and the company were happy with the engagement but of course the remuneration was quite important for me. I definitely myself had to give in for coming back to Finland”*

One interviewee also said that Finnish companies should definitely state the salary level of the position when advertising for a job, because that is the standard in other European countries even though not necessarily in Finland.

Lastly, it can be stated that the company should be aware already in the recruitment process of its role in facilitating the process the future employee will have with Finnish authorities, because the interviewees coming from non-EU nations had had problems with these issues.

### **4.2.3 Management**

#### *4.2.3.1 Company perspective*

Change in management style was in most of the cases only reflected to switching to English language when dealing with the foreigners in the company, but also aspects that supported a stereotype free attitude were very common, i.e. seeing people as professionals rather than representatives of a culture:

*“I think it’s more managing how to work with people with different backgrounds [regardless of culture]. I think that’s the main point.”*

This comment shows how potential problems of stereotyping can be overcome by orientation on professionalism which naturally crosses boundaries over cultures of the individuals.



The company that had proactively recruited from abroad had also taken some managerial actions that would change the way the work gets done:

*“At least we would like them to change the culture. To bring their best qualities of their culture to the company. That is one of the reasons why we don’t allow the foreigners to stay together[...]When we develop processes it’s not a Finnish based activity, it’s taken care of in the units, meaning a business entity. Those business entities create their own processes and it’s always and international process of creating processes. So everybody who has good ideas can have an influence on processes or working habits.”*

This comment can be interpreted as a complementary insight to the framework, meaning that the management approach should be more in connection to the building of a multicultural company, which is giving the opportunity to diversity to have an impact on all the company working methods. After all, the integration phase is very much related to the managerial approaches of a company.

The management style in itself was described as being either Finnish, referring to an open and informal way of communication and a democratic attitude, and in two companies also as generic Western, due to former experience of the managers from multinationals or due to the international influence of foreign operations and foreigners in the company.

In all of the companies the representatives stated that top management and management were co-operating very closely even with the subordinates, which emphasizes the flatness of the company and the possibilities of companies’ to have a more open communication – a specifically positive trait of smaller companies. In addition to enabling the flow of information throughout the company it makes faster changes possible in terms of adaptation to business environment changes. Also, relationships in the companies were most often described as related to professional performance, rather than rank:

*"We're a very performance oriented company. We got a very good performance management system, which is designed to be international, it's about communication."*

Also, the fact that the medium age was low and that the persons involved in management had prior experience of multiculturalism was regarded as an improving factor for the management of a diverse workforce, since as one interviewee said:

*"Compared to very traditional Finnish companies I think there could be big problems with a newcomer from, say China [who would come] to work but since our medium age is around a bit over thirty years, so we're young ambitious professionals who have used to work in diverse environments."*

This emphasis on the experience of managers of multicultural environments is related to the cultural awareness presented in the theoretical part, and the fact that cultural differences can't be learned through theory. It was also regarded as important from the foreigners' point of view, since one of the interviewed foreigner said that general attitudes in Finland, both in the society and at the workplace are changing very slowly, and that it is very visible that the older Finnish generation is not used to acting with foreigners.

#### *4.2.3.2 Foreigner perspective*

Generally taking, the foreigner's answers to questions related to the Finnish management style were very much similar to the studies conducted in prior research, meaning an approach that is task-oriented, informal, trustable...

*"That's something I noticed that here, the targets were set very clearly, they are measurable, at the end of the quarter they can have a look at the targets and measure them so on the one hand here they are, you agree with them, you're capable of doing them? Ok, then they let you go. And of course if you have problems you can go and talk, again because it's a small company. It's really professional, and positive."*

...but that lacks positive traits like giving enough feed-back, encouraging open communication and is very much straightforward:

*“...but in Finland it’s like “you will do this” and in some cases you don’t even know about it. You see your name and a task and nobody actually told you before, you just saw it. So, I would guess that for a foreigner coming from a different culture this can be an issue [...]... not really aggressive, but they [foreigners] will feel they’re not involved. Always when people feel they’re not involved in decision making they feel bad.”*

Thus, it seems that management styles are very much alike in Finland regardless of company size. One important difference to prior research was however, that every single one of the interviewees had experienced the support of management to team work as very strong, which is in contrast to prior research and can be a trait specific to the small companies and also due to the nature of the projects the companies are conducting. People were also very positive about the fact that they felt that managers were much more involved in their work and were aware of it in a completely different way than in multinational corporations:

