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Adopting a Network-based Organisation

A case study at a Swedish mid-sized IT firm

Master's thesis in the Master's Programme Management and Economics of Innovation

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Måns Tangvald and Eric Wallhoff
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Abstract

Through a case study, the purpose of this study was to identify obstacles when adopting a network-based organisational model. The findings of the study can be generalised and be of contribution to research for other firms looking into possibilities to adopt a network-based organisational structure.

The organisations which have been studied are LogisticsCo - a medium-sized Swedish firm developing customised software solutions within supply chain, and Haier - a Chinese manufacturer of home appliances where LogisticsCo has shown interest in adopting the organisation of Haier. In total, 15 semi-structured interviews were conducted at LogisticsCo while Haier was studied in an extended literature review.

Related to the purpose, the study has answered two research questions:

RQ1: What are the obstacles to adopt the Haier model from a team-based organisation point of view?
RQ2: Which aspects of the Haier model would be worthwhile and reasonable to implement at a team-based organisation? Which aspects would not be worthwhile or reasonable?

To answer the research questions, LogisticsCo was used as a representative for a team-based organisation. Regarding RQ1, the three main factors to consider were identified to be culture, size and product offering. The study showed that in order to adopt the Haier model, a competitive culture internally is necessary. Furthermore, it is beneficial for the adopting firm to be large in order for internal markets - a key characteristic of the Haier model - to function. Lastly, a somewhat standardised product offering is also helpful for the internal markets to work. With regards to RQ2, it was found to be reasonable for LogisticsCo to increase the level of autonomy of the teams - specifically regarding recruiting and team composition. On the other hand, it was shown that the competitive culture of the Haier model is not reasonable to adopt at LogisticsCo.

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1 Introduction

1.1 Background

History has shown that adopting other companies' organisational models is a common, yet complex approach for firms to develop and prepare their organisations for the challenges of the future. For instance - the Toyota system of Lean production has with varying degree of success been adopted by several companies and many academic papers have been published about the topic (Almanei, Salonitis, & Xu, 2017; Ben Ruben, Vinodh, & Asokan, 2017; Bortolotti, Boscari, & Danese, 2015; Li, Wu, Zhou, & Liu, 2017; Pearce, Pons, & Neitzert, 2018; Sieckmann, Ngoc, Helm, & Kohl, 2018; Tortorella & Fogliatto, 2014). Another example is the assembly line created by Ford which was adopted by firms from many different industries (Hirst & Zeitlin, 2005; Mayhew & Quinlan, 2002; Williams, Haslam, & Williams, 1992).

With digitalisation, Internet of Things and AI entering the playfield of traditional industries (Griffiths & Ooi, 2018), firms operating in these industries must adapt to the changing competitive landscape. An organisation subject to change, mainly within digitalisation, is the Chinese manufacturer of consumer electronics and home appliances Haier. To meet the needs of the changing market logic, during the last 15 years Haier has successfully made a complete organisational transformation going from a traditional hierarchical structure to a decentralised, platform-based structure consisting of more than 4000 self-operating autonomous teams (Cao, 2018). Haier is today the global market leader in global sales of household appliances (see figure 2.2).

LogisticsCo - a mid-sized Swedish provider of logistics software has recently experienced rapid growth and therefore been faced by unprecedented challenges - especially inefficiency, information, and coordination issues. Already having a networked team-based organisation, LogisticsCo aims to prepare their organisation for continuing growth and efficient scaling without compromising with responsiveness, speed, and flexibility. As Haier appears to have managed to be innovative and responsive even though it is a company consisting of more than 200,000 employees, the Haier model has caught the attention of LogisticsCo. To adopt the Haier model is hence an option LogisticsCo is considering. It is reasonable to assume that the challenges LogisticsCo are currently facing are not unique for LogisticsCo. It is likely that other firms of similar size and organisational structure will experience the same issues when growing.

1.1.1 Issues with team-based networked organisations

Common organisational forms today are horizontal organisations, functional organisations, and matrix organisations. All these have different characteristics and are preferred in different contexts. In general, horizontal organisations - which are organised around customers - or product organisations - designed around product lines - face a challenge of duplicating activities (Grant, 2016). Functional organisations, on the other hand, face the risk of not collaborating and losing interaction between different departments. Moreover, the matrix organisation tends to suffer from low responsiveness (Grant, 2016)

As a contrast to the above-mentioned organisational forms, team-based organisations have become more popular recently (Grant, 2016). These kinds of organisations are preferred in relation to non-routine tasks. However, coordination becomes more difficult than in hierarchies. For instance, a team of 5 using a non-hierarchical structure has 10 communication ways whereas a hierarchy of 5 with one leader has only 4 ways of communication (Grant, 2016). As teams evolve, they grow closer and may risk becoming isolated from the rest of the organisation (Shani, Chandler, Coget, & Lau, 2008). Thus, as the team-based organisation is becoming more popular, new challenges arise in the forms of i.e. communication and inefficiencies due to a lack of knowledge of what is happening elsewhere in the organisation. These aspects make it interesting from a practical point of view to asses the Haier organisation that is large but has managed to use markets, networks, and a team-based structure to circumvent the challenges arising when team-based organisations reach large scales.

1.1.2 The role of business models in organisational structures

The most important aspect of business models relates to how value is created and captured by a firm. Components of the business model such as the value proposition, financial models, and relationships all relate to partners and customers as well as how activities inside the company are being related (Fielt, 2013). Organisational design is linked to business models. The value drivers in a business model are linked to how a firm organises its operations (Fjeldstad & Snow, 2018). Requirements of agility cause the organisation to use certain organisational designs whereas business models built around economies of scale require their organisation to be designed for efficiency (Fjeldstad & Snow, 2018). Business models and their effect on firms' organisational structures have been studied, though do not explain why certain organisational forms work well in different organisations.

1.2 Research gap

While excessive research has been conducted on the cases of e.g. Ford and Toyota, there is a lack of literature on firms trying to adopt network-based structures such as that of Haier. Due to the differences between network-based organisations and traditional silo-based organisations, the research on Ford and Toyota can be argued to not be suitable to directly be applied to network-based models. The Haier case has been briefly described in a couple of articles (Hamel & Zanini, 2018; Frynas, Mol, & Mellahi, 2018), and has gained attention for its success. These articles do not, however, touch upon difficulties and challenges of adopting the model. The combination of Haier's success and a rapidly changing competitive landscape with digitalisation, Internet of Things, and AI may lead to firms trying to perform drastic organisational changes in order to become more innovative, responsive and flexible. Since Haier has been successful in transitioning from a traditional hierarchical organisation to the network-based structure of today - the case of Haier may be recognised by other firms in a similar way of the case of Toyota and lean. By performing a case study of Haier and a Swedish medium-sized IT firm, this study aims to identify obstacles in adopting a network-based organisational structure and hence reduce an existing gap in research.

1.3 The organisation of LogisticsCo

LogisticsCo is a Swedish-based provider of logistics software with development teams in Sweden and India as well as local offices in the UK and the US. They provide software logistics solutions for large and mid-sized companies. LogisticsCo currently has more than 200 customers in 125+ countries. LogisticsCo mainly operates in the areas of e-commerce retail, manufacturing, and logistics and transports.

As the company has experienced rapid growth in the last couple of years, new challenges have arisen. The team-based networked organisation of LogisticsCo has proven to be one of the key success factors for the company so far. However, the fast growth has challenged the firm regarding whether or not the LogisticsCo organisation is optimal when the firm becomes larger. For instance, the company has experienced difficulties in internal information and knowledge transfer as well as impaired internal coordination. The company has also become more and more inefficient - specifically in terms of doing the same work twice and not utilising existing solutions or knowledge within the company.

As of today, LogisticsCo has a cross-functional team-based organisational structure. The organisation consists of clusters, sectors and teams where a cluster consists of sectors and a sector consists of teams. An illustration of the organisational structure can be seen in figure 1.1 and 1.2 below. The actual number of employees in a team; teams in a sector; and sectors in a cluster may vary.

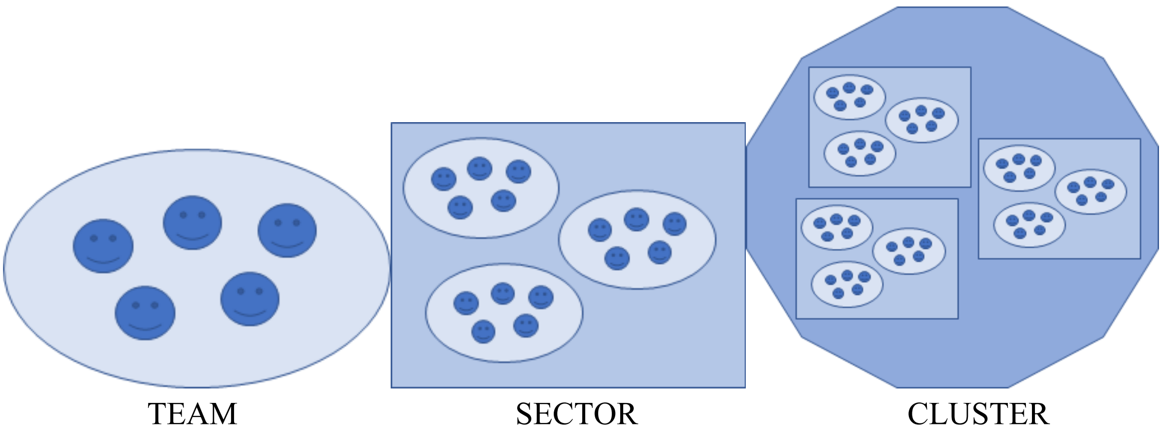

Figure 1.1. A team, a sector, and a cluster.

