Attitudes towards products “Made In China”

– The importance and challenges of country of origin

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Abstract

The last decades shows that an increasing number of companies entering the international market as the globalization open the doors for the business world. There is an increased demand of products on the market as a result of this, and the Chinese suppliers are responding to the competition with increasing quality and higher prices. China is on a path to becoming one of the biggest economies in the world. The increasing amount on the products also made the decision-making processes more complex, and especially for organizational purchases who has to take more factors into consideration. It is no more important for companies to understand their internal customers, and the consumer’s base a lot of the purchasing decisions are affected by the products country of origin. The move to the international market is not just experience as positive on the home market something that LKAB experience.

This thesis focus on the research questions - Is there a negative attitude among the employees within LKAB towards made in China products? And - How can LKAB as a company cope with the different attitudes towards Chinese products? In order to address the research questions a case study carried out at LKAB, a leading mining ore company in Sweden, who are experiencing a challenge in increasing the demand from LKAB Trading. The data is collected from literature, 23 semi-structured interviews and the company documents at LKAB. A thematic analysis is performed to interpret the result from the data. The result of the study describes the attitudes and challenges among the employees, what they are based on and finally present how LKAB in the best way can cope with the different attitudes. The result shows that it might not be the quality of the products that it is challenge; it rather is the uncertainty of the aftermarket. The study contributes to the research body of international business and consumer behavior. Other organizations that are active or entering the Chinese market can have practical use of the guidelines and the challenges presented in order to cope with the different attitudes towards made in China products.

Keywords

Attityder gentemot “Made in China”

Betydelsen och utmaningar med ursprungsland

Emelie Andersson

Abstrakt

De senaste decennierna visar att allt fler företag kommer in på den internationella marknaden när globaliseringen öppnar dörrarna för näringslivet. Det finns en ökad efterfrågan av produkter på marknaden som en följd av detta, och de kinesiska leverantörerna svarar på konkurrenserna med en ökad kvalitet och högre priser och Kina är på väg att bli en av de största ekonomierna i världen. Den ökande mängden av produkter har också lett till att beslutsfattandet blivit mer komplex, och särskilt för inköpare inom organisationer, som har fler faktorer att ta hänsyn till. Det blir allt viktigare för företag att förstå sina interna kunder, och konsumenternas inköpsbeslut påverkas av produktens ursprungsland. Övergången till den internationella marknaden upplevs inte bara som positivt på hemmamarknaden någonting som LKAB upplevt.

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Chapter 1 Introduction

The introduction chapter describes the background of the research area and the research problem with formulated research question. The research study belongs to the research field of International Marketing, International Business as well as Country of Origin.

1.1 Background

Globalization has opened tremendous doors to the world. The world trade market has increased about three times in the last thirty years. We can see an increase in demand from a new part of the world but also an increased competition where new companies are moving in on the market with lower prices and an increased quality on their products (Jarnvall et al., 2007). The increasing amount of imported goods on the Swedish market is not as noticeable as some other aspects but it is as important and is helpful to keep the prices more competitive for the consumers. Sweden is today a nation that is completely dependable of imports and exports for its growth, jobs as well as welfare. Almost no other country in the world has as many multinational companies as Sweden (Jarnvall et al, 2007).

The last decades has shown an increasing number of companies entering the international market from emerging markets around the world, and particularly Chinese companies (Kreppel & Holtbrugge, 2012). China is now on it’s way to becoming an important player on the global market, with a growing infrastructure. If China continues to grow as they are at the moment they will soon be the greatest economy in the world (Teknikföretagen). It is not an easy road to the international market, there are examples showing that Chinese companies entering the international market are confronted with several challenges. One in particular is the effect of consumer’s negativity towards Country of Origin of Chinese products that lead to market entry failures. For quite a while Chinese products were associated with low-level, low-tech and low-cost products, which created a negative image of the Chinese products on the international market (Kreppel & Holtbrugge, 2012; Yi & Ye, 2003). China has since the 1990 with only 1.4% share of world exports increased to 10.4% in 2011, and became one of the world’s biggest exporters. Their diversifications of exports towards electronics resulted in positioning themselves as the top exporter of high-technology products, and are ahead of the USA since 2003. They are now responsible for exporting 20% of the global exports of high technology goods (Lemoine, 2013). During the year of 2000 China had exported $100 billion worth of goods to America alone, but the truth is that the Chinese manufactures rarely sell their home made goods under their own name, instead the products are sold under a different name or with a foreign firm’s brand affixed (Yi & Ye, 2003). During 2013 the amount of direct trade of imports and exports between Sweden and China were 39,5 billion kronor and 43,8 billion kronor (Tillväxtanalys, 2014). Up to 2013 China had based their strong export success
on being price competitive by combining the low wage cost with rapid productivity. The management know-how, technology as well as the capital that was imported from above mad this a possibility. However, China has no other choice than to develop a new competitive advantage if they want to sustain their economic growth in the long run, this by improving the quality of the manufactured goods (Lemoine, 2013).

The effect of country of origin is a widely researched topic within international marketing. It is known to start the associations within the minds of the consumers, and it evaluates the products based on the country where the product was made. It is considered to function as an informational cue for the customers in their evaluation and purchase decisions of the product (Kreppel & Holtbrugge, 2012). The country of origin label is often used in the same purpose as a brand name, and it can be used to add or subtract information or perceived value of a product. Country of origin can be particularly important when the customers are unfamiliar with the either the product or the brand of the product, or when there is limited information about the product. This can often be the case with Chinese products on a foreign market (Kreppel & Holtbrugge, 2012). There is an increased availability on today’s market and in order to reduce the complexity of the market by simplifying the information process people use the country of origin as a tool in that process as an indication of product quality as well as social acceptability (Kreppel & Holtbrugge, 2012). Several studies referred to by Bilkey and Nes found that both empirical observations as well as experiments indicates that country of origin in fact has a considerable influence on consumers quality perceptions of a product (Bilkey & Nes, 1982).

Studies show that stereotyping has been found among several countries including Sweden. Stereotyping may influence both the industrial as well as the personal consumers in their purchasing decisions. There is a tendency for customers to evaluate the products from their home country higher than they do with foreign products (Bilkey & Nes, 1982), something that LKAB as well as other Scandinavian companies are experiencing (interview summery). LKAB Trading is like many other companies active in China experiencing a difficulty working with the home market (interview summery). During the external interviews it was clear that this is an over all existing problem, and not just something that LKAB trading is experiencing.

LKAB like many other companies interviewed for this study experiences that people within the organization might have a wrong or old image of China for various reasons. However, the question now is how can this be dealt with in the best and most efficient way in order to open up for new purchasing markets and a more global purchasing channel. Something that might make this challenging is that still today a lot of the Chinese products on the market are still associated with low quality compared to other products with a different country of origin, something that the consumers are aware of (Johnson, 2012). On the other hand studies shows that only a few exported products are proven to be of bad quality, it is more likely to be the products consumed within China that are still of bad quality (Abrahamson, 2007). This research will be a case study focusing on LKAB and their employees’ attitudes against made in china products. In order to gain a
better understanding of LKAB as a case a qualitative research method will be conducted. A series of external interviews will be done in order to gain a better knowledge of China and the Chinese market.

Sweden has a lot of international companies active and present in the world, LKAB being one of them. LKAB branched out in 2011 and started LKAB Trading in Shanghai as they saw the big potential within China. China is rapidly growing and the companies within China are becoming bigger, however, they still have a weak brand. Why is this and what can be done in order to increase the Swedish companies demand from China?

1.2 Research Problem

Different studies conducted shows evidence that consumers use country of origin as an attribute when evaluating products (Bilkey & Nes, 1982) and that country of origin shows a direct impact on the consumers purchasing preferences (Bilkey & Nes, 1982, Verlegh & Steenkamp, 1999). Previous studies focused in the effects of country of origin, which is also referred to as “made in” when the consumer’s perception about a product is influenced by the image they have about the manufacture country (Erdogan & Uzkurt, 2010). The country image is not something that will have to be a constant problem; it can change over time as the consumers become more familiar with the products or/and the quality of the products are improving.

China has attracted a lot of international companies and therefore has also the “made in China” products increased. Studies show an improvement of quality of the products that are made in China, but there is still a hesitation when people hear the words “made in China”. Has the quality of the Chinese manufactured products increased, and the image of China is just behind? Or is the picture that a lot of people still have maybe the right image? How are these attitudes against made in China that people may have affecting the western companies?

As a result to the globalization LKAB Trading opened in 2011, but as many other companies going global, increasing demands from Sweden has shown to be a challenge (interview summary). There has been studies showing cases of stereotyping and this may affect the organizational purchasers in their purchasing decisions (Bilkey & Nes, 1982). Bilkey and Nes (1982) also found that consumers tend to evaluate products manufactured in their home country higher than a foreign country. LKAB Trading are like many others experiencing some issues and difficulties with increasing the demand from China, so the question is why? For quite a while it was clear that consumers in the developed countries are more hesitant towards products made in China (Yi & Ye, 2003). Are there old beliefs of “Made in China” products among the employees of LKAB that continues to impact their decision-making? LKAB is an old state own mining ore company with old beliefs is this something affecting the attitudes among its employees? Are the attitudes among the employees affected on what and for whom the products are purchased?
1.3 Purpose

The purpose of this thesis is to investigate if country of origin effects a Swedish company’s purchases from China through a negative attitude towards Chinese products among the employees. And if this is the case, what is this attitude based on and how can the company cope with these different attitudes?

1.4 Research Question

The main research questions will therefore be defined as:

- Which negative attitudes towards Made in China products can be found among employees in Swedish companies and what are these attitudes based on?
  - How does attitudes against country of origin form in companies?

- And to see what strategic consequences these attitudes towards Chinese products among employees can have for companies?
  - How can companies improve their ways of working in order to work with the different attitudes that exists within the organization?

1.5 Limitations

This study will only focus on the relationship between Sweden and China and how the Swedish B2B consumers attitude about Chinese products. It is likely that there is a difference between house and organizational purchases, however, this thesis will only focus on the organizational purchases and purchases for personal use will not be taken into consideration within this master thesis.

The company that the empirical study will focus on is LKAB, and it is from that company that most the empirical data will be collected. However, different external sources will be interviewed as well in order to get a better understanding of the existing problem and how it can be coped with. There will be comparisons between different companies and how they cope with the issues of attitudes against country of origin, however in the end the focus will be on one company and in this case LKAB. There will be reflection drawn from different companies, however like previously mentioned the end focus will be on LKAB, a Swedish company active in China on a limited market compared to some of the other companies interviewed for the purpose of this thesis. There will be generalizations drawn however the generalizations drawn are still connected to the material collected for the study. This is relevant to the case and important to remember especially for country of origin. The focus will at the end be on LKAB, which is not equal with Sweden however some generalizations and reflections of how other companies can use these findings will be drawn from the material collected. LKAB will in this research study be used to provide examples of how
companies can be affected of the negative attitudes and how companies can improve their ways of working.

1.6 Thesis Layout

The thesis has the following outline:

Chapter 1
The introduction chapter describes the background of the research area and the research problem with formulated research question. The research study belongs to the research field of International Marketing, International Business as well as Country of Origin.

Chapter 2
This chapter presents the research methodology, the choice of method and strategy and the reason why these have been chosen over other alternatives. The second part of the chapter present how the methods approach is applied, it also covers ethical and quality concerns.

Chapter 3
This chapter will provide a general overview of existing theories that will be used to provide a result and conclusion. It will explain Country of Origin and its importance in international business and international marketing. Some other important fields of knowledge that will be explained in this chapter are Product Country Image and Consumer Behavior. This will together present that theoretical framework for this study.

Chapter 4
This chapter introduces LKAB and LKAB Trading (Shanghai) Co.,Ltd with a background about the company. This chapter also presents the company values, supplier requirements as well as purchasing strategy. The chapter finishes with a description of both the internal and external participants for the interviews.

Chapter 5
The fifth chapter will present the findings from the internal interviews with both LKAB in Sweden and LKAB Trading conducted for this study.

Chapter 6
In chapter 6 the findings from the external interviews in China will be presented.

Chapter 7
In this chapter a result from both the internal and external interviews will be presented. A summery of the research questions will be provided at the end of the chapter.

Chapter 8
The data presentation is followed by an analysis of the result in relation to the extended background. The chapter is divided in sections based on research sub-questions and main research question with concluding remarks.
Chapter 9

In this final chapter a discussion and conclusion is drawn from the research. The research question of answered in relation to the findings and recommendations are proposed based on the findings. The originality and significance is discussed in a separate section and the research quality is discussed based in the quality methodology chapter. The conclusion chapter ends with a discussion on limitations of the study and future research.
Chapter 2 Methodology

This chapter presents the research methodology, the choice of method and strategy and the reason why these have been chosen over other alternatives. The second part of the chapter present how the methods approach is applied, it also covers ethical and quality concerns.

2.1 Choice of Method

The chosen method for this study is qualitative research method. The reason why I chose this research method is because I would like to gain a deeper understanding of how this affects LKAB and how they cope with the different attitudes towards products made in China. Also try to gain an understanding of to why it may in fact be like this and how they can improve. In order to do this I need to know the background to the problem. I believe that the underlying shades would help me understand their feelings that will result in actions. Conducting a qualitative method rather than a quantitative method gives me the possibility to connect with the participants on a deeper level and gain a better understanding. This will be to great advantage when understanding how this affects them in their work but also for them as a person. The data material was read several times to be well informed about the interviewees experiences and thoughts to increase the possibilities to make the right conclusions at the end of the study. The question is however, would this study been more dependable with the addition of questionnaires? There is always a risk with conducting interviews, however, I believe that the opportunities of the method and gaining the opportunity to work closely with the employees for 2 months are greater than the risks of the informants being bias, or not completely honest in their answers. I also believe that my time at both locations gave me the knowledge I needed to read the people and gain the close connection with them to open up to me both during the interviews but also outside the interviews.

The case that this research study will focus on is the attitudes among the LKAB employees towards products made in China, and how they work with the different attitudes that may exist among them. In order to better understand the issue, interviews will be conducted with not only LKAB employees but with other companies as well. Other Scandinavian companies located in Shanghai who may have or are currently dealing with the same type of issue will be interviewed. Some interviews will also be conducted with people with great knowledge about both the Swedish and Chinese market and can contribute to a deeper and broader knowledge within this topic.

This research study can also be viewed as a case study. This is characterized by the fact that this research study chose to focuses on a specific case (Bryman & Bell, 2010). In order to answer the research question -Is there a negative attitude among the employees within LKAB towards made in China products? There will be a sub-question -If so, what is the negativity based on? In order to better understand what this issue is based on. This research study needs to address the
different attitudes present among LKABs employees towards Chinese made products. An understanding of what may contribute to why people feel this way, is collected from a literature review of previous research and a more developed and underlying understanding of the interviewees personal thoughts and feelings are collected during the different interviews conducted with the LKAB employees as well as other companies acting on the Chinese market. To be able to answer the second research question - *How is LKAB coping with the different attitudes towards Chinese products today?* The underlying attitudes among the LKAB employee’s first needs to be understood, in order to understand what this negativity is based on. To complement the second research question a sub-question was created - *How can LKAB improve their ways of working in order to work with the different attitudes that exists within the organization?* To gain an understanding of how they can improve their work, it is important to gain as much information from the interviewees to better understand how they are experiencing the issues and difficulties. According to Yin, a case study should be considered when the behavior of those involved couldn't be manipulated (Yin, n/a). Conducting a case study is according to Yin more than just conducting a research on a single situation. A case study approach has the potential to understand both simple through complex situations (Yin, n/a). Using a case study approach gives the researcher the possibility to answer “how” type questions but it also take into consideration how the phenomenon studied are influenced by the context, and a case study is a great opportunity to gain great insight to a case (Yin, n/a).

This LKAB research study falls under the social science research, and to be able to answer the research question asked above, there has to be a chosen strategy to follow. Scientific research is according to Bhattacherjee an explanatory research because it does in fact goes deeper into a particular phenomenon, problem or behavior (Bhattacherjee, 2012). This case study of LKAB will be able to provide other companies entering the international market and in particular the Chinese market with helpful insight and knowledge to the obstacles and challenges that may occur on the way. The external interviews conducted will show significance to other companies as well and this phenomenon that LKAB is experiencing is not something that is related just to their area of business.

### 2.1.1 Choice of strategy

When choosing a method it is according to Denscombe important to ask three questions:

1. *Is it suitable?* There is no wright or wrong neither is there a good or bad strategy, it is just about finding the most suitable and useful strategy that is the most appropriate one for this case.

2. *Is it feasible?* How much access is the researcher able to gain, to the right people, documents, locations and most important what does the time frame look like.

3. *Is it ethical?* So that no one is being harmed during the study, some strategies are more appropriate than others in some cases.

(Denscombe, 2010)
A case study according to Bhattacherjee intensively studies and investigates a problem or phenomenon within the business setting over a set period of time. Case studies tend to be more popular within business research than within other social science fields (Bhattacherjee, 2012).

A case study is a suitable strategy when studying complex organizational processes that involves more than one participant. It is a suitable approach when the researcher wants to investigate a phenomenon or issue in depth and to provide an explanation that cope with the complexity of a real life situation (Denscombe, 2010) in this case the attitudes among the LKAB employees.

It is a feasible strategy since the researcher will have access to company documents, the right people for interview purposes and also access to the location of the company.

It is also an ethical strategy since the actions required for this purpose has been taken by the researcher to provide anyone being harmed during the study.

However, the final result may be hard to generalize depending on the depth of the study and how representative it is. This is one of the disadvantages with a case study research (Denscombe, 2010). This case is focused on LKAB Trading (Shanghai) Co., Ltd, however, since the interviews will be conducted with multiple companies to get a broader perspective of the issue the generalizability may improve. According to Bhattacherjee generalizability can be improved by comparing this case to other case sights (Bhattacherjee, 2012). Another possible disadvantage of a case study is that the participants may fall under something called as the observer effect. They may act differently during the study than they would under normal setting because they are aware that they are being observed or questioned about their behaving (Denscombe, 2010).

2.1.2 Data collection technique

The social research field contains four main methods for collecting data: questionnaires, interviews, observation and documents (Denscombe, 2010). Depending on the chosen method, there will be a chosen strategy. According to Denscombe there are a few different strategies that can be used; surveys and sampling, case studies, experiments, ethnography, phenomenology, grounded theory, action research and mixed methods, and there is no approach that is better than another, it all just depend on the researchers goal for the study (Denscombe, 2010). For the purpose of this research the main focus will be on the interview material collected from the internal but also complemented and supported by the external interviews. A total of 23 interviews will be conducted for this study.

In order to receive as much information and insight about LKAB and its business settings and to be able to locate the different attitudes towards the products made in China among the employees, the technique for the data collection will to the most part be through data collection as well as interviews. However, I will also spend some time at LKAB Trading (Shanghai) Co., Ltd and at the LKAB office
in Malmberget to gain a better insight to the company as well as better access to people participating in this study to both internal as well as external parties. The researcher will also be working closely with a consultant firm hired by LKAB Trading to work out a marketing plan. There are of course some issues with this way of working; there might be a conflict of interest between the different parties.

There are multiple ways to collect data for a case study. It can be through interviews, personal observations, internal as well as external documentation, and which can all be combined (Bhattacherjee, 2012). For the purpose of this research a combination of all of them will be used. It is important to interview key informants within LKAB in order to understand the company’s situation as well as the business setting. Company documents will be used as a complement to the interviews conducted and to get a deeper insight to the company. Documents are a good source to prove validity to the interviews conducted. Interviews are especially preferred when the researcher wants to access insights about the participant’s opinions, feelings, emotions and experiences (Denscombe, 2010). However, there are some disadvantages to using interviews as a resource. Interviewing is a very time-consuming way to collect data. It can also be very difficult to know and understand the reliability of the interview, people may tell the researcher what they believe they want to hear, or the interviewees may be affected by the interviewer effect (Denscombe, 2010).

2.1.3 Ethical consideration

There are of course some ethical issues that need to be addressed as well. According to Denscombe it is important to consider the ethical aspects and make sure that no one that is participating in the study in this case the companies and their employees is harmed in any way and they should be informed of any consequences they may face by participating in this study. They should have the right to be anonymous if they prefer so and the data collected should be treated as confidential if necessary. The participants should be informed of the cause of the research and they should not be forced to participate in the study and they should also understand what it might cause to participate. A study should not be chosen if it might cause any harm to anyone involved in the study. A case study require that the researcher has access to documents, people as well as settings that impose the ethical issue of confidentiality (Denscombe, 2010) it is therefore important that the case study gets approved by the company’s board or people with the right responsibilities within the company in order to interview people as well as access to sensitive material and information within the company as well as possibility to publish the finished result of the study.

The ethical aspect has been taken into consideration for the purpose of this case study. As a result of the ethical consideration for this master’s thesis no names of people within LKAB will be mentioned, nor will the names and companies from the external interviews. This action will be taken as a precaution to not give out any company secrets or harm anyone participating or the companies in any way.
The interviews conducted will be electronically recorded for future references, however, according to Bhattacherjee recording of interviews can only be done with the consent from the interviewee, therefore the informants for this study will be asked prior to start if they consent to being recorded during the interview (Bhattacherjee, 2012). They will be informed about the confidentiality of comments that may be brought up during the interviews. Denscombe states that it is as important as the consent of recording as it is all a part of building a relationship with the interviewee (Denscombe, 2010).

2.2 Application of Method

This research is based on both primary as well as secondary data collected during the research period.

2.2.1 Primary Data

During this research study both internal and external interviews will be conducted. The informants for this study will in some way be connected to the process of purchasing Chinese manufactured products or they will be the internal user of the products. The internal interviews will be conducted to see how they are experience both the product itself but also the purchasing process with LKAB Trading. The internal informants will be employed within all levels in the organization to provide a broader and perhaps more accurate data with better sample of participants which according to Bhattacherjee provides the best sampling of interviewees (Bhattacherjee, 2012).

2.2.2 Secondary Data

One of the most crucial parts of secondary data according to Bhattacherjee is to find the different theories that does not only represent the research but it can also explain rather than just describe or predict a phenomenon (Bhattacherjee, 2012).

The secondary data used in the thesis is received from searches at www.sh.se online library database as well as Google scholar website in order to find academic research articles as well as journals, this by using keywords suitable for the topic or already known article names. Other secondary data resources are articles recommended by supervisors.

2.2.3 Sample Strategy

In order to choose the participants for both the internal and external interviews an expert sampling were used. An expert sampling is a non-random sampling based on their expertise on the chosen phenomenon (Bhattacherjee, 2012) in this case attitudes towards Chinese products among LKAB employees. Experts tend to be more familiar with the topic rather than non-experts and their responses can be viewed as more credible, however the responses from the
interviews are still not generalizable to the overall population at large (Bhattacherjee, 2012).

The participants for the external interviews were chosen together with two employees at LKAB. They all have a very wide range of connection with Scandinavian companies active in China. Their accesses to a wide network provide this research with a broader and deeper perspective. In order to find the best participants I provided them with the requirements that I had for the external participants and we together worked out a list of participants. For the internal interviews, everyone at the purchasing and administrative side at LKAB was interviewed. During the internal interviews in Sweden everyone located at the purchasing department were interviewed, they were also chosen to locate the internal informants on the production level of the organization since they are the ones with the best knowledge of who are most involved with the purchases from China. Together with the list I received from them and some names that I received during other interviews I had my list of internal production informants.