*“The typical manager has no clue about how the actual work is done. These guys really know sometimes even the detail, just as much as the actual programmer.”*

Finally, it can be said that nobody felt that the management style in itself was better or worse in comparison to what they had experienced in other countries, just different, and that it would be unnecessary and even impossible to change it. The one thing that was brought up, however, was that informing about it could facilitate the work of foreigners, because the inaccurate expectations seemed to bring more problems than the actual way of managing:



*“But it’s important to explain to people. I think here things happen in a certain way, as far as the Finnish management style. What is important is to let people know about the ways.”*

One of the interviewees suggested for example a short presentation on the matter and another suggested documented guidelines; in the same way as the general ways of working at the office are explained in a brochure, Finnish management and working styles could be explained to the incoming foreigners.

#### **4.2.4 Integration and building of a multicultural working environment**

##### *4.2.4.1 Company perspective*

If reflected to the classification of company attitudes toward multiculturalism by Cox (1991, presented in chapter 2.3.4.1), only one company of the interviewed ones can be stated to have a truly multicultural organization through firstly having foreigners in all levels of the company and secondly through company attitudes towards the contribution they can give to the company – this was dealt in the previous chapter of the empirical part on management, i.e. the company that was proactively recruiting from abroad also wanted the foreigners to change the company culture and have an impact on work processes. The other company that had foreigner recruitment as part of values didn’t mention any practices on how the company could better benefit from the know-how the foreigners might have even outside their core knowledge, but mentioned that they do change how the people act within the firm:

*“One really cultural question is that they [the foreigners] probably encourage the Finnish people to act and behave more openly and not... I mean more talkative anyway.”*

Two other companies stated that foreigners can be a big benefit as specialists on their native country market, and the fifth company didn’t have any specific comments on the issue. The importance of seeing more explicitly the potential in foreign workers to improve company processes more could be important to Finnish SMEs; however, the fact that

communication was felt to work so well and that suggestions are well taken into consideration gives a possibility to these kinds of improvements even without concrete actions.

In terms of communication the language issue came up again, since even though it is something that is decided on company level, problems with English language implementation seemed to come up.

All the companies had some kind of employee satisfaction surveys and none had had diversity related training, even though the company that was more involved in multicultural issues had planned a training session but not implemented it due to financial constraints. In Finnish circumstances, especially for small companies it seems somewhat unrealistic to expect companies to have extensive training on issues related to diversity, not to mention cultural audits. However, it could be possible and recommendable that companies could focus on the diversity issues through the already existing satisfaction surveys or processes related to company atmosphere and work improvement. Also, comparisons of multiculturalism aims or processes of the own company to other companies that had recruited foreigners hadn't been carried through in any of the companies, but again, the company that had a more multicultural organization had participated to a group that was rather academic in nature and dealt issues related to internationality in the company. Certainly, since companies had so little experience of working with foreigners some knowledge of the issue could be useful to improve the situation.

In terms of services, the four companies that didn't have a large amount of foreigners didn't have any formalized practices but had offered help according to the needs of each case. The one company that had recruited more widely from abroad had planned practices on how to tell about Finland to incoming foreigners that came from culturally distant countries, and also packages that were offered in terms of moving to the country. It is natural that when recruiting in the beginning is in small amounts the services also have to be tailor-made. A



proactive approach in these terms is nevertheless also necessary, since e.g. offering moving reimbursement for incoming foreigners seems to be the standard in other Western European nations.

All the companies offered recreation activities and had co-operation with universities to some extent. The representatives also considered foreigners that had studied in Finland a good channel to have a more diverse company, and most of them had had foreign trainees at some point of the company history.