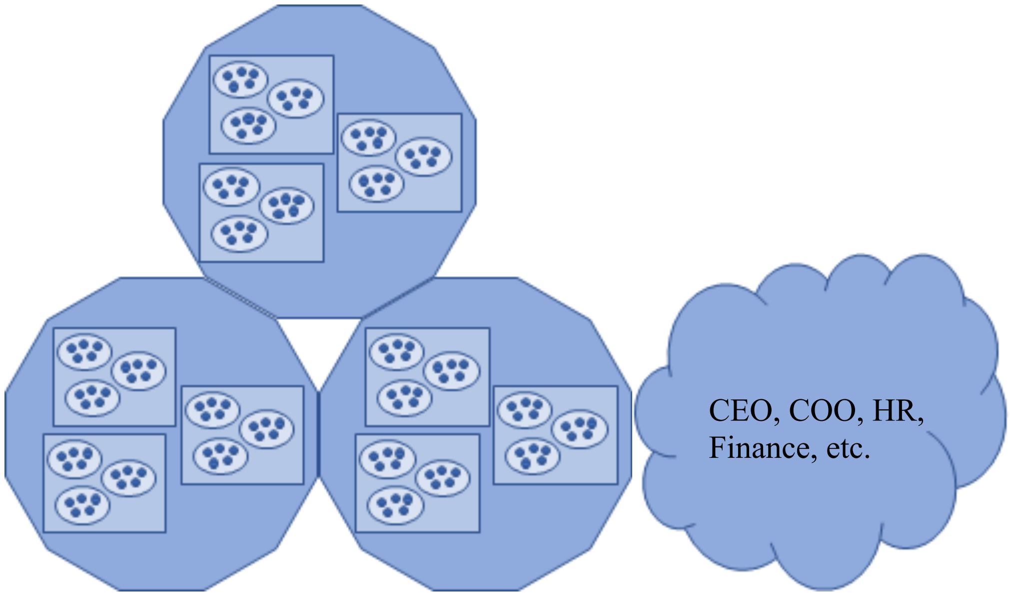

Figure 1.2. LogisticsCo - 3 clusters with a supporting cloud.

At LogisticsCo, most teams are autonomous while some functions (i.e. HR and Finance) are still siloed in a traditional way. That is, the organisation can not be considered to be fully networked yet, as is the case of the Haier model. This is one of the differences between the LogisticsCo model and the Haier model. In the following chapters, both models will be described in detail and similarities and differences will be mapped out.

1.4 Purpose and research questions

The purpose of the study is to identify obstacles when adopting a network-based organisational model. Relating to the purpose, the following research questions have been formulated.

RQ1: What are the obstacles to adopt the Haier model from a team-based organisation point of view?

RQ2: Which aspects of the Haier model would be worthwhile and reasonable to implement at a team-based organisation? Which aspects would not be worthwhile or reasonable?

In order to answer these questions, a mid-sized team-based organisation - LogisticsCo - has been studied. Therefore, relating to the research questions, the obstacles to adopt the Haier model from LogisticsCo's point of view were identified. Also, the aspects of the Haier model which would be worthwhile and reasonable for LogisticsCo to adopt were highlighted. Conversely, the aspects of the Haier model which are not worthwhile or reasonable to adopt for LogisticsCo were presented.

1.5 Delimitations

The following delimitations of the thesis have been made:

- The study will be limited to the organisations of LogisticsCo and Haier. The results of the thesis shall therefore not be seen as a general model for all firms to follow. Rather, the findings will mainly be valuable for firms of similar size and industry as LogisticsCo.
- The set time constraint for the report may limit the alternatives of possible research methods.

2 Literature Review

In this chapter, the theoretical framework for the paper will be presented, based upon related previous studies, cases, and theories. The chapter can be divided into two main parts - literature on theories and studies concerning topics related to organisational design etc., and literature regarding the Haier organisation.

The chapter starts with a presentation of theories and studies on organisational design, motivation, and culture. These parts will help in analysing why there may be difficulties in adopting the Haier organisational model. Then, a part consisting of theories from economics is included. The last part of the chapter will present a detailed literature review of the Haier organisation. The two parts of the literature together with the empirical data collection will provide a basis for analysing and answering the research questions of the study.

2.1 Motivation

Decentralised and centralised decision-making has been studied by Zabjonik (2002). If a manager decides for the worker in a micromanagement style, the worker may be unmotivated which will increase the cost of motivating the worker. If the manager has limited resources, decentralising the decision-making may reduce the costs of motivating the worker. These findings are only valid in the context of where the worker is not of significantly lower ability than the manager (Zabjonik, 2002).

Shani et al. (2008) describe different types of motivational needs theories. They highlight the Maslow hierarchy of needs where basic needs need to be met before the higher-level needs will become a motivator. Once a need is met it is no longer a motivator. The needs range from physiological and safety needs up to esteem and self-actualisation. Another theory highlighted by Shani et al. (2008) as a needs-based theory for motivation is Hertzberg's motivation-hygiene needs. This theory like the Maslow theory is based on needs, however, it differs in that it puts some needs as hygiene needs that will act as dissatisfiers if they are there but will not increase motivation once they have reached a satisfying level. The motivators act as satisfiers and will increase motivation as they increase. Examples of dissatisfiers are salary and supervision. Examples of satisfiers are recognition and responsibility (Shani et al., 2008).

A third needs theory that is highlighted by Shani et. al. (2008) is the McClelland need for achievement, power and affiliation. This theory claims that different people have different needs. For instance, people with a need for achievement tend do be entrepreneurial and prefer self-direction, and those with the need for power will strive in environments where they have social or positional power over someone else. Those with the need for affiliation are motivated by personal relationships. Equity theory regards when workers feel like they are judged fairly for their work in comparison to others. In equity theory, important aspects are input, outcomes, comparative analysis, and actions to correct inequity (Shani et al., 2008).

With regards to what motivates people, Shani et al. (2008) describe three models: the traditional model, the human relations model, and the human resources model. In the first model, it is assumed that work is distasteful, and money is the main motivator. Further, it is assumed that workers cannot exercise self-control or creativity. The manager should supervise and direct the worker according to this model. The second model assumes that workers want to feel useful. The role of the manager is then to make it possible for the worker to feel useful and realise their goals. The last model has similar assumptions as to the second, though with the added assumption that all people are not suited for the same work and workers will be motivated if they feel like they have the abilities, attitudes, and temperament. The manager should therefore realise these untapped abilities (Shani et al., 2008).

2.2 Organisational design

The structure of the firm decides its performance (Shani et al. 2008; Leyer, Stumpf-Wollersheim, & Pisani, 2017). Organisational structure allows for specialisation and division of labour (Grant, 2016). However, with specialisation - some challenges arise. One is the agency problem where a principal hiring someone to work on behalf of them may have different goals to the one actually executing the work. One of the main challenges is that whenever a firm is divided into departments, the goals may differ between the departments (Grant, 2016). To align the goals, some mechanisms can be used. Mechanisms usually used in bureaucratic organisations are control mechanisms such as supervision. Though, mechanisms such as performance incentives may be difficult to implement in teams and team-based organisations. Other mechanisms are shared values and persuasion. Shared values is one of the most important mechanisms in organic team-based organisations (Grant, 2016).

Hierarchy is a fundamental feature of organisations and can take different forms (Grant, 2014). Besides a typical top-down way of controlling, informal social hierarchies may also be present in an organisation. Moreover, the power in hierarchies is centralised and decision-making is usually done by the top layer of the organisation - sometimes in a militaristic and mechanic way. Combining smaller entities into larger using hierarchy as a coordination tool is a way to use modularity. When using a modular design, the interaction patterns are structured for routine communication and more complex patterns are used with complex problem-solving. One reason often claimed to dictate the best form of organisation is market stability. In stable markets, mechanistic forms are preferable - and in dynamic markets, organic forms are preferable (Grant, 2016).

To reach the same goal, organisations may not need to have the same organisational structure. Comparing three different hospitals with slightly different preconditions, Aubry & Lavoie-Tremblay (2018) found that they had vastly different organisational structures with similar goals. They found that due to their slightly different preconditions, the different organisational structures worked well in each case individually, despite having different organisational structures.

Lastly, concerning the needs of highly responsive and flexible organisations, the ways of communication tend to be more horizontal than in the case of rigid and stable organisations where communication traditionally is vertical (Grant, 2016).

2.2.1 Different organisational designs

The first form of organisational design is the simple form - the form that grows organically when a firm is founded, and people join (Shani et al. 2008). The form starts with the founder taking on all roles needed. As the firm grows and new people join the firm, the work is shared. Given enough people and time, certain roles will emerge.

For larger firms needing different functions, the use of traditional functional design is made where departments with certain functions are grouped together (Shani et al., 2008). This form usually silos the different functions such as manufacturing, R&D, finance, and marketing separately. This is a structure which works well in environments with little change (Shani et al., 2008). These kinds of organisations tend to be highly efficient: Duplication of activities is minimised, and decision-making is highly centralised. The firm of the functional form allows for specialisation among its workers. The drawbacks of this form are that they tend to have a low amount of interdepartmental cooperation and in times of change, there is a risk of departments blocking or acting against the change due to the goals of the department and firm not being aligned. Misalignment of goals is a source of bad performance (Grant, 2016).

With an increased scope, the grouping can sometimes be on the product or product group level (Shani et al., 2008). This follows a similar form to the functional form but tends to be used in larger organisations, where the scope of the products is larger. This organisation is better than the functional when it comes to responsiveness to changes in the environment and cooperation within product lines. Difficulties include an increased risk of duplicating resources as well as a decrease in standards between product lines. Decision-making is more decentralised than in the functional form (Grant, 2016).

To reduce these issues, mixed organisational forms such as i.e. matrices are sometimes used (Shani et al., 2008; Grant, 2016). In a matrix organisation, the departments may be arranged according to the functional form vertically, and horizontally they might have project structures. These allow for the firm to use resources from different departments to form projects they may undertake. For instance, it can be a new product development project where manufacturing, marketing, and R&D are needed for input. For large firms, this is usually one of the most common forms (Grant, 2016). The downsides of the matrix organisational forms are that decision-making may be slow and that authority is spread between several people (Grant, 2016).

The horizontal firm organises around core processes for the firm (Shani et al., 2008). By organising around core functions, the firm may increase its customer value and customer focus in its operations. This type of organisation emphasises the use of mixed cross-functional teams in order to be able to meet customer needs. Strengths include increased collaboration and flexibility while weaknesses lie in the need to have a culture supporting this organisation.

Functional managers must give up their role in these organisations if they are moving from the functional form to the horizontal form. This form of structure can be costly to transition to. Further issues include that it is highly dependent on its teams (Shani et al., 2008).

2.2.2 Teams in organisations

In the team-based organisation, the organisation is built of small teams being clustered into larger teams (Shani et al., 2008). The organisation may have formal and informal processes to be able to respond to changes. Brokerage is considered to be needed in a formal way to be able to link different units. In some cases, it may be necessary that the teams do not actually have access to all the resources they need if there is a strong need to integrate the work result between several units. Self-managed work teams are teams that have the authority to decide on their own regarding work, goals and team composition. They usually share the responsibility for a process or a product (Shani et al., 2008).