There is however some disadvantages with the sample strategy chosen for this strategy. It is due to the time limit difficult to gain access to a wider range of internal interviews especially in Sweden. The people involved in the sampling may in some way be biased in the subject and therefore suggest the people with the same view as them or with a known negative attitude to angel the answers received. It is also difficult during the limited time to interview people both in Malmerget and in Kiruna and therefore the majority of the informants were located in Malmerget which may also affected the outcome. This may also been contact related since the purchasing department who gave me the names is based in Malmerget. There are also a large number of people employed at LKAB, with their over 4,000 employees made it hard through interviews to cover a larger part of the organization. Using surveys as well could have helped cover a larger part of the organization. However it is harder to receive information through surveys since there are a limited number of answers to each question.

2.2.4 Data collection

Using interviews as a data collecting tool is a much more personal way of collecting data than questionnaires and according to Bhattacherjee, using face-to-face interviews to collect qualitative data is one of the most common ways and the interviewer gets a chance to work directly with the interviewee to ask questions and record their answers (Bhattacherjee, 2012). For both the external and internal interviews for the purpose of this study the informant is who decides the location for the interview in order for them to feel comfortable but also as a benefit and gratitude for participating.

Conducting interviews rather than questioners gives the interviewer a chance to record personal observations and comments during the interview that will help in the analysis. It also allows the interviewer to immediately clarify any issues raised by the respondent or ask any follow up questions that may incurred during the interview. There are of course some negative factors of conducting interviews; it is a time consuming and resource intensive way of collecting data
(Bhattacherjee, 2012). To collect the data necessary for this research interviews and company document will be used. The interviews which are semi-structured, open-ended interviews includes issues to be addressed and questions to be answered, however they give the informant a chance to be more flexible in their answer’s as well as more room to elaborate on the ideas and issues during the interview.

The group interviews gives them an opportunity to complement each other’s answers and it may also make them feel less targeted. The questions asked during the interviews are based on the interview protocols, however some questions had to be re-formulated based on the different positions and experiences of the informants in order to get the most elaborated answers for the different questions asked. The group interviews will be conducted more as a focus group where a small group of participants will be interviewed at the same time. This will allow for the participants to discuss the phenomenon and maybe trigger ideas or responses they may not have thought of before. Focus groups may be dominated by a dominant personality and it is the interviewers job to make sure that everyone in the group gets a chance to answer. Some of the participants may also be careful to raise their opinion in front of people especially on sensitive topics regarding their colleges for example (Bhattacherjee, 2012).

This research will be complemented with a direct observational data collection. Direct observational data collection such as attending executive meetings, briefings and planning sessions is a good supplement to interviews and other methods of data collection (Bhattacherjee, 2012). This will be conducted during the two months period at on site locations of LKAB that is used for interview purposes as well. During this time I will be working closely with the employees at both office location, which will provide me with a better insight as well as familiarity to both the company as well as the Chinese culture. Using direct observational data collection will give access to better understanding of the issues and difficulties that exist. In this case social desirability bias may be in effect, where respondents tend to avoid any negative opinions or comments about employers, colleagues or themselves which may affect the result of the research, so in a interview setting the interviewer may be able to use personal observation as a supplement to the responses in order to notice any social desirability biases (Bhattacherjee, 2012). There is also a chance that the personal connection that the interviewer will build up with some of the informants at LKAB Trading and the purchasing department may affect the result of the interviews.

The interviews were conducted at LKAB Trading’s office in Shanghai, China as well as LKAB’s office in Malmberget. The interviews in Shanghai were conducted between March 2nd-20th and between April 13th- 30th in Sweden. All of the interviews are conducted in Swedish or English but all were transcribed into English. Transcribing something from Swedish into English may affect the meaning of words or sentences. In order to generate a better understanding more than one company were chosen for the empirical data even if the focus will be on LKAB.
The interview protocol can be found in Appendix 1, 2 and 3. There will be two different interview guides that will be used as a base for the interviews depending on the country in which the interviewee is located. There will be one guide to the internal interviews in Sweden, and one to the internal interviews in Shanghai as well as a separate one to the external interviews in Shanghai. The information sent out to the interviewees can be found under Appendix 4.

2.2.5 Data analysis method

Braun & Clarke’s six phases of thematic analysis will be used as a data analysis tool when analyzing the data collected for this LKAB study. The first steep is to become familiar with the data collected (Braun & Clarke, 2006). Once all the data is collected from both the internal as well as external interviews, the observations from both locations and the documents provided by LKAB, all the material would be read and transcribed into a written form. This is done to form a better in-depth understanding of the significance of the data that is collected (Braun & Clarke, 2006). The data collected during the research will then be coded depending on the research, and all the data collected may not be in relevance for the purpose of this master thesis, it may rather be in relevance to the work that the consulting firm is conducting. A latent approach is used to code the data collected, which finds the most interesting data or information that is later used for interpretation and analysis (Braun & Clarke, 2006). Next step is according to Braun and Clarke to search for common themes in the material collected (Braun & Clarke, 2006). The codes that are significant for this research will be organized in different themes that are in relevance to this research topic.

In the next stage of the process the themes will be revised and reviewed this depending on their fit to the research and whether the themes can provide enough information on their own, or if they need to be broken down in to more themes. It is also important to look whether the coded data provides any coherent pattern or not and to determine whether the themes fit the entire data set. A thematic map is created to give a clearer picture of the themes and how these are related to the research topic (Braun & Clarke, 2006). Once this is done the themes are named and defined after relevance and significance to the research. The themes need to be individually analyzed in order to see what is of interest for the research and why the themes fit the data set. The themes are analyzed by themselves and in relation to other themes also to determine any appearing sub-themes (Braun & Clarke, 2006). When all these steps are done a final report will be produced with examples of the work in relation to the research question and the literature presented (Braun & Clarke, 2006).

2.2.6 Research quality

It is crucial that the research demonstrate proof of credibility so that readers and other researchers are confident and believe in the findings of this research. Denscombe uses four different bases for judging the credibility and the quality of the research (Denscombe, 2010). The four research qualities presented below will be used later in chapter 6 to discuss the quality of this research study.
The first one is *Validity*, which is also refers to as credibility and the accuracy of the date collected. Is the data collected appropriate to the studies research question or could other date have been used to get a more accurate study (Denscombe, 2010).

Secondly, *Reliability*, also referred to dependability, if the data collected is neutral and if the result of the study would be the same if done by another independent researcher (Denscombe, 2010).

Thirdly, *Generalizability*, which also is referred to transferability, can the results of the findings be transferred to a different phenomenon. Can the findings be applied on a general or on a universal level (Denscombe, 2010)?

The fourth and final concept is *Objectivity*, which also refers to conformability. This is also an indication of whether or not the research shows a non-bias approach and is impartial and neutral with no influences from the researchers objectivity (Denscombe, 2010).
Chapter 3 Theoretical Framework

This chapter will provide a general overview of existing theories that will be used to provide a result and conclusion. It will explain Country of Origin and its importance in international business and international marketing. Some other important fields of knowledge that will be explained in this chapter are Product Country Image and Consumer Behavior. This will together present that theoretical framework for this study.

During chapter 3 the theories that will be covered are country of origin, consumer behavior, consumer ethnocentrism & patriotism, as well as product country image.

3.1 Introduction

One of the reasons to this continuous interest on this subject regarding peoples’ attitudes towards products made in a specific country is attributable to the increased global competition among many foreign firms who are operating in different parts of the world. These firms who are competing on a global stage are not only just offering a bigger variety of products but they are also offering the products to a more competitive price. This along with the increased standard of living around the world and increased lifestyles as well as the improved communications ways make sure that the consumers all around the world are more exposed to and able to select from a wider range of products from foreign brands than ever before (Kaynak & Kara, 2002).

FutureBrand defines “Made In” in a new way in there “The new meaning of Made In China” report. They say that the traditional explanation is no longer sharp enough; the definition evolved in the 20st century and now includes multiple layers. The layers include where the raw materials are sourced, where the product is designed, where the manufacturing and assembly takes place and the last and final one where the company is incorporated. Together all these different factors play a role in the consumers product evaluations (FutureBrand).

From the study that FutureBrand conducted they identified four different dimensions that drive the world’s strongest Countries of Origin:

- **Authenticity**
  - Producing unique products or services with unique standards that can be connected with the country’s history, people or geographical situation.

- **Differentiation**
  - Demonstrating difference from competitors through innovation, approach, heritage or culture.

- **Quality standards**
  - Showing commitment to safety, craftsmanship, manufacturing excellence and transparency.

- **Expertise**
  - Being identified as the “best” in a category or having created or defined it.
FutureBrand “Made in China” p.7

Studies show that the significant population growth as well as the increased consumer wealth and purchasing power mostly within the advanced developing countries offers greater market opportunities to many western companies. These are countries whose domestic markets already have reached a maturity stage or are highly competitive because of a significant number of foreign competitors in those markets or a saturated home market (Kaynak & Kara, 2002). As the firms continue to move forward with expanding on the global market, different strategies such as outsourcing aspects of the production process has showed a marked increase. Companies are taking advantage of the lower labor costs in many of the developing countries as a way of lowering production cost when they manufacture components over seas, these activities of moving parts of the organization over seas has not only been positive, it has also revealed new and greater complexity as well as a new tension within the domestic workplace (Chao, 1998). The pressure of the global competitiveness introduced many organizations to engaging in the multinational production in one way or another. The cheaper import markets may force organizations to find different ways to strengthen their competitiveness and to not lose their competitive advantage, this could be done in many different ways. The result of these changes on competitive market, the introduction and development of the global market made product-country association no longer just a single-country phenomenon, and this resulted in organizational and household buyers having to face more complex and varied array of products (Ahmed & d’Astous, 1995).

There are different studies that show that country of origin has a direct impact on the consumers purchasing preferences on different products and that consumers use country of origin as an attribute for product evaluation (Bilkey & Nes, 1982). Studies have been focused on the country of origin effect, sometimes also referred to as the “made in” effect, as when the consumer's perceptions regarding a product are influenced by their image of the producing country (Erdogan & Uzkurt, 2010). A previous survey conducted by Bozell-Gallup shows that there is a considerable difference in perceptions across different countries. The study for example shows that European consumers choose German products as their quality leader (Bozell-Gallup, 1996). Despite the increasing research in the area, there is a very limited amount of studies done on the product perceptions and judgment of consumers in developing countries (Kaynak & Kara, 2002). One important contribution to the field of consumer research is the development of the CETSCALE, which represents the accepted means of measuring consumer ethnocentrism across different cultures and nations, the CETSCALE is scale composed of 17 items (Kaynak & Kara, 2002) Bilkey and Nes found that consumers are more likely to be positive towards products made in their home country than they would foreign products (Bilkey & Nes, 1982). However, Bilkey and Nes also found some limitations especially in the studies of consumer goods, they put together a review of studies conducted. They found that most studies that had previously been done, most of them had only involved one cue of information, which means that country of origin was the only information cue supplied to the consumers which they based their information on (Bilkey & Nes, 1982).
As the completion on the global market increases so do the products available. The complexities of the purchasing decisions are increasing and it becomes harder for the purchasers to make a decision. The global market opened many doors and the Chinese market is one of the faster growing markets something that LKAB is using to their advantage. However, the Chinese market is still a market under construction and there is a lot that a company needs to be aware of and in order to increase their awareness LKAB opened up in 2011. The activities of globalization does not only bring positive affects, it can also cause tension and greater complexity within the organization something that LKAB noticed.

3.1.1 Purchasing Process

According to the Swedish Competition Authority an effective purchasing processes set the base for good business. Many parts of the organization are involved with either parts or the whole process. The Swedish Competition Authority split the purchasing processes in to three parts; strategy, purchase, and finally contract management (Swedish Competition Authority, 2015).

The first step strategy is about analyzing the market and defining the needs of the organization. It is important to know the conditions to purchase within the organization, if there is a purchasing policy or any other internal policies and rules for purchasing. It is important to have the right competence in the area of purchase but also listen to the counterparties work situation as well as conditions (Swedish Competition Authority, 2015). The Swedish Competition Authority stats that a successful purchase requires a qualified and clear purchasing organization, it also requires professional purchasers that work close with the customers. Finally it is important to assign resources for project management and contract management. It is important to communicate the values of the organization both internal and external.

The second step is purchasing, the first step in the process with the needs- and market analysis should provided enough information about the product and this step is more about formulate demands and wishes in specifications for the product. This step covers everything from designing the specifications to the offer trail to negotiations and agreements (Swedish Competition Authority, 2015).

The last and final step in the Swedish Competition Authority’s purchasing process is contract management. The last step follows up of the contracts and deliveries to evaluate the purchase to see if the requirements were met and what was good and what can be improved for the next purchase. This step is a challenge for a lot of organizations since it requires both time and resources. It can therefore be smart to before the purchase state how this will be evaluated (Swedish Competition Authority, 2015).
3.1.2 Business-To-Business (B2B) Markets

The differences between household and B2B marketing have been an academic debate for a while. Due to their differences in personal interest of the purchase they react differently to advertisement and they are motivated by different interests, organizational buyers for example are not purchasing for their own good they are purchasing for the firms best interest (Gilliland & Johnston, 1997). Most household purchases may involve only one decision maker, however the decision making within B2B is highly complex. Ordering products with low value and low risk may be a one person responsibility, ordering a new plant or a big machinery may involve a large team who together makes their decision over time. Gilliland and Johnston stats that the organizational purchases are often made in groups and tend to imply logical reasoning (Gilliland & Johnston, 1997). The B2B purchasers are often more knowledgeable and it is therefore more important for B2B marketer to be experts in all interactions with the purchasers. This expertise should not only be product knowledge, it also refers to technical and back up that they may need throughout the life of the product (Hague et al, 2015).

According to Gilliland and Johnston due to technical nature and expense of a lot of organizational products, the information available varies from the household market (Gilliland & Johnston, 1997). Hague et al. and Gilliland and Johnston all describe the B2B buyers as more rational than household buyers (Gilliland & Johnston, 1997; Hague et al, 2015). Household buyers are often less well informed and nor are they accountable to others (Hague et al, 2015) and the organizational buyers tend to have access to better information and often make the decisions in groups (Gilliland & Johnston, 1997). Hague et al. also makes it clear that due to this trust and security are key issues to B2B purchasers, no purchaser want to risk their reputation or job by purchasing unreliable products or services and not just for the purchase but for the entire life of the product (Hague et al, 2015). Hague et al. define four different segments that emerge in business-to-business markets: 1) Price focused segment, 2) Quality and brand focused segment, 3) Service focused segment, 4) Partnership focused segment (Hague et al, 2015). Gilliland and Johnston mentioned that non-personal founds are used to make purchases, which make the purchases less price casus and pay less attention to the price when examining ads. They also stats that there may be a personal interest in the purchases, as for example with airline tickets, organizational purchasers may pay less attention to the price in effort to build personal frequent flier accounts (Gilliland & Johnston, 1997).

According to Gilliland and Johnston there are different types of sources within an organization (Gilliland & Johnston, 1997) something that is also something that is noticed within LKAB. The role that an employee holds in the purchasing process could be initiator, buyer, decision maker, user, influencer and gatekeeper and they all have different roles and level of participation in the decision (Gilliland & Johnston, 1997).
3.2 Previous Research

Country of origin is an extrinsic information cue and is often used to judge the quality of a product produced in a foreign country. However, the country of origin effects still remains relatively unclear in the context of industrial marketing (Tamijani et al, 2007). As Ahmed and d’Astous mentioned, an extrinsic information cue is for example country of origin and price, which affects the buyers’ perception of the product (Ahmed & d’Astous, 1995). Due to the increasing availability to access information about the products as a result of the increased globalization, a greater exposure to country of origin cues exists as well (Bradley, 2002). As Verlegh and Steenkamp mentions the consumers are constantly confronted with a great variety of product information. Consumers tend to use this information in order to form a preference and make purchasing decisions. This information can also induce emotions, feelings, images as well as perceptions about the product (Verlegh & Steenkamp, 1999).

There are a lot of studies conducted within other nations and countries, but studies from a Swedish perspective are lacking, which shows that there is a gap within this research area to fill. Despite the large amount of research conducted within this area Verlegh and Steenkamp states that the effects of country of origin is still poorly understood (Verlegh & Steenkamp, 1999) and as they also mentions despite the large number of studies conducted, the importance of the effect has not yet been reached (Verlegh & Steenkamp, 1999).

Baker and Currie highlights the importance of country of origin by stating that country of origin in fact should be a fifth element in the marketing mix alongside price, product, promotion and distribution (Baker & Currie, 1993). There are a number of studies conducted on country of origin effects and most of them supports the theory of a significant country of origin effect (Tamijani et al, 2007) and as Ahmed and d’Astous mentones, due to the un-generalizability of the previous studies conducted, studies should be conducted on a product-by-product level in order to examine the effects of country of origin (Ahmed & d’Astous, 1995). As Tamijani et al. mentions there is very little research conducted regarding the strength of the country of origin effect is in the presence of other product cues and most of the previous studies are conducted with a single product information cue. Most of the previous studies are also conducted on household buyers and there is a very few studies conducted on the industrial side (Tamijani et al, 2007). Ahmed and d’Astous however, compared the behaviors of the two different types of byers; household and industrial, and concluded that country of origin in fact affects the perception of both types of byers (Ahmed & d’Astous, 1995). The meta-analysis conducted by Verlegh and Steenkamp concluded that the effects of county of origin don’t differ between the two types of purchasers (Verlegh & Steenkamp, 1999). Kraft and Chung concluded in one of their studies that country of origin plays an important role in the organizational buyers evaluations of foreign suppliers and products (Kraft & Chung, 1992). As Peterson and Jolibert showed, country of origin does in fact have a strong influence on the consumer’s product evaluations (Peterson & Jolibert, 1995).
3.3 Country of Origin

Country of Origin is generally referred to as the country in which the product was manufactured (Ha-Brookshire & Yoon, 2012). There has been extensive research both within the marketing and consumer behavior field that shows that country of origin has a substantial impact on consumer product evaluation, since it provides the consumers with the information about a product, such as quality (Peeter, 2002). Research shows that the consumers base their purchasing decision on information cues (Samiee, 1994). Due to the fact that country of origin can be manipulated without changing the product itself, country of origin is viewed as an extrinsic cue (Olson & Jacoby, 1972). Verlegh and Steenkamp show that the country of origin impact can’t be explained as a signal for quality. As an addition to a sign of quality country of origin it has both a symbolic and emotional meaning to it. People may associate the product with different status, authenticity and exoticness depending on the country of origin (Verlegh & Steenkamp, 1999). Verlegh and Steenkamp also found that there is in fact no difference in country of origin effect between industrial buyers and consumer purchasing (Verlegh & Steenkamp, 1999).

There is a tendency that customers are more likely to evaluate products made in their own country more positively than they would a product made in a foreign country (Bilkey & Nes, 1982). Studies show that the effects of country of origin on consumer behavior and product evaluation are one of the most researched topics within the international business field (Agrawal & Kamakura, 1999). The conclusion of the studies presented in Agrawal & Kamakura is that country of origin in fact shows significant effects on consumer evaluations of products. The conclusion also shows that the consumers tend to use country of origin as an extrinsic information cue when they evaluate products and making judgments about the quality of the product (Agrawal & Kamakura, 1999). Whether or not this comes directly through personal experiences, due to the consumers’ stereotypical beliefs about a country or through information received through other sources, the consumers have a tendency to develop product and country images. These images reflect the quality of specific products that are marked by firms associated with that specific country (Agrawal & Kamakura, 1999). The consumers according to Verlegh and Steenkamp like country of origin to memories, national or ethical identities and to a feeling of “status” or “pride” to products associated with a certain country (Verlegh & Steenkamp, 1999).

It has also been recognized during previous studies that consumers may also use other informational cues such as product brand as substitute for the country information regardless of where the product is actually manufactured (Chao, 1998). Studies suggest that the competence within a country affects the consumers perception, which is a factor effecting the consumers product evaluations (Parkvithee & Miranda, 2012). Rezvani et al. suggest international trade is higher affected of country of origin because it is a indication of the consumers intentions (Rezvani et al, 2012)

Even if the effects of country of origin is one of the most researched topics within the international business field (Agrawal & Kamakura, 1999) the relative
Brand image as well as country of origin has become a major concern for many international companies as the globalization is growing. There are several studies conducted in the area of country of origin and its impact, and it is still an area that remains unclear. Some researchers reported that country of origin in fact has a stronger impact than brand image, and other studies reported mixed results that shows that brand image became stronger or weaker than country of origin depending on the kind of product type (Lee & Ganesh, 1999). Research also shows that a consumer may have a positive attitude towards a country's products while they can have an overall negative image about that same country (Lee & Ganesh, 1999). Country of origin is like a brand name, an image or an extrinsic variable that works like a summary statistic for consumers in their decision making process (Lee & Ganesh, 1999).

Peeter proposes in a study that there are two ways that country of origin can influence consumers in their product evaluation. It can either serve as a piece of information, or by moderating the influence of other product information on the consumer's product evaluations (Peeter, 2002). The concept of country of origin is not a one-dimensional concept. Many of today's products are hybrid products, which means that they are designed in one country and manufactured in another (Ahmed & d’Astous, 1995). Information suggests that the use of county of origin as a proxy or a surrogate for other information is suggested to be based on prior experiences or familiarities that the consumer have with a particular brand or product class. This may influence the consumer's impact of county of origin when evaluating a product. Consumers who are more familiar with a specific brand or a product class are less likely to rely on the country of origin as a cue when evaluating a product. In the same way may a favorable or less favorable experience with a previous product or brand from that country of origin influence them in a future evaluation of other brands or product from the same country of origin (Johansson et al, 1985).

The salience of country of origin cues for household and organizational buyers is still a relatively unsolved topic. This is something that is becoming more and more important to understand as the manufacturing of products and search for the right suppliers become a global activity. Another factor increasing the importance of understanding this is that the hybrid products are becoming more and more common. Hybrid products are products that may be designed in one country, assembled in another with components sourced in several different countries (Ahmed & d’Astous, 1995). Country of origin has been a widely research topic in the last decades and studies shows that it is a factor that influence the consumer in their purchasing decisions. The consumers use country of origin as indication of quality and care more about where the product is made (Rezvani et alt, 2012). Verlegh and Steenkamp states that consumers recognize that highly technological products also requires a highly educated and trained workforce, they also mentions that the products are also perceived to be of higher quality when manufactured in a developed country. However, the quality improvement and image of for example Japanese products shows that such a belief can in fact change over time and are also dependable on direct experiences of the quality of a country's products (Verlegh & Steenkamp, 1999).

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Peeter proposes in a study that there are two ways that country of origin can influence consumers in their product evaluation. It can either serve as a piece of information, or by moderating the influence of other product information on the consumer's product evaluations (Peeter, 2002). The concept of country of origin is not a one-dimensional concept. Many of today's products are hybrid products, which means that they are designed in one country and manufactured in another (Ahmed & d’Astous, 1995). Information suggests that the use of county of origin as a proxy or a surrogate for other information is suggested to be based on prior experiences or familiarities that the consumer have with a particular brand or product class. This may influence the consumer's impact of county of origin when evaluating a product. Consumers who are more familiar with a specific brand or a product class are less likely to rely on the country of origin as a cue when evaluating a product. In the same way may a favorable or less favorable experience with a previous product or brand from that country of origin influence them in a future evaluation of other brands or product from the same country of origin (Johansson et al, 1985).
FutureBrand identified several reasons to why country of origin is of importance to Asian brands in particular. First of all, it serves as important shorthand to the consumers with references that will guide them in their choice of brands. Based on their research, it was concluded that it is more important to consumers where the product originates from rather than the price, availability or maybe even style. The country of origin is an important attribute to creating a broader association for brands, most specifically in the area of trust. The consumers indicated a higher level of trust to brands originating from specific countries than they did to others (FutureBrand). A good example of this is when Haier, a Chinese producer of household appliances, entered the German market and the Germans refused to purchase the products due to its Chinese origin even tough the quality of the products were comparable to the quality of its competitors with a different country of origin than China (Yi & Ye, 2003).