#### *4.2.4.2 Foreigner perspective*

Generally speaking the foreigners interviewed had experienced positively the atmosphere at the workplace in terms of the company's and its employees' attitudes toward a more diverse workforce. The viewpoints were somewhat different depending on where the interviewed person had acquired previous expatriate experiences; the Greek interviewee stated that people in Finland are less used to dealing with foreigners than for example Swedes or Dutch people, whereas the Mexican interviewee found people more tolerant in Finland in comparison to the USA. However, generally this dimension was felt as a well dealt one in the companies the interviewed persons represented. One very positive finding was also that all of the interviewees felt that they had the possibility to contribute to company improvement in many dimensions:

*"I think in Finnish companies' one of the really, really most profound strengths is that if something is right, an idea comes, if somebody says an idea, says an opinion, if somebody dares to say an opinion, and the rest recognize this as the right opinion, there will not be any politics, people will immediately embrace it and try to actually implement it. Finnish people are very receptive to the right ideas to the things that sound right, so there's less politics involved in Finland."*



Even in work processes the bureaucracy was felt as less present than in other countries, partly due to the small size of the companies, and they also were experienced as smooth and well working.

As far as communication is concerned, most of the foreigners experienced it too as extremely positive and felt that there were no barriers to dealing with none of the co-workers or managers. However, the viewpoint of Finns not participating enough through spontaneous suggestions, which has come out in previous research, was strengthen also in this study:

*“But definitely I feel that foreigners tend to question more than Finnish people tend to question. It is generally more accepted in other European countries to question things, why we do this and that... It shouldn't be... Another important thing is that when a company is taking a lot of foreigners, they must educate the Finnish people that when they question something it's not necessarily a bad thing.”*

None of the employees had had any diversity or culture related training offered by their companies, and most of the foreigners explicitly also said that they didn't feel it was necessary; they felt that these issues are overcome somewhat naturally.

*“Yes, I think it's not so difficult [to overcome cultural barriers]. Because we work very close to each other and we know each other quite a lot so, maybe in big companies it's a bit more difficult than in ours.”*

As the quote reveals, the fact that cultural training is not felt as necessary is partly due to the fact that the companies are small and if there are problems they are usually easily overcome, since they might usually also be more related to interpersonal actions than company policies. Another issue is also that professionals of these levels are by no means average persons in terms of multicultural experiences and adaptability; as persons, they are

very flexible and fit well into many different occasions and know how to cope in different interpersonal relations. This comes out also in the following comment of one of the interviewees:

*"I think there's a lot to learn and it's not something you're getting by a course, it's something you really feel, you notice people, you sit there and check this out."*

One of the most important issues when considering how much the foreign employee will commit to the company and feel good about the personal experience abroad is that the job must be satisfying and challenging. Even though it seems like somewhat a trivial dimension, if not taken into consideration it is definitely one of the most important push factors once already in the company. The mobility is also a specific trait of these people, since if they come all the way to Finland, it means they most probably will feel very much at ease at any other place in the world too:

*"I'm a person that's never fully satisfied and that's why I'm flexible and I keep moving from place to place."*

Finally, some of the foreigners had been offered some services, and they felt that they were a really natural part of the recruitment process. One interviewee also felt that these kinds of dimensions of businesses in Finland were very much still in their infancy:

*"[In other countries] Companies usually provide accommodation for people that are coming from abroad, it's quite common. And I don't think Finnish companies are used to do so, for example if you see there are still very few executives having accommodation from their companies in the Helsinki area. If you go to Stockholm you have a huge market of rented apartments that companies rented for their executives. When I moved to Holland it was quite, I mean I negotiated a kind of packet where the company provided an amount for my moving expenses"*

As far as other services are considered, Finnish language courses were felt as a positive thing if offered, but nothing necessary and nothing that should by no means made mandatory. Also recreation activities were found as positive and as improving company atmosphere. Foreigners also repeated the findings of previous studies that sometimes they felt left out of the everyday conversation, but found it also natural since they thought it is something that would happen in any country.

#### **4.2.5 Macro environment**

##### *4.2.5.1 Company perspective*

All of the five companies stated that senior level professionals or experts were already difficult to find. All were also very well aware of the unattractiveness of Finland in terms of financial terms...