For team autonomy to have a positive effect on performance as well as strategic and operational needs, there is a contingency on external knowledge (Haas, 2010). With team autonomy there is a risk of isolation from the rest of the organisation and aspects such as groupthink may hinder the team from exploring other aspects of problems at hand. With aspects of external knowledge such as influence and information, the positive aspects of external knowledge and information could mitigate the risks of isolation. Also, the benefits of autonomy and independence may mitigate the influence risks. Haas (2010) found a positive interaction effect of these two aspects. The implication then is that there is a contingency of having both autonomy and external dependencies if either aspect is desired. That is, if there are autonomous teams, they will perform worse if the teams do not use external information (Haas, 2010).

For self-managing work teams (SMWTs), there are several aspects that need to be considered if they are to deliver a positive effect to the organisation (Thibodeaux & Faden, 1994). Informal processes must be allowed in i.e. communication, responding, and adapting. Decentralisation is crucial for decisions to be made fast in an organisation that uses SMWTs. Moreover, communication must also be informal and cooperative in nature for SMWTs to be effective. If the culture of an organisation values cooperation over competition, the SMWTs will have a positive effect on organisational performance. Hierarchical organisations valuing seniority will conversely have a negative effect on the organisation with SMWTs. Lastly, trust and openness are crucial for SMWTs to work in an organisation (Thibodeaux & Faden, 1994).

There are several reasons to why an organisation offshores parts of its activities. One of these is that there are not enough competent people to recruit at the home site (Andersson & Pedersen, 2010). However, for offshoring to work in knowledge-intensive activities, there are some aspects that will be required of the organisation. Andersson & Pedersen (2010) have identified that there are two aspects that will affect the performance of the organisation: independence and information and communication technology (ICT) tools. They identified that ideally, the organisation would have both. However, it is possible to have offshored activities if they have at least one of either high tech ICT or independence (Andersson & Pedersen, 2010).

Tuckman's model for group development has been one of the most cited models in the area of group development, where small groups go through five phases (Bonebright, 2010). The first phase is 'forming' where the group gets to know the task and sets internal rules and guidelines. The second phase, storming, is characterised by interpersonal issues and conflict. At this stage, the members of the group are reacting emotionally to the task. In the third phase, norming, rules and norms are set and the group starts to become cohesive. At this phase, the group evolves into one unit and conflicts regarding the task are avoided. The fourth phase, performing, is the phase where the group members take on roles and solve tasks well - the group is completely focused on the task. In this phase, the roles become flexible and directed. The fifth and last phase, adjourning, is the phase near the breakup of the group where separation issues will occur.

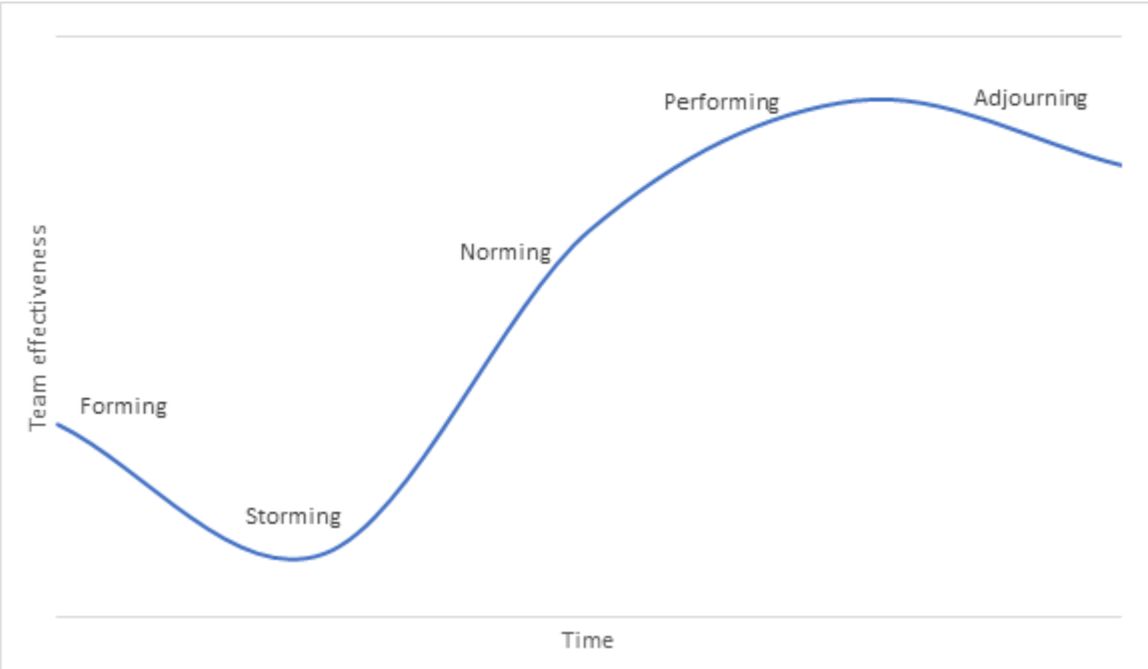

Figure 2.1 Tuckman's model for group development.

The Tuckman model is a popular model of group development. However, group dynamics is much more complex than the model makes it seem (Boneright, 2010). The models that would capture group dynamics in a more detailed manner - especially the development stages - are very difficult to use and borderline unusable. One further aspect where the model is lacking is that it neglects the dynamics of reconfiguring the team when members enter and exit (Boneright, 2010).

2.2.3 Trends in organisational design

A recent trend in organisation structure is that there is a desire to reduce the number of layers in the organisation (Grant, 2016). This usually has the effect of increasing the responsiveness and decreasing supervision through decentralisation (Grant, 2016). These adhocracies and team-based structures function through shared values and high levels of participation. They are flexible and spontaneous and are preferred to problem-solving and non-routine activities.

Network-based organisations also realise the social and informal aspects of organising. The structure builds to a great extent on relationships. Lastly, networks can form both on an organisational level and on an individual level (Grant, 2016).

2.3 Organisational Culture

With regards to organisational performance, it has been seen that social interactions in the form of cooperation and coordination will affect IT projects (Iden & Bygstad, 2017). Cooperating forms of interaction is characterised by partnership and shared knowledge while the coordinating forms include communication and joint planning. Iden and Bygstad (2017) found that for successful projects within IT, managing these forms of interaction is needed. Although, there is a point to be made that these are not completely isolated forms of interaction, and they are connected to each other when analysed. Iden and Bygstad (2017) found two ways of managing this social interaction: either to structure the interaction in a way that those responsible for maintenance as early as possible interact with the developers, or that the interaction between these two groups should happen continuously.

Schein (2016) considers culture to be dynamic - something a group of people learns as they face reality. Schein further proposes a layered model to analyse organisational culture. The model layers are of varying level of visibility and tangibility. The uppermost level is the most visible and tangible - the observable artefacts of the organisational culture. The artefacts show how things are done at the place - through the language, style and mannerism of the people in the organisation. Shein (2016) further expands on the artefacts that they are hard to understand since the culture and influences of the one trying to understand the culture will affect the analysis of the one studying the organisation.

Below the top layer is a layer consisting of beliefs and values of the group (Shein, 2016). The values and beliefs of the group develop through the lifespan of the group. Beliefs of a leader are created, advertised, and tested until they become a common value of the group. Though, some values existing within the group may not be subject to this kind of evolution. These are i.e. environmental aspects such as religion that might be validated through social validation. Social validation means that the belief is validated by the group through others believing the same. Another aspect of this second layer may be that the values can be set in the strategy of the firm, which the employees adopt. This layer is often seen through the marketing of values and beliefs within an organisation. There may however be a difference in what the organisation wants to value and what it actually values at this layer (Schein, 2016).

The third layer consists of a silent consensus regarding the world and the organisation. This layer - the layer of underlying assumptions - is often taken for granted and often difficult to notice because it is an unconscious belief. If nothing in the organisational culture is challenged it may grow stronger, but if it is challenged the organisation may learn and the culture will evolve (Shein, 2016).

Wallach (1983) uses a set of three distinct cultures: the bureaucratic, the innovative, and the supportive culture. The bureaucratic culture is structured clearly with hierarchies, compartments, authority, and responsibility. Power and control are central aspects of these organisations. A bureaucratic culture is preferable for stable large companies and those who have the need for power according to McClelland's social motivators theory (Wallach, 1983). Further, the innovative culture is characterised by being dynamic, creative, and risk-taking. It is a place for those who have a need for achievement. There is however a greater risk of people overworking. The supportive culture can be characterised as friendly and helpful since the environment is open. This kind of culture is best matched with those who have the need for affiliation (Wallach, 1983). Wallach (1983) further claims that by matching the right types of individuals for the organisation, there is a possibility to unlatch the full potential of the individual as an employee. Moreover, Kuo & Tsai (2019) have seen that there is a strong positive effect between companies with strong cultures of these types and operational performance.

In organisations like Google and Microsoft, the culture has been described to have levels of competition and criticism is welcome (Grant, 2016). The organisations have adopted this culture to achieve innovative performance. Further, they have managed the connection between creativity and profitability well (Grant, 2016).

2.4 Markets and nature of the firm

Coase (1937) argued that firms will organise themselves according to the cost of using the price mechanism. That is, firms will avoid using the price mechanism if there are costs in the way of using the market i.e. negotiation costs and searching costs. One way of dealing with high transaction costs is to vertically integrate - the firm owns and operates several parts of the supply chain (Coase, 1937; Grant, 2016). The optimal level of vertical integration depends on internal and external factors such as flexibility risks and strategically different types of operations (Grant, 2016).

In competitive markets, there are two conditions that need to be present: many sellers and buyers, and that the goods being sold on the market are similar (Mankiw, 2009). In other words, individual sellers and buyers will have a negligible effect on the market price. Moreover, there will be free entry and exit to the market. If the conditions are fulfilled, the markets will maximise the total welfare in the long term (Mankiw, 2009).

2.5 Haier group - the world's largest manufacturer of household appliances

Founded in 1984 by Zhang Ruimin and headquartered in Qingdao, China, Haier is the current world market leader in white goods with a market share of 10.5% (Haier, n.d.), see figure 2.2 below. With roots dating back to the 1920s and a state-owned refrigerator factory based in Qingdao, Zhang Ruimin was hired as managing director of the factory in 1984. Ruimin rebranded the factory to Qingdao Refrigerator Co. and later taking the name Haier in 1991 (Pederson, 2004). The Haier era had officially begun.

