

## NEED OF INWARD INTERNATIONALIZATION APPROACH IN IHRM PRACTICES: FOREIGNERS SEEN BY FINNISH EMPLOYERS

### **Introduction**

Today's knowledge society with its markets, competition and costs push companies to internationalize and to globalize. Going international is often seen as translating domestic competitive strengths into international markets (Hendry 1996). One of the accepted ways of defining internationalization is "the process of increasing involvement in international operations" (Welch & Luostarinen 1988). Even though this definition includes both outward and inward internationalization, inward internationalization has been less studied (Björkman & Kock 1997, Korhonen et al 1996, Welch & Luostarinen 1993), probably due to the focus of early theories of internationalization on international trade. One of the reasons for lesser appreciation of imports is that countries are claimed to gain economically only when exports are bigger than imports (see ex. Morgan & Katsikeas 1997). Research on internationalization has also failed to study inward internationalization, neither of products, operation modes nor markets have been addressed by the researchers.

However, in the knowledge era, this is no longer a valid way of understanding internationalization. Today, knowledge is the most strategically significant resource for most firms in the developed economies. Historically, 'brain import' is one of the reasons behind the economic success of the US, and therefore a good model for other countries as well. However, it is not enough that people move to a country. This paper argues that brain import becomes only beneficial to the countries and organizations when international human resource management (IHRM) practices are developed enough to enable inward internationalization of people and diversity management in organizations. Underdeveloped IHRM processes make it difficult for an organization to profit from internationalization.

There have been some attempts to try to link IHRM practices to internationalization strategies (Monks et al 2001, Welch 1994, Schuler et al 1993) but none of these presented approaches concern IHRM practices in the case of inward internationalization.

This paper justifies first the research setting by introducing IHRM and SME internationalization to the reader. Then, the Finnish context of the study is presented. After the presentation of the research methods and main results are given and discussed. The paper concludes with some recommendations to further studies and to the practitioners.

The ministry of education is thanked for funding of this project.

### **Justifying the research setting**

#### *International human resource management theories and approaches*

Drucker's (1954) book of the Practice of Management introduced the term "human resources". Other terms like personnel management, manpower management and welfare management were used earlier. The concept HR gained wider recognition in 1980s, particularly in English-speaking countries (Brewster 1995). Nowadays it is used to refer to the totality of the firm's management of work and people and not only to those issues taken care by HR specialists (Ozbilgin 2004). The importance of IHRM has grown remarkably since 1990s, for example three of the journals in which HRM is most presented, namely European journal of industrial relations, Human resource management journal and International journal of human resource management, were founded since 1990 (Clark et al 2000). IHRM is differentiated from the domestic HR by claiming that complexities of operating in different countries and employing different national categories of workers are the main differentiating factors (de Cieri & Dowling 1999). A consensus exists that the

mainstream HR approaches and theories do not address the HR issues facing international companies adequately enough (Clark et al 2000, 1999).

Mainstream literature of the field is conducted in North America and the UK (Ozbilgin 2004, Clark et al 2000, Boyacigillar & Adler 1991, Adler 1983,). The second tier consists of China, Australia, Sweden, Canada, the Netherlands, Spain and Singapore (Clark et al 2000). In Finland HRM research has increased since the middle of 1990's, but is still a minor field of interest and more studies to map the IHRM situation are clearly needed.

Different scholars have conceptualized IHRM in different ways. Clark et al (2000), for example, divide HRM to work relations (ie. the way work is organized), employment relations (ie. recruitment, training, promotion, reward etc processes) and to industrial relations (ie. the representational aspirations of employees). De Cieri et al (2005), on the other hand, divide IHRM literature differently to building, aligning and steering via HRM. According to them, HRM departments will be increasingly involved in the whole process of internationalization from start-up, to managing expatriate process, steering the strategic expansion of international operations, managing multicultural domestic workforces, managing diversity, engineering global teams and engendering of global consciousness. They propose IHRM to be a change agent developing global mindsets in a boundary less world.

Keating and Thompson (2004) divide IHRM to a) IHRM studying how different multinational companies (MNCs) manage their people across national borders, b) cross-cultural management and c) comparative human resource management as many others do. Expatriate management in MNCs is a dominant field of study (Brewster et al 2005, Keating & Thompson 2004). Another field of research, strategic HRM (Roehling et al 2005, Taylor et al 1996, De Cieri and Dowling 1999, Schuler et al 1993), concerns enabling the MNC to be successful globally, ie. to effectively achieve its goals and objectives through

development of appropriate HR strategic and practice in the globally disperse organization (Keating & Thompson 2004, Schuler et al 2002). This IHRM approach has its critiques. It is claimed to be ethnocentric, managerialistic, lacking empirical data, conducted with small samples or limited geographical dispersion, having low response rates, focusing only on MNEs and defining culture inadequately (Keating & Thompson 2004).

Cross-cultural management approach is understood to explain differences in employee behaviors and attitudes as well as management practices using “culture” as an explanatory variable. Cross-cultural research is claimed to have methodological, epistemological and theoretical weaknesses (Keating & Thompson 2004). The third subfield, the UK originated research approach of comparative HRM, is said to explain how people are managed differently in different countries. The need to understand HRM from European perspective as opposed to a US perspective has been dominant. As well, there are methodological and conceptual problems associated with CHRM research (Clark et al 1999, Keating & Thompson 2004), most notable being the little consensus of what HRM constitutes. Clark et al (2000) add to these approaches the “foreign national articles”. They are essentially single country studies seeking to draw conclusions that transcend the country studied. In addition to them there are combinations of the approaches explained above.

Because of this fragmentation, there are also several proposals to integrative IHRM models (Brewster et al 2005, Taylor et al 1996, Schuler et al 1993). They are studied particularly from the point of view of managing international work force. There is a no consensus on what processes are included in HRM (Keating & Thompson 2004). Adler & Bartholomew (1992) include four primary components, recruiting, development, retaining and utilizing globally competent people in human resource systems. Budhwar & Debrah (2001) propose recruitment & selection, training & development, career development, performance appraisals, pay & benefits, transfers, communication and retirement separation. Brewster et al (2005) present evaluation/contracting of HR, talent management, employee branding,

international assignments & expatriates, and managing international workforce as HR processes. Schuler et al (1993) propose staffing, appraising, compensating and developing to be the strategic HRM practices. As can be seen from these lists, there is little consensus on what HRM processes are. In this study, the focus is on HRM processes. Recruiting, selection, induction, integration, motivation & engagement, rewarding and training were chosen to be studied based on the pilot interviews.