*"I don't think it's attractive. I met a girl once; she was from New Zealand or something. And I asked why you came to Finland. And she said that people move to Finland for two reasons. One is love and the other one is Nokia. So I don't think with our salaries and taxes there are reasons to move."*

...but felt also that they had limited if no possibilities of affecting these dimensions:

*"We're a small company. We believe in our skills and competencies but our influence is minimal when it comes to industrial structures, when it comes to taxation. It's not so much about taxation, it's about how the government treats companies that are growing, whether it makes it easy or difficult for us. And at the moment it feels like it's very difficult to grow Finland."*

As stated earlier, the companies that had foreigner recruitment as a company goal didn't even plan on recruiting more people in Finland:



*“Let’s put it this way, we don’t grow in Finland anymore. We grow in other places where taxation and rates are better. We don’t employ people in Finland. And we grow in Asia-Pacific, we grow in Dubai and we grow in Spain. When it comes to top management they are usually foreigners living in UK where the tax rate is better.”*

#### *4.2.5.2 Foreigner perspective*

As mentioned earlier, the foreigners interviewed had already chosen to be in Finland and thus represented a somewhat limited approach to country level issues. However, the professionals over thirty expressed the importance of salary and taxation as push factors, whereas the ones under thirty less so.

*“And that’s why there is strong incentive, I mean for the administration, for the government in Finland to actually give tax breaks for foreigners, for a certain period of time. I know that in the UK they give it for five years. So these people will not be here forever. Asking them to pay the full social contribution for like Finnish people do that stay here and enjoy the social benefits, is actually not fair. And again of course I’m sure that the social democrats have a strong opinion about it, but if you need these people you need to give them incentives to come.”*

Beside remuneration and taxation terms every individual seemed to have personal fondness to something that was lacking from Finland, everything from food to the weather to the coldness of people or an atmosphere that is not internationally vibrant enough. Some of these issues, except from the weather, might be changing in countries in the long run as a consequence of a more diverse society. However, to have that change more foreigners are needed, where you come back to the incentives that can be changed and also to the country image of Finland, which seemed to be positive in the representatives of European countries but quite vague outside Europe.

*“Nobody knows about Finland. Like in Pakistan, my parents who are well educated they didn’t know there’s a country named Finland. Maybe they’ve heard, but still they had no clue where it is. At least people know about Germany in our country, Austria... like at least people have heard about it. So many people don’t know about Finland. Like Sweden, Norway, people know. So maybe they should do something, I don’t know their embassies, should do something, some cultural activities in other countries, some news clips, some newspapers, something like that.”*

In terms of future possibilities to find work in other companies in their field in Finland the foreigners had deviating opinions, some felt positive and others very negative, but in both cases, the interviewed persons expressed plans to move out of the country in the future, i.e. within some years or even months.

Finally, when asked about preferences of country or company when making the decision to move, all of the interviewees stated it was an equally balanced combination of the two.

## 5 CONCLUSIONS, EVALUATION AND RECOMMENDATIONS

### 5.1 Conclusions

Due to the demographic challenges Finland will face in the coming years its workforce will decrease with significant impacts on the whole economy. The increased lifespan, low fertility rate, low amount of foreign-born people in Finland and the negative net flow of highly educated persons all accumulate to problems to which a larger amount of incoming workers could give a relief. In addition, the fact that Finland's role in the world economy has to be based on knowledge and innovation based services and products is an additional argument for trying to get more highly-skilled foreign workers into Finland.

The decision of moving to a foreign country is a process to which a large amount of different factors contribute. This thesis concentrates on one of the different dimensions, namely the role of the company as the recruiter and integrator of the foreigner into the Finnish working life, with the rationale that a more heterogeneous workforce produces more high quality working results, and the company itself is one of the biggest beneficiaries of this process. The emphasis of the research is the point of view of small and medium sized enterprises and the industry in which the thesis concentrates is the ICT industry, due to its uniqueness in internationality and the fact that previous research has been conducted on the subject more widely than in any other sector.

The research question was formulated as follows:

*How can foreign professionals best be recruited to and how can their contribution be maximized in Finnish firms in Finland, especially in SMEs in the ICT sector?*

To provide a thorough analysis on the matter, three sub questions to the research question were formulated, of which two were dealt in the theoretical and the third one in the empirical part of the research. Next, each question will be presented followed by the



findings provided by the study. For the third sub question, which represents the empirical part of the study, also reflection about the study results in relation to previous research will be presented. Lastly, considerations on the thesis as a whole in relation to previous research will be presented.

*What does prior research suggest in terms of heterogeneous working groups' results and their distinctive requirements from the working environment?*

Research suggests that a more diverse workforce provides better working results in the long term. This rationalization is based on studies that demonstrate that heterogeneous working groups provide a wider pool of people to recruit from, have a better understanding of market opportunities, result in a more innovative strategy formulation and problem solving and improve company image. However, research also suggests that all of these gains might be lost due to culture related conflicts and misunderstandings if the workforce is not managed correctly.