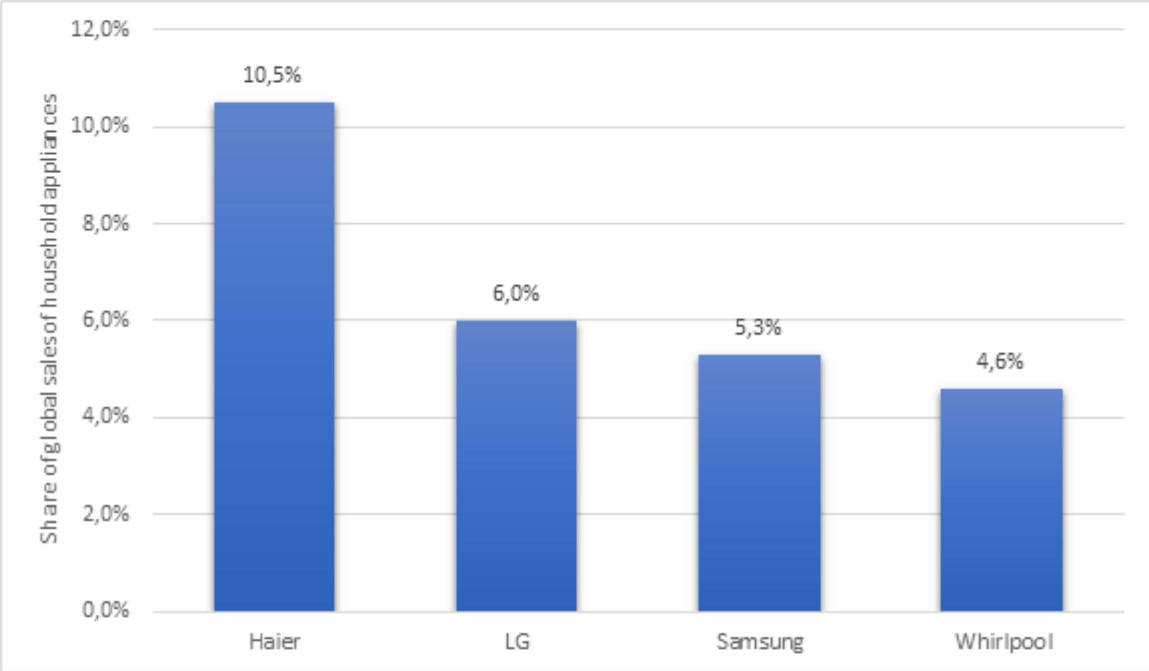

Figure 2.2. Share of global sales of household appliances 2017 (Haier, n.d.).

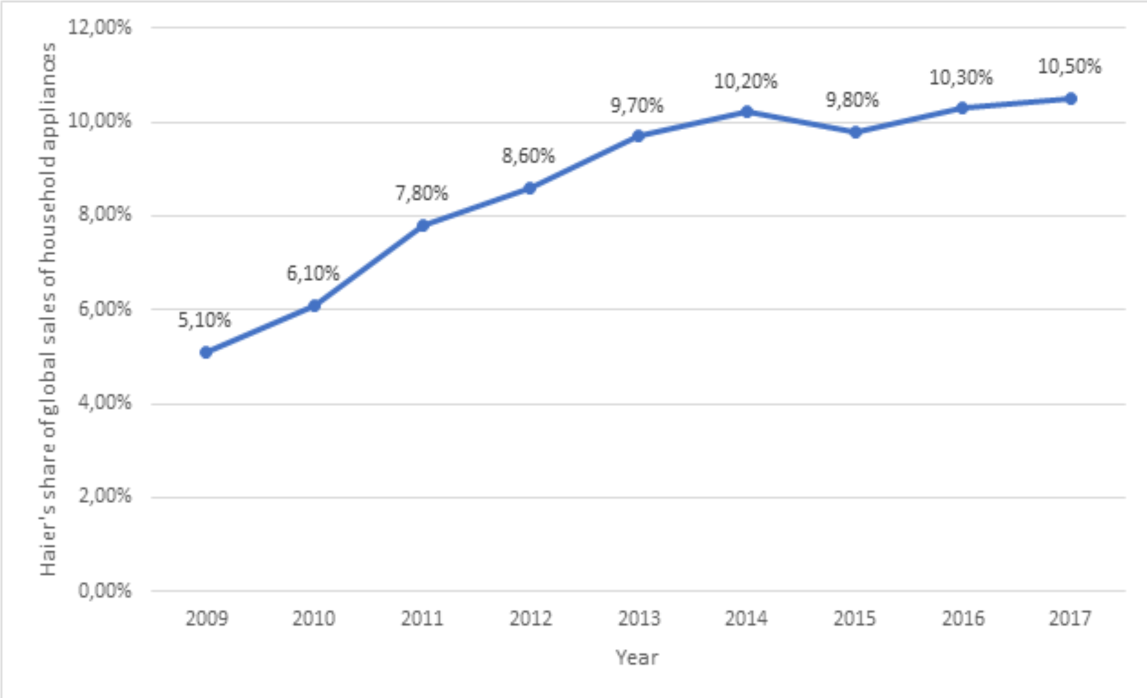

Figure 2.3. Haier's share of global sales of household appliances from 2009 to 2017. Adapted from Cao (2018).

While initially solely focusing on white goods, Haier started to diverge in the 1990s - both geographically and regarding their product portfolio. In 1997, Haier entered the US market exploiting the niche markets of small refrigerators aimed for dorm rooms and electric wine cellars. In 1999, the first Haier production plant in the US was built in South Carolina (Pederson, 2004).

In terms of products, the company started to acquire struggling Qingdao state-owned enterprises such as Qingdao Air Conditioner Plant and Qingdao Freezer. This was the start of a wide product diversification including personal computers and mobile telephones (Pederson, 2004). Today, the Haier portfolio platforms for investment incubation, financial holdings, and real estate. Included in Haier Group today are Casarte, Leader, RRS, AQUA, Fisher & Paykel and GE Appliances (Haier Inc., 2015).

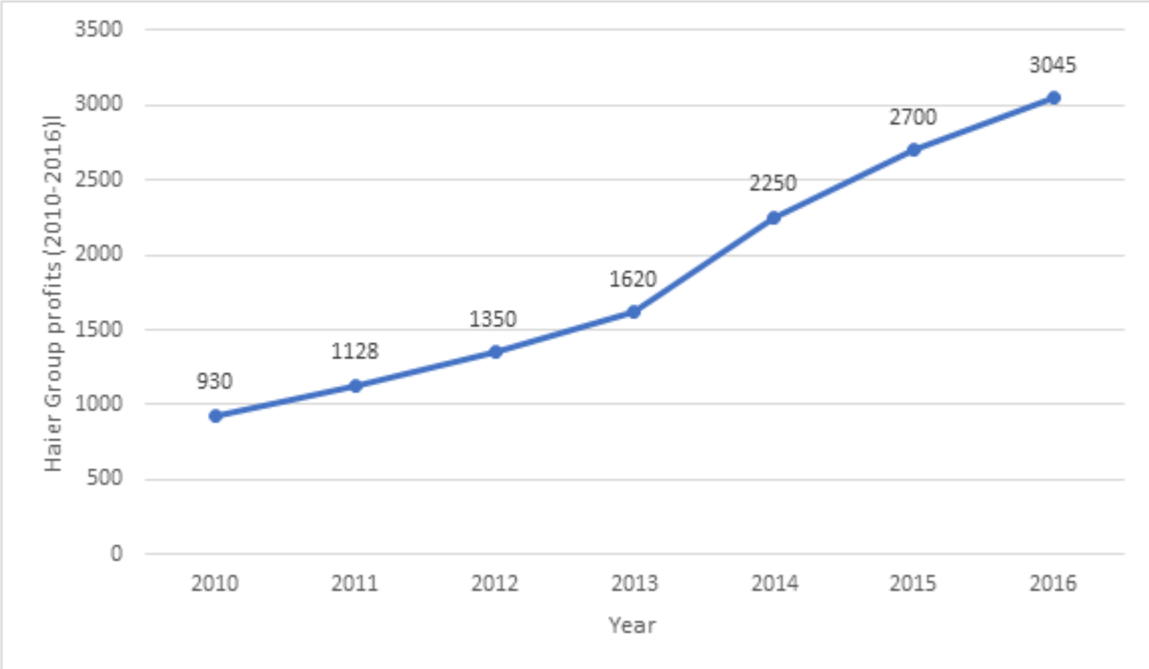

Figure 2.4. Haier Group Profits 2010-2016 (US $Million). Adapted from Cao (2018).

2.6 The organisation of Haier

While having a traditional silo-based organisation in the 80s and 90s, Haier went through a complete organisational restructuring from 2006 and onwards. This is where the Haier model[1] was born. Even though the previous reform phases also have been key for the success of Haier, the two reforms from 2006 until today are in line with the scope of this thesis and therefore will be focused on.

[1] The Haier model is also called the RenDaHeYi model. Throughout this thesis, the term Haier model will be used.

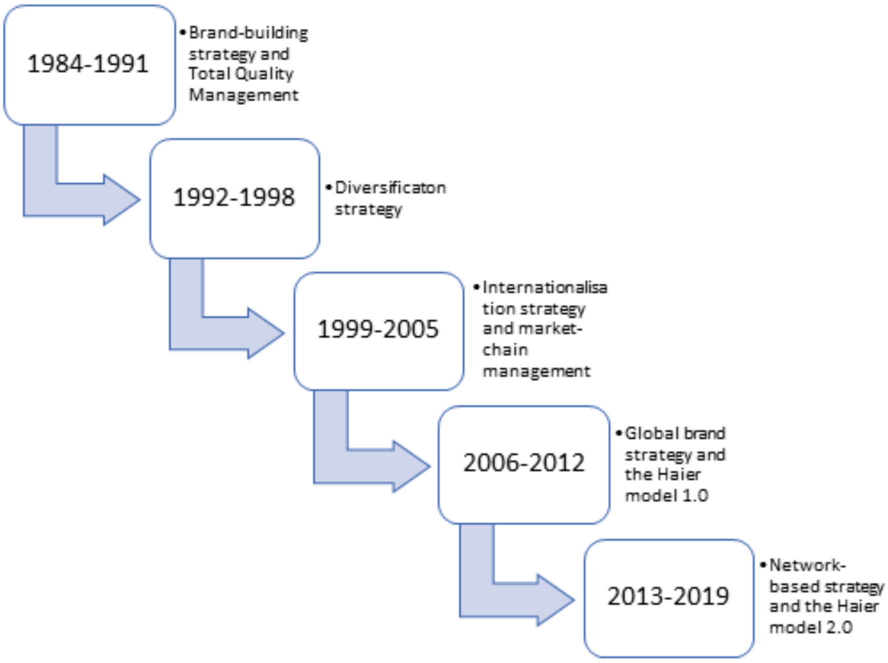

Figure 2.5. Haier's 5 reform phases. Adapted from Cao (2018).