As past studies shows the household and organizational buyers base their evaluations on their assessment of product cues. The product cues or informational cues (will be explained further below) can either be intrinsic (taste, design, or performance) or they can be extrinsic (brand name or country of origin). Consumers often tend to make judgments regarding a product especially about the product quality and the purchase value. These judgments are often based on the extrinsic informational cues such as brand name or country of origin. Judging products based on the extrinsic informational cues are particularly common when the intrinsic values (informational cues) of the product are hard to assess (Ahmed & d'Astous, 1995).

Besides the different product or brand familiarities effects on country of origin, country familiarity may play a role in the research of country of origin. Depending on the consumer’s familiarity with that particular country, the use of country of origin may vary. The role of country familiarity has neither been questioned nor investigated (Lee & Ganesh, 1999). Categorizing plays an important role in the consumer’s information processes, consumers have to deal with categorical cues when forming attitudes towards brands. Brand name and country of manufacture are both cues that have to be considered (Lee & Ganesh, 1999).

As will be mentioned below, country of origin works as an extrinsic variable for consumers when making decisions, as such, country of origin can also be used as a proxy when judging quality when the product is lacking other information (Lee & Ganesh, 1999). There are three different types of familiarity, brand familiarity, country familiarity as well as product familiarity. Studies shows that when it comes to product or brand familiarity consumers with a high or a low familiarity are more likely to utilize country of origin information more than the consumers with a medium familiarity. When it comes to country familiarity it is a bit different from product or brand familiarity, people with a low country familiarity relied more on the country of origin information than the people with a high country familiarity (Lee & Ganesh, 1999).

One question we have to ask our selves is can the underlying principles of country of origin be generalized for both household and organizational buyers or
are the principles different between the two? Research does show that the perception of the household and organizational buyers are in fact affected by the products country of origin, however, previous research failed to compare the behaviors of the two slightly different types of buyers (Ahmed & d'Astous, 1995).

As researchers found that there in fact is no difference in country of origin effect between organizational buyers and household buyers and that they both are affected by the products country of origin this country of origin theory is still a valid theory even if the focus with in the text is on the household buyer. Previous studies shows that country of origin plays an important role when it comes to the organizational buyers evaluation process of foreign suppliers and products, however, previous research however failed to compared the behaviors of the two. There is a lack of previous research on the affects on the organizational buyers, a gap that needs to be filled to better understand the complexity of the country of origin effects. We can conclude from research that both types of buyers are affected by country of origin in their evaluation processes, however there is still very limited information available about the country of origin affect on organizational buyers.

3.3.1 Informational cues

As mentioned in 3.2 consumers base their purchase decisions on information cues, but what is an information cue?

Consumer information cues can either be intrinsic such as product design or they can be extrinsic which is for example brand name or price (Samiee, 1994) and each cue provides the consumer with a base for developing different impressions regarding a product or products (Olson & Jacoby, 1972). Olson and Jacoby found that a consumer could use up to 4-7 different product attributes as criteria in brand choice decisions rather only 1 or 2 as previously thought (Olson & Jacoby, 1972). Consumers are likely to use both the intrinsic and the extrinsic information cues when evaluating a product, however, they are more likely to use the extrinsic information cues when there are no intrinsic information cues available (Samiee, 1994). Research regarding the effects of country of origin shows recognition of the limitations of using single-cue models in earlier studies and therefore introduced the multi-cue model (Chao, 1998).

Olson and Jacoby found that the intrinsic cues are recognized to be somewhat more accurate as an indicator of quality of the product rather than the extrinsic cues were. A conclusion that they found from this study is that that the intrinsic cues have a more powerful effect when judging quality than the extrinsic cues (Olson & Jacoby, 1972). Gerstner found indications that for a lot of products the relationship between price and quality is a weak relationship, so for many products, a higher price appear to be a poor signal of higher quality (Gerstner, 1985). However, Bello Acebrón and Calvo Dopico on the other hand say; that it is in fact the opposite, and that most studies actually found that price and quality are positively related. So in other words, the price has a positive influence on the expected quality of the product, the greater the price the greater the expected quality (Bello Acebrón & Calvo Dopico, 2000). The quality expectations that a
consumer have of a product at the point of purchase is based both on the perceived intrinsic information cues as well as the extrinsic information cues, together they are the result of a visual impression based on both of these factors (Bello Acebrón & Calvo Dopico, 2000).

Brand name could also be used as an indication of product quality, which has also been supported in previous studies. Brand name is like price and country of origin an extrinsic cue, and they are a related to the product but are not physically a part of the product itself. It is the brand name or country of origin that tells the story about a product and that guarantee a certain degree of homogeneity, identity and references for later purchase as well as word-of-mouth communication. In the same way as with brand name country of origin tells the consumer a story about the product, it gives the consumers an idea of the quality, information about a company and also the standards that the product conforms to and in this way help the consumer evaluating the product before purchase (Bello Acebrón & Calvo Dopico, 2000). One of the attributes shown to moderate the effect of country of origin is product warranty. Product warranty is compensating for a poorly perceived country stereotyping when consumers evaluate products (Chao, 1998). The importance of country of origin as an informational cue seems to be dependent on different product characteristics such as technological complexity, financial risk and country specialization (Ahmed & d’Astous, 1995).

As also mentioned by Bilkey and Nes, in order to reduce the importance of country of origin and avoid overestimation of its effects and it is therefore of importance to introduce other extrinsic informational cues in the consumer evaluation process (Bilkey & Nes, 1982). Such informational cues may be brand name, price and warranty alongside the country of origin cue to reduce its importance in the process (Ahmed & d’Astous, 1995). This is why country of origin, which is an extrinsic informational cue, is often used by both the household as well as organizational buyers when judging foreign products (Ahmed & d’Astous, 1995).

The extensive research done shows that country of origin has a substantial impact on the consumers evaluation process as it provides the consumers with information about the product such as for example quality. As previously mentioned consumers are more likely to evaluate products in their home country more positively. LKAB Trading have had a hard time increasing the demand for products from China. Country of origin may explain that. People in Sweden may be more open towards Swedish products for many reasons, but the importance will be to find out why people are hesitant towards China as a country or origin and what this is based on? Studies show that consumers no longer just use 1-2 product attributes when evaluating a product and are now instead using up to 7 different products attributes. Chinese suppliers are very focused on promoting the price, and to increase the image of Chinese products they may have to introduce more factors when promoting the products. As LKAB are often dealing with technological complex products and it is often a financial risk involved, they may depend more on the importance of country of origin.
3.4 Consumer Behavior

Today’s increasingly crowded marketplace are changing the competition for firms, it is now more crucial to know the consumers’ buying motivations as well as develop a close relationship with them. The perceived quality of a product or a brand is one impression that is of considerable importance in consumer behavior (Olson & Jacoby, 1972). There are a few later studies that examined the impact of introducing more informational cues to the organizational buyers when evaluating products, this also help to understand the impact and influence of individual characteristics such as age, education and income when evaluating products (Ahmed & d’Astous, 1995).

Back to the question if the underlying principles are the same between organizational and household buyers? There are a few reasons to why household and organizational buyers should react differently to the product informational cues (Ahmed & d’Astous, 1995). Organizational buyers purchasing decisions are affected and influenced by more factors since they also have to involve the interpersonal and organizational variables in their decision making process. They may also be more hesitant and likely to resist change. Organizational purchasers may in their product evaluations be more open to using product cues, such as country of origin in which they may have more experience. Organizational buyers purchasing decision may also be influenced by a higher lever of perceived risk than the household buyers would be (Ahmed & d’Astous, 1995).

3.4.1 Perception

Previous research shows that the consumer’s knowledge of country of origin does in fact influence their perception of a product or products (Ahmed & d’Astous, 1995). In general within organizational purchasing, who may have a bigger expertise in purchasing decision-making compared to a household buyer, they may have a greater willingness to devote cognitive efforts to this task and brand name would therefore be less informational to them since it would not serve as a good proxy for country of origin. Quality assurance programs such as warranty reduces the risk of purchasing and may also show a positive impact on the perception on the quality of the product (Ahmed & d’Astous, 1995). Product price should also have an affect on the perceived purchase value of a product, and taking all this into consideration, including relevant extrinsic informational cues is shown to moderate the impacts of country of origin on the buyers perceptions on the product (Ahmed & d’Astous, 1995).

3.4.2 Attitudes

Gordon Allport stated a definition of attitudes in 1935 that is still valid today; “attitudes are learned by predispositions to respond to an object or class of objects in a consistently favorable or unfavorable way” (Allport 1935, p. 798).
Hogg and Vaughn describes an attitude as a organization of a persons beliefs, feelings and behavioral tendencies that they have toward groups, objects, events or symbols that are of social significance (Hogg and Vaughn, 2005). One of the fundamental questions that we have to ask ourselves according to Jones is “Why do people hold particular attitude?” (Jones n/a p. 21). Attitudes are often used with in social psychology it is pretty defused term, however an explanation used to explain the term attitude thoughtfully and emotionally places people, events and objects on a value scale (Karlsson, 2004). McLeod states four functions that Katz outlined; Knowledge, Self/Ego-expressive, Adaptive and Ego-defensive (McLeod, 2014; Katz 1960). The structure of attitudes is describes by McLeod in terms of three components also known as the ABC model of attitudes. Affective components involves the person’s feelings and emotions about the object, behavioral components describes the way attitudes influences act and behaviors and finally cognitive components involves believes and knowledge about an object (McLeod, 2014).

The concept of attitudes is not refereed to a specific act or the response of an individual; the concept is rather abstraction from a large variety of related acts of responses of that individual (Jones n/a). There are three factors that may affect people’s attitudes; expressions, values and knowledge. Research shows that there is a weak but existing connection between attitudes and the way we act (Karlsson, 2004). The strength of an attitude depends on the awareness of the person. People tend to have a stronger attitude towards something if they have experienced it first hand, rather than people who have heard about it from someone else (Bunkholt, 1991). Any attitude that a person may have is a hypothetical or a latent variable, rather than just an immediately observable variable (Jones, n/a). As Jones wrote when an individual has a less positive attitude towards something than another individual, his words will also be less favorable towards it. So Jones concludes that there is an underlying attitude that mediates between stimuli and the response (Jones, n/a). Katz defined attitudes as “the predisposition of the individual to evaluate some symbol or object or aspect of his world in a favorable or unfavorable manner.” (Katz 1960, p. 168). Eagly and Chaiken explains attitudes as a psychological tendency expressed by evaluation a particular object in either a favorable or unfavorable way (Eagly, & Chaiken, 1993). Previous studies within persuasive communication suggest that people’s attitudes could be formed and changed through cognitive and affective means (Gilliland & Johnston, 1997).

People’s attitudes are often a reflection or an association based on a previous experience, and therefore a pleasant experience with the product will give the individual a favorable attitude towards the product. Jones argues that this function of attitudes shows relevance in the understanding of behavioral theory as well as within social group work (Jones, n/a). As Katz wrote, an opinion as a verbalization of an attitude, and the opinion may not always be easy to interpret due to the underlying attitude that often escapes us (Katz 1960).
3.4.3 Beliefs

There are three kinds of beliefs, descriptive, inferential and informational. All three beliefs are formed in different ways, and are potentially contributing to what consumers believe about products attributes. Descriptive beliefs are created directly from experiences with the product. Informational beliefs are those who are created by an outside sources for information, such as advertisement, family and friends. The last belief is inferential. This type of beliefs is influenced by the conclusion based on previous experiences with other products possessing the same family-brand (Erickson et al, 1984). One of the views on beliefs is that the beliefs a person has regarding a product and the product attributes are responsible for the attitudes that person shows towards the product (Erickson et al, 1984). This closely connects beliefs with attitudes and one of the most famous models that can link attitudes and beliefs together is the Fishbein model in which attitudes is determined by beliefs (Erickson et al, 1984). However, there are scientists that argue that this is not true, that this way of viewing the relationships between attitudes and beliefs may not be the appropriate way to view it.

3.4.4 Culture

There are of course a lot of factors that influence the consumers perception but also the attitude towards a brand or a product. One of the factors is the culture of the product or brands country of origin. Assael describes culture as set of different values that is socially accepted within a society as a whole, transmitted to its members within that society through both language as well as symbols. Within each culture there are multiple different subcultures, such as age and ethnic identity (Assael, 1995). People’s different views within the different subcultures might be dependent on things that have changed in the environment, such as economic development or the easier access to available information. People in different age groups and generations might have been influenced or have experienced different things that have shaped their behavior as well as cultural values toward a specific country or culture.

Cultures can broadly be classified as either collectivist or individualist cultures based on the cultural differences. Collectivist cultures are mostly Eastern countries that focus more on the collective as such. They have a stronger tie to the family and country for example than the individualist countries would. The individualist countries are mostly the western countries (Hofstede et al, 2010). Culture can also be seen as a reflection of the values that a consumer picks up from its society and therefore this can actually affect the customers purchase behavior (Assael, 1995).

Hofstede’s cultural dimension is an interesting reflection about the differences between the two different cultures, the Chinese and the Swedish. The cultural differences can in some cases be hard to overcome, but an understanding of each other cultures may make them easier to handle. This is something that will be
useful for LKAB and the upcoming analysis for this thesis, to understand the differences and where they are based.

There is a big difference between Sweden and China on Hofstede’s cultural dimension analysis. China is a country with a high power distance which means that inequality among the society is acceptable, highly influenced by authority and nor should they have aspirations beyond their rank. They are also a highly collectivist culture and they tend to act in the best interest for the group, where family tend to receive preferential treatment when hiring and promoting. They are a success oriented and driven population, and many Chinese people sacrifice family over work; this is a system that starts already in school and carry on throughout the life. The Chinese peoples devotion towards rules and laws may be flexible to suit the actual situation, they are very comfortable with ambiguity and there are a lot of ambiguous meanings in the Chinese language that could be hard for the westerners to understand. They encourage thrift and efforts in modern education and see it as a way to prepare for the future. The Chinese society is viewed as a restrained society. They have a tendency to be pessimistic, not put too much focus on leisure time and the people have the perception that they are restrained by the social norms of what is right and wrong. They feel that enjoying your leisure time is somewhat wrong from the society’s point of view (The Hofstede Center, 2015a).

3.4.5 Education

There are very mixed results on the effect of education when it comes to peoples purchasing evaluations. Previous studies mostly showed a positive result between education and product evaluation. Researchers explain this through higher educated people get a higher cognitive as well as information-processing capabilities (Erdogan & Uzkurt, 2010). However, in contrast to that study,
different studies conducted shows that higher education rather shows a negative effect on product evaluation of Chinese products since it expose the consumers to different perspectives and they consider more information in their product evaluations than lower educated consumers would (Kreppel & Holtbrugge 2012; Cleveland et al, 2011).

When the competition grew so did the importance of understanding the consumers buying motivations. Organizational purchasers are influenced by other factors that a household buyer is. The consumer’s knowledge about a country or origin influence their perception of the products and the attitudes about a product is formed their expressions, values and knowledge. The consumer’s beliefs about a product can be formed in 3 different ways and are viewed to affect the consumer’s actions toward the product. It is important for LKAB Trading to understand their consumers buying motivations in order to increase the demands from Sweden. What are their internal customers motivations when making a purchase?

3.5 Product Country Image

When there is limited information available about a product one thing that the consumer's look at is country of origin. How the consumer views the country is an important factor (Zhou, Yang & Hui, 2010). There is a focus on the effects on consumer perception of the information that is country-related, also know as the product country image (Brodowsky et al, 2004) and is referred to as “…the picture, the reputation, the stereotypes that businesses and consumers attach to products of a specific country” (Nagashima 1970, p.68). The product and country image is according to Verlegh and Steenkamp the mental representation or image of the country's citizens, products, culture and their national symbols, they also contains widely shared cultural stereotypes (Verlegh & Steenkamp, 1999).

An increasing number of firms in developing countries have started to take advantage of the equity of the western country image, in order to build and enhance the costumer appeal of their products. They are trying to achieve this by using foreign-sounding brand names, foreign symbols in advertisement, or by using foreign language on their product labels. More and more firms from developing or evolving economies use foreign influences in their branding and marketing communications strategies (Zhou, Yang & Hui, 2010). In connection with country of origin it talks a lot about product familiarity, which refers to how familiar the consumer is with a certain product category (Josiassen et al, 2008). Previous studies in country of origin field often assessed the impacts of country image along a single attribute when evaluating products. However, more recent studies indicate that country image is not a single attribute; it really is a multi-attribute construction (Ahmed & d'Astous, 1995). A recent study by Ahmed & d'Astous therefore chose to introduce another attribute of country image perception to the study and used both perceived quality and purchase value when conducting the study (Ahmed & d'Astous, 1995).

There are multiple different ways of defining product country image. Product country image is for example defined as the consumers overall view of the
products from a specific country. This is primarily based on the consumer’s prior experiences and perceptions of that particular country’s strengths and weaknesses, both within production and marketing. Product country image could in fact be viewed in two different levels, one that is representing product class image as well as one level that is representing country image in general. The general view of product country image is not a new concept. The concept is not just created by the products, the concept is also influenced by many other factors and variables like economic and political status, historical events, relationships, traditions, industrialization, the degree of technological advancement, representative products (Lee & Ganesh, 1999). Roth and Romeo created a theoretical framework for the relationship between the preferences of a country’s products and the perception of culture, economy and politics of the same country. They say that the evaluation of a product from a country is based on the match between product and country (Roth & Romeo, 1992).

Depending on if the consumer holds a positive or a negative product-country image for a specific product or country this image could lead to if the consumer hold a generalized positive or negative evaluation or a attitude towards all the brands of a specific product that are associated with that country. In some cases consumers with such a country of origin-based equity may also be extended to associate other product categories due to the consumers stereotypical biases that they show for that country (Agrawal & Kamakura, 1999).

Both economic development and Human rights and politics affects people image of a country. Both aspects will be presented below to show some of the potential problems that may affect the image of China and the Chinese products.

### 3.5.1 Economic development

Chow refers the term “economic globalization” to the flow of goods, capital, information and technology, people, and the effects of such flows on the economies of the nations involved (Chow 2006, p. 271). Today exported products from China can be found all over the world (Chow, 2006). Chow connects China’s rapid economic growth to three economic fundamentals who he believes also can be connected to the rapid growth of Japan, Hong Kong, Taiwan, Singapore and South Korea in the 1970s and 1980s. The three fundamental factors are high-quality human capital, effectively though not perfectly functioning market institutions, and the advantage a less-developed economy can take when acquiring the most advanced technology available in the world (Chow, 2006). The introduction of the global market forced many organizations to move their manufacturing and assembly to newly industrialized countries abroad. Previous research in this area shows that consumers tend to evaluate products from newly industrialized countries more negatively. One of the reasons to this may because the workers in these countries are viewed to be technologically unsophisticated (Ahmed & d’Astous, 1995). Although the lower labor costs, environmental regulations, tax concessions and other reasons may make it profitable for organizations in developed countries to move production to a newly industrialized country, the buyers negative attitudes towards the country of origin may negatively affect their perception of quality and purchase
value of products made in the newly industrialized countries (Ahmed & d’Astous, 1995). As the economy developed and the private sector in China started creating new employment opportunities in the country, there has also been an increase on the wage levels. As much as we see an increase in wages in China there is still a difference among geographical regions, industrial sectors but also between positions. This has increased significantly and led to an increasing the gap between the rich and poor and today somewhere between 140-150 million people live under the international mark for poverty. One of the important factors is the increased cost of living in China (China Labour Bulletin 2015, Tillväxtanalys, 2014). The big metropolitan cities are expanding rapidly in China, and the amount of immigrating citizens to the metropolitan cities is increasing (Tillväxtanalys, 2014).

The People’s Republic of China labor law, article 36 states that a standard workweek in China should be 40 hours, eight hours a day, and five days a week. As of June 2014 the highest minimum wage was in Shanghai with 1,820 Yuan and the lowest minimum wage was in the southwestern province of Guizhou with 1,030 Yuan (China Labour Bulletin, 2015).

A new generation entered the work market, a new generation who is no longer willing to tolerate the same work conditions as their parents and grandparents once did and still might. This new generation of children is usually more educated than the previous generations; they therefore also have higher expectations and ambitions in life. Their higher education level creates an awareness of their rights in the workforce and they are not scared to push for higher wages. The younger generation is a generation of technology, and almost all the younger Asians are active on different types of social media. Larger portions of the population now have access to mobile Internet. This gives them a possibility to be more active and more open with their actions. Before the “one child policy “there was an inexhaustible amount of young workers on the workforce, and the wages were low in order to give everyone work. Due to the “one child policy” there are less children on the workforce and the supply of young workers almost dropped demand, this resulted in factories having to increase salaries if they want to keep recruiting new employees but also to keep the existing employees (China Labour Bulletin, 2015).

3.5.2 Human Rights and Politics

Due to the rapid socio-economic change in China there has been changes and restrictions on basic rights, but the Chinese government are still an authoritarian one-part state. The Chinese government decided to censor the press, Internet, publication, academic research as well as a lot of other public information. They justify their right to abuse the human rights as a way to control and preserve the social stability in China. The Chinese government keeps a party control over all the judicial institutions in China and prohibits all independent labor unions as well as human rights organizations in the country (World Report, 2014).

The literacy rate and primary school enrollments in China are high, however, they still discriminates against children with disabilities. The Chinese
government does not allow any control of the system and their human rights nor Chinese or international, and argues that it is a way to destabilize the country. As much as the Chinese government is trying to keep people away, the citizen of the Peoples Republic of China are becoming more and more motivated to challenge the government over the volatile livelihood questions. Statistics indicates that there are over 300 protests everyday with anywhere up to tens of thousands of participants. As the people in China are becoming more open towards standing against the government, the human right activists in China facing hard punishments such as imprisonment, detention and torture (World Report, 2014).

The Chinese communist party maintains their strong control and claims authority over all the judicial institutions and they coordinate all the judiciary’s work through their political and legal committees. China continues to be in top when it comes to executions; however, no one knows the exact number. Experts suggest that the number of executions in China is about 4,000 a year, still a big decrease from a few years ago when the amount of executions was estimated to be somewhere around 10,000 a year. Over 160,000 people were in 2014 estimated to be in detention in about 350 different camps for speaking their mind. Since the Chinese government forbids all the independent labor unions, the only legal representative of workers in China continues to be the official All-China federation of Trade Unions of the ACFTU. This limitation does not seem to stop the workers who are becoming more aware and active in their fight for better working conditions, they now also participate in protests and strike across the country for their rights. Even if the Chinese workplace has multiple safety regulations, they are still low compared to the western standards and especially at the local level (World Report, 2014).

As the consumers are exposed to more products and the decisions become more complex, the country they have about the image becomes more important. The consumer’s images of China may affect their image of the product. Chinas have had a rapid economic growth, but has the image among the employees changed as much? LKAB Trading needs to make sure that the employees are exposed to the right picture of their suppliers and show the work that they put in to find the right suppliers and maybe that can increase the consumer’s product country image.