*What kind of process would be ideal for a Finnish firm in recruiting and managing foreign professionals?*

In the literature review the process of companies to better deal with a diverse workforce was divided into four parts, which are heavily interlinked: top management commitment and organizational adaptation, recruitment, management and finally integration and building of a multicultural working environment. The different suggestions by the literature to each of these dimensions will next be presented.

In *top management commitment and organizational adaptation* the importance of a commitment from the highest level of the company to a more diverse workforce was recognized. The different considerations that have to be taken into consideration at this level of the company were presented, namely: a company image that supports

internationality inside the firm and behavioral patterns that back this mindset; understanding of diversity related issues and their impact on working life and consequently reshaping HR systems to support the better exploitation of a diverse workforce; not limiting the approach of diversity only to representation or know-how related to specific countries, but enable it to change working processes in companies; building an organization that is flat in hierarchical terms; comparing own practices and plans to those of companies who have succeeding in diversity management; and finally, aiming at and having a proportional heterogeneity throughout the company in rankings.

In the *recruitment* phase, companies should have a different approach than when recruiting only Finnish employees. The most important findings of the literature were the following ones: companies should look people with a certain profile rather than have representatives of a certain group as a target for potential employees; companies should also try to understand their current situation better through theoretical precision and see through that how the situation can be improved; in Finland specifically foreign students can be a first step toward a more diverse workforce, even though they don't solve the problem of shortage in more senior level positions; the salary and post offering most probably should differ when recruiting people who are not used to Finnish practices on the matter; services for foreigners that come from abroad should be planned already at this stage to have a more concrete offering to the potential employee; interviews and potential employee assessments should be made based on models that don't support recruiting only representatives of the most prevalent culture in the society of the recruiting firm; and finally, companies should consider how different channels target different people, which is relevant especially in the situation of Finland where a diverse workforce is difficult to find locally.

*Management* was seen as an important step once the foreigners have been employed to the company. In general the two most important traits that should be taken into consideration when having a more diverse workforce were not to stereotype and being more culturally

aware. Specifically for Finnish management a more open communication and more support to teamwork were suggested.

Finally, in the firm process for diversity management the last mentioned dimension was *integration and building of a multicultural working environment*. This includes analyzing the current situation in terms of how well multiculturalism is dealt in the company; understanding that diversity is a two-way process, when a company adapts its approach towards a more diverse workforce, also the employees can contribute on how to better improve company performance overall; understanding that in knowledge based fields a culture of learning and personal development is essential; providing relocation services and recreation activities; and finally offering diversity training.

Based on the literature review a theoretical framework was developed, which reflected the intra firm process for diversity management with its four different dimensions. The importance of this process to company performance as well as industry and national level competitiveness was recognized. The approach of the literature on the subject was tested through empirical interviews both to company representatives of five Finnish small and medium sized enterprises which have technology as part of their core business and also five foreigners working for Finnish SMEs that were professionals in the ICT field. The findings of the empirical part lead us to the last sub question of the research.

*What is the reality today in Finnish SMEs: how do they relate to the model developed in this thesis and what do foreign professionals in Finnish SMEs in the ICT industry think of their working experiences in Finland?*

Based on the interviews most of the results of the literature review were confirmed. The empirical findings helped to realize what the most important dimensions of the framework were to Finnish companies, this both based on the experience of foreigners' in Finnish



companies and on company representatives' insights on the process. The most important findings on each of the steps of framework will next be presented.

In *top management commitment and organizational adaptation* most of the suggestions provided by the literature seemed to be accurate also for Finnish SMEs, even though not many of them had implemented them due to the lack of a strategy towards diversity management. Issues that somehow differed from theory were the importance of the internationality of the firm, both in sense of operations and source of revenue. Also, a commitment to English as corporate language should be supported by senior management due to the difficulty of implementing it, even in small companies.