### *Internationalization of small and medium-sized companies*

Small business sector is widely regarded as an increasingly important policy priority (Söderqvist & Holstius 2005, Bell et al 2004). MNEs are not any more the only ones to internationalize but also SMEs do. There is too little research on internationalizing SMEs (Brewster et al 2005; Keating & Thompson 2004, Monks et al 2001, Coviello & McAuley 1999, Morgan & Katsikeas 1999) even when a new stream of research, in which firms aiming at internationalization since founding, i.e. born globals, has emerged (see ex. Coviello & Munro 1997, Oviatt & Md Dougall 1993). It is of interest to study SMEs. 99% of Finnish companies belong to the category of SMEs (Statistics Finland 2004) if the EU definition is used. In this study, 85 % of the 635 employers who responded to the survey were from SMEs, as well as the majority of interviewees.

### *Finnish context of study*

The purpose of this study was to find out issues that enhance and hamper the recruiting of foreigners in the Finnish context. The study explores what employers as managers think about hiring foreigners living in Finland, in recruiting situations and at work.

Finnish work communities have internationalised and become multicultural on a large scale since the 1980s. However, they do not employ foreigners<sup>1</sup>. At the end of 2003, there were 107,003 (about 2 % of the total population) foreigners living in Finland, of which 77% were in the working age (Statistics Finland 2004). Of these, 2/3 lived in the ten largest cities, with more than 40% in the capital area. Most foreigners of an employable age – about 90% – are Moroccan, Spanish, French, British or Italian. Although many foreigners have eventually found work, unemployment is a significant problem in the foreign community of Finland. According to the Ministry for Labour statistics (2004), unemployment among foreigners is decreasing, and is currently about 29%. The worst employment situation is found among refugees from Iraq, Iran, Somali and the former Yugoslavia. Also, more than 50% of Moroccans are unemployed, even though most of them are not actually refugees (Statistics Finland 2004). It is seen from other countries like the Netherlands and Sweden how important it is to integrate the newcomers to the society in order to guarantee a peaceful co-existence. The purpose of this study was to find out issues that enhance and hamper recruiting of foreigners in Finland. This study wanted to study employers' opinions on foreigners in Finland, based on data of HR processes.

According to Markkanen (2005) age is related to the hierarchical position in working life – most managers currently in leading positions are from the generation born after WWII, the so-called “baby-boomers.” When the person on top retires, it can cause up to ten changes below in the organisation. And when responsibility and personal relations change, they result in yet more change. As about 1/3 of those holding leading positions will retire in the relatively near future, there will be more possibilities for foreigners to be employed. This is especially true if future employers see the hiring of foreigners in a more positive light than is currently the case according to the results of this study.

---

<sup>1</sup> The term “foreigner” means in this study a person whose mother tongue is not Finnish or Finland's Swedish. Foreigner is in many respects an ambiguous term (see discussion in ed. Martikainen 2006.)

Studying employers' understandings of foreign employees in Finland both on the job and in the recruiting process is new, since employers' opinions have not been studied in the past in any depth in the Finnish context. Earlier studies have looked at the phenomenon from only the immigrants' point of view, or as a statistical phenomenon (Paananen 2005, Joronen 2005, Forsander 2002 and Trux 2000). Since there were no earlier studies in the Finnish context in which the opinions of employers would have been asked, this was an explorative and descriptive study by nature.

### **Data acquisition and analysis methods**

The study used a mix of qualitative and quantitative methods. First, six pilot interviews were made in spring 2004 to gain more understanding on how to emphasize the different HRM issues. Based on them a survey questionnaire was formed and interview themes were selected. 27 semi-structured interviews were conducted with company managers employing foreigners to gain a deeper understanding of the employer's point of view.

According to the Statistics Finland, in 2003 there were 331200 places in which people worked. The questionnaire was sent to 2043 employers based on a register bought from Statistics Finland in January 2004. The objective was to ensure that the respondents' views would statistically represent Finnish employers' views. The register was formed of federal, communal and private employers presenting organizations of different sizes, industries and geographical locations. The questionnaire was tested by ten people of which three worked as experts in statistics and seven were in managerial positions. The four-page-questionnaire was sent first in the end of November 2004. Two reminders were sent, in January and in March. 635 answers were received. The response rate was 31.5%. The sampling error is 1.4%. The answers were analyzed with the help of SPSS.

The 27 interviews conducted lasted from 15 minutes to two and half hours, in average more than one hour and a half. Their objective was to gain a deeper understanding of the

phenomenon under study. All interviews were tape recorded, transcribed and content-analyzed with the focus on recruiting, induction and engagement processes. The industries of the interviewees were chosen to represent the main industries of Finland, ie. a) wood and paper, b) metal industry, c) telecommunication and d) service industries. Federal and communal employers were also interviewed since they are also important employers in Finland.

## **Informants**

### *Survey respondents*

A total of 635 employers responded to the questionnaire. 85% of them had university education; 66% were managers, 22% were officials and 9 % entrepreneurs, the last 3% had chosen “other” concerning their position. Their employer sectors are shown in the following table:

Employer sector	Respondents
Federal	57
Municipal	199
Private sector	379
Total	635

Table 1: Respondent employers by employer sector

85% of the employers who answered represent small- and medium-sized enterprises (SMEs). According to Statistics Finland more than 99% of all Finnish companies belong to the SME category. 23% of the respondents belonged to the agricultural, 30% to the industrial and 47% to the service sector. The service sector proportion is larger in the general population than among the respondents, while there are more primary sector employers among the respondents than in the general population. The responding employers geographically



represent all of Finland quite evenly, as that there are between 10 and 17% of the total respondents in each region (see Table 2, below).