3.6 Consumer Ethnocentrism & Patriotism

One other factor that needs to be considered as a variable to country of origin is patriotism (Rezvani et al, 2012). Studies about consumer ethnocentrism propose that nationalistic feelings and emotions can affect the consumer’s attitude about products and their purchasing decisions (Kasper, 1999). The feelings that the consumers show towards foreign products have for many years now been an interesting field for both the consumer behavior field as well as the international marketing field. Studies suggest that consumers are more prone to being ethnocentric in their evaluating processes (Luque-Martinez et al, 2000). Since purchasing products from a certain country is a way of supporting the country’s economy, it can be viewed as a moral action to purchase products from a country that engage in questionable activities (Verlegh & Steenkamp, 1999). As
Shimp and Sharma mentioned consumer ethnocentrism includes feelings like “a sense of identity” and “feelings of belongingness” (Shimp & Sharma, 1987).

The degree of the consumer’s ethnocentrism may vary by regions with in the country, and one group of people may also be more ethnocentric than other, even within the same country (Kasper, 1999). Shimp and Sharma found that there are in fact a significant negative correlation between consumer ethnocentrism and the consumer’s product evaluations of foreign products (Shimp & Sharma 1987). The attitudes of ethnocentrism is usually developed when a customer wants to purchase a product from a foreign country, but the customer is loyal to the suppliers of the home country as a result of country of origin (Rezvani et al., 2012). Shimp and Sharma state that there is a salient norm to purchase domestic. It is viewed as morally appropriate to purchase products that are manufactured in their own home country (Shimp & Sharma, 1987). The consumer ethnocentrism effects on preference formation show to be moderated by the cognitive belief that they show about to which extent the foreign competitors threaten their own jobs or country (Verlegh and Steenkamp, 1999).

A series of studies conducted within this area indicates that consumer ethnocentrism is moderately predictive by the consumer believes, attitudes, consumers purchasing intentions as well as the ultimate purchases. What consumer ethnocentrism implies is that purchasing imported products is wrong, not only because it is viewed as being unpatriotic, but also because it is something that is harmful to the local economy and can result in lost jobs. The studies also indicated that the concept of consumer ethnocentrism might improve the understanding of how both consumers and corporate buyers may compare the domestic-made products with the foreign-made products, and create a understand of how and for what reasons the consumer judgments may be subject to various forms of bias and error (Kasper, 1999).

Consumer ethnocentrism also includes the consumers tendency to show a more positive or a favorable receptivity or openness to products that are originating from their own home country. Therefore they are also more likely to reject imported products and products made in a foreign country (Kaynak & Kara, 2002; Watson & Wright, 2000). For non ethnocentric consumers, foreign products should be evaluated on their own and the benefits that they can provide the consumers with, rather than based on country of origin. There are of course consequences of consumer ethnocentrism, for example an over estimation of domestic products, and quality and value of the products, therefore there is also an underestimation of the virtues of imported products. The ethnocentric consumers feel a morally obligated to purchase the domestic products over the imported products and they shows an intense preference towards the domestic products (Kaynak & Kara, 2002). According to Shimp and Sharma is consumer ethnocentrism an important motivation to purchase domestic products, and the judgment of morality of purchasing foreign products. Consumer ethnocentrism is found to have a positive relation to the preference of domestic products and a negative preference for foreign products (Shimp and Sharma, 1987). This according to Verlegh and Steenkamp indicates that the
consumer's product attitudes are influenced by the perceived morality of purchasing domestic vs. foreign products (Verlegh & Steenkamp, 1999).

On the market today where jobs are moving overseas and it gets harder to get a job, is one of the things that may effect LKAB and their purchasing decisions. It is important for companies to take care of their home market, and especially maybe with in a small town. Ethnocentrism among the LKAB employees may be one of the reasons to why the demand from Sweden for Chinese products is still very low.

3.7 China as a global competitor

China is with out a doubt a big emerging economy and they are introducing new rules of competition to the global market. They are a big country with great economic and social variations within the country, they were in 2010 the world second largest economy with 12.3% of the worlds collected GDP, and were for the first time in the history classified as a middle income country (Tillväxtanalys, 2014). With their population of 1,3 billion people and a constant growth, labor cost leadership and their rapid demand for industrial growth as well as modernization of their infrastructure the western companies are constantly looking for new business opportunities in China, many through trading or investments (Teknikföretagen, 2005). The Chinese growth of infrastructure and their industries, affects the whole world economy. They are about to become the world’s biggest economy, and are growing in areas where many Swedish companies are big on the global market. So far the technology companies presence has showed to be positive to Sweden (Teknikföretagen, 2005). Just because China is on a path to become the world’s largest economy, doesn’t necessarily mean that it will be the world’s most powerful economy (Tillväxtanalys, 2014.). However, the rapid growth and expansions in China may lead to changes where more production move overseas and Sweden should therefore instead grow within research and development, special competence within areas and keep developing innovations rather than the production side (Teknikföretagen, 2005). There are very few people in the world that see China as an innovative country, the analyses rather focuses on Chinas relative position and its long-term trend (Tillväxtanalys, 2014).

The Swedish perspective of result of globalization is the offshoring of jobs, which is lacking evidence, instead there is an indication of an increase in exports from Sweden as a result. China is growing and becoming wealthier and therefore the expansions in China has been more driven by the market demands in China, rather than the benefits that the companies can see from offshoring and cost reduction. The Chinese growth is still in an early stage and there for so is the paybacks to Sweden (Teknikföretagen, 2005). It is no longer just the imports from China that is important the Swedish export to the Chinese market is constantly growing and this by the increasing demand from the Chinese market. Trading between the countries are no longer just export and imports, Sweden and China are now also starting to exchange research and development, and knowledge experiences (Teknikföretagen, 2005). With the large domestic
market in China they have the potential to become world leaning among all sectors (Tillväxtanalys, 2014).

One worrying factor in China is the fairly low amount of Chinese patent applications are made internationally. That the innovations are not worth to search patents for internationally is according to Tillväxtanalys a sign of low quality products (Tillväxtanalys, 2014).

Many firm and especially the small firms are failing in taking advantage of the Chinese market due to a lack of understanding. With out a doubt there are some cultural and logistical issues to consider when dealing with China, and foreign trade is growing fast and the opportunities and benefits of trading with China are very beneficial. However, in order to receive a piece of that cake it is important for UK as well as many other countries gain a better understanding, but also adopt the different cultural etiquettes of the Chinese business culture (Alomar, 2015). There are some differences in customs when doing business in China compared to a western country. Western companies do business through a contract whereas the Chinese rely on contacts and businesses relationships are established on mutual respect something that may result in misunderstanding or conflicts (Alomar, 2015).

Relationships are a fundamental aspect of the business culture in China. It is usually built through face-to-face interactions, maybe over a lunch or dinner, and something as simple as shaking hands could be significant to the Chinese population. It is beneficial for companies to have someone presences in China in order to easier communicate face to face with people to make the process easier. The local presence in China can also overcome some of the language barriers that exist and the amount of translation may decrease (Alomar, 2015).

Karl Alomar co-founder and senior partner of China Export Finance, Ltd says in the article Cultural Barriers and Business Customs of Doing Business with China that a better appreciation of the market, improved communication, local relationships and the right professional support can make businesses with China both feasible as well as profitable and make a positive impact on margin at both ends of the chain (Alomar, 2015).
Chapter 4 LKAB Introduction

This chapter introduces LKAB and LKAB Trading (Shanghai) Co., Ltd with a background about the company. This chapter also presents the company values, supplier requirements as well as purchasing strategy. The chapter finishes with a description of both the internal and external participants for the interviews.

4.1 LKAB

LKAB is a Swedish iron ore company on the global market, located in the Northern parts of Sweden. LKAB manufacture and deliver iron ore products and services for iron manufacturing from Malmfält. Malmfält is not only their base for their production, but also for their research and development. With their “Performance in Ironmaking” they have now placed themselves as one of the world’s quality leading manufactures of climate-smart pellets for DR (Direct Reduction) and blast furnace processes (annual and sustainability report 2013). LKAB has since the beginning in 1890 minded and processed one of Sweden’s most valuable natural resources- ore. Today with their over 4,000 employees, about 650 of them employed abroad in around 15 counties they are a world technology leader and supplier of their iron ore products and delivering their products around the world. They did not only celebrate their 120th anniversary in 2010 but they also recorded the history making numbers of SEK 12.3 billion in profit (The LKAB Story). Together the four largest iron ore suppliers around the world account for around 44 percent of the annual iron pre production as well as about 70 percent of the global seaborne market. Looking in terms of volumes LKAB viewed a minor player in the iron ore industry. Why LKAB is still viewed as a great competitor is their leading pellet manufacturing technology and delivering added value to their customers around the world with a strict environmental, product and quality requirements (annual and sustainability report, 2013, The LKAB Story).

Their high expectations on quality is one of their most important competitive advantages, and one of their main goals is to always ensure consistent high product quality and are constantly continuing to develop new and improved pellet products to keep their position as a leader in the iron ore industry (annual and sustainability report, 2013). In order to keep reaching the customers demands on their products both in quality, added value as well as service and to increase their productivity most of LKAB’s ore is minded at depths of more than one kilometer under ground in two of their underground mines in Malmberget and Kiruna. Underground mining is both a logistical challenge but also safety issue, safety always comes first for LKAB and must be guaranteed at all times (How LKAB mines ore).
4.1.1 Vision, Values, Strategy

LKAB’s vision is “To be perceived by customers as the supplier that provides the best added value, thus becoming a market leader in its chosen market segment” (annual and sustainability report, 2013).

LKAB’s values

Committed- “Take initiative. Go the extra mile. Increase our efficiency.”

Innovative- “Welcome new ideas. Open to diversity. Find new solutions.”

Responsible- “Prioritize safety. Deliver on our promises. Care about the environment and communities in which we work.”

(Annual and sustainability report, 2013).

4.1.2 Presence in the world

LKAB is not just located in northern Sweden with their primary location in Malmfälten with their production mines and processing plants in Malmberget, Kiruna and Svappavaara. LKABs headquarter is located in Luleå, a branch office in Kiruna as well as a smaller office in Stockholm, Sweden. In order to be close to their markets they are represented in 14 countries around the world. The iron ore business now has sales offices in Europe, Asia as well as the Middle East. The industrial mineral business has their sales offices as well as production facilities in Europe, USA and Asia and the mineral division also works global network with local suppliers. The primary suppliers for LKAB are primarily located in Sweden, out in Europe and in China. LKAB has harbors in Narvik in Norway as well as in Luleå to ship out their finished iron ore products to the world sent from the production plants on Malmbanan “The Ore Railway” (Annual and sustainability report, 2013).
4.1.3 Organizational Structure

LKAB operations are organized in 4 different divisions

- **Mining Division**
  - Mining, transport and upgrading of iron ore products

- **Marketing Division**
  - Marketing of iron ore products

- **Minerals Division**
  - Production and marketing of industrial minerals

- **Special Business Division**
  - Support and services of Mining and Minerals

Figure 2. LKABs operational Structure (Hållbarhetsredovisning, 2008)
Purchasing Organization

Figure 3. Organizational structure for purchasing (Strategic plan for purchasing, 2014)

4.2 LKAB Trading (Shanghai) Co., Ltd

LKAB Trading (Shanghai) Co., Ltd started in 2011 with the ambition to purchase products from Asia for LKAB Group selected, products that are long-term sustainable as well as quality assured, products with the right functionality, right lead time and to a lower total cost than competing sourcing market can produce. LKAB Trading is working very hard to find the right suppliers who can fulfill the LKAB standards and requirements, see 4.2.1. They are a small organization with six employees and are a wholly owned subsidiary to LKAB Group, with the aim to reduce the amount of middleman and create an efficient purchasing system. They have a broad purchasing portfolio and try to fulfill all the needs for LKAB Group (Strategy Document 2012,2015).

Sustainability is something that is becoming more and more important in the world, and is something that LKAB Trading is taking very seriously. In 2014 LKAB Trading was nominated for the Deloitte China Sustainability Awards as recognition of their hard and good work towards sustainability. The award is an initiative supported by The United Nation Development Program (UNDP), the award aims to encourage and rewards the leading multinational organizations and their sustainability work. The companies’ achievements when it comes to adopting a sustainable business practice are recognized in five different categories by the UNDP. The five standard categories are leadership, innovation, environment, social performance and community investments. LKAB Trading is aware that there is a risk with purchasing from China, and it is essential for them to keep full control over the entire supply chain something that became possible in 2011. They are not only assessing their supplier on the Asian market, but they
are also helping the suppliers to better understand and live up to the LKAB requirements (lkab.com).

4.2.1 Purchasing Process

The purchasing process is a six steps process, and each step will be described below from the LKAB Sourcing handbook 2012.

![Diagram of LKAB Purchasing Process](image)

Figure 4. LKAB Purchasing Process

**Step 1. Initiation**

During the first step, all purchases conducted at LKAB Trading first needs to be commenced and approved by the internal customers and communicated through the purchasing department at LKAB before LKAB Trading can start any sourcing work.

**Step 2. Supplier assessment**

The process moves in to the supplier assessment phase once the project plan had been approved. The purchasers in China will investigate the supplier market and a list of possible suppliers who has the potential to supply LKAB with the specific product asked for will be provided. If a supplier show ability to supply the product to a reasonable and competitive total cost they will be further investigated. During the screening of suppliers a reduced list of the suppliers where LKAB sees a real potential for purchasing the product and the qualification visits will be conducted where they make sure that all the suppliers live up to the LKAB requirements (requirement will be addressed below in 4.4.2).

**Step 3. Launch**

After a decision has been made by the internal customer the negotiation with the supplier starts.
Step 4. Purchase

Once the delivery contract has been signed with the internal customer the sourcing process continues with a purchase. The first step in the purchasing phase starts with finalizing a contract with the chosen supplier.

5. Reception

When the product arrives at the designated location the responsibility also moves to the internal customer, and an incoming inspection of the product will be conducted.

6. Evaluation

Once the function of the product has been fully assessed, two types of evaluations are conducted, one of them is a product report where the product is evaluated in three different aspects; reception, installation and function. The purchasing department at LKAB together with the purchaser in China conducts the purchase evaluation and it covers everything from initiation to finalization of the purchase. The purpose of these reports and evaluations is to conclude what done right but also what can be done better; this feedback will be used for future and continues improvements.

4.2.2 LKAB Trading Supplier Requirements

LKAB Trading are working very hard on finding the best suppliers and to make sure that all the requirements are met. It is very important for LKAB Trading that the suppliers fulfill the LKAB Supplier Code of Conduct (LKAB Supplier Code of Conduct, Interview summary).

The LKAB supplier code of conduct is the guidelines to find the best suppliers. The suppliers have to fulfill the criteria’s before they can be chosen as a supplier for LKAB, something that LKAB Trading strictly follows. This proves the tough requirements that LKAB have for their suppliers and LKAB Trading are following the same guidelines as all other branches within LKAB (LKAB Supplier Code of Conduct).

The suppliers have to fulfill requirements within 5 subcategories. Basic requirements for suppliers, general requirements, human rights, work & employment conditions, environment, emergency preparedness & fire protection and finally business ethics. The LKAB supplier code of conduct is defined by the Global Compact’s ten principles, as well as the “Children’s Rights and Business Principles”, the OECD’s guidelines for multinational companies and the UN’s guiding principles relation to companies and human rights, and they show a clear attitude regarding business principles. LKABs aim is to be an international role model in the mining sector when it comes to ethics, working environment, equality and diversity. In order to achieve what they are aiming towards they require their suppliers to also be in the forefront regarding these
issues and they require them to satisfy the demands in the code of conduct before becoming a supplier to LKAB (LKAB Supplier Code of Conduct).

When LKAB Trading chooses their suppliers, the suppliers also have to fulfill the 9-step supplier profile criteria's:

1. Export experience, preferably to Europe
2. Good reference from famous companies
3. With clear business strategy covering both domestic and international
4. Size wise- match your business needs
5. Top management commitment
6. Financial security and from low CSR risk region
7. Capable designated project leader
8. With mind-set of change adoption, continues improvement, customer orientation
9. Transparent, clear and simple ownership and organization

(LKAB Trading Sustainability and Quality approach 2014)

LKAB Trading also have a supplier quality assurance model that all the suppliers have to go through before becoming an LKAB Supplier. The first step in the process is the LKAB Trading "Sourcing Process"; secondly it is the LKAB Trading “Supplier Approval Routine”. Next step is the LKAB Trading “Supplier Assessment Model” and last it is the LKAB Trading “CEO Visit (LKAB Trading Sustainability and Quality approach 2014).

If the suppliers pass after the CEO visit, the CEO will sign and prove that they will be approved as a supplier instantly, it is also possible that LKAB Trading wants the supplier to take some action in some areas before the supplier can be approved, but the demand from LKAB Trading is that the action plan should be corrected within a certain time frame (LKAB Supplier Code of Conduct).
Chapter 5 LKAB Interview Findings

The fifth chapter will present the findings from the internal interviews with both LKAB in Sweden and LKAB Trading conducted for this study.

During the external interviews in Shanghai, China we could see that there are multiple companies who are experiencing the same issues as LKAB Trading. During the different interviews conducted for the purpose of the study, it is interesting to see the differences that the different categories of people are experiences. Therefore the interview material will be summarized in three different parts. One for the internal LKAB interviews in Sweden, one for the LKAB Trading interviews in Shanghai and finally the external interviews in Shanghai. The summary will be divided into the same sub-headings to make it possible to easily guide the reader through the material.

5.1 Participants

During this study a total of 15 interviews were conducted with LKAB employees in both Shanghai, China and in Malmberget and Kiruna in Sweden. The employees were from all different levels within the organization in order to get as big of a scope as possible. Most interviews were individual interviews however, some of the interviews were over phone, through video and a group interviews in order to make the time frame work. The large amount of interviews conducted for the purpose of this research, which increases the credibility of the research.
Internal Interviews LKAB Malmberget and Kiruna

<table>
<thead>
<tr>
<th>Informants/Participants position</th>
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<tr>
<td>CEO and President for LKAB Trading (Shanghai) Co.,Ltd</td>
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<tr>
<td>Purchasing Manager LKAB Trading (Shanghai) Co.,Ltd</td>
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<tr>
<td>Purchaser LKAB Trading (Shanghai) Co.,Ltd</td>
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<td>CEO Coordinator LKAB Trading (Shanghai) Co.,Ltd</td>
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<td>Purchasing Manager for Operative Purchase LKAB Group</td>
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<td>Process Engineer LKAB Group</td>
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<td>Process Engineer LKAB Group</td>
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<td>Maintenance Engineer LKAB Group</td>
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Table 1. Internal Interviews Sweden and Shanghai

During this group of people we can see that there are all different people who pay a different role in the purchasing process. As mentioned by Gilliland & Johnston (1997) they can be an initiator, buyer, decision maker, user, influencer and gatekeeper and they all have different roles and level of participation in the decision. However, it is hard to determine exactly who has what role but something that would be interesting to conduct a future study about to see if it is possible to determine for example who the influencer is and how this knowledge can change the internal marketing within LKAB.

5.2 Internal Interviews LKAB Sweden

5.2.1 Goals

Even though, people with in different departments might think that they have different goals their end goal is still the same; to make sure that LKAB can keep production and increase profit. Since different departments and work categories within LKAB Group have different paths of reaching that goal there could in the end be some “conflicts of goals” between the parts of the company.

Purchasing department’s goal

The main goal for the purchasing department is to fulfill their KPIs and create competitiveness for both products and services and find the best product to the best price. “Purchasing is a supporting function who can provide our organization
with good and cheap products. However, it still has to be a product with a low total cost during the lifetime of the product” (Purchaser 3). The purchasers have their individual goals of how much they should purchase from China (this is set by the managers at the purchasing department). At this point of time a lot of the goals within the purchasing department are cost savings and the OPEX1 program. However, even during the times when the economy is better there is a lot of focus on cost savings and this within all levels of the organization. Time is another important factor this especially within big projects. Keeping the timeframe and get the projects ready in time. “In cases like this is usually effecting the production, and a delay of a project could cause major losses in earning, and the save that we just made is not maybe an expense” (Purchaser 2).

“We come from an organization where we should questioning every single order that is placed and to see if there is a better option out there, our goal is to work in a safe way and following the purchasing process and together find the best product, this is not something that should be connected to a specific company it is the technical specifications that is what we look for, if these requirements are fulfilled that is all that matters. The requirements is not something that should be connected to if I like BMW or Mercedez, it is the product with the best quality to the best price that should be purchased regardless of the manufacturing country” (Purchaser 4).

**Productions goal**

Looking at this from the production side, their main goal is to make sure that production never stops. From the different departments within the organization, the goals are also slightly different, “of course cost savings is a part of the process but the biggest goal is to have a smooth production process and to have an overall knowledge of our machinery and good maintenance programs. The most important thing is to not stop the production, have a high availability and keep develop the products to make sure that they last as long as possible” (Maintenance Engineer). “A stop in the production could cost us as much as we saved on changing supplier for a product” (Process Engineer). “Our goal is to produce the right amount, to the right quality and at the right time. The main goal is to always have a satisfied client” (Process Engineer). One thing that became clear during the interviews was that for the people out in the production, it is all about keeping the production running. The price for the products they purchase are less important as long as there is a high availability. “Our responsibility is to make sure that the facilities are as complete as possible and that there is good operational readiness, your perspective changes a bit after you have been involved in the maintenance” (Construction Manager).

**5.2.2 Country of Origin Effects and the Quality Perception**

One of the things that came up during the interviews was that it is not the price that matters the most. This was more pronounced from the people in the

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1 OPEX or Operating Excellence is LKABs efficiency program, created to reduce costs per ton of finished products.
production, however it did also get mentioned within the purchasing department. When people are purchasing from China compared to a more “trustworthy” country, to put it in their own words, they are looking at different factors. Country of origin obviously plays a big role, but what makes it different to purchase something from China compared to a European country?

Looking at the information from the interviews, it seems like there are a lot of factors besides price to look for when making a purchase, especially if you ask the people out in the production. Purchasing something that is not the right quality or with the right sustainability can cost much more than the saving when purchasing it from China, if the product would fail and stop production. During the interviews it became clear that a lot of people felt like they were more open to purchase from China through a Swedish company. The question that rose during the interviews was; how come they feel more comfortable ordering from someone else rather than Trading where they would be able to better control the process? One of the factors mentioned during the interviews was the aftermarket situation. “The aftermarket is something that LKAB has worked hard for and for a very long time. Working on finding the right quality to the right machine and once that product is found people are not that open to changing supplier, and especially not when our current supplier provides us so much help and support, I don’t think anyone really have a problem with changing supplier but it takes a lot and it is not an easy process and I have a hard time imagining that we would get the same kind of support from the other side of the world” (Process Engineer). The warranties were mentioned by a lot of the informants. If something were order by a supplier in Sweden, who purchased something from China the responsibility would be on the Swedish supplier, if something would be wrong. What a lot of people are uncertain about is who is responsible if it is ordered through Trading? This factor is responsible for building up an uncertainty among the employees; no one wants to be responsible for a million kronor stop in the production. “If we purchase something from a Swedish supplier and something is wrong with the product, they are to blame for it. We can have the discussion with them in Swedish and they have to deal with China, so it is just easier for us to do it that way” (Construction Manager).