2.6.1 The Haier model

The organisational structure of Haier is not unique per se - innovative and responsive network-based organisations can easily be found in i.e. small high-tech start-ups. What is special about Haier and has caught the attention of researchers in later years is how Haier with 200,000 employees has been able to successfully implement a network-based organisation.

The fundamental characteristic of the Haier model is the flat organisational structure with few organisational layers. Compared to a traditional pyramid structure which Haier used to have before the restructuring, the Haier organisation is an inverted pyramid consisting of microenterprises (Cao, 2018). A microenterprise at Haier compromises a team of 10-20 people (Fischer, Lago & Liu, 2013). Within Haier, there are only 3 types of employee categorises: heads of platforms, heads of Microenterprises, and entrepreneurs within the microenterprises (Cao, 2018).

The teams can be located at a single place or be virtual and consist of people from various functional roles. Each team has a mission and is given profit and loss responsibility and accountability. Moreover, the teams also have the right to freely hire or fire employees. In fact, the team members do not need to be Haier employees - acquiring workforce from external resources is allowed and encouraged (Ruimin, 2015). Regarding financial accounting systems, these are independent of team to team and the teams autonomously control the bonus distribution as well (Fischer et. al., 2013). Haier currently consists of over 4000 microenterprises (Hamel & Zanini, 2018).

A significant difference between the new inverted pyramid and old traditional pyramid structure is where the customers are positioned. In the traditional structure, the customers are placed at the bottom - indicating a top-down approach where customers are 'fed' with solutions. On the other hand, in the inverted pyramid structure, the customers are placed at the top - indicating that the customers are in charge. That is, top management and supporting functions are at the bottom supporting the value delivering microenterprises.

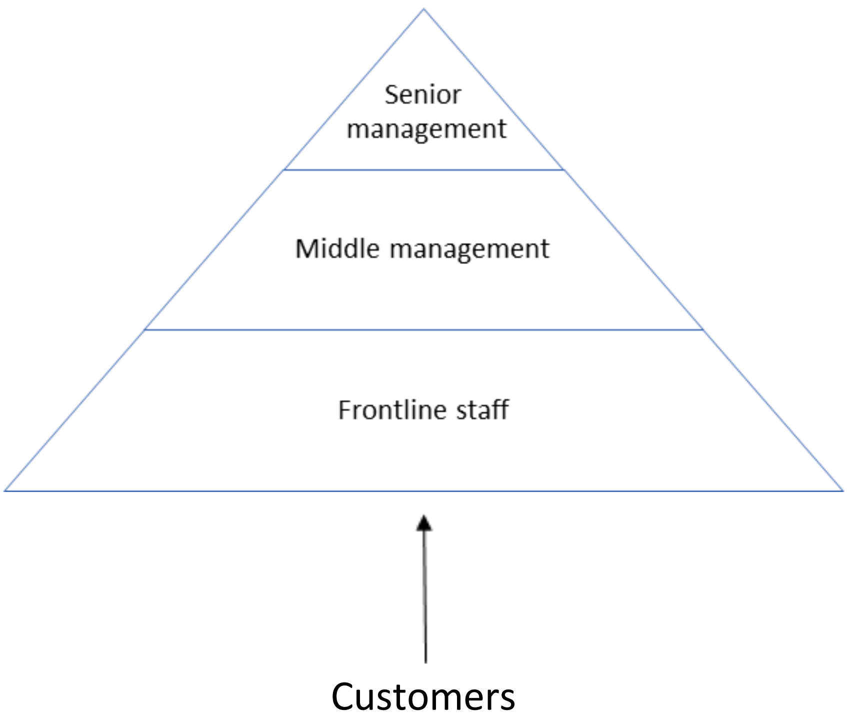

Figure 2.6. The pyramid organisational structure.

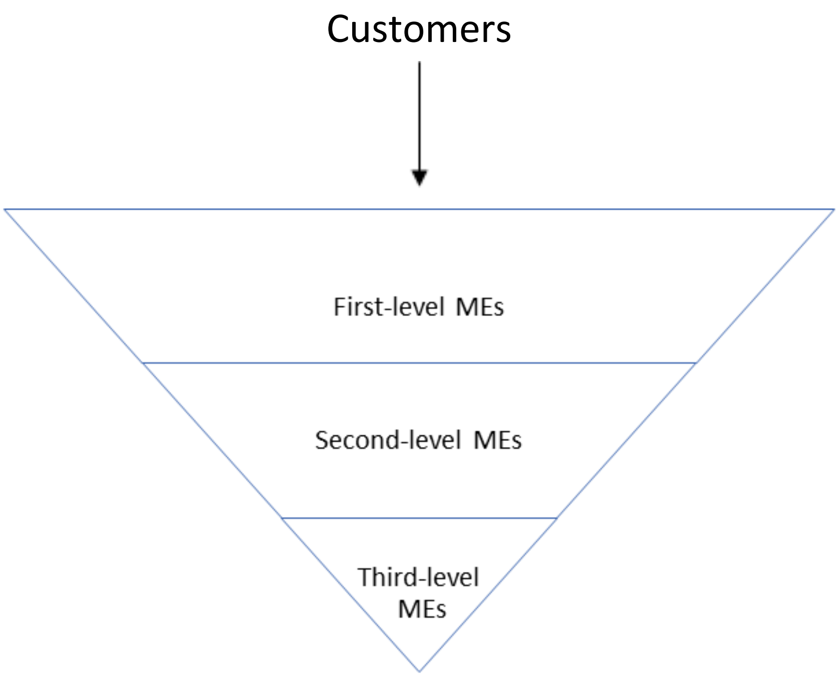

Figure 2.7. The inverted pyramid organisational structure.

To synchronise the 4000+ microenterprises, they are categorised into three layers depending on how close to the customers they function:

- First-level microenterprises
- Second-level microenterprises
- Third-level microenterprises

The first-level microenterprises act as the frontline teams closest to customers. Key responsibilities of these include finding and creating tailored solutions to customer demands. A large majority of the value creation is delivered through the first level microenterprises. The second-level enterprises have the obligation to provide the first-level microenterprises with resources. They aim to support the platform and integrate successfully with the frontline teams to make the delivery process as smooth as possible. The third-level microenterprises have strategic responsibilities such as to persevere the strategic orientation and vision of the company, and finding new opportunities to exploit. Shared objectives of teams on all levels are to inspect and review other teams in order to maximise the overall performance of the company, and to identify efficiency issues that need to be resolved (Cao, 2018).

Table 2.1. Roles and duties of the different types of microenterprises (Cao, 2018).

Type	Major roles and duties
First-level microenterprise	➔ Identify and create personalised customer demands ➔ Create customer value
Second-level microenterprise	➔ Provide resources to other microenterprises ➔ Support and integrate with First-level microenterprises
Third-level microenterprise	➔ Maintain strategic orientation ➔ Identify and create new opportunities

Autonomy

Each enterprise acts like a small company within the firm. All microenterprises have their own profitability requirements and will have to perform in a profitable way in order to survive (Cao, 2018). If a team is underperforming, the first action is to seek new leadership if there is a belief that the team itself is not the reason for the poor performance. If it is concluded that the issues will not be solved with a new leader, the team will cease to exist. The bureaucracies of the organisation act in a coercive way if the team fails to deliver the expected results.

For Haier, this is one of the strengths of the organisation. The ability to make decisions completely autonomous without any approval from management or other stakeholders. In a traditional organisation, managers higher up in the hierarchical structure act as a controlling mechanism. At Haier, the controlling mechanism is the profitability requirement (Cao, 2018).

Information

To coordinate over 4000 microenterprises is easier said than done. In small firms, the coordination and communication among units are possible to achieve in a spontaneous way. In large firms, however, coordination becomes increasingly difficult. A typical solution is to add more layers, mandates, and corporate functions (Hamel & Zanini, 2018). Haier uses another solution: all microenterprises are categorised into different platforms bringing together microenterprises which operate in similar fields. Each platform owner has a leader - although no one directly reports to the platform leader, nor does the platform owner have a staff. The main responsibility of the platform leader is to ensure that the platform is open and to manage mechanisms which benefit all actors of the platform (Cao, 2018).

In the platform, each microenterprise is indexed and contains information about the microenterprise openly available for everyone with access to see (Cao, 2018). Included in the information is the personnel, goals, income and cost, added value, and losses of all microenterprises. These statements provide information especially aimed for the nodes in the organisation's networked structure. The fact that the information in the system is transparent motivates the microenterprises to continuously close performance gaps and optimise its processes. The platform has its own supporting function in the department of Process System Innovation which is responsible for achieving and managing synergies on the platform (Cao, 2018).

At Haier, the market mechanisms will carry information about the areas where the firm needs to put its resources. Cao (2018) uses the description of Adam Smith that the internal market at Haier acts as a guiding hand. The market mechanisms are acting as a guiding hand not only directing the organisation and micro enterprises but also sending signals about the organisation. Haier also uses forums such as Saturday meetings with the aim to transfer knowledge and information internally. In fact, the Saturday meetings are mandatory for people at certain positions to attend (Cao, 2018).

Team composition

Haier has implemented a mutual selection of team leaders and team members. Compared to traditional organisations where leaders, in general, are appointed by the organisation itself - at Haier, leaders are chosen by a committee consisting of stakeholders, entrepreneurs, and customers (Cao, 2018). When a leader of a microenterprise is to be selected, several candidates openly compete for the position. Each candidate proposes a budget, preplan, and strategy to provide evidence for his or her feasibility to lead the microenterprise. After the selection is done, the leader of the microenterprise is free to recruit members to the team where each recruit is interviewed before being accepted to the microenterprise (Cao, 2018). To keep the leaders alert, his or her position is continuously threatened to be replaced - often by the runner-up of the election of the leader position (Fischer et al., 2013).

The rationale for using a committee consisting of stakeholders, entrepreneurs, and customers to choose a leader is to reduce bureaucracy and its negative effects (Cao, 2018). In contrast to traditional organisation where leaders may not be easily denoted, at Haier the team members can make the collective decision to fire the leader. If more than two thirds of the team members believe that the current leader is not the right person for the role, they can trigger a removal mechanism and a new leader will be selected (Cao, 2018).