Region	Number of respondents	Percentage of respondents
Helsinki metropolitan area	104	16.5%
The Turku and Pori areas	81	12.8%
Tavastland	95	15.1%
Savo-Karelia	107	17.0%
Central Finland	79	12.5%
Ostrobothnia	100	15.8%
Northern Finland	65	10.3%
Total	631	100%

Table 2: Respondents by region

### *Interviewees*

27 managers having experience of managing foreign subordinates' work were interviewed from federal, communal and private companies from all over Finland, from different industries. 14 of the interviewees had been superiors to foreigners having graduated from Finland.

### **Discussion of main results**

Since the results are both quantitative and qualitative it is thought to be clearer for the reader to have both results and their discussion presented together even though this is not common in articles based on quantitative data.

### *Size of the phenomenon*

In most Finnish work places foreigners can be singled out. There are about 55000 of them in 320000 offices. Communal sector has employed the most (53%), federal the second most (44%) and the private sector the least (39%) according to the survey results. More than 70% of the survey respondents did not have any foreigners as employees compared to 17% which had had a foreigner as a subordinate. 15% of the respondents had 2-10 foreign employees, 10% only 1 employee and only 4% had 11-50 foreign employees.

Many of the Finns have no experience of having foreign subordinates or colleagues. 70% of the survey respondents have never received an application from a foreigner.

The relatively small number of foreigners working in Finland is reflected in the responses of Finnish employers. At the time of the survey, the majority of respondents did not currently employ any foreigners, even though 44% of them claim to have at some point had a foreign subordinate. Mostly this involved individuals here and there, as you can see from table 3, below:

Number of foreigners at the work place	Number of respondents to this question	Percentage of respondents
None	434	69.1%
1	64	10.2%
2-10	98	15.6%
11-50	22	3.5%

51-100	5	0.8%
More than 100	5	0.8%
Total	628	100.0%

Table 3: number of foreigners at the work place

Employers have experience with foreigners in different jobs. The data from private and municipal employers partially supports the results of Forsander et al. (2000) that foreigners generally start in very basic duties. According to this study, most foreigners work in production within the private sector, but the second largest group work as experts. The municipal sector also has the most foreigners in production tasks, with approximately the same amount as in service functions.

Most of the foreign subordinates have worked on the municipal level, where 53% of the responding employers have reported employing them. This is understandable if we consider that municipal employers try to employ those who have been without work for a long time. At the same time 44% of federal employers have employed foreigners. One possible explanation for this is that the EU membership has induced a change in the work content for federal employees; federal employers often employ experts, even in the area of production. The large number of foreigners working as experts is different than the results Forsander et al. (2004:33) received, however. In the area of private employers, only 39% have employed a foreigner.

About 20% of the survey respondents have had foreigners in work placements. The least experienced is, unexpectedly, the private sector. Only about 33% of all private employers have ever implemented work placements.

According to the private employers about 8% of their turnover comes from activities abroad. One-third of the private, one-fifth of the federal and 6% of the municipal sector employers

have daily contacts and co-operation with organizations functioning in other countries. About one-third of public and one-fourth of private sector employers have international cooperation on a monthly basis.

### *Need*

Both survey and interview questions included a question about why you do not hire a foreigner. According to the respondents there is no need and no applicants – 29% of them had never received an application from foreigners even though university internationalization managers constantly complain about not getting the work placement requirements fulfilled. Also, both media and the ministry of education's vision inform on a different view on the need of foreigners based on the fact that the baby-boomers are retiring already. Only one quarter of the employees agreed totally or somewhat with the statement "we need foreigners graduated from Finland in our business/activities". Based on the data of this study, Finnish employers do not generally recruit foreigners, since they think that there is no special need to do so. Raatikainen (2004) got similar results.

Very few had chosen the possibility "it is too troublesome". The interviewed employers said in pilot interviews that it is in any case an enormous risk to employ anybody in terms of results for the company. This risk becomes greater in proportion to how different a foreigner's culture is in relation to Finnish culture, as any "cultural distance" tends to increase prejudice; trust is generally built through common experience. It is a common belief in Finland that it is very risky and expensive to invest in a foreigner as an employee. In addition, many of those employed changed employers after completing their education. This is considered to be very problematic by many employers.

### *Attitudes concerning foreigners – a threat or an opportunity?*

There was a survey statement: “Foreigners are a threat to Finnish work communities”.

Respondents had to choose in a scale I fully agree, I don’t agree at all or I don’t know.

About 75% chose I don’t agree or I don’t agree at all. However, quite a large number of the respondents, 15%, chose “I don’t know”. There was another statement: “Foreigners are an opportunity to Finnish work communities”. According to the respondent employers 70% see foreigners as an opportunity, but 25% of municipal and private sector employers did not state an opinion. The results pose some questions. For example, why did the respondents say “I don’t know”?

In line with Jaakkola’s (2000 p.122) results, it seems that immigration per se does not provide the company with anything new or beneficial. However, some of the interviewed municipal sector employers pointed out that they originally hired foreign unemployed people, because it was possible to get in touch with very well educated (overqualified, in fact) people, since they are unemployed mainly due to the fact that they are foreign. Same type of results has been found elsewhere. For example, in the case of hospital industry, international workers are found to be more language competent than national ones (Devine et al 2007). The larger the “cultural distance” between the original home country and the new home country, the more the difficulties there are in getting employed. Forsander (2002) also emphasized the fact that females have more problems overall than men in finding employment.

Employees’ attitudes to work, as well as to differing work ethics, were emphasized in the interviews. Several interviewees named a foreigner whom they consider to be the best worker in the company. On the other hand, employers complained that foreigners more often miss work, that they work slower or that they do not keep their workplaces as organized as Finns do. Finns want to think that they are hard workers and they wish to remain so; they do not consider it acceptable for the rhythm of a team’s work to be slowed down by anyone, especially since this can potentially lead to a decrease in the team’s overall salary. Based on

the interviewee answers it seems that some Finns still feel that foreigners are a threat to their socio-economic situation, as Jaakkola (1995) already showed about ten years ago, even though she subsequently reported (1999) that this problem had decreased. This case is similar to Jaakkola's (1995) results, i.e. the less-educated react to foreigners in a more negative way than those with a higher education. It would be important to ponder and study further whether there are in fact more problems than the answers indicate. If there are indeed more problems, they will not be resolved without an ongoing dialogue.