In terms of *recruitment* the dimensions that mostly differed from previous research were the importance of brain circulation, the risks of internal recruitment and the importance of cultural awareness of the employed person, as well as the most suitable external channels, which based on the proactive approach of recruiting from abroad of only one company seemed to be headhunting and international web recruitment services. Also, regardless of attitudes towards non-discriminatory policies in recruitment the actions of the companies were concentrated very much on Finnish persons, which is due to the nature of the pool of employees in Finland and the difficulty of recruiting from abroad. This complexity of foreigner recruitment is exacerbated by the discrepancies in salaries in Finland and other Western countries, and the reality that this dimension is not only company specific, but connected to wider macro economy and industry wide factors.

The value-added of the interviews in terms of *management* was mainly through the importance given to informing about Finnish managerial habits to facilitate the integration of foreigners; opinions on how the Finnish management style is were very much in line with the ones found in previous research, with a positive deviation on a more supportive attitude towards teamwork in the SMEs interviewed. Also, the importance of managerial approach towards integrating benefits of multiculturalism into working processes was

accentuated, since their role in building an organizational approach to diversity issues is essential. Finally, the former experience of managers in multicultural settings was brought up, due to the difficulty of learning culture related issues by theory.

In the last phase, i.e. *integration and building of a multicultural workforce*, companies seemed to expect that the impact of diversity on the work processes would develop naturally through open communication; probably a more active approach e.g. in forming more international representation when deciding over how to develop processes could improve the situation. In addition, help in relocation was provided rather well, even though the foreigners stated that Finland lacks a culture in the relocation service packages, which are rather self-evident elsewhere. Finally, diversity training was felt as something not necessary both from the company representatives and foreigners; cultural competence was felt as something that would evolve naturally through experience. A more natural way of dealing the issue could be through having an emphasis on it in the already existing HR practices aimed at working atmosphere improvement.

Overall according to the interviews of this thesis it can be stated that most of the suggestions of the American literature fit to some extent to the Finnish context. This adaptability is due partly to the fact that many of the traits of diversity management are linked to a flat organization that recognizes the importance of continuous learning and empowerment of its employees, which are traits that are even more easily adaptable in smaller companies. In relation to previous Finnish studies, the empirical part of this thesis suggests that many of the factors found in Finnish companies are alike in small and medium-sized enterprises, with some deviations: teamwork seems to be better supported; attitudes towards foreign recruitment seem to be passive even though the attitudes towards a heterogeneous workforce are positive; the experiences of foreigners in terms of professional development are positive in relation to expertise gain, but negative when it comes to managerial growth but for a different reason than in previous research – the company size was felt as a barrier, not cultural issues. The internationality of the company



seemed to be of importance too, both in terms of international business operations and revenues as well as the Finnish managers' former experience of multicultural settings, which naturally are more difficult to obtain in SMEs than in MNCs.

## **5.2 *Evaluation of study***

Overall, the study managed to answer the main research question and give additional value-added to the research gap that existed in this particular field of research. For the first time, a study concentrating only on the SMEs and the company point of view in terms of how foreigners' know-how best can be maximized in the Finnish context was carried out. Next, evaluation of each sub question will be presented.

The first research question studied suggested that the process explained in the subsequent parts of the thesis is beneficial for companies through improved working results. This part also showed the rationale to this study, since previous research emphasized the importance of right management of the diverse workforce to be able to reap all the benefits it has potentially.

The second sub question managed to build a framework with different aspects of the integration process, based on previous research that was adaptable to Finnish circumstances. Also, the Finnish literature written on the matter was taken into consideration. The different steps and their linkages show the most important issues to be taken into consideration by companies that plan this process and also how the process is intertwined and continuous. What could have been given more concrete suggestions on were implications for day-to-day work since one of the main target groups of the thesis are companies interested in improving their management actions. However, the lack of them in the literature prevented from making the theoretical part less abstract.

The third sub question was answered through the empirical interviews. Most of the insights brought up in the theoretical part were confirmed to be suitable in Finnish SMEs in the ICT



sector, and some additional suggestions on certain dimensions of the framework were brought up. A factor that might have weakened the quality of the research results was the approach taken to find companies: instead of looking for companies that had had foreigners, companies that were actively searching from abroad could have given more pertinent research results; also, the average age of the interviewees could have been somewhat higher and also their personal life situations could have been more diverse (none of them had children). These three factors, especially the first mentioned, might have had an impact on the fact that no very significant change to the framework was made based on the interviews.