One of the things that are mentioned especially by the purchasing department is the possibility of controlling the process and the quality of the products. Something that should be a deal breaker and the employees should value more than they do at the moment. Interviews shows that people tend to be skeptical towards products made in China, but there is also an understanding of the importance of realizing and understanding people’s skepticism towards it. “As much as we do and have to understand their skepticism towards the Chinese products, LKAB still have to be competitive as a company. To survive on today’s competitive market it is important to find new options and possibilities. If we had kept doing like we always have, we would still have had reindeers transporting the iron ore. Therefore, is it important to find new and developed products that can keep moving us forwards and whether we like it or not China is a part of that development and they are increasing their quality and they are getting better and better. There are probably so many products that we are using today that are manufactured in China without us even realizing it, and by purchasing through
Trading we have a better chance of controlling the process and the products from a LKAB point of view. Most important make sure that they live up to our high standards and requirements.” (Purchaser 1). It doesn’t seem to be the quality of the products that makes people hesitant to purchase from China. LKAB has experienced both the good and the bad products, and in most cases there is a communication issue that may be behind it. Chinese suppliers need to know exactly how something is supposed to look, every little thing that needs to be incorporated needs to be on the drawing or it will not be on the finished product. People realize that they can get the bad quality from anywhere, but the difference seems to be the uncertainty that comes with ordering from China. There is too much at risk and what happens if it fails? “I am not too familiar about the quality and if it is good or bad, but of course there is a uncertainty that the quality won’t live up to our standards, and what happens if it doesn’t?” (Process Engineer). “We have seen both the bad and the good products. Sometimes it is a quality issue, but in most cases it is because we ask for the wrong things and the wrong products and we were not specific enough. The products that we purchase from Sweden are in many cases developed by the suppliers themselves and they know what they are supposed to deliver, if we ask for something from Trading we will get what we ask for, but if something isn’t right on the order or if something is missing on drawing because it is obvious for the Swedish supplier, that will be wrong or missing on the final product as well. So the challenge is that we have to be very specific and controlling in order to get what we want, because if we say that we want a product that looks just like this, we will get a product that looks just like this” (Construction Manager).

It is easy to let one bad thing change the way you feel especially if the person is already a bit negative towards China, this is something that LKAB noticed as well. “We could have 9 good shipments from China with a very good result, and the 10th one arrives with a less positive result and all of a sudden the other 9 are completely forgotten and we are back to square one with China again” (Purchaser 2).

One thing that can be concluded from the interviews with especially the purchasing department but was also mentioned a lot during the LKAB Trading interviews is the up hill battle that they are experiencing. The purchasing department feel like they are really struggling with convincing the customer to wanting to purchase from LKAB Trading, a task that they feel should not be on their table. It should be up to LKAB Trading to convince them and the purchasing department should only be purchaser’s not sales people as well. This was something that was commonly mentioned by the purchasers. “We are purchasers and should purchase the best product to the best price regardless of origin, however at the moment we are the sales people of LKAB Trading as well, something that should not be on our plates. It is hard for us to win the costumers trust when they think that we are working for LKAB Trading as well considering how much we push for LKAB Trading” (Purchaser 6).

5.2.3 Purchasing influences

There are a lot of different attitudes connected to the purchase of Chinese manufactured products. Everyone have their own opinions of how they feel
about the products and for different reasons. One of the feelings that were mentioned during the interviews was skepticism for many different reasons. However, the informants could not mention a particular type of people who are the most negative towards China, it is a very mixed group of people. Something that they mentioned as challenging was the difficulty in changing the old purchasing behaviors and breaking the old habits. “It is hard for purchasing to change people’s willingness to purchase products from China when the people out in the production are somewhat getting mixed messages from the top. First they are supposed to keep production going. Production can’t stop because that could cost LKAB millions of kronor, but at the same time have find ways to cut costs and find new suppliers and consider China in everything we do” (Purchaser 1). One thing that people are not aware of, or maybe chose to “pretend” they are not aware of is the amount of product purchased from China through a Swedish or European supplier. What makes it better to purchase something from China through someone else rather than from LKAB Trading where the control of both the products and the supplier are in their own hands rather than someone else’s who might not have the same high requirements as LKAB does?

“We need to change their old purchasing behavior and to get them to call us and wanting our help locating the best products rather than just picking up the phone and purchase from the same supplier as they always have” (Purchaser 1). One of the reasons to why this may be is explained by some of the other people being interviewed. There are a lot and interesting ways to why so many people may chose the known path rather than the unknown. Language is mentioned as one of the factors, and the risk of misunderstandings. Neither Sweden nor China has English as a first language, and the terms involved in their daily work is not regular conversation English. They deal with difficult terms that would be easy for anyone to get wrong. It is not just the terms that are easy to misunderstand; there can easily be misunderstandings in the way that the emails are interpreted. “Almost feels like they think we are stupid just because we want to be cautious and to be certain that it is the right decision before we make the decision. There is a lot at stake so we have to make sure that it is the right decision, we don’t want to be difficult, we just want to be certain” (Process Engineer). The processes of purchasing from Trading is much longer and it takes a lot more from the people dealing with the purchase, “it takes a lot of work from our side, I don’t know if it is just the language barriers, but we almost have to put aside one person just to deal with the purchase from Trading” (Process Engineer).

Communication is always something that could be hard when dealing with someone across the world and in a different time zone. English is no one’s first language, which could always make communication difficult. Furthermore are the technical terms that LKAB is dealing with not easy, including some that even Google would have no idea how to translate. There are for example a lot of “LKAB” terms that is specific for just for LKAB. When something is being translated from Swedish to English to Chinese and all the way back there are many steps where something could possibly get lost in translation or be misunderstood. This is something that almost all of the informants mention as challenging. “The language is definitely a problem when dealing with suppliers, we get to meet the people who speak no English what so ever, and need to have a
interpreter. There is a lot of translation and how do we know that the interpreter understands the terms correctly? Sometimes I feel like Trading don’t understand me, and just think that I am trying to make everything difficult. That is not my intention at all. A lot of this might be the amount of translations and that none of us can explain ourselves like we could in our own languages, and therefore all the misunderstandings “(Process Engineer).

5.2.4 The Image of China

A lot of the things that are experienced as a challenge are factors that could be dealt with internally, but some factors are factors that LKAB can’t do anything about. One factor that they are all experiencing as challenging is the currency situation. When LKAB Trading was first introduced, it was said depending on the product to have a cost saving of 20-80%, with today’s currency and increasing costs in China this is no longer the case. This has of course changed the willingness to purchase from China, when the savings are not as high as 40% and up it is harder to convince people to buy from China. Could or should LKAB Trading been introduced to Sweden in a different way? Something that most people feel like it should have. Even if there is some hesitancy to buy from China with today’s currency, there is still positivity towards their work. “Even if the currency is against us at the moment, Trading still have an important role in China. We have seen cases where the work that the China office put in still changed the price even though we did not purchase it from there. We have seen that Swedish suppliers lower their prices when they know that China is in on the bidding” (Purchaser?).

Something that was discussed during the interviews was the journey that China will make, and a lot of informants believe that China will make the same journey as for example Japan. However, something that not everyone agrees on is if this will be something that is positive or negative for China and there are very mixed feelings regarding this. For example one view is that China will no longer be a low-cost country and companies will move their production away from China, or purchasing from China is no longer efficient as it gets more expensive which in the end can end up harming China. “When quality increases, the costumers increases and the price increase as well. Small companies grow and that can result in a loss in quality as well” (Construction Manager). So the informants believe this can go either way.

Most people agree that it is not the quality of the products that is questioned and the reason to why the demand from Sweden is so low. Most people out in the production that were interviewed, but which were also mentioned in the break room, meant that the quality of the products is not the reason. Most people think that the quality is as good as any other country, however, there is still some people that doesn’t agree and still have the bad scooter from China view in their heads. The picture that some of them still have from China is the picture of low human rights, people who are struggling and low sustainability. “We have different standards and requirements in Sweden compared to the requirements in China. Sweden for example has major environmental requirements, and what will be the result when something is bought in a country where the requirements are
much lower?” (Construction Manager). “I still believe that there is almost like social dumping when purchasing from China, there is a difference somewhere when it is profitable to ship it around the world and you get the same quality as you do when purchasing something near by. I am almost convinced that they cant afford having house, cabin, two cars and a boat, same thing with construction firms who don’t take any responsibility of their employees. This is in the direction we are moving, and it is really the road we want to go down? LKAB is very strict and it should not be 5 different subcontractors where we loose control, they should have the right conditions and requirements” (Construction Manager). “We have seen cases where we tried to purchase from China, but after Trading's inspections it turned out that the manufacturers could not live up to the standards and requirements that we have” (Purchaser 7).

5.2.5 Ethnocentrism’s Effect on Purchasing

Something that was brought up to attention during a few of the interviews was the feelings regarding global vs. local purchasing and how important it is to take care of the things around us. “There are a lot of things that could be bough closer to home and in that way make sure that these companies survive. There is an expectation that they should be there for us but we can’t give them the contracts and instead making a purchase and rather favors the suppliers in China” (Maintenance Engineer).

5.2.6 The Future of the Chinese Market

The informants had some mixed thoughts regarding China as a global competitor but mostly as a future global competitor. This was something that was very different from the interviews conducted in China, where almost all the informants saw China as a big competitor even in the future, both for import and export. There were many reasons to why, but one of the issues was the product development. However, it was mainly mentioned by production people as something that they feel that they might lose by changing from their current supplier or a supplier near by. “We are no experts in developing new products or refining already existing products, therefore the relationship and connection with the suppliers who are the experts is really important. We need the development and therefore we can’t just keep ordering the same product for 20 years, we need someone who can help us improving and developing and continuously present new products” (Maintenance Engineer). One of the things that the Chinese suppliers need to improve in order to build up the trust with the Swedish production and purchasing people is the personal connection. Chinese manufacturer are great at delivering the products and the quality will be as good as any other suppliers quality would be. “There are quality issues all over the world, nothing that is just from China. We could order a product from Germany but it is actually from China that is just the world that we live in, you don’t know. And the product manufactured in Germany can be of worse quality than the Chinese” (Maintenance Engineer).
One of the factors that seem to have a big impact when considering purchase from China was the aftermarket situation. China are proving that the quality is good and in some cases even better, however, in order to stay as a global competitor to count on, it takes a lot more than that. The Chinese suppliers are still behind in many areas of the process. Something that was mentioned by the informants was the Chinese manufacturers local presence in Sweden, they don’t care about the product after delivering which in many cases is shown to become a deal breaker in a lot of situations. Lack of “thinking outside the box” and the fact that the Swedish customer have to be very specific and controlling in the process are some other that were mentioned. If it is not the price that matters the most for LKAB, something that was made very clear during the interviews, there are so many other aspects of the process and the process doesn’t end with delivery. This is something that a lot of Chinese manufacturers are lacking, when making a big purchase it is what happens after the delivery that plays the biggest role when making a purchase decision.

5.3 LKAB Trading Shanghai Interviews

5.3.1 The Country of Origin Effects and the Quality Perception

The way the Chinese industry is built up is quite different from the Swedish, at least if you look at the interview material. “The industry in China were built based on experience, China has manufactured a lot of things from a many different cultures and countries. China has designed things for some major countries and that is how Chinese learn, based on experience, not from data. What Sweden is used to is data. So this fundamental differences had caused some major problems, they can’t rely on the experience like Chinese can, because Swedes are so used to working with data” (Purchaser 1). These fundamental differences in the way the businesses are operating could be one of the reasons to the view that some people still have of China. One of the parts that make it tricky with purchases from China could be the installation part of the process, which was also brought up by some of the informants in Sweden. The reasons for this could be many, one of them might be that “Chinese people are so used to installation, they are very experienced and they have installed a million things, due to the high demand for constructions in China. Swedes they need instructions for everything, something that the Chinese suppliers are not used to provide, and therefore it makes it tricky for them to provide that to Sweden. So it is hard to teach Sweden in how to install the products from China, they have the knowledge to install it, they just want the documentation to back them up” (Purchaser 1). China has advanced in a lot of areas, and like mentioned before China is moving away from the low-cost production and don’t have the price advantage that they used to have. “There has been cases when the offers from China were higher than the ones from Sweden. It depends a lot of the currency inflation but also China doesn’t have the really cheap labor anymore. China don’t really have the price advantage anymore like they used to have” (Purchaser 2).

People’s view of China as country of origin is changing, and for the better. People start realizing that the quality in China is not the same as it was a few years back, even if there is still a long way to go. “It has changed and for many reasons, one
reason is for each delivery we do with good quality and good result people feel more comfortable” (CEO). People tend to be judgmental in a lot of things, and it is easier to judge something that we don’t know. China is very far away and it is an unfamiliar area for a lot of people and therefore, making an assumption is easy. “For one of the first projects Sweden sent over some inspectors, it was like a bomb exploded. Everything was wrong, the quality was bad and we started trying to find some evidence to prove that the quality was bad. After some investigation it turned out that in fact the quality was not the issue” (Purchasing Manager). China is a more competitive country on manufacturing products based on drawings and design that already exist and they are far less competitive on function delivery including designing.

Something that they have noticed is that the bad shipments from China gets more recognition that the good ones. In many cases after investigation it might not even be the Chinese product that is the problem, but at this point the word has already spread. All products from China are now of bad quality or wrong specifications or what ever it might be because of one product, which turned out to not even be Chinese. “There has been a few cases when people are fast at bringing up the problems, and that goes back to the attitude. I don’t think people want to be mean, they just don’t have the knowledge or the right information” (CEO). “To avoid cases like this in the future we have to keep basing everything on facts, if both parties base everything on facts and we get beaten it is okay. We can start the improvement work and we can take care of this problem. We can investigate and we can get the evidence and this is something we have to continue doing. This shows professionalism, and the problem is when we talk about attitudes and the limitations” (CEO). "When someone does something that is successful the word will spread within the organization, and for each successful story it will be harder for people to resist. With the current market situation it is harder for people to not be open to try, because the pressure on being cost-efficient is on all of us” (CEO).

5.3.2 Purchasing Influences

LKAB has been running for many years now, and we can see a big difference in the willingness to purchase globally. “Age and education differences and some purchasers also have an international background which makes them more open minded and easier to communicate with. But some traditional older people are not that easy to communicate with, which may be due to language barriers” (Purchasing Manager). The general feeling is that the younger people are more open to global purchasing, “it may be because they are usually better at English” (CEO).

Swedes are a people of questioning, at least if you ask the informants. “Swedes don’t feel confident if they don’t have the data to back them up” (Purchaser 1). There are a lot of cultural differences between the two countries in many ways, both in business culture but also the personal culture. There are two different ways of working, something that is being brought up in all the interviews. One of the big obstacles with purchasing globally is the language barriers between the two countries, which can lead to misunderstandings and a lack of information.
Language is something that is experienced as challenging by everyone, it is a barrier on all levels of the organization and it is an understanding barrier. "Since not a lot of the engineers in Sweden speak very good English and neither does the Chinese suppliers this can easy turn out to be one big obstacle" (Purchaser 1) "there are a lot of technical words, and words that are specific to LKAB that makes this even more challenging" (Coordinator). The differences in the education systems between the Western countries and China were something that was mentioned by the informants in China. There is a big difference between the two. Swedes tend, as mentioned earlier, to be more strict with the documentation, which is something Chinese suppliers sometimes struggle with providing. "In the Western education system, children learn to write reports and how to structure them in a way that makes it easy for the reader to follow, something that the Chinese education system is lacking. The Chinese suppliers just write down all the information on a piece of paper, it is not lacking the information needed, it is just not structured in an understandable way. This might make it seems like it is lacking some important information" (Purchaser 1).

The response time from Sweden is something that Trading is experiencing challenging, especially for the urgent questions. Sometimes the response time might be weeks or even months, the silence that China is experiencing may in some cases cause problems. Silence in China may be recognized as; everything is ok, whereas in Sweden that is not the case. The silence from Sweden may cause major delays in production or even production errors. This issue might be caused by the cultural differences as well. Leisure time for a Swede is very important, and it might be a valid reason for a delay in the communication, whereas in China work always comes first. "When Swedes are on holiday, they are on holiday, and their holidays are not a day or two. They have weeks sometimes months off, something that Chinese people don't understand. This gives the suppliers long silences, which in China is viewed as everything is all right and keeps proceeding, and when Sweden wake up it is to late. This is also a cultural difference because in Sweden they respect their holidays, but in China it is not like that. Chinese people are willing to work during holidays if they have to to that is not problem for them. It is the attitudes at work that I think is the problem, the trust issues and being reliable" (Purchaser 1). Something that was also mentioned during the interviews that is making it a struggle especially for MRO\(^2\) products is that a lot of the information is on the existing suppliers’ side. This is a situation that makes it hard for the internal customers to get the answer for the questions that the Chinese suppliers have. The reason for this can be due to many things, but it is also causing difficulties for all parties. The cultural differences and language barriers may sometimes make it easier to deal with someone from your own culture. There are a lot of things that can be done in order to break the barriers between the two different cultures, something that LKAB Trading is well aware of and working hard to do. It is just a matter of finding a common ground to stand on.

### 5.3.3 The Image of China

\(^2\) MRO stands for Maintenance, Repair and Operations products
“When looking at people’s image of China and take the Olympic games as an example. Some people are not allowed to be in the games but others are, if you take those who are in the Olympic games not all of them are winners. What I want to make sure is that China is seen as a participant that is allowed to be in the Olympic games, this is the group of people that we need to convince or persuade or tell the correct picture of China. We don’t expect that everything should be bought from LKAB Trading in Shanghai, but we expect that we can be like any other purchasing market with the capability and potential to produce the best quality to the lowest cost for LKAB. So if you go back to the Olympics, it is not about winning everything but allowing a country with the potential to participate in the game” (CEO).

The image of China as a country and the image of the products made in China are improving but there is still a big gap between people’s perception of China and the real China, at least according to the informants. “Swedes are stereotyping a lot. China still can’t compete with some advanced countries like Germany in some of product categories, but China keep working on that. There are some products that we are really good at, some that really is China’s advantage and it is just about knowing the market” (Coordinator). The stereotyping is something that the Chinese don’t feel is fair. “The stereotyping is not inline with reality, Swedes buy a lot of products from China that they might not even be aware of and that is alright with them” (Coordinator). “China is growing fast, and people have different knowledge about China. A lot of people are traveling to Asia, and there are a lot of young backpackers, more people have international jobs that are connected to Asia and they may have a more accurate picture of the real image of China, whereas other people may only have the image of the fake markets” (Purchase Manager). “From a general perspective I think that the image is behind the real situation. I think that the development in China has gone so fast that that the level of quality has increased and the innovation and the company quality, but the image is still behind” (CEO).

The images that people have are in many cases wrong with the reality in China. There are of course both the good and bad in China, but it is like anywhere in the world. Something that showed a noticeable difference on changing their perception and image of China is people who actually came to visit China. “People who haven’t been to China have a image of China from what they have read and how things used to be, but after visited and seen the real picture of China they tend to change their minds. They have a view of European products being more reliable, but after visited manufacturers in China they realize that that picture might be wrong” (Purchaser 2). The pictures of China that people around the world have are in many cases from the picture that the media gives them. “The media in the US are still writing that the quality from China is bad and this could be some kind of defense, they might bit scared of this new part of the world. China is moving so fast and improving their quality and of course they have to defend their own quality and their own products, but why people and media says things like this that is not based on facts, there must be something behind it, maybe we are afraid of things. Maybe we want to protect our own situation and our own production, the case we have now we want to protect our existing suppliers” (CEO).
5.3.4 Ethnocentrisms Effect on Purchasing

People have their opinions on countries and products for many reasons, and that view might change during time. China is a fast moving country "you have people who really see this. Amongst them who travelled, amongst them who are interested in finding new markets and are aware that there is a world outside the home country" (CEO). Of course there are a lot of reasons to why people in some cases values their home market more favorably. "LKAB is a company with a lot of history behind it, and as much as LKAB is a international company there is still a lot of Malmfälten and some old fashion minds where everything should be done just like they have in the past" (CEO). There is still a lot of the information from LKAB in Sweden that is in Swedish, which seems odd for a company with a global view and this might be for many reasons. The feeling is that Sweden chose what they want to get global bids for, it is a work in process but it is a slow process. One of them is the language barrier that was previously mentioned, but one other reason for this could be that they want to keep the Swedish view on things. "We are not global even if it says that LKAB is global" (Coordinator) "they seem to questioning China way more than they would with a product from a local supplier. They don’t trust the products from China, and the Chinese products tend to get blamed even if the real problem is a locally produced product" (Purchaser 1).

There is a difference on the view of LKAB Trading. They consider themselves as a part of LKAB and want to create the WE feeling. They want to be working as a part of LKAB, whereas a lot of people at LKAB Sweden and especially out in the production views LKAB Trading as any other supplier. They are not looking for the WE feeling, for them Trading is like anyone else.

5.3.5 The Chinese Market

One of the things that were approached by all the informants was the view of China as a global competitor. One of the things that makes it tricky for China to manufacture for Sweden is for example the CE marking\(^3\) that need to be on the products, something that not all of them are used to provide. This is something that could possibly make it tricky for some manufacturers in China to become a global competitor.

"Providing CE marking on the products requires a lot of documentation work and that is something that some of the Chinese supplier are really weak on" (Purchaser 2). For a Chinese supplier everything is possible, and they have a very humble attitude that sometimes may cause problems. For the Chinese everything is possible, sometimes this is just words to get someone to purchase from them.

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\(^3\) **CE Marking** is the symbol \(\text{CE} \) the letters “CE” is a shortening of “European Conformity”. CE Marking is now used in all the official documents within the European Union. CE Marking a product is a declaration from the manufacturer that the specific product complies with the European health, safety and environmental legislation requirements and CE marking a product shows that it can legally be placed on the market (CE-Marking 2015).
The real case might be difference and this is something that easily could result in trust issues, one of fundamental difference in the business culture. The European suppliers are also much closer to Sweden and can therefore make more visits and build up the trust that the Chinese suppliers need in order to stay as a big global competitor. “European suppliers are closer to Sweden and they pay visits very often so the people actually know them by person, but here in China they are really far away. The Chinese suppliers are really good at what they are doing, the difference is just that the Swedes don’t know them and therefore they don’t trust them as much” (Purchaser 2). China is moving fast, and their quality is improving, and they are a competitor to count on in the future as well, some of the factors like the currency are just something that no one can change, but the manufacturer are improving and getting better and they will continue to learn and develop even in the future.
Chapter 6 External Interview Findings

In chapter 6 the findings from the external interviews in China will be presented.

6.1 Participants

During this study a total of 10 interviews were conducted with outside companies and people with a very big knowledge about the Chinese market located in Shanghai. During two of the 10 interviews the informants had two interns participating.