There were several items in the questionnaire through which the exploitation of the diverse backgrounds and talents of non-Finnish employees were looked into. It seems that foreigners are a resource that is by and large still not fully utilized. For example, when employers had to choose from the following: "I fully agree", "I agree", "I disagree" or "I disagree completely" in response to the statement "A multicultural work community is more innovative than a more homogenous one", about half of the respondents chose either "I fully agree" or "I agree". Municipal employers chose these two responses more often than private or federal employers.

However, when this was looked into in more detail by a statement "We need foreigners who have graduated in Finland" 40% disagreed or completely disagreed and about 33% said "I don't know". When it was stated: "Thanks to our foreign employees our operations have improved" or "Our foreign employees have provided us with new partners" or "Our foreign employees have provided us with new clients" more than 60% chose "I don't know." (!) Surprisingly, almost 80% of municipal employers chose "I don't know" here, even though the municipal sector has the most experience in dealing with foreign employees. Only about 10% agreed or completely agreed with the three above-mentioned statements. It was striking that 54% of the employers find that foreigners have not contributed to the development of their business, 58% of them said that they have not brought new customer groups and 53% of them said that foreigners have not brought them with new connections.

This is different from the results of a study in the Irish context in which all respondents reported considerable advantages of recruiting international labor from language skills to greater innovation (Devine et al 2007). Earlier research also points out the many benefits like knowledge transfer, innovation and competitiveness both within organization and within wider economy that more heterogeneous workforce is claimed to provide (Devine et al 2007, Brewster et al 2005).

### *HRM processes: Recruiting*

Employment officers are used the most as recruiting channels (38%) and newspapers are the second most-used channel (33%). About equal amounts of employers use their own Internet pages (23%) and word of mouth (22%). However, the interviewees gave another picture emphasizing the own web pages. The public sector employers seemed to use more all types of subsidized recruiting, ie. recruiting of long-term unemployed. They claimed that they get very well educated personnel from the unemployed since the reason why they have not found work is their foreign originality. The interviewees were also clear with their opinion that foreigners have to be able to show that they are as good as Finns, or even better due to their unknown background education and work experiences.

It is claimed that recruitment and selection are the most important processes in order to require or maintain a sustainable competitive advantage (Heraty & Morley 1998).

Recruiting channels used were many. They were different from other studies (Heraty & Morley 1998a) that often claim that small companies use word of mouth and bigger companies use more professional methods and a wider range of strategies. Also, it is often claimed that recruitment via newspaper channels is too lengthy and therefore severely restricted (Braun & Warner 2002) – in this study it was the most used channel. According to Markkanen (2005) young people can be recruited through the Internet: 72% of 18 to 29-year-

olds look for employment on the Internet, whereas only 35% of 30 to 44-year-olds and only 18% of 45 to 54-year-olds do this. Headhunters were not used often according to these results that are similar to other studies explaining SME recruitment habits in Finland. Headhunters are the least used in Europe in Finland, and less used in general in Europe than in the US (Heraty & Morley 1998a).

According to the Finnish law all the open vacancies have to be informed to the Employment authorities. The main problem for Employment authorities is how to get skilled immigrants “presentable” to Finnish employers (Ministry for Labour 1997 p.23). One reason for this is that often many of their work and study documents have gotten lost. In many countries they are also not used in the same way as in Finland, and Finnish authorities do not always know how to interpret relevant documents correctly. For these reasons immigrants are many times not considered for job openings that they otherwise might be.

When asked about the problems of recruiting, more than half of those who have recruited foreigners say that there are no problems. Only about 14% complain about work permit procedures and only about 4% of the respondents have suffered from restrictions concerning conditions regarding who can stay in Finland. Also, only about 15% have had problems in finding suitable foreign employees from Finland or from abroad. The interviewees answered in a similar way. Since foreigners have in general not been in particular demand, problems in finding them have not been that substantial. From the employer’s side, work permit problems seem to be nearly nonexistent. It can be that when recruiting a foreigner, any problems have generally been experienced by the foreigners rather than the employers.

#### *HRM processes: Selection criteria*

The respondents were asked to grade 20 abilities with Likert 4-scale. 14 of them were chosen by more than 90 % of all respondent employers by claiming them to be important or very important. 100% of all respondents to this question chose attitude and motivation to be



important or very important! This is different from the results of Monks et al (2001) of Irish context according to which domestic track record, general management and technical skills were the main factors considered in recruitment.

Concerning production companies, interviewed employers emphasized that professional expertise is looked into case by case: documents are carefully examined and potential employees are asked to show in practice what they can do before they are actually employed. Unexpectedly, according to several interviewees, basic education did not seem to be critically important. A typical opinion given was along these lines: “Our company is somewhat unique; we have to educate and train our employees ourselves.” On the other hand, one of the interviewees underlined the fact that this relates to all employees, including Finns, and not just to foreigners. They did not seem to have a great deal of confidence in education per se, and even less in foreign education even though Finland has been chosen to be the best in several educational studies inside the EU and the OECD. According to them, anyone who fulfils a company’s specific requirements can be employed. Similar results have been reported by Joronen (2005) and Jaakkola (2000).

According to the data of this study an employee is expected to have both technical and service know-how, but more importantly, the right type of attitude towards work. One of the employers had even calculated how much the employing of a new person costs the company due to the expected slow down of results during his/her first year. This is in contrast to the results of Haapakorpi (2004), who stated that formal degrees are important indicators of a work career. According to the Ministry of Labour (2003 p.143) foreigners have traditionally worked in less demanding jobs than Finns, but have also imported knowledge and know-how to Finland. Nowadays there are also less-educated foreigners who come to Finland. This could be one reason why “what’s on paper” is not always considered to be critically important to Finnish employers.