Culture

The Haier culture is highly competitive. As has been stated, leaders, teams, and individuals can quickly become unemployed if they consistently underperform (Cao, 2018; Fischer et.al., 2013). Haier also has an unconventional approach to remuneration which in a way reflects the competitive culture at the company. Instead of having a traditional competency-based or position-based salary - the remuneration at Haier is completely based on the performance of each microenterprise (Cao, 2018). This was first initiated in the Haier model 1.0 with a base salary plus an individual performance-based salary. From Haier 2.0 and onwards, there is no base salary and the remuneration is completely performance-based (Cao, 2018). The reason for choosing this system is to generate a stronger sense of achievement and to eliminate the negative implications of having one of the other systems. With competency-based and position-based salary, the salary levels are set beforehand and not based on the value the individual actually is contributing (Cao, 2018). Regarding titles, each employee at Haier does have an official working title. However, the title is only used to simplify internal and external communication (Cao, 2018).

The cultural change aspects of the firm when implementing the Haier model has been stressful to many employees, as more than 20,000 employees has quit due to not being able to transition to the competitive nature of the firm (Frynas et al., 2018). Lenient employee safety laws have allowed the firm to become extreme in the case of their competitive, yet free nature. The previous bureaucratic command and control culture of the organisation as well as the general culture of China have been major reasons for both the success and costs of the implementation of the model (Frynas et al., 2018).

2.7 Summary of literature review

To connect the topics presented in the literature review with the research questions and LogisticsCo, the key takeaways of the literature review are the following:

- The motivation of people depends on several factors which must be considered when running an organisation. The factor which is most important in the case of this study is autonomy.
- Different organisational designs are more suited for different goals and outcomes. Each design has certain strengths and weaknesses.

- Team-based organisations are complex where the autonomy of the teams is a factor affecting the performance of the team.
- There are different ways to compose teams which have different effects on the team dynamics.
- The culture in organisations is dynamic and difficult to manage.
- Different cultures can be more or less well-suited for different types of organisations.
- For market mechanisms to work, the assumptions of many buyers and sellers, and similar goods being sold on the market must be satisfied.

3 Methodology

The following chapter will describe the method which was used to answer the research questions. Included are the research strategy and design, a description of the research process, how primary and secondary data were collected and analysed, and ultimately a discussion regarding research quality.

3.1 Research strategy and design

The report is of qualitative character and was conducted as a case study. The data collection is divided into two parts: primary data and secondary data. While the secondary data was collected in a classic literature review format, the primary data consisted of interviews with targeted employees at LogisticsCo. As this part of the data collection is based on interactions with humans as a social system, a qualitative approach was preferable to a quantitative approach (Creswell, 2014). The choice of using a case study was motivated by the definition of the research questions. The aim is to gain deeper knowledge of the difficulties that can occur when adopting another organisational model. According to Creswell (2007), such situations are best approached by performing a case study.

The sampling for the interviews was done with a purposeful rather than random approach. The time-consuming nature of the research as well as not needing to generalise the results to a greater population explains why random sampling was not the preferred method (Cresswell, 2007). Theoretical-construct samples were made by basing the selection of data from other cases and theories. As this may impose challenges when all that is to be researched is not known, aspects of snowball sampling were included. That is, if interviewees happened to think that others would be appropriate to interview, then they were encouraged to recommend them.

3.2 Research process

A brief and simplified visualisation of the research process can be seen in figure 3.1 below.

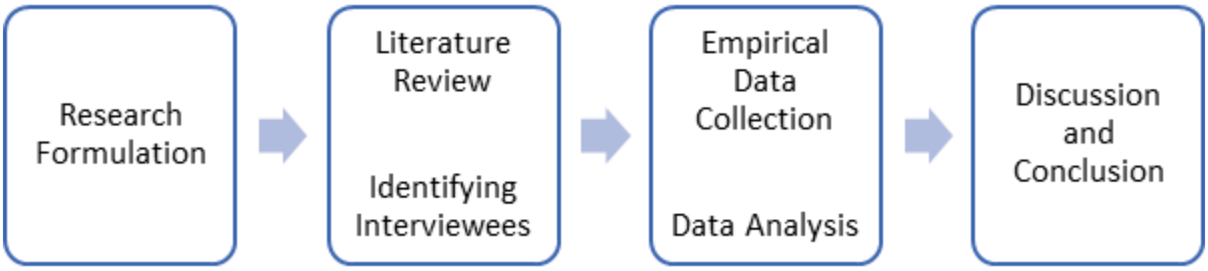

Figure 3.1. The research process.

While the topic of the thesis had been brainstormed upon already in November 2018 in collaboration with LogisticsCo senior management, the actual formulation of the research question was done in January 2019. Input was taken from the supervisors both at LogisticsCo and Chalmers in order to come up with research questions satisfying both stakeholders.

In early February, the literature review began. Chalmers Library and Google Scholar were the main sources of articles. During this time period, potential employees to interview were mapped and reached out to. The first interview was held in early March and the last was held in mid-April. Since the empirical data collection due to practical reasons was spread out over six weeks, the analysis of the data gathered was done in parallel to the collection of new data.

When all interviews had been conducted, the analysis part of the process intensified and later resolved into the discussion and conclusion part of the process. In all, the research process was labelled complete in late April.

3.3 Data collection

Both primary data and secondary data were used in this study. First, the method for the collection of primary data is described. Then follows a description of the process of collecting secondary data.

3.3.1 Primary data - interviews

The interviews were conducted in a semi-structured way. A set of open-ended questions were chosen to allow the interviewees to elaborate and highlight specific problems related to the questions. This allowed the case to be analysed in a similar way, with a broad range of data. The interviewee had the option to choose whether or not to have the interview recorded.

The aim of the sampling was to collect data from as many parts of the organisation as possible. In total 16 employees were interviewed whereof 13 located in Sweden, 2 located in India and 1 located in the US. In terms of position, 7 application specialists, 1 delivery manager, 1 service manager, 1 software developer, 1 business architect, 1 project manager, 1 technical engineer, 1 site manager, and one business analyst were interviewed. The distribution is visualised below in table 3.1 and table 3.2.

Table 3.1 The formal role of the interviewees

Formal role	
Application specialist	7
Delivery manager	1
Software developer	1
Site manager	1
Business architect	1
Business analyst	1
Project manager	1
Technical engineer	1
Service manager	1
HR	1

Table 3.2 Number of years the interviewee had worked at LogisticsCo.

Years	
0–1	2
1–2	3
2–3	6
3–4	1
4–5	1
5–6	0
6–7	1
7+	2

As has been stated, the process of finding interviewees was not done at random. In collaboration with the supervisor at LogisticsCo, the potential interviewees were selected. First of all, he recommended two delivery managers to interview. Concerning the team members who were interviewed, he reached out to all delivery managers who could choose 2 team members from their respective teams whom later received an interview request. The HR and BA who were interviewed had previously been involved in the onboarding process of the masters' thesis students - hence were not randomly selected by position on the firm.

The questions asked at the interviews are listed in the *Appendix*. The question categories were selected during the initial part of the literature review. Both areas that are common to the literature on organisational design and topics specific to the actual case were considered. The categories were determined to be autonomy, motivation, communication, and supporting functions. The interviewees were also encouraged to freely brainstorm about the future of the organisation. Not all questions were asked to everyone. Depending on the context and situation, the formulation of the questions did vary from interview to interview in a way that did not drastically change the context of the question. Which questions that were asked depended on the position of the interviewee as well as which country the interviewee worked in. Moreover, the interviewees were not given the questions beforehand. Although, they were aware of the topic and background of the study prior to the interview.

The interviews were transcribed directly after they were conducted. Coding of the transcript was also done immediately after. In the case of this study, it was not deemed to be of interest how the person speaks, hence the transcription did not include full details on emphases and intonation. The data storage was used in accordance with the data security guidelines of LogisticsCo. The analysis was then done by relating issues found in the interviews to the theories presented in the literature review.

3.3.2 Secondary data - literature review

While the aim of the interviews was to map the organisational structure at LogisticsCo, the goal of the literature review was to map the organisation of Haier and to find scientific research on organisational design and topics related to culture in organisations. The main sources for articles were the Chalmers library and Google Scholar. Articles were filtered to academic journal articles. In terms of the literature related to Haier, two articles and two books were used. The articles were recently published in credible business reviews[2] and considered to be reliable sources. Regarding the literature about motivation, organisational design, culture, and micro-economics - various scientific articles and books were used. For most sources - especially older ones - complementary resources have been used to confirm the arguments.

3.4 Data analysis

Using the transcripts and the coded data, the empirical findings were presented. The transcripts were analysed into the following categories which were based on the interview questions (see *Appendix*):

- Autonomy
- Motivation
- Communication
- HR
- Finance
- Challenges for the future

[2] Harvard Business Review and BerkeleyHaas

Comparing the primary data to the secondary data, the six categories were clustered into four main themes:

- ➔ Autonomy
- ➔ Information
- ➔ Team composition
- ➔ Culture

Taking the empirical findings and comparing them to the literature - both the Haier case and then the scientific framework, the research questions could be answered and conclusions could be made. First, the differences between the Haier model and the LogisticsCo model were identified. Then, the differences were analysed respectively in order to assess whether or not LogisticsCo should close the differences and fully adopt the Haier model. The analysis process can be seen in Figure 3.1 below.

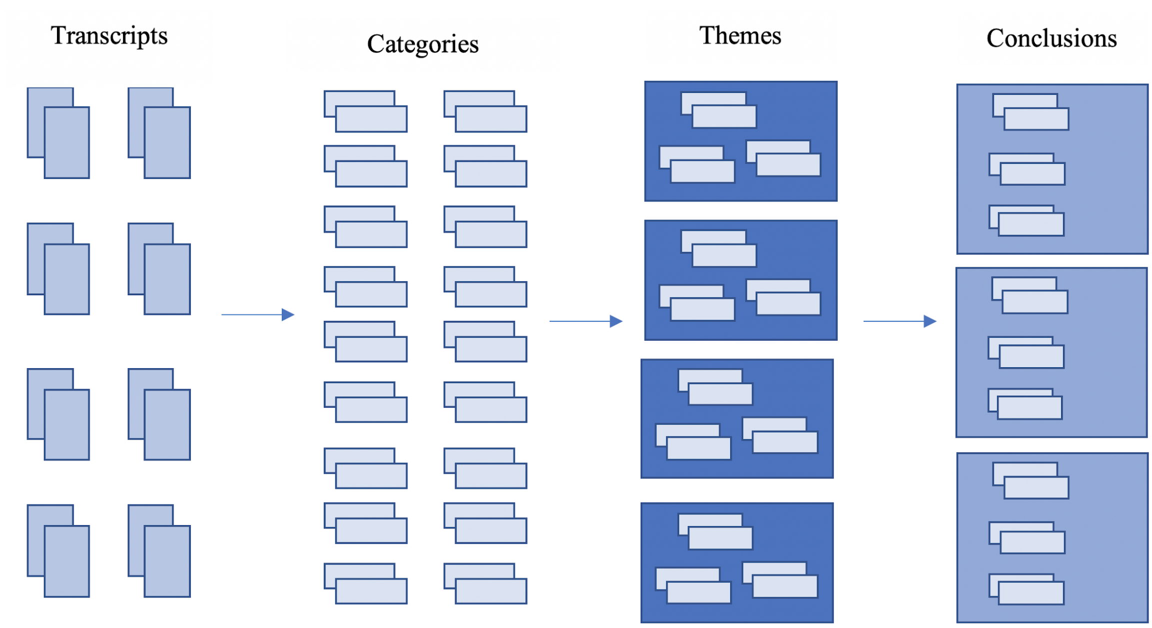

Figure 3.1. Analysis process.