External interviews Shanghai

<table>
<thead>
<tr>
<th>Informants/ Participants position</th>
</tr>
</thead>
<tbody>
<tr>
<td>PPE Area (China) Manager (Wholesale, tools)</td>
</tr>
<tr>
<td>Managing Director China (Advertising)</td>
</tr>
<tr>
<td>Quality and Sustainability Manager (Retail, porcelain)</td>
</tr>
<tr>
<td>CSR Manager (Retail, home goods)</td>
</tr>
<tr>
<td>Intern</td>
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<tr>
<td>Intern</td>
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<tr>
<td>Vice President (Manufacturing, Industry)</td>
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<tr>
<td>General Manager (industry-, employers- and professional care)</td>
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<tr>
<td>Global Responsible Sourcing Manager (Manufacturing and Industry, tools)</td>
</tr>
<tr>
<td>Intern</td>
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<tr>
<td>Intern</td>
</tr>
<tr>
<td>Business Area Manager (Retail, home goods &amp; porcelain)</td>
</tr>
<tr>
<td>Chief Representative, Asia (Manufacturing and Industry)</td>
</tr>
<tr>
<td>President (Manufacturing and Industry, paper)</td>
</tr>
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</table>

Table 2. External Interviews Shanghai, China

6.2 External Interviews Shanghai

6.2.1 The Country of Origin Effects and Quality Perception

China is now moving from being a low-cost and low quality country something that all of the informants pushed for. There are a lot of reasons to why China is changing from that image. One of the reasons to why is the higher income among the Chinese people. They can now afford more, and therefore they are now also able to purchase the higher quality products. “China has accumulated during times and a lot of people buy products from China without even knowing, the Chinese manufactures often import machinery to produce the products, which may also be a reason to the increased quality of the Chinese products” (Managing Director China). However, even if the quality from China is increasing in many cases “there is still a gap in the quality between the products being exported from the Chinese market compared to the products being consumed on the Chinese
The increasing population is not just making China a big competitor when it comes to production and exports, the growing population is also making their domestic market an important market. “There is a big improvement of the Chinese quality, and China is a market to count on in the future. However, at this point the domestic market is growing faster than the export market” (Quality and Sustainability Manager). As the Chinese quality is improving and China is becoming a more important market not just for exports, the quality of the products are increasing rapidly, “China is also becoming a big import market as they start consuming more western products as the income increases. This makes the Chinese market a market with an extreme potential for both import and export” (President) something that a lot of informants agrees with. “It is not only beneficial to import from China it is now becoming more beneficial to export to China as well, due to the increasing wealth and demand for quality within the Chinese population” (PPE Area (Asia) Manager).
6.2.2 Challenges

There are some challenges associated with the global market when purchasing and working globally. One of the issues mentioned is the general low quality view of China and their production quality. “The uncertainty of not knowing what the products contain and the old habits are still present” (President). “There is a different culture and the language barriers can make it difficult, especially when it comes to the technical terms. A lot of people still associate the McDonalds toys with the “Made In China” (Chief Representative, Asia). It is important to understand the culture differences and be open to the fact that people may be resistant and hesitant and not push anything onto people. “Make them understand that we are here as an asset for them and not trying to steal any jobs from them. China is only here to help them, to help them grow as a person as well as an organization, and to help them improve and develop” (PEE Area (China) Manager). The cultural barriers seem to be a big obstacle for a lot of the informants, and the feeling of how to handle the different types of cultures and personalities is something that often feels challenging. “Swedes have a less showoff attitude than the Chinese, so it is important to make them understand that we are one of them. In China the titles are much more important so that is something that we need to push on in China, whereas in Sweden we have to try to blend in and become one in the group” (PEE Area (China) Manager). “There is a big difference in managing people from China comparing to Sweden. Swedes are much harder to manage” says PPE Area (Asia) Manager. “Swedes needs to be individually convinced about something whereas the Chinese people on the other hand are more follow the leader. The Swedish people are much more individual and like to create their own mindset” (PEE Area (China) Manager).

The hesitation towards China and the Chinese products is not associated to a specific age group; however, “people that are more familiar with China and the Chinese suppliers and they who are more price causes tend to be less negative towards China” (Quality and Sustainability Manager). They all agree on the fact that China is improving and keep being a country to count on. They are also questioning if people’s perception of China is changing as rapidly as the Chinese quality? “China is one of the most important markets and the European and Japanese suppliers are being passed and it going fast. The question is if the markets perception is changing as fast as the quality is improving?” (Managing Director China).

One of the factors mentioned was how to utilize the Shanghai offices. “The headquarter in Sweden is very positive to the Shanghai office, but is maybe not sure how to use it 100% yet” (CSR Manager). This can be one of the reasons to why companies are struggling with increasing demands from Sweden, since the employees are unsure of how to use the office, what they are supposed to be used for, what they actually do? It is important that the home offices are aware of what they do and how they do it in order for them to know how to use them and for what purposes.
One of the returning issues from all interviews conducted for this interview is the issues with communication. They all feel like communication is a big issue and something that some of them connect to the trust. “It is also a very long process to build up the trust with the people, not only done with sales communication but also by the regular day to day communication” (Chief Representative, Asia). Since communication is a big issue from both sides, the ways we chose to communicate becomes more important. One of the ways that the informants found beneficial is the face-to-face communication. “Important to have a face-to-face interaction when first presenting a project, gives them the opportunity to discuss and clarify any thing that may be unclear to either parties” (CSR Manager). Due to the distance between the two countries communication over video link is an asset that a lot of them take advantage of in order to make communication less challenging. “Communication is a way of building knowledge and relationships. Swedish people are more for the chitchatting whereas the Chinese are more straight forward” (Managing Director China). They all agree that miscommunication happens, and it can happen with any one. “Miscommunication some times happen, the Chinese suppliers want give you the best price, however they may be unsure of what you really want so make sure that the suppliers really understand” (Managing Director China). The importance of being specific when communicating with the Chinese manufactures is something that they all highlight. Due to the already existing language barriers and differences in requirements and specifications, the importance of specify exactly what you want is extremely important. “You will get exactly what you want from the Chinese manufacturers so as long as you are clear in what you want, you will get exactly that” (Global Responsible Sourcing Manager).

The view of China as a country of origin for products has changed in the last couple of years. “The products before were not of good quality, but that has changed. We can see that you can get the same quality or even better in China. it all just depends on the price you are willing to pay. The question that people ask is; is the quality good enough and is the technology good enough?” (Managing Director China). As much as the quality is increasing in China, it is still a struggle for companies to locate the right suppliers. Something they all underlined as extremely important. “If you find a way to choose the right suppliers and manufactures the quality will be just as good in China as it would in Europe or anywhere else in the world or even better” (Business Area Manager).

There is a trend that some of the companies are starting to move their production back to Europe and America. “One of the reasons to why some companies are moving factories back to Europe and America is because the “made in” symbol will be on the products and people care more about the “made in” stamp especially in the US. They are very patriotic and want the made in US or America on their products. Countries are becoming more and more nationalistic in their mindset and one of the reasons to why people are more hesitant towards products from China is that they might feel threatened. It is a time when getting a job in Sweden is hard and the shift of moving production to China is something they might feel will make it even harder, this might be one of the reasons to why people now are more nationalistic or patriotic in their way of thinking” (Quality and Sustainability Manager).
One of the big challenges that they are facing is the attitude from the home markets. The attitudes that many of them are facing are the “We have tried this before and it didn’t work so we will not try that again. It only take one bad experience to change it from good attitude to bad attitude, while it will take 100 good experiences to change it from a bad attitude to a good attitude” (Chief Representative, Asia).

6.2.3 The Change in the Image of China

“The Chinese manufactures are working on modernizing and they are attending more international affairs and promoting themselves as a country to have in mind. This might be something that can change peoples perception of China” (PPE Area (China) Manager). According to the informants there has been a big shift in the Chinese manufacturing market in the last couple of years. They are starting to take better care of their employees, and some of them draw connections to the “one child generation” as to why this change is happening. “There are also more “spoiled” kids from the “one child generation” out in the work place right now. Kids who are more aware of their rights, they want to achieve more and to live a better life. It is no longer beneficial for the Chinese manufactures to produce the low-quality products, so they are moving towards incorporate other factors as well into the process” (CSR Manager). The one child policy is something that many of the informants saw as a reason to the rapid improvement in China in the last couple of years.

There has been a rapid improvement on the Chinese market and the standards at the manufacturers are getting better. They have to fulfill the requirements and standards from their western clients in order to be successful. “It is very important for the Chinese manufacturers to fulfill their clients requirements if they want to keep growing, and a lot of them are already today very familiar with the international standards and requirements” (Managing Director China). The production costs were much lower when a lot of the companies first entered the Chinese market, and the reasons to why people are active on the Chinese market has changed. “The low-cost is not the reason to why companies are here, it is the closeness to the customers and being able to understand the customer better as China is one of the biggest markets” (Vice President). All the informants mentioned China as being a very hard working country. “They are very good at making you exactly what you ask for. Thinking outside the box however is not something that they are used to; something that the informants only think it is a matter of time until this will change as well. “The Chinese people are very intelligent and it will not take long until they can copy a product that is better than the original product” (Global Responsible Sourcing Manager).

Concluding from the interviews we can see that there is a difference in the perception between people in Sweden and the people who are working and living in China. The view of China between the external informants and LKAB Trading are very similar so we can see that the difference is between Sweden and China. Are the external informants as well as LKAB Trading more informed
and therefore have a different image of China or are they just bias because they live they and have their career there?

6.2.4 The Chinese Market

One of the things that they all agree on is that there is a positive view for the Chinese market, both on the import and export side and that if you have the opportunity to be present and active in China that is something that you should take advantage of. It is a bright future for China and they are believed to make the same journey as their neighboring countries once did "we do a lot of acquisitions in order to speed up the process" (President). “China will do the same journey as their neighboring countries, the question is just how long it will take?” (Chief Representative, Asia). Chinese manufacturers realize that they need to improve if they want to remain competitors to count on. This is something that the suppliers are working on, but there is still a lot to do. “There has been a big change and develop since the early 2000 in the Chinese manufactures way of organizing. The level and skills of their employees are getting better, they earn more money, the employee standards are better and they are also more aware of the surrounding. The manufactures are moving more towards automation, which increases the quality and they are less dependent of their employees. There is a clear trend that the low-cost low-quality manufacturing is moving away from China” (Quality and Sustainability Manager).

China has for many reasons improved in several areas during the last couple of years. The textile market is one industry that moved away from China and where Chinese producers no longer are competitive. They are no longer a low-quality country and they can’t compete with the low-cost production, which moved away from China to countries like Pakistan. “This is why it is important to know China and the Chinese market and being able to identify the products that are beneficial to buy from here” (PPE Area (China) Manager). The trend away from the low-cost production is also increasing the costs to purchase from China something that companies have to solve in one way or another. “One trend accruing in China is the decrease of traders, this makes both the processes shorter and the profit margins higher, and this makes it more beneficial to trade with China again” (PPE Area (Asia) Manager). Something that they all agree on is that China is a country to count on even in the future. China is a gigantic country with a great potential. “China is a big competitor and if you have the possibility to produce and manufacture the same quality in China that is something that you should do” (Global Responsible Sourcing Manager).
Chapter 7 Internal & External Interview Result

In this chapter a result from both the internal and external interviews will be presented. A summery of the research questions will be provided at the end of the chapter.

During this case study 5 people at the LKAB trading office were interviewed as well as 10 people at LKAB group in Sweden. In order to get a broad picture as possible people in different positions and different level in the organization were interviewed for this purpose. A total of 23 interviews with a total of 32 people were conducted for the purpose of this research, which increases the credibility of the research.

7.1 Internal and External Interviews result

LKAB as well as many other companies made the decision to set up a Trading office in Shanghai, China and LKAB Trading opened up in 2011. During this time they have seen that orders from Sweden has not come easy, and a lot of work is needed in order to increase the demand from Sweden before LKAB Trading can be fully utilized. Like many other companies they are experiencing some difficulties in getting the final order from Sweden for many different reasons. LKAB is one of the biggest iron ore pellets exporters in the world. Their presence in China is something that allows them a better understanding and control of the Chinese market, which is not completely utilized from the Swedish market. There could be a lot of factors to why this is challenging. A result of both the internal and external interviews will be presented below with a focus on the research question asked in the beginning.

Most of the informants from all the interviews announced that some of the challenges with global purchasing and the global market is how to get everyone on board with purchasing globally. A challenge they are facing at the moment is the currency making it more and more expensive to purchase from China, something that no one can do anything about. This is also making it harder to motivate why LKAB should purchase from China according to the Swedish informants.

7.1.1 Attitudes and Challenges

Is there a negative attitude among the employees within LKAB towards made in China products? According to the interview material there is a negative attitude towards products made in China within many people in the home organization. We know from the interviews that the test and audits that the Chinese suppliers and products are going through is often twice or even three times as hard as any Swedish or European supplier would, the question is then does people know this? This negative attitude among the home organization is not just something that LKAB is experiencing challenging; it is also something that is being noticed by the external informants. According to the informants there are still a lot of
people in the home organization with the “hamburger toy” view of Chinese products. The internal interviews in Sweden somewhat agrees with that view and a lot of the informants admit that they may still have a bad attitude towards Chinese products but they all also make it clear that they are aware that they can receive the bad products from anywhere in the world. Their hesitation towards the products may not be based on the quality as first mentioned by LKAB Trading as the main issue for this. So what is the negativity based on? As mentioned the main reason to this may not be the attitudes as LKAB Trading as well as the external interviews mentioned as one. During the internal interviews in Sweden it became clear that they are well aware that the bad quality products they may receive from China is not something particular from China they can receive that from any supplier anywhere in the world. Some of the factors that the people in Sweden are experiencing and are concerned about is maybe not so much a quality of the products, but rather the warranty issue. There are like previously mentioned a lot of factors that make them feel more comfortable by purchasing through a Swedish supplier rather than Trading. The process for them is shorter, someone else is dealing with the Chinese supplier, someone else is responsible for the product, but they can also purchase a package by doing it this way and neither are they not to be blamed for the mistake if the product from Trading would not live up to the LKAB standards and requirements.

They mentioned the aftermarket as their main reason to the hesitation towards China. The differences in what they will receive from China compared to say a Swedish or European suppliers are in many cases a deal breaker. Lowering the cost but at the same time possibly cause a production stop is not very appealing to them. LKAB Trading as well as the external informants defend the Chinese products and make it very clear that the products that they purchase from China are of the same quality if not better. They know it, but the question is does the people know it? One of the differences when we see quality might be that for the Chinese suppliers quality is the actual quality of the physical product but for European suppliers warranties, service and other factors are included in the quality of the product. This could be to great advantage for the European supplier since this is one of the great requirements for the employees of LKAB.

Having LKAB Trading in China makes it possible for LKAB to be in control and audit the suppliers that are used, something that was mentioned by the managers within LKAB. However, it still seems like the people based in Sweden are more positive to using a different supplier when purchasing products from China rather than purchasing it directly from LKAB Trading. The reason for this is according to the internal interviews in Sweden is that the process for them is shorter by purchasing through someone else. Someone else is dealing with the Chinese supplier, someone else is responsible for the product, but they can also purchasing a package by doing it this way. However, by purchasing the product through a Swedish supplier they also lose the control of controlling the Chinese suppliers and quality controls that they would have by purchasing from Trading. This is seen as less of a problem though. LKAB Trading is like mentioned in the interviews working very hard with locating the right suppliers and their requirements to become a supplier is high, but the problem may be that not a lot
of people in Sweden know about their requirements and processes, something that was also mentioned by some Swedish informants as an issue.

Another obvious reason for hesitation is communication issues, if they purchase from someone else, someone else also has to deal with communicating with the Chinese if needed. From the interviews we can see that there is a big part of the external parties who were interviewed are experiencing the same negative attitude towards “made in China” products. The challenges experienced should mean that LKAB Group were prone to purchase from Trading, however that is not the case. According to the interviews they chose to purchase from another either Swedish or European supplier due to the fact that it is easier for them and it requires less work from their side. It is also due to the warranty reasons safer for them not to purchase from LKAB Trading because of the better warranties according to the interview material.

Some of the challenges that is experienced in the communication and relationship between Sweden and China is:

![Diagram of Communication and Relationship Challenges]

Figure 6. Communication and Relationship Challenges

There does not seem to be a particular group that is most resistant to making purchases from China. The issue is more an over all issue amongst everyone. LKAB group is moving towards becoming a more international and global company, but not everyone is there yet. Purchasing department as well as LKAB Trading finds it very hard to always fight an uphill battle as most of the external informants as well felt like they were doing. It takes a special person not to give up and to keep being persistent. At the moment LKAB is at a place where cost savings are very important which might help to introduce the Chinese products. There has been a challenging road especially in the beginning of the processes when Trading first started. One of the reasons to why purchasing mentioned as a reason for the discussions and arguments was the fact that they didn’t know where they had each other. LKAB feel like they are moving in the right direction
and are starting to work towards the same goal, however there is still a long way to go. They all have the same goal, just different paths of reaching that goal. These challenges that were mentioned by the LKAB informants is not something that they are alone to feel. Most of the challenges experienced by LKAB are also something that most of the other external informants were experiencing as well.

Figure 7. Internal Challenges

7.1.2 Image of China

The informants in China are all of the impression and experiencing a change in the image of China. They can see that China is developing from a low-cost low and low-quality country to a higher quality, higher-price but also more value added country. However, people’s images of China may still be behind the real image of China, which could be one of the issues to the continued negativity towards Chinese manufactured products.
One of the biggest differences between the informants in Sweden and the informants present in China was the view of China as a global competitor in the future. The Chinese view of China was positive, maybe not in all areas but an over all good view and that China will be a country to count on even in the future. The low cost products are moving away from China as they are increasing their quality. They also saw a shift on the Chinese market due to its rapid economic growth. China is now an important market both for import and export. This image is something that not all of the informants in Sweden agree on. They are a bit more uncertain about Chinas future as a global competitor. There are factors that they Chinese suppliers are lacking. For them price has always been the number one thing. Looking at the interviews from Sweden the price is not what matters the most. The Chinese supplier has to become more aware of what the consumers are looking for in order to stay as a competitor on the global market, something that according to the internal informants are working on. Some of them are already aware of working with the Swedish requirements and regulations, it is just a matter of finding the right suppliers.

### 7.1.3 Processes

*How is LKAB coping with the different attitudes towards Chinese products today?*

At the moment LKAB is not doing anything in particular to work with the different attitudes, even though they are, according to the interviews, aware that they exist. However, maybe not for the reason they thought. LKAB Trading are aware of the issues of increasing the demands from Sweden, and has therefore starting to change the ways they market themselves and are in the process of implementing a new marketing plan. LKAB is an “international” company or so they say, but according to the interviews there is still a lot of Malmfälten in their ways of thinking. LKAB Trading is currently working on implementing a new marketing plan in order to change this and increase the demand.
Purchasing department mentioned it as a challenge to sell a Chinese product to someone who is hesitant and the purchaser is not really aware of their work and processes. The Swedish informants mentioned that for them they are just some Chinese who “think” they are a part of LKAB. Introducing LKAB Trading as LKAB employees and explaining the processes of how they are working, giving people a chance to get to know them is something that Sweden feel is missing. This could be used as a step in the processes of building up the relationships and the trust between the two, something that they are clearly lacking.

Right now there is a difference according to the internal interviews in Sweden in the processes of purchasing from China compared to a different supplier, something that seems to add on to the “irritation” and hesitation to purchase from Trading. The processes are longer, different systems and process is utilized and it requires more by the employees to purchase from Trading. Why it is like this is something that they however are not aware of. However, from LKAB side these are not things that are impossible to change, and simply using the same systems when purchasing anywhere in the world and have the same requirements is not something that is hard to change.

One thing that all the informants out in the production asked for, was the possibility to try the products before making a final decision, getting to field test the products in their right environment. There is a big difference in climate and realizing how rough winter in the northern parts of Sweden can be something that is hard to get a grip about for someone who never experienced an Arctic winter. Some of the European and Swedish supplier develop prototypes of products that are tested in the LKAB mines, something that the Chinese suppliers are lacking. By doing it this way, LKAB has a chance to build up a trust towards the product before making a purchase something that with today’s ways of working is lacking. The unknown and the uncertain are all of a sudden not so unknown and uncertain. The informants from production also mentioned the product development as an important factor. Since they don’t have the knowledge and expertise to develop and improve the products, they need the suppliers to do so. By purchasing from China they feel they might loose this important factor. However, this is something that LKAB Trading believe that the Chinese manufactures have the possibility to do, they are not just given the opportunity to prove themselves, something that is also agreed on by the external interviews.

The last of the research questions -how can LKAB improve their ways of working in order to work with the different attitudes that exists within the organization? will be presented later in the study. Under 8.5 future suggestions for LKAB will be presented.

The chapter will end with a short summary of the result from the interviews answering the research question asked in the beginning.
### 7.2 Result Summary

<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Which negative attitudes towards Made in China products can be found among employees in Swedish companies and what are these attitudes based on?</td>
<td>There is according to the interview material from LKAB an negative attitude against made in China. The attitudes are mainly based on the longer processes and uncertainty regarding the after market of products purchased from Trading.</td>
</tr>
<tr>
<td>How do attitudes against country of origin form in companies?</td>
<td>The employee’s attitudes are often a reflection based on previous experience with the product or country of origin, and a negative experience with the product will give them a less favorable attitude towards it. People’s attitudes are stronger towards something they have experienced first hand.</td>
</tr>
<tr>
<td>What strategic consequences these attitudes towards Chinese products among employees can have for companies?</td>
<td>We can see that not just LKAB but the other companies interviewed as well experienced difficulties in increasing the demand from Sweden, this is causing the China office not to be fully utilized and as successful as it can be.</td>
</tr>
<tr>
<td>How can companies like LKAB improve their ways of working in order to work with the different attitudes that exists within the organization?</td>
<td>Improve communication and better information about processes and requirements. Make sure that the processes are the same as for any other global competitor. Make Trading office one of them and to keep provide them with the good results to show that they and the Chinese market and suppliers live up to their standards. These are just a few of the recommendations more can be found under 9.5 future suggestions.</td>
</tr>
</tbody>
</table>

Table 3. Result Summary
Chapter 8 Analysis

The data presentation is followed by an analysis of the result in relation to the extended background. The chapter is divided in sections based on research sub-questions and main research question with concluding remarks.

We can see that a lot of the previous research within this area of attitudes and country of origin are conducted on the household purchasers’, however, from the interviews conducted it shows that even if the theories are based on the consumer perspective they still relate to the customers and the organizational purchasing. Most of the previous research is conducted within other countries besides Sweden, this is something that needs to be taken into consideration. There is still a gap within the previous research that needs to be filled and hopefully this case will provide new insight and will help other companies to succeed.

During this master thesis it became clear that this topic is of interest for many companies, the response and participation from both the internal and external informants was great. This shows that this is a topic that more companies besides LKAB finds challenging. For the external interviews a total of 10 different companies, in some way connected to the Chinese market were interviewed.

The world we live in today is a fast moving world, opening up new markets, something that was highlighted during the interviews. The customers around the world become more aware of the products existing around the world, and therefore also more aware of the product attributes when choosing products. As Kanyak and Kara (2002) mentions, firms who are competing on the global market can offer a wider selection of products, something that today’s customers requires. Companies are no longer just present on the Chinese market due to its low-cost; it is now to be present on one of the fastest growing economies in the world. During the external interviews the importance of being close to the customers was highlighted as an important factor to their presence in China.

A lot of today’s products used within companies are purchased from China. LKAB like many other companies saw and opportunity to cut costs by opening a trading office in China and decreasing the amount of middle hands involved. This is also an opportunity to better control the purchasing process and that all requirements are met. However, it was noticed during both the internal and external interviews that this journey has not just been a positive journey for a lot of companies.

We can conclude from the external interviews that China has a bright future with higher incomes, higher demands and therefore also higher quality. But are they really there yet? China has moved from being a low-cost, low-quality country to a higher-cost but also higher-quality country something that the external informants could agree on. The question is then instead; is the perception and image of China developing in the same rate as the development of China? A
question that is much harder to answer. China will according to the informants make the same journey as their neighboring countries and become a country to count on when it comes to producing the quality products, but how long will it take?