### *HRM processes: Induction*

According to the questionnaire respondents, employers find the various work places generally easy to enter. 70% of induction is done through person-to-person communication among colleagues and superiors. Employers pointed out that foreigners working in a Finnish work community have to be more socially adept than Finns in order to overcome the problems that they might encounter. The same little induction was found in the Irish study: only some informal induction was offered to originally foreign employees.

According to interviewees, there are clear processes of induction but foreign originality is no dimension in this process: cultural aspects are not taken into consideration. And even more, if the new employee speaks Finnish no matter what the cultural background is it is not even thought of.

Finnish language proficiency required for the induction process was cited as an important justification for not recruiting foreigners as found in other studies (Forsander & Alitolppa-Niitamo 2000, Jaakkola 2000, Garam 2004).

### *HRM processes: Integration*

Everyday problems were asked about in the questionnaire. Misunderstandings are common; Sometimes, often or very often misunderstandings based on language problems were reported by 85% of the employees, while only about 15% say that they have not encountered misunderstandings.

Devine et al (2007) and Heraty & Morley (1998a) highlight the importance of communication. They claim that there is often a moment of misunderstanding when both verbal and non-verbal communication seem to hinder working relationships and productivity. This was also the case in this study. Many misunderstandings were found to exist due to language and other communication problems. According to Schuler et al (2002)

it is still not clear how to define the best way to socialize a culturally diverse set of individuals.

Language competence was important, not only because of social integration into the work community, but also because of safety at work. You have to be able to speak correctly in order to be clearly understood, and you have to understand what is said in order not to be a danger to yourself or your colleagues. In one company an employee was seriously injured because he did not correctly understand the work given to him. On the one hand, it became evident during the interviews that a lot of Finns, both supervisors and colleagues, can't speak a lot of foreign languages well. But on the other hand, the interviewees said that you don't have to have perfect language proficiency to function in many positions. One of them even said that at their workplace the language turned automatically to English when a new English-speaking member entered the team. According to him, "Joking can go on in any language." However, according to about 25% of questionnaire respondents, knowledge of Finnish is reflected in the salary. According to Forsander (2002), language knowledge influenced the salary level even more than indicated by the data of this study.

Name-calling is not an especially large problem, according to the responding employers; something over 10% report that it occurs occasionally and 43% reported that there is no name-calling at all. 44% of employers felt that sometimes, often or very often the foreign employees stay alone whereas only 32% of the employers have realized that they are left alone. The respondent employers views are very different from the answers received in other studies to the same issue while asked from employees themselves. According to, for example, Jasinskaja-Lahti et al. (2002:81), about 81% report having been "ganged up on" at the workplace and according to Forsander & Alitolppa-Niitamo (2000), about 25% report that they have experienced overt discrimination. It seems that this problem is seen differently by employers and employees, since 19% of the latter report that they have been in some way

insulted (Jasinskaja-Lahti et al. 2002:97), about two times the amount indicated by this study.

However, other social problems also exist, according to the interview results of this study. Interviewees gave two types of answers. In some cases it was claimed that foreigners are never integrated whereas in other cases, especially if there was a lack of employees it was felt that they are very warmly welcomed to share the amount of work. Also, it was stated that *“one has to be quite open minded. We Finns are still forest people and not many of us are used to foreigners. One has to be active oneself and not to take Finns always literally or seriously”*.

According to about half of the respondents there haven't been any accidents due to poor language proficiency. Interviewees, however, gave another, much more negative picture concerning integration:

*“One of our foreign workers asked for a cup of coffee from her colleague. She did not speak good Finnish, so she just said “Anna kahvia.” (Give me coffee.) to the person sitting next to the coffee machine. This person got irritated and thought: “Where does this foreigner get the nerve to boss me around like this?”* There were long discussions needed afterwards to resolve this situation, even though it was caused only from poor language skills, and not from any hostile intent.

In another interview, an employer of a small company wanted to hire a black man in order to have a moral right to participate in the discussion on Somalis hanging out in the railway station. When he first presented this new worker to his partner, the latter did not even turn to greet the new worker but instead said: *“I need a salary increase if I have to work with Negroes.”*

*HRM processes: Rewarding*

According to small companies and public sector the best motivator is interesting work content and whereas in bigger companies a lot of different means are used. However, the special needs of foreigners are not thought of, neither taken care of. For example, no extra holiday time or money to visit home country is offered, or no Finnish courses are offered.

A Finnish degree or know-how of the Finnish working culture doesn't seem to influence the salary level; only about 10% said it has importance in this area. 75% of the survey respondents claimed that foreigners and Finns have similar salary. This is contradictory to earlier studies (Forsander 2002). The two most important things influencing on salary level are the expertise and the knowledge of Finnish. According to interviewees same work gives same salary whereas different work gives different salaries... One of them even stated that *"foreign nationality or origin is no dimension when salary is decided upon"*. This comment is according to the Finnish law: no employees can be put to a different position due to race, gender or nationality.

According to something over 1/3 of respondents the special expertise of foreigners – important to the organization – is reflected in their salary level. The interviewed employers also pointed out that they apply equal criteria when recruiting Finns and foreigners. This is different from what Forsander, et al. (2000:28) reported, when they said that the salary level of foreigners is usually far less than for that of Finns, i.e. it is on the level of a minimum salary or a work placement position. Devine et al (2007) had similar results than Forsander that in most cases originally foreign employees were paid the minimum wage.

It would be interesting to study this issue more, since the data in Forsander et al.'s study differed from the data used in this study. They used registers, whereas in this study the data was collected through both a questionnaire and interviews.

Training is often defined as any activity that develops skills, knowledge, and behavior.

Activities range from formal training provided internally or externally to informal on-the-job training.

43% of the survey respondents do not offer any further education to their foreign (or Finnish) employees. The education offered is mostly related to languages (25%) and to intercultural competencies (20%).