### ***5.3 Recommendations for further research***

In the near future the subject of this research will become ever more topical due to the worsening situation of the Finnish labor market. To deepen the research results provided by this thesis studies on foreign employee recruitment and integration could be widened to cover interviews also outside national country borders to better understand the priorities and decision patterns of highly-skilled professionals, with the aim to not get biased research results due to the fact that the people interviewed had already decided to live in Finland. Secondly, a statistical survey on the current situation of small and medium sized enterprises and their recruitment difficulties would be interesting, as well as understanding better the priorities they have in terms of structures of the macro environment and how the government could possibly improve the situation, in the case that it is nation wide as negative as this research suggests. Finally, a more comprehensive study on highly-skilled professionals' preferences in terms company size would bring an interesting dimension to the matter: are priorities of company size only due to personal preferences or can there be seen any coherent changes in the attitudes for example in different stages of the career? Findings on this issue could clarify to small companies how they could better target potential employees.

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## APPENDICES

### *Appendix 1: Channels for recruitment for non-Finnish employees*

Through company recruitment pages on the Internet	34 %
Friends or family living in Finland	29 %
Acquaintances of Finns abroad	15 %
Through employing companies abroad	26 %
Recruitment agencies or – personnel	10 %
Prior experience of Finland	24 %
International journals and recruitment campaigns	n/a
Source: Raunio, 2002, 80	

### *Appendix 2: Finnish cultural traits*

The definitions of culture are manifold, since it isn't a quantifiable or scientifically provable concept. The following short presentation of culture is based on the studies of one of the most renowned researches of the subject, Geert Hofstede.

Hofstede defines culture as “(1) The training or refining of the mind; civilization. [...] (2) The collective programming of the mind which distinguishes the members of one group or category of people from another.” (Hofstede 1991, 260).

Hofstede has in his studies identified four different kinds of dimensions of culture which are experienced especially in company settings, as his research was conducted in IBM's different offices around the world. These can help to understand or predict certain reactions and actions of representatives of cultures; also, understand what foreigners might find surprising in one's own culture. The four different dimension's definitions and the rankings of the countries participating in the study will follow.

Power distance: the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally (ibid 28).

Individualism/Collectivism: Individualism pertains to societies in which the ties between individuals are loose: everyone is expected to look after himself or herself and his or her immediate family. Collectivism as its opposite pertains to societies in which people from birth onwards are integrated into strong, cohesive ingroups, which throughout people's lifetime continue to protect them in exchange of unquestioning loyalty (ibid 51)

**Masculinity/Femininity:** Masculinity pertains to societies in which social gender roles are clearly distinct (i.e. men are supposed to be assertive, tough, and focused on material success whereas women are supposed to be more modest, tender, and concerned with the quality of life); femininity pertains to societies in which social gender roles overlap (i.e. both men and women are supposed to be modest, tender and concerned with the quality of life) (ibid 82-83).

Uncertainty avoidance can be defined as the extent to which the members of a culture feel threatened by uncertain or unknown situations. This feeling is, among other things, expressed through nervous stress and in a need for predictability: a need for written and unwritten rules. (ibid 113).

Source: Hofstede 1991

### ***Appendix 3: Services provided for better integration of spouses into Finland***

- Presenting the working opportunities already beforehand and giving concrete job possibilities
- Offering an employment either within the company itself or for its vendor or companies they are operating with that act in the region
- Supporting the spouses' opportunities to study through collaboration with local cultural organizations
- Supporting straightforwardly economic losses

Source: Raunio 2002, 132-33

### ***Appendix 4: Definition of small and medium-sized enterprises***

<b>Enterprise category</b>	<b>Headcount</b>	<b>Turnover</b>	<b>Balance sheet total</b>
Medium-sized	< 250	≤ € 50 million	≤ € 43 million
Small	< 50	≤ € 10 million	≤ € 10 million