As Ahmed and d’Astous (1995) mention the globalized world we live in is not just causing companies to face new and more difficult decisions of how to stay competitive on the market, it also caused the buyers to face a more complex decision process as a more varied array of products became available. It is increasing the information available and making the decision-making within B2B more complex. This ties back to internal interviews where they mentioned that price is not the most important factor when making a decision. There are other more important factors that plays a bigger role in the decision-making process and the information available now put the pressure on the suppliers to become experts in more areas. However, despite the importance and their work LKAB is still struggling with fully utilizing LKAB Trading.

Companies active on the Chinese market are forced to act responsible when purchasing and manufacturing in China. And audits and controls are often more frequent than they would for a European supplier. Many European suppliers and in many cases Swedish companies are setting the standards when it comes to requirements. If Sweden is an important market for China, the Chinese market will have to improve in many areas to live up to the high standards and requirements. The question is just if the Chinese market sees Sweden as an important market and if it is important enough for them to make these changes that are necessary? Or will just a few suppliers try to make a change and improve but the majority will stay the same and the Chinese reputation of the “bad quality” products will therefore also remain? We can conclude from the external interviews that they have come a long way, but are they willing to go all the way?

Alomar (2015) states that a better appreciation of the market, improved communication, local relationships and the right professional support can make businesses with China both feasible as well as profitable and make a positive impact on margin at both ends of the chain. From the external interviews it was made clear that this is something that they all agree on is an important factor in the success on the Chinese market. LKAB is just one of these companies that saw the importance in building up the local relationships with the Chinese market and improving communication and in order to achieve this they opened up their trading office in Shanghai in 2011.

8.1 How attitudes are formed

During the interviews it became clear that there is negativity towards products made in China among the LKAB employees. According to Hogg and Vaughn (2005) an attitude is a person’s belief, feelings and behavioral against in these case products made in China. One of the reasons to these attitudes is explained by Karlsson (2004) attitude thoughtfully and emotionally places objects on a value scale and according to the Swedish interviews, Chinese manufactured
products are still not viewed as high end products and therefore a negative attitude may arise.

There is in fact a connection between our attitudes and the way we act, which indicates that the negative attitudes are the reason to why people are hesitant towards purchasing from LKAB Trading. However, what goes against this is their openness to purchase from another Swedish or European supplier. This is an indication that the process and the lack or aftermarket may play an even bigger role. Bunkholt (1991) says that people who have experienced something firsthand tend to have a stronger attitude than a person who only heard it from someone else. The challenge for LKAB like many other companies is to change the attitudes to positive attitudes, something that will require time.

An attitude doesn’t have to be negative; it could also be a positive attitude. The job is just to keep providing the home market with the good products that will change their attitudes towards Chinese products. For every successful delivery to LKAB one person will change their attitude towards LKAB Trading, and they will have one less reason to walk around and trying to convince others that LKAB Trading and their products are bad quality. From the interviews we can see that the people in Sweden, especially within production have a different view of the Chinese products and the quality than the people in China show. They are already convinced that the Chinese products are as good; it is just up to them to convince the people with the bad attitudes to gain a positive attitude.

People were very open about how they felt during the interviews; in some cases they expressed a negativity towards products purchased from China in general not just products purchased through their own trading office. However, it was noticed during the Swedish interviews that LKAB Trading in many cases got blamed for all issues that occurred. In a lot of cases it may not even be a Chinese product or a product purchased through LKAB Trading that was the issue but they were easier to blame. It became clear that not a lot of the informants had experienced a bad product themselves; their negative attitude rather came from gossip. People had formed an attitude against Chinese products from previous household purchases, something that isn’t fair against the products or Trading. Like mentioned by the informants at LKAB Trading as well as the external informants the quality in China is increasing rapidly and in many cases the quality in China is even better than a European supplier.

### 8.2 The impact of China as a country of origin

Previous shows that it is more important where the product originates from rather than price, availability and even style of the product. And the buyer’s show a higher level of trust to products originating from certain countries. Bilkey and Nes (1982) mention that consumers tend to evaluate products from their own home county more favorable.

Interviews show that customers tend to look at different aspects of the product when purchasing from China compared to a more “trustworthy” country like their home country or other parts of Europe. Studies show that country of origin
plays a significant impact on product evaluations and is used when evaluating and judging the quality of a product. Customers show a tendency to create product country image about the quality of a product associated with the country or origin. These images are based on either their personal experience, stereotypical beliefs about the country or through information they have received from other sources that influence the effect of country of origin (Agrawal & Kamaka 1999, Johansson et al, 1985). Both the internal and external informants noticed a shift of these images after they experienced China and the Chinese suppliers, rather than just listening to the gossip. However, we still have to have in mind that not all suppliers live up to the Swedish standards and requirements.

Customers who are more familiar with a brand or a product class is less likely to rely on country of origin when evaluating products, and in the same way may a favorable or less favorable experience of a brand or product class influence them in future evaluations of a brand or product class of the same country of origin.

China as a country of origin has changed a lot in the last couple of years. And both the internal and external informants agrees that China as a manufacturing country is moving from a low cost manufacturing country to producing higher quality to a higher price. This might result in a more positive view of China as a manufacturing country. The external informants mentioned that China will make the same journey as some of their neighboring countries, their question is just how and when this journey will take place. During the interviews in Sweden it was questioned if this move from low-cost is something positive or negative?

“When quality increases, the costumers increases and the price increase as well. Small companies grow and that can result in a loss in quality as well” (construction manager). According to the external informants one of the reasons to the increase in quality might be due to their increase in income. They are becoming a wealthier country and therefore they also start consuming more western products and become more aware and also have higher requirements. The Chinese people can now afford the better quality and therefore they also manufacture products of higher quality. Based on the interviews conducted in China there is no doubt that China is a manufacturing country to count on, on the global market in the future as well.

Both the internal and external informants mentioned the importance of the Chinese suppliers to improve on the overall experiences rather than promoting themselves as a low-cost manufacturer, we have already established that price is not their main focus. As Olson and Jacoby (1972) mention, consumers tend to use between 4-7 different informational cues when evaluating products, which proves that there are other important factors besides price. Organizational purchaser are in many cases more knowledgeable and it is there for even more important that the expertise is shown in every area of the process. It shouldn't just be product knowledge but also expertise of the aftermarket, something that according to the informants often showed to be the deal breaker, even if the price in China were lower.
Chinese manufacturers are improving in many areas, the quality is getting better, they are becoming more used to the international requirements, but something that still needs improvement is communication. As much as the Chinese manufacturers are improving they tend to forget to communicate that they in fact are improving. Chinese manufacturers tend to be so focused on promoting the price that they forget to emphasize the quality and their values and visions. This may be why the informants based in China still believe that there is a gap between people’s image of China and the reality of Chinese manufacturing. The gap between image and reality was something that was mentioned a lot during the interviews conducted in China. Could something as simple as just changing how and what to communicate help to improve peoples image of China as a country of origin? Is the image of China as a low cost country just is a reflection of the old image and not the new and improved image that the informants describe?

The result of the external interviewees shows a belief that people still holds an image of China as a low-quality country and this could be a reflection of their previous experiences and effect their attitudes and evaluations of todays products. InLKABs case this shows to be an influence of bad quality products from previous experiences either withLKAB Trading or influences from rumors regarding Chinese products or products purchased throughLKAB Trading. This is something that can current and future decisions of trustingLKAB Trading again. However, this issue is not just something thatLKAB is experiencing and we can conclude from the external interviews that it is an occurring problem within a lot of companies in Sweden.

### 8.3 How companies like LKAB are affected by the negative attitudes

The nationalistic feeling that people may have for their home country can in some cases according to Kasper (1999) affect their attitudes about products and purchasing decisions. However, the degree of ethnocentrism may vary within a country, some people may be more or less ethnocentric than others. Ethnocentrism was something that was discussed during the interviews and as a result of the growing consumer ethnocentrism and patriotism companies are starting to move some of their factories back to the western countries. As Shimp and Sharma (1987) mentioned there is a negative connection between the consumer’s ethnocentrism and the product evaluations of foreign products. Consumer ethnocentrism implies that it is wrong for a consumer to purchase imported products, not only because it is viewed as unpatriotic but also because it is harmful to the local economy and can result in lost jobs. As mentioned the openness for consumer to evaluate products from their home country more positively and they are more likely to reject products with a foreign country of origin, there is still however some consequences of consumer ethnocentrism.

“People starting to care more about where the product is made, and the made in symbol on the products is something that they see that the household consumes pays more attention to now”. One of the reasons to why people are hesitant to purchase internationally might according to external interviews be due to a feeling of being threatened to feel that other suppliers might be able to
manufacture the same type a product but to a lower cost and better quality which may result in a loss of jobs in Sweden. LKAB is a company with a long history. The lack of internationalization within the organization might be a way to keep LKAB Swedish. And this may also be a reason to why so much of the information is still in Swedish even though LKAB claims to be a global company. They may feel a moral obligation to purchase the local and domestic products over the imported product. This is something that is believed to be the case within a lot of companies according to the external interviews.

Another reason to the patriotic view among some of the employees regarding where the products should be purchased from may be set in the LKAB values. The company state that they should care about the community that they operate in. But increased outsources from China could result in a decrease of purchase from local or national sellers, which might cause people to try to protect the "people around them". The things that were brought up during the interviews in Sweden prove that this is one of the mindsets that some people within LKAB has.

The question that people ask is "why should we purchase something from across the world when it can be purchased closer to home and at the same time help them survive?" Looking at this from a different point of view, purchasing internationally could result in a loss of jobs, but so could potentially purchasing locally as well. Perhaps not for the suppliers they purchase from, but potentially from their own company. They are purchasing products to a higher price in order to be loyal to the companies around them and the cost is instead something that needs to be cut from somewhere else.

Looking at this from the purchasing process, which is the base for good business, a process that involves a lot of different aspects of the organization (Swedish Competition Authority, 2015). LKAB like many other companies has a purchasing process that set the base for their business. However, one of the main concerns with the LKAB purchasing process according to the internal informants is the responsibility aspect, and one of the reasons to the hesitation towards purchasing through LKAB Trading

For the internal customers within LKAB cost saving is not the main goal. Their main goal is rather to "produce the right amount, to the right quality and at the right time" and it is understandable that no one would like to be responsible for a production stop that could be very expensive for the company. The fear that the employees feel of making a bad decision and becoming responsible for the stop is bigger than the reward of saving costs. The LKAB informants is subsequently in line with the view of Hague et al (2015).

For Hague et al (2015) the key issues are trust and security, and no one want to risk their reputation or job by purchasing something from a less "trustworthy" country. The internal informants also mention trust issues to be one of the main reasons to their hesitation. This hesitation is something that both LKAB and companies who are experiencing the same issues needs to work with in order to increase the demands from their offshore offices.
In the LKAB purchasing process (presented in chapter 4 under 4.2.1) number 5 Reception, may be where at least LKABs issue occurs. “When the product arrives at the designated location the responsibility also moves to the internal customer” (LKAB purchasing process), this might be what the employees are hesitant towards. In order to avoid employee hesitation due to risk aversion companies needs to make sure that the process works. In this case should LKAB and LKAB Trading therefore together need to come up with a plan to make this work, and how to make the reward greater than the risk.

We can also conclude from both the internal and external interviews that people who visited China and became more familiar with the country were more open to purchasing from China. This could be related to the reduction of the uncertainty when the unfamiliar has become less so. This is something that LKAB and LKAB Trading needs to keep building on, and this is the first step to build a reputation and trust so the reward is greater than the risk. Bilkey and Nes (1982) confirm this and states that consumers who are unfamiliar with a product tend to use country of origin as a halo when evaluating the product and especially its quality. The effect of country of origin will have less effect on the consumers who are familiar with the country (Han, 1989), this connection between the negativity and the openness to purchase from China was notice both during the external and the internal interviews. It was concluded during the internal interviews that people who has visited China showed a more positive attitude towards China and was also more open towards purchasing Chinese products.

During the internal interviews it was mentioned that they are more open to purchase from China through a Swedish company rather than from LKAB Trading. This could be a result of the fact that they feel more comfortable with the brand and they show a higher level of trust to that brand and therefore where the brand manufactures their products are less important. Like Ahmed and d’Astus (1995) mentioned, when judging products and mostly the quality of the product the consumers tend to base these judgments on the extrinsic informational cues such as brand name or country of origin which indicates that brand does play an important role in the decision making. Like for many other companies in Sweden, the suppliers for LKAB have proven their reputation for many years. And the Chinese suppliers and LKAB Trading needs to do the same, something that was mentioned as important by the internal informants. It takes time to build up the trust, and the Chinese suppliers need to keep proving themselves and that they deserve to be, in this case a LKAB supplier. But maybe more importantly they need to prove that they want to be a LKAB supplier.

It is important to understand that there is a difference in purchasing through a company’s own trading office compared to purchasing a Chinese product from European suppliers. This was discussed both during the internal and external interviews. If a product is purchased through their own trading office they have a better possibility to control the purchasing process and the quality, but also to make sure that all the requirements and standards are filled. With this being said purchasing through their own trading office should not be more complicated than purchasing through European suppliers, which is the case of LKAB.
During the internal interviews it became clear that LKAB Trading in many cases are blamed for all the bad Chinese products regardless if they were involved or not. It is not fair for a trading office, nor is it helping to build up the trust between the two. During the interviews with LKAB Trading all the hard work that they put in to find the best supplier and the best products that live up to the LKAB standards was became clear. This however, is something that LKAB Trading like many other companies need to become better at communicating back to Sweden. It was discussed during the interviews that the European supplier and mostly Swedish suppliers have an advantage since they are closer to Sweden. However, this is not a reason for why the employees in many cases are unaware of the work that the people in China do. Responsibility is one of LKAB values, to care about the environment and the communities, this is shown by the high standards and requirements that they have on their suppliers. This value of responsibility is much easier to control when purchasing through their own trading office and get much harder to control when purchasing through a different middle hand who may not have the same high requirements and standards.

As mentioned earlier organizational buyers in general show a greater expertise in purchasing decisions and they may also be more cautious when making decisions. According to Ahmed and d’Astous (1995) by reducing the purchasing risk by introducing quality assurance programs such as product warranties may not just reduce the risk, but it may also show a positive impact on the perceived quality of the product. The LKAB informants in Sweden questioned what would happen if the product breaks or if it doesn’t live up to the standards and requirements? And who will be responsible? This may be the case for a lot of Swedish companies active on the Chinese market. This keeps adding up to the uncertainty that they already feel about the unknown and by purchasing through in this case LKAB Trading. If they would instead purchase through another supplier, that supplier will be responsible, but who will be responsible for the products purchased from Trading?

It is an understandable hesitation tat no employee would like to be the one to be blamed when a purchased product isn’t working perhaps causing an expensive production stop. The perception a person show towards a product may not always be entirely correct, and it is important that everyone have the right tools that they need to create new and more accurate perception.

**8.4 What influences the customers purchasing decisions**

As much as the growing world is increasing the market for companies and changing the competition, it is also increasing the product portfolio for the customers. This change is making it even more important to understand the customers purchasing motivations.

When the market is growing and the amount of products available to the customers increase, the perceived quality of the products is one impression that is of considerable importance (Olson & Jacoby 1972), which is something that
the internal informants agree with. During the interviews in Sweden the informants mentioned the “importance of finding the right product and most importantly the right quality, this is something that they have worked very hard on and tried to find for a very long time”. This is at the moment one of the big reasons to their hesitance towards changing suppliers.

As Ahmed & d’Astous (1995) mentioned there is a difference between household buyers and organizational buyers and how they react differently towards the product informational cues. They mention in their study that organizational buyers are influenced by a higher level of perceived risk in their product evaluation, since they have to consider other factors that a household buyer wouldn’t. Organizational buyers are more likely to favor a familiar country of origin that they a previous experience with in their product evaluation. During the interviews in Sweden it was noticed that people tend to be more open to the things they are familiar with, for good or for bad, something that the external informants had experienced as well.

There are more factors influencing the organizational purchasing decisions since they interpersonal and organizational variables have to be considered in the process. Ahmed & d’Astous (1995) also mentions that organizational purchasers are more hesitant towards changes than the household buyers. The hesitation towards making a change is something that was mentioned during the interviews in Sweden, maybe not as much within the purchasing department as within production department. It was however made clear that this is a problem.

It is understandable that they are experiencing a hesitance towards change, especially when this change can cost them as much as the saved. However, there is nothing that says that a change always is a bad thing. Sometimes a change can be for the better and keep the competition going and companies keep developing, this was also highlighted during the interviews conducted in China.

Gilliland and Johnston (1997) mentioned that there are different types of sources within an organization. A person within the organization can for example be with an initiator, buyer, decision maker, user, influencer and gatekeeper all with an importance to the purchasing process. During the interviews it became clear that different people play different roles. But the question is who is the most important person to convince? This is an indication that the purchaser itself may not be the person to convince, maybe the initiator? The user? Or why not the influencer? Locating the right person within the organization is an important factor that LKAB Trading is working on, but perhaps this is something that should have been done a long time ago.

The beliefs that a person potentially hold against a product can either be descriptive, inferential and informational those are all created in different ways (Erickson et alt. 1984). During the interviews conducted it was made clear that everyone have a belief about the products in one way or another regardless of it is a positive or negative belief. Some people believe that the quality of a Chinese product is as good or even better than other products with a different country of origin. And some people believe it is total garbage. These different beliefs can
according to Erickson et al. (1984) either be created from an outside source, a direct experience with the product or a previous experience with a product from the same-family brand. In many cases these beliefs that the people being interviewed showed were affected by an outside source, they were based on what other people had told them, which for many creates a false picture.

Something that was mentioned especially during the LKAB Trading interviews as a possible explanation to this is the effect of education on the people’s decision-making process. However, the studies conducted shows very mixed results if education plays a role or not. Some people say that higher educated people receive a higher cognitive and information process capabilities (Erdogan & Uzkurt 2010), and some researchers say the opposite. Higher education instead shows a negative impact on the decision-making since they are exposed to different perspectives and considers more information when making decision (Kreppel et alt 2012, Cleveland et alt 2011). Finding out if education played a role or not was very difficult from these interviews, there had to be more interviews and more information about the interviewee’s education level would have been necessary. This would be interesting as a future study. The purchasing department however stated during their interviews that it was very hard to pin point a specific group of people who were more negative towards made in China, it was an over all issue between all groups of people involved in the process.

We have to ask the question if it is possible to leave your personal opinion that you may have as a household purchaser about something when going to work? Of course, there might be a difference in the research you do when purchasing a million kronor product compared to a household product for a couple of hundred, but couldn’t you still be affected by a bad previous experience, with a toy or scooter, even if you are unaware of it?

Yes there might be a difference in the research you do when purchasing a million kronor product compared to a house hold product for a couple of hundred, but still you might be affected about the bad experience that you had with a toy or scooter somewhere even if you are unaware of it?

8.5 How can companies such as LKAB improve their ways of working

According to this study and the conclusions drawn from the interview findings there are some areas that needs to be improved before the trading offices can and will be fully utilized. Some of the areas that need to be improved are communication, trust, relationships and the aftermarket. During the internal interviews it became clear the most deals for LKAB Trading were lost due to the lack of aftermarket, and a process to take care of this needs to be worked out in order for the employees to trust the manufacturers, LKAB Trading but also the products. According to the internal interviews we can conclude that a lot of the employees are unsure of what it really is that LKAB Trading is doing, and they say it is hard for the purchasers to convince the internal customers when they are unsure of what LKAB Trading is doing. Communicating between the offices are extremely important both according to the external and internal interviews.
and improving the communication is something that needs to be improved within a lot of companies.

Also noticed to change peoples image of China was visiting the locations, something that the internal informants also said they wish to receive more of. Both them visit China but also more Chinese manufacturers to visit Sweden so they can understand what the products will be used for but also so they can realize the differences in climate compared to for example Shanghai. Something that both the internal and external informants believe will help to improve both the trust, relationships but also make the communication easier, since a lot of the informants mentioned that they feel more comfortable communicating and emailing with someone they have previously met.

These are a few general suggestions and more specific suggestions of improvement for LKAB will be presented at the end of the case.

8.6 Customers image of China

We have already concluded that the customers look at country of origin as an important factor when evaluating products and according to Zhou et al. (2010) how the consumers views that country is an important factor. We have concluded from the interviews that there are a lot of companies who experiences a negative attitude towards Chinese products. Among the LKAB employees there are like among other companies a slightly negative attitude against Chinese products and some people still see China as a country that produces the bad quality toys that you can find in the kids hamburger meals.

The consumer's product country image is based on the consumer's prior experiences and perceptions of the country. It became clear during the interviews in Sweden that China is over all not viewed as low-quality country; there are other factors besides quality that are bigger issues to people. However, from both the internal and external interviews we can see that people are still influenced by the bad quality scooters that they bought for their children once. This seems to still influence many people to believe that all products from China are still produced with that type of quality. Agrawal & Kamakura (1999) mentions that depending on if the consumers has a positive or negative view of a product or country this could in fact lead to the consumer having a generalized positive or negative view towards all the brands or products associated with that country. These consumers can in some cases also associate other product categories to this due to the consumers stereotypical biases that the consumer have towards that country.

Most of the informants in Sweden mentioned that it is not the quality of the products that is questioned and the reason to why the demands from Sweden are as low as it is. Peoples image of China still have the human rights in mind, they see people who are struggling and low sustainability. During the interviews in Sweden some of the informants states that there are different standards and requirements in Sweden compared to China. Sweden for example has major environmental requirements, and they are questioning what the result will be.
when something is bought in a country where the requirements are much lower? The informants mentioned that what LKAB is doing is like social dumping, something is different when it is profitable to ship it around the world and you get the same quality as you do when purchasing something near by. They are convinced that the Chinese workers can’t afford having a house, cabin, two cars and a boat. This is according to the informants the way that LKAB is moving right now and they are asking if this really is the road that they want to go down? The informants say that LKAB is very strict and it should not be 5 different subcontractors where they lose control on of the process, they should all have the right working conditions and requirements. These are just a few of the concerns that were brought up during the interviews.

Product country image is not just created by the products; it is influenced by the country’s economical and political status as well (Lee & Ganesh 1999). The economic development in China is in some cases improving and China is on a path to become one of the greatest economies in the world. In relation to the one child policy companies are starting to take better care of their employees (China Labour Bulletin, 2015). However, China still has a long way to go when it comes politics and human rights. The informants says that there have been cases where they have tried to purchase from China, but after LKAB Trading conducted inspections it turned out that the manufacturers couldn’t live up to their standards and requirements and therefore there was no purchase. This shows the importance of fully utilizing LKAB Trading something that is not done today, and something that according to the external interviews more companies are experiencing the same issues.

Sweden is a country with very high standards and requirements when it comes to their suppliers. This can in many cases makes it difficult to find the right suppliers or the low cost products. The working conditions in China might not always be sustainable within all product categories are there are some areas that need to improve more than others. For LKAB the importance is to make sure that their suppliers and the product categories that they chose to purchase from China live up to their standards and requirements. The internal informants states that LKAB can make a difference for the workers within their product categories and make a statement, and maybe become a role model for others, there needs to be a change for working in certain areas, but it needs to start somewhere.