According to other studies (ex. Devine et al 2007, Tanova & Nadiri 2005, Heraty & Morley 1998) SMEs often do not offer training and development to their workers. In case training is offered, it aims almost exclusively directed at the solution for immediate work-related problems rather than the development of employees and it is reactive, informal, short-term and (Hill & Stewart 2000). SMEs find training a non-profitable investment and its benefits for managers and to employees are underestimated. Tanova & Nadiri (2005) further argue that SME managers are not even aware of the possibilities of training available for them. It has to be remembered that 85% of survey respondents were SMEs. Therefore it is understandable that the results are similar indicating that not much training is offered.

Heraty & Morley (1998) found that large organizations offer more methods in training than SMEs. They also found differences between public and private sectors not found in this study: public sector is using more external training providers and computer-based packages than private sector and on the job training and coaching are more used in the private sector than in the public sector.

Hunt & Baruch (2003) argue that interpersonal training is most efficient if the skills are easily described, have clear objectives and outcome criteria and in practice can be segmented into a step-by-step routine based on a memorable model or theory. If this is the case, does it mean that in the Finnish context the training offered is very different from this proposed

model since training was mostly offered concerning language education in which this can be implied easily?

Waxin & Panaccio (2005) argue that cross-cultural training is insufficient, incomplete or simply non-existent in MNEs and this can be confirmed to be the case in Finnish SMEs as well based on the results of this study.

## **Conclusions**

### *Summary*

The purpose of this study was to find out issues that enhance and hamper the recruiting of foreigners in the Finnish context. The study explored what employers as managers think about foreigners in Finland, in recruiting situations and at work. It was the first in Finnish context to study inward internationalization linked to HRM practices in organizations (Paananen 2005, Joronen 2005, Forsander 2002 and Trux 2000).

Foreigners are still quite rare in Finland, especially outside the capital area and other big cities. According to a recent study in the Finnish context (Tuomi 2005) most SMEs do not have a separate human resources function or a written strategy for human resource management. Most probably these are the two issues behind the fact that almost no human resource processes are tailored according to the needs of foreigners, except in the case of Nokia, the only bigger MNE in Finland.

Employers' attitudes seem to be quite positive based on the results of this study, and this can be seen as an opportunity. However, it was surprising that there is so little relevance placed on the country in which a degree is earned. The most important thing by far is that the employee is professional and can speak Finnish. There are certainly problems, but based on the data they are seen as fewer from the employers' point of view than from the employees' point of view.

Based on the survey results it can be concluded that Finnish employers do not currently exploit the existing diversity enough, although the interviewed companies tend to think differently. For example, Nokia sees diversity as very important; diversity is one of the key elements of its business and an essential part of Nokia's values and ways of doing things ([www.nokia.fi](http://www.nokia.fi)).

In order to integrate foreigners to the Finnish society a lot needs to be done. Managers need more information on IHRM issues from inward internationalization point of view, i.e. when the international dimension is at home. Work communities need more language knowledge and as well more awakening related to intercultural issues: Finns do not know how to benefit from the foreign background, or have not thought of using this benefit. Also, the special needs of foreign nationals are not at all thought of – one cannot even claim this to be ethnocentric.

Employers are generally happy with the education provided by universities. This is based on the fact that there is little further training in the area of internationalization needed with most university graduates. Only about 20% of organizations offer language education and less than that offer interaction or communication education. Cultural knowledge, international business education and/or knowledge related to Finnish society are provided in less than 5% of the responding organizations. Still, further studies are needed to determine whether Finnish employers have not yet realized the need for further education or if degree programs in English already offer enough training in the area of intercultural skills. Intercultural competencies can also be acquired in a variety of domestic settings. According to Jussila et al. (1997) the latter is not the case, as there are relatively few study units related to skills needed in international cooperation.



In knowledge era inward internationalization cannot be left apart even though the old theories based on studying manufacturing industries are criticized (Andersen 1993). Bell et al (2004) present several dimensions according to which knowledge-intensive and traditional firms differ. HRM issues are claimed to be vital in SME development (Cunningham & Rowley 2007, Monks et al 2001) even though HRM is not one of the main functions in SMEs (Tuomi 2005), inward IHRM processes are almost non-existent also in Finnish context. Employing HRM staff is not seen as a necessity within small firms. Not even the administrative type of roles to exist in large scale not to mention HRM professionals designing HRM systems (de Cieri et al 2005). The same processes that concern expatriates, need to be developed for inpatriates, and even for those persons that have first immigrated for other than employment related reasons like because of marriage or studies. Recruitment, selection, compensation, training and other processes are still in their infancy. More research is needed to enable smaller firms to be more proactive in inward internationalization.

A lot of effort has been put to expatriate research which can be a fruitful source for developing the practices of inward IHRM as well. Family-owned companies due to their reason of existence can be claimed to be more oriented towards efficiency which could make them an interesting field of study.

Diversity is a discussed a lot recently (ex. Caligiuri 1999, Miller & Rowney 1999, Jain & Verma 1996). Diversity management refers to actively recruiting, retaining and facilitating working relationships among individuals from a variety of backgrounds (Miller & Rowney 1999). Jain & Verma (1996) argue that managing diversity include better decision making, higher creativity and innovation, greater success in marketing to foreign and domestic ethnic minorities and better distribution of economic opportunities. Maintaining diversity is important for creativity. Devine et al (2007) claim that a major problem cultural diversity is the communication gap between local and foreign staff. Therefore it is of vital interest to study this issue more from this perspective.

### *Practical implications*

State of practice in most organizations lagged far behind the state of knowledge also in this study (Fisher 1989). SME managers need to be better educated concerning this issue. As Devine et al (2007) rightly argue also local employees need to understand the needs of multicultural co-workers. There is a need for further training and development concerning multicultural issues in Finnish organizations at all levels. Therefore it is important that universities and further education providers start to offer not only language but also intercultural competence courses.

Employers seem to need help and motivation as to how to and why they should turn the know-how based on a foreign background into a benefit for the organization. Based on the survey data, too many were not able to say whether foreigners have been of concrete help to the development of the overall operations of the organization. However, there is information available on how to communicate in order to better take advantage of the experiences and know-how of non-Finns for the benefit of Finnish society.