Source: European Commission, 2006



### *Appendix 5: Interview questionnaire for company representatives*

- In which positions and how many foreigners do you have or have had in your company?
- 1) Macro environment
    - What was the reason for you to hire foreign workforce?
    - Are you aware or worried about the possibility of a shortage in labor force in Finland in the coming years?
  - 2) Senior Management
    - Whose initiative was it to recruit foreign workforce?
    - Who is the decision maker of the recruitment?
    - How is internationality seen in the company? (Part of values, a conscious aim, brand building etc.)
    - Has the decision of hiring foreigners somehow changed company processes in terms of HR or working habits?
    - How would you define your company in terms of hierarchical structures?
    - Have you compared the multiculturalism aims of your company to other companies that have recruited foreigners in your field?
  - 3) Recruitment
    - Do you have English as the corporate language?
    - Which channels did you use to find foreign professionals?
    - How were prospective employees evaluated? Did you use different criteria than when recruiting Finns?
    - Were the considerations to offer a certain kind of post (permanent/contract) and level of salary different from what they have been in recruiting Finnish employees? In what ways?
    - Do you consider that foreign newly graduated students in Finland could be able to give value added to your company?
    - What do you think of the position of Finland in terms of attractiveness in financial terms and the incentives or push-factors in salary and taxation terms?
    - Do you think that as a company you can have any influence on these terms?
  - 4) Management and leadership
    - How do senior management and managers co-operate?
    - Do you feel that having more diversity in the working environment requires different management than if the workforce was comprised of only Finns? In what ways?
    - Have you had any kinds of problems with the interaction with your foreign employees?
    - Do you have some kind of follow-up of employee satisfaction in your company?
    - In which ways do you exploit the know-how of foreign employees? (also outside their core know-how)

#### 5) Integration

- Do you offer some kind of services for incoming foreign workers? What kind and why these ones?
- Do you have co-operation with universities?
- Do you feel that having foreigners in your company has improved its competitiveness? In what ways?
- Have you had any diversity related training?
- Do you have any creativity enhancing initiatives?
- What are your future plans for recruitment?

### *Appendix 6: Interview questionnaire for foreign professionals*

#### 0) Background

- Age, education, sex, duration of stay in Finland, duration of work experience in current company, nationality, title/post

#### 1) Recruitment

- How did you find your current workplace? (Initiative from the company?)
- What kind of contract do you have: project or permanent?
- Was the level of salary an important issue during the recruitment process and are you satisfied with your current remuneration?
- Did you find the recruitment process, including the interviews and evaluation, different from your previous experiences in other countries? (heterogeneous models, involvement of several people in the evaluation)
- Do you feel you got enough information of Finland and of the company during the recruitment process?
- Did you have problems with working visas or working permits at your arrival in Finland?

#### 2) Management and leadership

- Describe the relationship you have with your direct manager.
- What kind of relationship do you have with senior management?
- How does your manager set objectives for your work? Are the frames with which your work is defined strict or loose? Do you feel you're given enough freedom and responsibility to do your work or maybe too much of it?
- Does your manager support co-operation in team work?
- Do you find the Finnish management style as a functioning one? What are the positive and negative traits of it? What are the main differences compared to the ones you have experienced earlier abroad?
- How do you feel about cultural diversity and the awareness of it at the workplace?
- Do you feel that new suggestions are taken well into consideration at the workplace?

#### 3) Integration and multicultural environment



- How has your professional working experience been during your stay in Finland in this company, do you feel that you can give your full contribution and that you're advancing professionally?
  - What in general do you value as the most important factors of a work experience abroad?
  - What do you feel about the work processes in your company? Are they different from the ones you have experienced abroad and in what ways?
  - Do you feel that you are able to contribute to company improvement even outside your own specific field of knowledge?
  - How do you feel about the hierarchical structure in your company? Is the atmosphere good for open communication?
  - Do you feel that the company you are working in has provided enough services, i.e. language courses, guidance to the culture, recreation activities, help for spouses and families? Do you consider them as important for foreigners?
- 4) Senior management commitment
- Do you think that your company has an international image?
  - Do you feel positive about career development opportunities within the firm you are working?
- 5) Company competitiveness, IT-cluster
- Do you feel that your company is a forerunner in technology and that it is investing enough in R&D? Does this anyhow affect your job satisfaction?
  - Do you feel that foreigners have many possibilities to find job in Finland if they want to change employer?
- 6) National level attractiveness
- How do you feel about the general atmosphere in Finland, is it technologically advanced and tolerant enough to attract foreign high-skilled workers?
  - Do you consider company or national/regional attractiveness as more important in a decision to choose a place to live in?
  - Are you planning to stay in Finland for long?