3.5 Research quality

According to Easterby-Smith, Thorpe and Jackson (2015), qualitative studies may not fulfil standards of objectivity, generalisability, and replicability which are often required for quantitative studies. On the other hand, qualitative studies are valuable in being unique (Easterby-Smith et. al., 2015). This point is true with regards to this study where the research conducted on the Haier model is scarce. Therefore, this study will give a unique perspective on obstacles when adopting the Haier model and hence be of contribution to research.

A weakness of the study is that it cannot be used as a base for a statistically generalised model. However, the method allows for a deeper understanding of the situation and context in general models such as theories of horizontal organisational structures. By adding a rich description of the case, conclusions can be drawn that will add value not only for LogisticsCo but also for firms of similar size and market scope as LogisticsCo.

A mixed method consisting of both a qualitative and quantitative aspect could be used to increase the validity of the conclusions of the thesis. However, it was decided that in the case of this study, quantitative data analysis was not considered necessary nor realistic to perform.

Furthermore, since the interviewees were not randomly chosen, there is a risk for selection bias. Although everyone that we reached out to agreed to take the interview, there is a risk that the delivery manager of the team members knowingly or unknowingly chose employees who the delivery manager considered to have certain opinions or were in some way enthusiastic about the topic of the thesis. The same argument can be made regarding the HR and BA interviewees. As they were involved in the onboarding process and therefore had been interacting with us before the interview, there is a chance that there is a bias. These aspects may have impacted the validity of the empirical data collection.

Moreover, a weakness of the data collection could be argued to be that 7 out of 16 interviewees had the same formal title[3]. Although, at LogisticsCo, the formal title is more or less only used to simplify internal and external communications. The 7 applications specialists that were interviewed all worked in different teams, sectors, and clusters indicating that in order to cover the whole organisation, it was necessary to interview application specialists from as many parts of the organisation as possible. By doing that, internal differences in i.e. culture and communication could be identified.

Lastly, it would have been preferable to collect primary data in the process of mapping the organisation of Haier. Instead, it was decided that the secondary data collected in the literature review was sufficient. Due to the innovativeness and uniqueness of the Haier organisation, it is well documented and written about. Although this, by all means, is a weakness of the study, the time limit and lack of contacts at Haier would have made it difficult and time-consuming to find the right persons at Haier to contact. It was decided that this time would be better spent focusing on a thorough literature review and maximising the number of interviews at LogisticsCo.

[3] Application specialist

4 Empirical Findings

This chapter will present the findings from the interviews. The findings are grouped into four main categories: autonomy, information, team composition, and culture. Lastly, the beliefs of the future from an employee point of view is presented.

4.1 Autonomy

The autonomy at LogisticsCo can be divided into several different parts. One of the main aspects is the ability for workers to choose what they want to do besides their main tasks. These side tasks allow for personal development as well as adding value in the form of creating communication networks. The teams have the possibility to decide within the teams on how to solve their customers' problems as long as they do not have dependencies external to the team or have a strategic impact on the organisation. If that is the case, the team would need to bring in either the delivery manager, CEO, or COO for advisory on how to solve the task.

For delivery teams, the limits of the project or the deal is set by the customer external to the team. Decision-making is then constrained to the customer requirements. Though, the method of delivery can be decided upon within the team. If a customer asks for a project of the team, the team may on their own decide upon how to create and deliver the deliverable of the project. A project can be divided into several smaller tasks which are similar to normal projects or subprojects for a team. The team will decide on the work on their own while the project itself is defined outside the team.

Employees are allowed to take on tasks parallel with the core projects in the team. One example is employer branding - i.e. talking to students and attending student fairs. Internal forums also exist as platforms for side tasks. Being engaged in side-tasks is not mandatory and is enabled through the personal engagement and interest of employees.

> *Partly because it is fun, but also since I know that it generates value to the company.*

Freedom with responsibility is a key concept at LogisticsCo, where the employees are free to develop in their own direction, take part in side tasks and form their role. If an employee wants to develop in a certain direction, they need to take that initiative themselves. Although, it has been stated that sometimes initiatives are started without fully being completed by those involved in the initiative.

The employees at LogisticsCo are encouraged to have a responsibility larger than their formal position indicate. This is done to increase the internal collaboration. Decisions related to the billable work is usually made in the teams and on a team level. When team decisions are made, everyone in the team is involved to make a mutual decision. That has been seen regardless if the team is cross-national, or if it is a local team.

There is some indication that the degree of freedom concerning external customers is high. With the internal projects however, the feeling of the decision being made by someone else is more visible. It is sometimes considered that the request is a decision by a superior. With regards to external customer projects and internal side projects, external projects are prioritised where the time is billable to the customers. The internal projects are prioritised less even though the internal projects may be needed for long term profitability.

The delivery manager is responsible for deliveries and has staff liability. Trying to manage the workload of the teams, they decide the team composition and the resource allocation. If a team needs more resources, they may ask the delivery manager for the resources. If a project is too big to be managed within a team, the delivery manager may be involved in the project and the delegation of sub-projects. For some teams, the delivery manager may does not need to be involved in such decisions. Some teams are able to work for an extended time without the need of support from the delivery manager. Instead, works with supporting the team in other ways than being part of the team's daily routines and decisions.

4.2 Information

At LogisticsCo, there are different channels through which information flows. Face-to-face communication, an email with news, a wiki, Skype, and site gatherings are all examples of the way information flows at the organisation. How the teams communicate internally is not standardised and differs from team to team.

Furthermore, face to face communication is site-specific. Communication may happen at the coffee machine or during lunch or fika. The information that is shared happens in an informal way. If any information is needed, the most common approach is to walk over to the desk of a colleague that may be able to help them. Finding the colleague who will be able to help them do, in general, not seem to be difficult or time consuming for the interviewees.

> *I think it is quite easy, but I know whom to ask when I need specific information. When you ask, people are usually willing to help and share information and knowledge.*

A pattern was noticed that the employees who had been working at LogisticsCo for several years found it easier and faster to get information than employees who just recently had started working at the company.

> *It is quite difficult to know which person to ask. You mainly ask those in your team who are more experienced. It usually takes 2-3 persons before you find the right person. It is not that efficient. I would like to see a list of people's knowledge or experience to make it easier to find information.*

> *The way we exchange information has not changed sufficiently and we document as little as we have always done. If I want to know something, I still have to go to the person who has worked on it. I am comfortable in doing this, but as a new employee, it*

> *may be more difficult to have the courage to continuously ask more experienced people about small things every day.*

Communication person-to-person may also work digitally, through emails, Skype or similar. If a person did not know whom to ask, the interviewees stated that they usually knew someone they could ask in order to find the right person. People like this are denoted 'brokers' internally. The broker role is informal and grows through social interaction at the organisation or through having a contact network grow as employees move between teams in the organisation.

For more formal channels aimed for information exchange, there are events where an entire site gathers. Examples are 'feature fika' or sector or cluster councils where i.e. new product launches are discussed. These formal ways will often not go into detail of the products the teams are working on but rather give a high-level picture of what is going on in the organisation. It was noted during the interviews that there had been several attempts to have regular formalised meetings which after some time were abandoned due to lack of motivation and a belief that the meetings were redundant.

> *There have been attempts to exchange information. Traditionally, we have been very poor at exchanging information. There are some network initiatives which are supposed to do this. [...]. However, what is said in those meetings only reach those sitting in the rooms and from there, the diffusion of knowledge becomes exponentially worse.*

Along with this, there are two digital information channels: a wiki and a SharePoint. The liking of these channels varies depending on the person. For some, the wiki was of great help and used often. For others, the information in the wiki was not of sufficient help and they for different reasons preferred to find the right information in person. As one employee found the human interaction to be a highlight of the working day, others just found the wiki to lack information and not being up to date.

> *My personal preference is to interact with people instead of searching in the wiki.*

The wiki was found to be more preferred than the Sharepoint. The wiki is more lightweight than the SharePoint, only containing pictures and text. The wiki has been stated to be helpful if questions regarding an issue appear several times. For those who claim to use the wiki, they find that it is useful if you know what you are looking for. The SharePoint, on the other hand, is more heavyweight than the wiki. With documents being stored there as well, documentation that is not on the wiki usually exists in work documents for the components or products that are developed. Searching in the Sharepoint is not considered to be as easy as the wiki and some argued that the Sharepoint was in general slow.

4.3 Team composition

Besides the headquarters in Sweden, LogisticsCo currently has local offices in India, USA and the UK. Teams at LogisticsCo may be located only at one site or may be split between different sites. That is, a team may consist of X employees located in Sweden and Y employees located in India. One difficulty with this is that it is not possible to walk over to a team member's desk and resolve an issue face to face. For an issue to be resolved, a meeting needs to be set up and dealt with using some form of ICT tool. With the different time zones, the schedule overlap will also become smaller making communication harder. For the cross-national teams to work well, the team members must make sure that they have the possibility of splitting up work in a way so that they have something to do while the team members at other sites are not available.

Meeting the team members from another site has been considered to help in building a working relationship. While the team members still have their local culture as something that will remain, the interviewees had a clear opinion that the face-to-face meeting of team members helped in building relationships.

> *The relation was improved. However, the way of working still remains the same. The culture clash is not solved just by improving the relations.*

Further, while the local culture may still linger, mixed teams seem to have adapted to the LogisticsCo culture faster and more easily than those fully located outside of Sweden.

Members of mixed teams used to have different delivery managers within the team. However, recently the teams have switched to all having the same delivery manager regardless of the location of the team members. Hence, an employee in India may have a delivery manager in Sweden and vice versa. Despite the separation, this seems to have resulted in a situation where all team members have a delivery manager who has full insight into what the individual is working at. This was not the case prior to the change.