One of the most important practical implications is that Finnish employers should remember that they get most out of their multicultural workforce if they give them the tasks they are qualified for, and not just put them to low-skilled work (Söderqvist 2005). Same type of conclusions has been drawn on the Irish situation (Devine et al 2007). Too often foreign-born employees are over-qualified relative to the demands of their jobs.

As Söderqvist (2005) states the same way as Devine et al (2007) and Peppas & Chang (1998) it is of importance to customize the compensation and rewarding processes according to the needs of the foreign-born employees. For example, additional vacation in the home country would be most appreciated by originally foreign employees, given the distances and costs

involved. Also, integration to work community needs extra efforts. Different parties and sports events could be some possibilities to help integration.

Companies lack cross-cultural training. It is needed for work, relational and general adjustment. Based on the study of Waxin & Panaccio (2005) cross-cultural training is most effective in experimental modes and the larger the cultural distance the more pronounced the effects of the cross-cultural training are.

## References

- Adler, N. J & Bartholomev, S. (1992). Managing globally competent people. *Academy of management executive* 6:52-64.
- Adler, N. J. (1983). Cross-cultural management research: the ostrich and the trend. *Academy of management review*, 8/:2 226-32.
- Andersen, O. (1993). On the internationalization process of firms: a critical analysis. *Journal of international business studies*, 24/2 209-31.
- Bell, J., Crick D. & Young S. (2004). Small firm internationalization and business strategy. An exploratory study of knowledge-intensive and traditional manufacturing firms in the UK. *International small business journal*, 22/1 23-56.
- Björkman, I. & Kock, S. (1997). Inward international activities in service firms – illustrated by three cases form the tourism industry. *International journal of service industry management*, 8/5 362-76.
- Boyacigiller, N. & Adler, Nancy J. (1991). The parochial dinosaur: organizational science in a global context. *Academy of management review*, 16/2 262-90.
- Braun, W.H. & Warner, M. (2002) Strategic human resource management in Western multinationals in China. The differentiation of practices across different ownership forms. *Personnel review*, 31/5 553-79.

- Brewster, C. (1995). Towards a European model of human resource management. *Journal of international business studies*, 26/1 1-22.
- Brewster, C., Sparrow, P. & Harris, H. (2005). Towards a new model of globalizing HRM. *International journal of human resource management*, 16/6 949-70.
- Budhwar, P.S. & Yaw, D. (2001). Rethinking comparative and cross-national human resource management research. *The international journal of human resources management*, 12/3 497-515.
- Caligiuri, P., Lazarova M. & Zehetbauer, S. (2004). Top manager's national diversity and boundary spanning. Attitudinal indicators of a firm's internationalization. *Journal of management development*, 23/9 848-59.
- de Cieri, H., Fenwick, M. & Hutchings, K. (2005). The challenge of international human resource management: balancing the duality of strategy and practice. *International journal of human resource management*, 16/4 584-98.
- De Cieri, H. & Dowling, D.E. (1999). Strategic human resource management in multinational enterprises: theoretical and empirical development in eds. P. Wright, L.Dyer, J. Boudreau & G. Milkovich: *Strategic human resource management in the 21<sup>st</sup> century*. Stamford, CT: JAI Press.
- Clark, T., Gospel, H. & Montgomery, J. (1999). Running on the spot? A review of twenty years of research on the management of human resources in comparative and international perspective. *The international journal of human resource management*, 10/3 520-544.
- Clark, T., Grant, D. & Heijltjes, M. (2000). Researching comparative and international human resource management. Key challenges and contributions. *International studies of Management and Organization*, 29/4 6-23.
- Coviello, N.E. & McAuley, A. (1999). Internationalization and the smaller firm: a review of contemporary empirical research. *Management international review*, 39/3 223-57.
- Coviello, N. & Munro H. (1997) Network relationships and the internationalization process of small software firms. *International business review* 39/2 223-57.

- Cunningham, L. X. & Rowley, C. (2007). Human resource management in Chinese small and medium enterprises. A review and research agenda. *Personnel review*, 36/3 415-39.
- Devine, F., Baum, T., Hearn, N., Devine, A. (2007). Managing cultural diversity: opportunities and challenges for Northern Ireland hoteliers. *International journal of contemporary hospitality management*, 19/2 120-32.
- Fisher, C. (1989). Current and recurrent challenges in HRM. *Journal of management*, 15/2 157-80.
- Forsander, A. (2002). Luottamuksen ehdot: Maahanmuuttajat 1990-luvun suomalaisilla työmarkkinoilla. Doctoral dissertation. Helsinki: Väestöliitto. (In Finnish)
- Forsander, A. & Alitolppa-Niitamo, A. (2000). Maahanmuuttajien työllistyminen ja työhallinto – keitä, miten ja minne. Työhallinnon julkaisu 242. Helsinki: Ministry of Labour. (In Finnish)
- Forsander, A., Raunio, M., Salmenhaara, P. & Helander, M. (2004). Sykettä ja suvaitsevaisuutta: Globaalin osaamisen kansalliset rajat. Helsinki: Edita. (In Finnish)
- Garam, I. (2004). Ulkomaisille vaihto- ja tutkinto-opiskelijoille annettava suomen kielen opetus ja sen kehittämistarpeet. CIMO Publications 1/2004. Helsinki: CIMO. (In Finnish)
- Haapakorpi, A. (2004). Kulttuurista rajankäyntiä: Nuorten ja korkeakoulutettujen maahanmuuttajien koulutus- ja työmarkkinahistoria ja orientaatio. Helsinki: Palmenia. (In Finnish)
- Harvey, M., Speier, C. & Novicevic, M.M. (1999). The role of inpatriation in global staffing. *The international journal of human resource management*, 10/3 459-76.
- Heraty, N. & Morley, M. (1998a). In search of good fit: policy and practice in recruitment and selection in Ireland. *Journal of Management Development*, 17/9 662-85.
- Heraty, N. & Morley, M. (1998b). Training and development in the Irish context: responding to the competitiveness agenda. *Journal of European industrial training*, 22/4-5 190-204.
- Hendry, C. (1996). Continuities in human resource processes in internationalization and domestic business management. *Journal of management studies*, 33/4 475-94.
- Hill, R. & Stewart, J. (2000). Human resource development in small firms. *Journal of European industrial training*, 24/1 43-9.