It is important that all Swedish companies active on the Chinese market take their responsibility, they can’t change how anyone else is working, but they can change how themselves are working. This is something that we can see from the interviews that all participants take very seriously. And if every Swedish company take their own responsibility and make sure that their suppliers fulfill the requirements we are one step closer to the goal. Companies active in China cannot control everything on the Chinese market and they can’t be responsible for it either. But what they can do is to make sure that they are responsible and controlling their own suppliers and the most important thing is that they act on the situations that appears and in that way it is a start to make a change on the Chinese market.
8.7 The future for the Chinese market

A lot of Swedish firms are failing to take full advantage of the Chinese market due to a lack of understanding (Alomar 2015), which also mentioned by the external informants. “It is easy to enter the Chinese market being naïve and believing that how things are done can just be copied and pasted and work as well in China”.

One of the big differences between the interviews conducted was their view of China as a global competitor in the future. The informants based in Shanghai all agreed that they still saw China as a big competitor in the future, even after the loss of the price advantage. However, the informants based in Sweden were not as convinced. On of the key issues mentioned especially by the production people during the internal interviews were the concern about was the product development. Something that can be tied together with was mentioned earlier about China as a country of origin. It might be a result of marketing error from the Chinese suppliers side, and result in an uncertainty and a hesitation to change from current suppliers in both Sweden and Europe from the employee’s side. According to the internal interviews in Sweden the Chinese suppliers are lacking in presenting new- and developing products something that their current suppliers can provide them with. LKAB Trading and the external informants however is confident that Chinese manufacturer has the potential that it takes to develop new and improved products; they just don’t get the chance to. Looking at this from a different point of view. Couldn’t it be possible that if something is always purchased from the same supplier for years, they become to certain and secure that they stop develop and improving the products because they know that they have their regulars that will always keep calling them for more products?

There are a lot of fundamental differences in doing business with China compared to a western company, and companies’ local presence in China is something that can help to overcome a lot of the obstacles (Alomar 2015). Like previously mentioned the Chinese education system is very different from the Swedish education system and the ways we are learned to think.

China does not hold a bright future according to the informants in Sweden. It is clear that China has started their way towards globalization but they still have a long way to go.

They have to become more customer orientated rather than just product and production orientated. For western companies, the price is less important something that the LKAB interviews proved. They are looking at the total value of the product, and for them it doesn’t end when the product is delivered they still have to take the aftermarket into consideration, something that many of the Chinese manufacturers are still lacking. This could be solved by having more people on site, to better understand the environmental conditions as well as building up a relationship and a trust to the customers. In order for the Chinese manufacturers to move from just being subcontractors they need to take different aspects into consideration and look at the total value of the products. One other important factor that the informant in Sweden mentioned as lacking
was the Chinese representation in Sweden. There is a lack of representation of Chinese manufacturers, both on a long-term basis but also representation visits and issue that needs to be improved if the Chinese suppliers wants to grow internationally.

The fluctuations in the currency exchange rates is making it harder for people to see the reasons to purchase from China, this is however, not the main reason for the low demand from Sweden. All the informants based in China all believe that the Chinese production is improving and just by looking at the infrastructure in Shanghai, with the subways and the speed-trains we can see that that is the case. China is still lacking in many areas, and it is therefore important to look for the markets that there is a cost margin, and where China is advanced and have developed great skills in. It is important to know and understand that China is undeveloped in a lot of areas and therefore use the trading office and most importantly to trust the trading office in their decisions. The people active in China are the people who build up the local knowledge and developed the skills that they need to make those decisions.

However, with this being said it is also important for the trading office to take the responsibility to know what products this is, and to understand the company's needs and where there is a cost saving to be made, but most importantly to know where the Chinese people are experts and where they are not. It should not up to the Swedish purchasing office to look for products that could be profitable to buy from China, it is up to the trading office to use their expertise in the Chinese market to look for products and present them to Sweden.

The trading office need to have the understanding that not everything will be profitable to buy from China, and their role is to identify the products that is and to be able to sell it back to Sweden. The key here is to get the employees at the trading offices to see themselves as a sales person and not just a purchaser.

To sum this up and looking back at the questions asked in the beginning of the master’s thesis, I have found that there indeed is a slightly negative attitude towards products made in China, but the problem might not what it first seemed to be. Looking at the interviews conducted in China it seemed to be a quality issue. They know that the quality is the same as anywhere else as long as you find the right suppliers of the products. However, they were not as sure that the people back in the home country knew the same thing. This negative attitude seems to be more about the uncertainty rather than the quality. The informants in Sweden realize that the quality is the same as they could get from anywhere and they could get a bad product from Germany as much as they could get one from China.

The only difference with purchasing it through a supplier in Germany; is that someone else is responsible if something goes wrong. This could also be connected to the cultural differences, when purchasing through a Swedish supplier someone else does the work, someone else has to speak a different
language and deal with a difference culture. They can still deal with their culture and speak their language and not having to worry about the different time zones.

8.8 The effects of culture

There is a big difference between the two cultures both according to the material collected as well as the interviews and is one factor that everyone agreed on regardless of background or location was the cultural differences between the two countries. It was a noticeable differences between the two cultures, both in their business and personal culture something that is confirmed both by both the internal and external interviews as well as Hofstede’s cultural dimensions chart. Culture is also something that influence what is socially accepted within a society (Assael 1995) is it possible that it is not socially accepted within a company like LKAB to be prone China? Could this be one of the reasons to why people are more open to purchase through a Swedish or European supplier? Assael (1995) says that the cultural view that a person holds could be a reflection of the values picked up from society, which could affect the customers purchasing behaviors. When making a purchase, we purchase our identity, we buy who we essentially want to be associated with, and could purchasing Chinese products that viewed as low quality be viewed as below LKAB standards? As an informant asked during the internal interviews “is this really what LKAB should be doing?”

One of the things that was brought up during the interviews both the internal and the external were Chinese manufacturers lack of thinking outside the box, and see things themselves rather than just doing as they are told. The education system in China however don’t teach the children to think outside the box and they are taught to do as you are told, something that is different from how a Swede is taught. One of the reasons to why there are so many questions might be because Chinese people are less used to think on their own. As much as we might feel that their way of working is wrong they probably feel the same way about the Swedish way of working.

The Chinese manufacturing market today is not the same as 30 years ago. They have both developed and improved. LKAB Trading like the other external companies interviewed are working very hard on locating the right suppliers and despite the cultural differences building a bridge between China and Sweden. For the Chinese inequality among the society is accepted, and according to Hofstede (2015) they should not have aspirations higher than their rank something that the Swedes found very different. This could also be one of the reasons to why people are experiencing it difficult to deal with each other and also why the Chinese people don’t understand why a decision just can’t be made and why the response time is so long.

The cultural barriers were something that the external informants found challenging as well, how to handle the different types of cultures and personalities is something that can be challenging. As mentioned there are a lot of cultural differences both personal but also when it comes to business culture especially managing the different cultures and make them work well together. It is a way of balancing the two cultures and making all employees feel as
important. Some of the issues with managing a culture different from your own is to understand their culture and how they should be managed.

Due to the fluctuations in currency it’s become harder for the Chinese to stay competitive on the global market, something that was noticed by the informants. It is a factor that no one can change. There are however, still things that can be changed in order to make China stay as a global competitor even in the future. Teknikföretagen (2005) are confident that China with their population of 1.3 billion people will be a country to count on in the future both for import and export. This is something that the external informants agree with. Swedish companies chose to enter the Chinese market for one reason or another. The Chinese demand for western products and its rapid growth makes the exports from Sweden an important factor, something that a lot of the external informants mentioned as a reason to why they are present in China. It may no longer just be for the low-cost production, it is now to be close to the customers.
Chapter 9 Conclusion

In this final chapter a discussion and conclusion is drawn from the research. The research question of answered in relation to the findings and recommendations are proposed based on the findings. The originality and significance is discussed in a separate section and the research quality is discussed based in the quality methodology chapter. The conclusion chapter ends with a discussion on limitations of the study and future research.

9.1 Conclusions

Many Swedish companies are entering the international market as a result of globalization. Entering the global market is not only increasing the demand for products, but also increasing the amounts of products available for the customers. This journey is not a sunshine story for all companies entering the rapidly growing market. It showed to be a journey that increased the uncertainty at the home organizations, and the organizational purchasers now have more factors to consider. To answer the research questions a case study was conducted at LKAB, during the study a total 23 interviews were done, 13 of them with LKAB employees.

During the interviews the answer to the first research question became clear-

*Which negative attitudes towards Made in China products can be found among employees in Swedish companies and what are these attitudes based on?* We can see that there in fact is a negative attitude among companies in Sweden, and during the internal interviews in Sweden we can conclude that these negative attitudes may not be based on the quality perception, which was mentioned as a reason during the interviews conducted in Shanghai. During the interviews in Sweden it became clear that the quality is not the main reason to the negativity towards the products, it is rather other factors that play a bigger role. The aftermarket situation was mentioned as one of the biggest reasons among the LKAB employees to the negativity towards Chinese products.

So the question is -

*How do attitudes against country of origin form in companies?* Employee’s attitudes are often a reflection on a previous experience they had with a product or a country of origin. A negative experience with the country of origin will give them a less favorable attitude towards that country. People who experienced it first hand show a stronger attitude towards it compared to someone who just heard about it. During the interviews in Sweden it became clear that at a lot of times their negativity towards a product is not based on their own experience with a product but rather what they heard someone else say. A lot of the informants also mentioned that a lot of their negativity came from their own previous household purchases, and not something they purchases for the organization, something that the external informants had noticed as well.

*What strategic consequences these attitudes towards Chinese products among employees can have for companies?* Due to this negative view, companies interviewed for the purpose of this study feel like the offshore offices are not
fully utilized and the cost savings that could be made by doing so are lost as a result of this.

The aftermarket was one of the biggest reasons mentioned as to why deals are los. The uncertainty of how long the trading offices will exist, if spare parts are available were just some of the concerns and reasons to the hesitation to purchase through their own trading office. For the Chinese suppliers the focus has always been on promoting the low price as their advantage and they tend to forget all other factors that are as important. Chinese suppliers need to improve in marketing themselves within other categories as well. There is no doubt according to the informants located in China that the Chinese manufacturers have the potential to develop new products and maybe, the risk reduction like warranties that needs to be implemented already exist.

For Chinese suppliers, this has never been anything to push for. For them the price has always been their competitive advantage, and with the increasing quality, that is no longer the case. The Chinese suppliers competitive advantage is no longer the price, the low quality and low price production are moving to other developing countries, and the Chinese suppliers need to become better in marketing quality, value added and the aftermarket. They need to go from being product oriented to become more service oriented in their mind-set and look at the product vs. service. There needs to be an addition of informational cues for the internal costumers in their decision-making process to make the Chinese products attractive if China wants to stay as a global competitor. When making a purchase we do not only purchase a product, we also purchase an identity. And it needs to be a change in the way Chinese products are viewed. Chinese products need to be viewed as cool. For the employees it should be cool to purchase through their trading office, not something that is against the norms in society, or unpatriotic. Purchasing from their trading offices around the world should be viewed as the “thing to do”. This negativity that is experienced within the home market might be the reason to why the demand from Sweden is as low as it is.

Product development and the lack of local representation of the Chinese supplier were mentioned as another important factor during the interviews in Sweden and as a concern when changing suppliers. Their current suppliers are working on developing new and improved products and present to the organization something that the employees themselves don’t have the right knowledge to do.

Most informants during the interviews in Sweden made it clear that they are aware that they can receive both the good and the bad quality from China as well as from any supplier from any part of the world. However, the difference between a Chinese supplier and a non-Chinese supplier is that non-Chinese suppliers are more prone to take responsibility of the products. The Swedish informants are more open to purchase Chinese products through a different supplier than their own trading office for the simple reasons that it is less work for them. They were not responsible for the products if something happened, nor and do they have to worry abut the language. Of course some people still have the view of bad scooters, and kids toys when they think about China, but they are
at a stage when they can realize that there is a difference between the product categories.

One of the factors building up to this negativity may also be the employee’s ethnocentric view. They feel unpatriotic for purchase something from China when they have a local supplier who can produce the same product. However it might be to a higher price but at least they support their community, their family and friends. The price was noticed to be one of the least important factors when purchasing. For them its not worth saving a million kronor on changing suppliers that can end up costing them double if the product breaks and cause a production stop. And we are back to the uncertainty of who is responsible? They are told to consider China when purchasing but still no one can really say who will be “blamed” for the purchase if something would go wrong. In order for them to make the decision of changing supplier and purchase from Trading it needs to be clear who will be responsible for the product. Because as long as it is unclear and it might be the production people or it might be the purchaser, the increase in demand from Sweden is far away. This needs to be clarified and the information needs to reach the people who need to know, even the people out in the production. This information needs to be available to the employees so they have no reason to reject to purchase from China because they don’t want to be the one getting blamed. It is important to understand the employee’s hesitation to change something that is working, but at the same time if everything always has to be like it always has, there would still be reindeers transporting the iron on a sledge behind them.

The people interviewed for the purpose of this study all agreed on that the bad quality that they can experience from China is something that they could experience from anywhere in the world. However, for the home market the difference is the aftermarket situation. They feel more comfortable purchasing from anyone else but LKAB Trading due to the responsibility. In this case LKAB Trading needs to make sure that there is someone who is responsible for the products if something is wrong. As it is right now, no one wants to make the final decision in placing an order from LKAB Trading, because no one wants to be the one who is responsible if anything goes wrong.

How can companies like LKAB improve their ways of working in order to work with the different attitudes that exists within the organization? It was mentioned that a better market appreciation, improved communication, local relationships and the right professional support can make the Chinese market profitable and have a positive impact in both ends of the chain, something that more and more Swedish companies are working towards. They open subsidiaries or offices in China as a way to build up the local relationships and improve the communication between the two countries. LKAB moved in this direction in 2011 when they opened their trading office LKAB Trading in Shanghai. The trading office is helping to build relationships between the Chinese deliveries and the Swedish market to improve the processes. However, the demand from Sweden is still lower than they wish for and a lot of the reasons are mentioned above.
We must remember that as hard as we believe it is to do business with the Chinese, they probably feel the same way about us. Having a local office may therefore be a way to break down the barriers and make the differences less noticeable. When a company chose to purchase through their own trading office they are able to better control the process and make sure that all regulations are followed. They make sure that the products live up to the requirements, quality and sustainability. The issue at the moment that was highlighted by the external informants is to get the employees in Sweden to realize this. Before the employees learn to fully utilize the offshore offices they will not be as profitable as they can.

Uncertainty is one of the important factors that seems to be the biggest issue for the employees that almost all informants agrees. How do we know? It is therefore important to be open and share with the information in order to breakdown the barriers between China and Sweden. It is important that everyone knows that they are all working towards the same goal, and that for example LKAB Trading is still a part of LKAB and their goal is not to sell a bad product that will stop production. The quality of the products is as important to them as it is to anyone else within LKAB. LKAB Trading is like the other external companies interviewed working hard to find the right suppliers, something that became clear both during the material collected as well as during the interviews. They are conducting audits and controls, a job that they should be proud of. They however have to make sure that the people who are hesitant receive this information in order to make the unknown a bit less unknown and a bit less scary. This is at the moment something that some of the internal informants are unaware of due to the lacking communication.

It is important to understand that there will always be some employees hesitating before the unknown. It is just a matter of making sure that they are given all the tools they need and keep providing them with the good examples of Chinese products, and prove that they are as good as any other product on the market. But most importantly make sure that the employees feel comfortable making the decision of purchasing from China. Make sure that the aftermarket situation is established, a lot of this requires an improvement from Chinese manufacturer and they need to prove that they want to be in the game. This area will require a lot of work and it will take time.

It is important to keep working with providing facts in order to solve this issue and to increase the demand from Sweden. But as long as the aftermarket situation is the way it is, the uncertainty to purchase from China is predominantly. In the productions mindset it is not the price that matters when a stop in the production caused by that product could cost them much more. In order to reduce the uncertainty to purchase from LKAB Trading, one thing that needs to happen is more local presence in Sweden from the Chinese suppliers side as well as LKAB Trading. This as a way to build up the trust and gain an understanding of each other and may in the long run remove some of the cultural differences.
As much as we can say that the companies in Sweden has to change and that they have areas to improve, I think it is fair to say that it takes more from the Chinese suppliers as well. They need to show more drive and show that they want to sell to LKAB even in the future if they want to remain as a possible supplier to one of the worlds leading pellets manufacturers.

From a generic point of view this LKAB case has brought an insight to the area of international business and the obstacles that may occur on the way to internationalization and globalization. We could conclude during the external interviews that more companies besides LKAB who are experiencing these difficulties no matter of the branch or area of expertise and hopefully this case can help others to succeed as an international company.

9.2 Originality & Significance

9.2.1 Contribution to research

This research study shows a unique case to the body of the research within international business. The LKAB case shows that there were some negative attitudes among their employees, but also an indication to what they are based on. This study increases the awareness of the issues regarding Chines manufactured products, and future research as well as implementations can draw benefits from the insights form this case. This research provides a significant example of a company who like many other, chose to see the possibilities with the Chinese market, but have trouble to reach its full potential. The findings from this research study indicates what these attitudes are based on and how LKAB can improve in order to increase the demand for Chinese products and LKAB Trading can reach its full potential. Most of the challenges that LKAB are facing in regards to these attitudes among their employees require improvements and hard work in order for LKAB to realize the value of LKAB Trading. The recommendations for LKAB and LKAB Trading are based on the interviews that were conducted for the purpose of this study and have a significant meaning due to the wide range as well as the large amount of conducted interviews. This research can also provide guidance to other organizations in similar situations as LKAB.

9.2.2 Contribution to practice

1. For LKAB- the findings and recommendations from this research will have a significant impact in the way that LKAB improve their work in order to better cope with the attitudes among their employees. An improvement from LKAB will increase the demand from Sweden, and LKAB Trading can reach its full potential. These findings will make it easier to reap the benefits from globalization, because it builds a base for a better understanding and more effective communication between the two markets.

2. This research will provide a good example for future studies and can be a guideline for other organizations in their challenges with the Chinese
market. This research provides implications of what can be done in order to improve the work on the international market and to reach its full potential. Other organizations may recognize some of the challenges presented or have the same goal as LKAB, and for them this study will help them in achieving their goals and reach their full potential.

9.3 Research Quality

This research in terms of *Validity* is a valid study. The data collected has been checked and approved by LKAB and the consulting firm in order to provide correctness to the material, and triangulation was also used to compare the different data collected from the informants. The external as well as LKAB Trading interviews can prove validity of the data collected. It was also used for the literature review and other documents, and both company documents and interviews were used to provide information for this research to give it a broader perspective. There was a significant amount of interviews conducted for the purpose of this study, which increases the credibility of the research. The researcher was given the opportunity to spend a significant time at LKAB and LKAB Trading, which gave the researcher the opportunity to experience the issues first hand, something that increased the credibility of this research. It also helped to build up a relationship with the participants to feel comfortable to answer all the questions truthfully. However, since most of the previous research has been done on different products than what this study is intended to include, which is machinery and equipment used in the mining industry. A lot of the previous research studied has been done in regards to other countries than Sweden this has to be taken into consideration in terms of validity.

In terms of *Reliability*, this research study is replicable since all the LKAB interviews were transcribed in its fullest. For the external interviews notes were compared between the interviewers. The result and the analysis of this study are based on the theoretical and empirical findings. The analysis is based on the themes in the interviews as well as the theoretical section, which is also supported by quotes from the informants. For the confidentiality purposes, the full interviews are not presented as a part of the research material.

In terms of *Generalizability*, these findings from this research study apply to the case of LKAB. However, we can see from the external interviews that companies with similar experiences and problems can use the recommendations provided for LKAB. It is difficult to generalize when using a single-case study since the case is not compared to other cases, however, in this case we can see a tendency of the possibility of generalize the findings due to the external interviews conducted for supportive data. The recommendations provided may not apply for all companies and organizations active on the Chinese market experiencing negative attitudes form the home market.

In terms of *Objectivity*, the goal for this research is to provide a result and analysis without the researcher bias. The fact that qualitative research is a process of interpretation and the data is handled and interpreted as well as used by the researcher it makes it hard to provide a complete objectivity in this case.
All of the internal informants have a role within LKAB, this may some cases influence them in a less positive way for the purpose of this study as a result of their relationship to the company. The external informant may in some cases be bias to the topic-discussed due to their involvement in the Chinese market. They are personally involved in wanted to solve this issue and may therefore “blame” this issue on the home offices rather than themselves. The participating interviewees both internal and external however, got the opportunity to be anonymous if they wished to, which might have help in making sure that the people participating in the interviews answered the questions as truthful and honest as possible in order to make the study as accurate as possible. Neither names of informants nor the external company names will be used anywhere in this paper, in order for people to be anonym which may increase the objectivity from their part. The researcher can also interpret the interviewee’s body language and their responses that affect the objectivity of the study.

This research study has by that fulfilled the research quality with a valid and reliable result.

9.4 Future Research

For this research a small-scale research limited the scope. The research only focused on the attitudes towards “made in China” and its impact on LKAB. Further research could include a wider perspective to the issue. It would be interesting to find out if this case could be applied to other countries and to a different field of business. Since LKAB is a global company with branches all over the world it would be interesting to research this from a different “made in” perspective as well to see how their attitudes are towards that. In order to deepen the research and find out more information, the study could have included more than one case. As previously mentioned this study failed to explain the role of education on consumer behavior, something that would be interesting to research. Does education in fact play a role in the decision making process? Does higher educated people make more evaluated decisions? For this specific case study it would be interesting to see whether or not any improvements have been done that successfully increased the demand from Sweden, and if so could this be applied to other businesses or is it specific for the mining industry?
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Appendix

Appendix 1 Interview Guide Internal Purchasing Shanghai

- Could you describe what products and services that you (could) offer or already offer to LKAB?
  - What products and services do you think is your biggest strength and competitive advantage?

- What people/positions are you in contact with in Sweden?

- How are you feeling that the communication between you and Sweden is today?

- Are you experiencing that some of the Sales staff in Sweden is more hesitant to work with you than others?

- Are there any tools that you feel that might help you with your sales technique?

- Is there anything that you find particularly hard?

- What are the positive vs. negative attitudes that you are facing?

- Most of you have been to Sweden in the past, what are your views? What are you feeling are the biggest differences between Sweden and China?

- The office has now been up and running for a few years, how are you feeling that the attitudes have changed?

- What do you think is the most important thing for your “internal client”
  - What do you think they want to succeed with in their role?
Appendix 2 External Interviews Shanghai

Area 1  Personal background
- Short introduction of yourself, background and previous experiences
- Describe your current job position

Area 2  Company background
- Company overview
- Business activities in China

Area 3  Image of China from a Swedish perspective
- From your perspective - how would you describe the recent five to ten year development in China as a manufacturing country? Can you see any major trends?
- How would you describe the image of China among your colleagues based outside of China, for example at your headquarters?
- How would you describe the attitudes towards products made in China among your colleagues?

Area 4  Challenges in dealing with the headquarters
- As a person based in China, are you experiencing any challenges in dealing with the headquarters of your company?
- If so, do you have any strategy to overcome these challenges?
Appendix 3 Interview Guide Internal Sweden

Area 1

- Could you just give a brief description of your position?
- What would you like to succeed with, what are your goals?

Area 2

- What does your relationship look like with LKAB Trading Shanghai?
- In your work with LKAB Trading Shanghai,
  o What works well?
  o What challenges do you see?
- What potential do you see for global purchasing as a whole?
- What are your views on global purchasing vs. local purchasing?

Area 3

- If we look forward a bit, what potential do you see for LKAB Trading in the future?
- What do you think it takes to make that potential a reality?
- Do you have any advice for LKAB Trading do increase the demand from Sweden and thereby increase the import from Asia?