- Hunt, J.W. & Baruch, Y. (2003). Developing top managers. The impact of interpersonal skills on training. *Journal of management development*, 22/8 729-52.
- Jaakkola, M. (1995). Suomalaisten kiristyvät ulkomaalaisasenteet. Työpoliittinen tutkimus 101. Helsinki: Ministry of Labour. (In Finnish).
- Jaakkola, T. (2000). Maahanmuuttajat ja etniset vähemmistöt työhönotossa ja työelämässä. Työpoliittinen tutkimus 218. Helsinki: Ministry of Labour. (In Finnish).
- Jain, H.C. & Verma, A. (1996). Managing workforce diversity for competitiveness. The Canadian experience. *International Journal of Manpower*, 17/4-5 14-29.
- Jasinskaja-Lahti, I., Liebkind, K. & Vesala, T. (2002). Rasismi ja syrjintä Suomessa. Helsinki: Gaudeamus. (In Finnish).
- Joronen, T. (2005). Työ on kahden kauppaa: Maahanmuuttajien työmarkkina-aseman ongelmia. In S. Paananen (ed.) *Maahanmuuttajien elämää Suomessa*. Helsinki: Statistics Finland, 59–82.
- Keating, M. & Thompson, K. (2004). International human resource management: overcoming disciplinary sectarianism. *Employee relations*, 26/6 595-612.
- Korhonen, H., Luostarinen, R. & Welch L. (1996). Internationalization of SMEs: inward-outward patterns and government policy. *Management international review*, 36/4 315-29.
- Markkanen, M. (2005). Henkilöstön hankinta sähköistyy. Helsinki: Wsoy.
- Miller, G.E. & Rowney, J.I.A. (1999). Workplace diversity management in a multicultural society. *Women in management review*, 14/8 307-315.
- Ministry of Labour (1997). Maahanmuuttajien ohjaaminen työmarkkinoille. Työhallinnon julkaisu 174. Helsinki: Ministry of Labour (In Finnish).
- Ministry of Labour (2003). Osaamisen ja täystyöllisyyden Suomi: Työvoima 2020 loppuraportti. Työpoliittinen tutkimus 245. Helsinki: Ministry of Labour (In Finnish).
- Monks, K., Scullion, H. & Creaner, J. (2001). *Personnel review*, 30:5 536-53.
- Morgan, R.E. & Katsikeas, C.S. (1997). Theories of international trade, foreign direct investment and firm internationalization: a critique. *Management decision*, 35/1 68-78.

- Ozbilgin, M. (2004). International human resource management. Academic parochialism in editorial boards of the top 22 journals on international human resource management. *Personnel review*, 33/2 205-221.
- Oviatt, B.M. & McDougall, P.P (1994). Toward a theory of international new ventures. *Journal of international business studies*, 25/1 45-64.
- Paananen, S. (ed.) (2005) *Maahanmuuttajien elämää Suomessa*. Helsinki: Statistics Finland.
- Peppas, S.C. & Chang, L. (1998). The integration of inpatriates into rural communities. *Management decision*, 36/6 370-77.
- Raatikainen, T. (2004). Ulkomaisen työvoiman hankinta: Selvitys ulkomaisen työvoiman hankintaan liittyvistä kanavista ja työnantajien palvelutarpeista EURES-työnvälityspalvelun kehittämiseksi. Työhallinnon julkaisu 338. Helsinki: Ministry of Labour.
- Roehling, M.V., Roswell, W.R., Caligiuri, P., Feldman, D., Graham, M.E., Guthrie, J.P., Morishima, M. & Tansku, J.W. (2005). The future of HR management: research needs and directions. *Human resource management*, 44/2 207-16.
- Schuler, R.S., Dowling, P.J. & De Cieri, H. (1993). An integrative framework of strategic human resource management. *Journal of management*, 19/2 419-59.
- Schuler, R.S., Pawan S. B. & Florkowski G.W. (2002) International human resource management: review and critique. *International journal of management reviews*, 4:1 41-70.
- Scullion, H. & Starkey K. (2000) In search of the changing role of the corporate human resource function in the international firm. *International journal of human resource management*, 11/6 1061-81.
- Söderqvist, M. & Holstius, K. (2005). Internationalization of small and medium sized service companies in Finland, Helsinki: Helia A:19
- Söderqvist, M. (2005). Ulkomaalaiset työnantajan silmin – “Se on niinku tyyppi, tyyppi ja osaaminen, ei se tutkinto, ei”. Helsinki: Helia A:20 (In Finnish).
- Tanova, C. & Nadiri, H. (2005) Recruitment and training policies and practices. The case of Turkey as an EU candidate. *Journal of European industrial training*, 29/9 694-711.

- Taylor, S. , Beechler, S. & Napier, N. (1996). Toward an integrated model for strategic international human resource management, *Academy of management review*, 21/4 959-85.
- Statistics Finland (2004). Ulkomaalaiset ja siirtolaisuus 2003. Väestö 2004:6. (In Finnish)
- Trux, M.-L. (ed.) (2000). Aukeavat ovet – kulttuurien moninaisuus Suomen elinkeinoelämässä. Helsinki: Wsoy. (In Finnish)
- Tuomi, L. (2005). Strategic human resource development in SMEs. The identification of key employees and their disources on human resource development. Doctoral dissertation, University of Vaasa.
- Waxin, M.-F. & Panaccio, A. (2005). Cross-cultural training to facilitate expatriate adjustment: it works! *Personnel review*, 34/1 51-67.
- Welch, D. (1994). Determinants of international human resource management approaches and activities: a suggested framework. *Journal of management studies* 31 139-63.
- Welch, L.S. & Luostarinen, R. (1993) Inward-outward connections in internationalization. *Journal of international marketing*, 1/1 44-57.
- Welch, L.S. & Luostarinen, R. (1988) Internationalization: evolution of a concept. *Journal of general management*, 14/2 34-55.