> *It was a positive change for colleagues so far because they get closer to the manager with whom they are working.*

The teams are put together by the delivery manager. The delivery manager should sense or have conversations through which the delivery manager knows that the team needs a new member.

One interviewee expressed a concern that the employees were not involved in the team composition process. The interviewee also highlighted that the actual team members were not enough involved in the recruiting of new employees to the team.

> *I would like to see that we are allowed to influence the team composition more than we are today.*

> *We say that we work in autonomous teams, but we are not allowed to recruit team members how we want - we are not really involved in that process – I know that*

system developers are involved in the recruiting process and take part in interviews, but not when your role is an application specialist

By looking forward, the delivery manager may see future needs for the team. If there will be new customers coming with new requirements, the delivery manager must be aware that the team will require more members. If the team needs new members temporarily, the delivery manager may assign or transfer members from other teams within the sector to work on a task temporarily. The teams do not have a formal role of a team leader. If the team wishes to have a team leader - the team may decide that themselves. Previously, the teams used to have one person as a dedicated team leader with some formal responsibilities for planning and administration.

The delivery manager has general staff responsibility, which includes the salary. Recruiting and training are handled by the HR-department. The delivery managers may take part in the recruiting process, knowing the daily routines and the product better than the HR-department.

When a person is recruited to LogisticsCo, there is an onboarding process that will help the person to get to know the organisation and the solutions that the person will work with. The process contains a mentor, which helps the newly employed to get to know the organisation and how things are done at LogisticsCo. The team where the newly employed will work will be responsible for training the newly employed on how daily work, which routines to follow, and the solutions for their customers.

Apart from recruiting new employees, a team may move internally within the organisation. In these movements, there is no standardised onboarding process and the employee new to the team does not get a team mentor. However, the new team is still responsible for training the new team member on their routines and solutions. With internal movements, it will then be up to the moving employee and the new team to integrate the member to the team. Further, the new member may still have some tasks at the previous team that will need to be solved during the transitioning period.

LogisticsCo has a philosophy of using high performing teams where employees after a certain cycle shift from one team to another (see figure 2.1). A guideline used at LogisticsCo is that each employee ought to change team after 12 months.

With this continuous mix of team members in the teams, it will be more difficult for the teams to create their own culture. Instead, the movement of employees is thought to maintain the homogenous LogisticsCo culture. With breakups of teams, new networks are built. To reap the full benefit of this, the teams will need to work through the tougher parts of the team dynamics to enter the productive or high performing phase as soon as possible. If the team is split up before the high performing part, they may suffer from never being able to perform at the desired level. This issue was highlighted by one of the interviewees.

Sometimes I feel that we are not allowed to "stay in that nice team feeling" when the team is functioning, because I think the company wants constant change and wants to move people around (and of course when someone quits). That transformation can be tough and challenging.

However, a team may also be split when it has grown and become too large. Guidelines regarding team size dictate when a team is too large and needs to be divided into two teams.

4.4 Culture

As LogisticsCo has grown a lot in later years, there seems to have been a relatively small change in culture. Openness, variation and freedom to choose which paths to take when developing individually is considered to be some of the parts that employees enjoy and motivate them. However, the organisation does not have a culture that will benefit those who want to climb a traditional corporate ladder.

[...] we don't have clear career paths [...] people find it hard working in such a flat organisation - there is no hierarchy to grow into. I know that people find that tough.

[...] it is the same feeling, people who want to pursue a traditional career may not stay for long [...] - to climb a traditional corporate ladder is difficult in this organisation - both in Sweden and in India.

Further, the amount of competition within the organisation tends to be low, as collaboration is a key part of the LogisticsCo culture.

As LogisticsCo has 70 employees placed in India, cultural differences between the way of working in India versus Sweden were identified. One aspect noted is that employees in Sweden tend to be more willing to collaborate and share tasks than those in India. Moreover, Indian employees tend to, due to the culture, want more detailed directions. Working with open-ended problems seems to be more difficult for Indian employees than Swedish.

In India they are not used to taking initiative - they are used to having a list [of what to do].

Hierarchy is also more present in the Indian culture than the Swedish culture, sometimes making it harder to get the colleagues in India to speak their minds. On the other hand, the Swedish way may be considered harsh and impolite when criticising and discussing the work of the Indian employees in front of their managers. In general, it was clearly noted in many interviews that there are challenges with working in cross-national teams due to several different reasons - one being cultural differences.

It feels like there is a prestige in not doing mistakes. Sometimes it feels like they try to hide errors.

They [the Indian colleagues] work for a long time with problems without telling us that they need help. They are afraid that someone else is going to take their job. They don't ask for help. [...] They are not autonomous and do not take their own initiatives.

The cultural differences have been noticed on many occasions. We work in different ways and many problems have occurred. [...] We prioritise differently. Sometimes they prioritise less important new tasks over tasks which have an upcoming deadline.

4.5 Beliefs about the future and lessons from the past

So far, it seems like LogisticsCo has been able to retain the culture very well. Whether or not this will continue to be the case in the future remains to be seen.

From a culture perspective, we have been doing a great job. When I joined, we were around 130 people, now we are twice the size. It feels the same [...] it has not changed a lot.

We have seen on the journey so far that we have been able to keep the LogisticsCo culture. Keeping the culture is one of our success factors - the way we work and interact with each other is key. I believe that we will be able to keep and also continue to develop the LogisticsCo culture in the future.

With regards to knowing all coworkers, it is becoming increasingly difficult. However, this fact does not seem to have a significant impact on the overall culture. One way to maintain the LogisticsCo culture is to employ people with the right mindset who naturally will adopt the LogisticsCo values and way of working. Another way to keep the culture consistent is to have employees who actively promote the culture internally. One interviewee proposed the idea of having a cultural ambassador with the responsibility to spread and maintain the LogisticsCo culture.

I believe that it will be important to have culture ambassadors in the future.

When recruiting new employees, the organisation needs to be able to handle the number of people coming in. The onboarding programme is a crucial part of the process. Some interviewees highlighted an issue with the time and resources required to integrate a new recruit successfully.

With the growth we currently experience, more and more time will be delegated to training of new employees - especially in times when batches of new employees arrive.

The onboarding of new employees would be a lot easier with a really strong wiki.

When many new employees enter the organisation at the same time, the organisation also must be able to take on and integrate the new employees in a smooth and efficient way which does not affect the team dynamics noticeably. However, it was noted in some interviews that this is not the case.

> *Since we have recruited heavily, there are many new employees entering the team which disturbs the good team feeling we have. Then, we start from zero again with the team [dynamics].*

However, after the initial time consuming on-boarding process, the cultural diversion that first appears tends to converge.

> *When new employees enter, the teams are slightly disrupted. After each expansion, it takes a while before the culture is back again.*

Searching for information will become harder in a growing LogisticsCo and brokers will become increasingly important. The implications of the decisions made by the teams might not spread as easily as they do in the current organisation. Further, since every part of the organisation may act on its own, there might be a loss in oversight from a team member point of view. Already, some employees found it difficult to know what was going on in other sectors and clusters.

> *It could be better. I have an idea of what is done in my sector. We have a weekly meeting with the sector where you are updated on what has happened recently. Beyond my sector, my insight is limited.*

With regards to standardised solutions, there may be greater advantages to properly document and use settings on components when LogisticsCo grows. At the moment, the settings may not be used due to other tasks being prioritised more. It has been seen that time that is not billable is prioritised less than billable time.

> *All billable time is prioritised over time spent internally.*

There has been a lack of incentive structure when it comes to documentation. As documentation on a company wide level is an efficient way to exchange information and will gain all employees, from an employee point of view, the benefits of documentation do not exceed the time and effort it takes to actually conduct the documentation. There also does not seem to be a standardised way of documenting. While some teams use internal Onenotes, others use the wiki.

As was stated in the background, the LogisticsCo organisation is set up for responsiveness, innovation and effectiveness. One of the aspects of an increase in size is that team-based organisations may become inefficient. An aspect which could reduce the efficiency and was identified in the interviews is issues with reusability in solutions.

I believe that we will differ a lot [between teams]. The customer view of LogisticsCo will be different for different customers. That is a big risk. We will become more and more inefficient. We are already very inefficient since we are not organised to be efficient. We are set up to be good for the customer then and there and everything is custom made. We do not to a great extent reuse solutions which have been done before. [...] To me, there is a limit for how long an organisation can be inefficient.

5 Analysis

In the following chapter, the empirical findings from the primary data collection concerning LogisticsCo will be compared to the secondary data collection regarding the analytical framework and Haier. The chapter follows the disposition of the empirical findings chapter including autonomy, information, team composition, and culture. The chapter ends with a summary of the differences between the organisations.

5.1 Autonomy

The subchapter begins by relating the empirical findings to the analytical framework. The subchapter ends with comparing LogisticsCo to Haier regarding autonomy.

5.1.1 Autonomy at LogisticsCo

As described by Zabjonik (2002) in the literature review, autonomy is a motivating factor. That is, employees in organisations with high levels of autonomy have in general higher motivation than employees working in traditional organisations. In the interviews conducted with LogisticsCo employees, it was seen that freedom and flexibility are strong motivators. In fact, the majority of the interviewees claimed either freedom or flexibility to be the best thing about working at LogisticsCo. As the team members of LogisticsCo are not of significantly lower ability than the managers, using autonomy as motivators aligns with Zabjonik (2002) where decentralised decision-making may enhance motivation. Further, according to the human resource model described by Shani et al. (2008), the worker should be involved in decision-making and in important decisions to motivate them and as a result, improve the performance.

At LogisticsCo, decentralised decision-making is something that varies within the organisation. Sometimes, the teams can act autonomously - sometimes they have to rely on other teams and managers. If a team is about to make a decision and no other parts of the organisation will be affected significantly, the team is free to make the decision by themselves without any approval. Conversely, if other parts of the organisation will be affected, these teams and their respective delivery managers will be involved in the decision-making. Lastly, if the decision is believed to have a strategic impact on the organisation as a whole, senior managers will be involved in the decision-making process.

With the decentralised decision-making the firm will allow not only the team to respond quickly to the customers, but they are also allowed to set up work in the way that suits them the best. Moreover, the aim of being responsive and able to work well in a fast environment gives a positive side effect of increasing the motivation (Zabjonik, 2002).

5.1.2 Comparison to Haier

Regarding Maslow’s theory on the hierarchy of needs and Herzberg’s motivators hygiene theory, achievement and responsibility are factors which positively influence the motivation of individuals (Shani et. al. 2008). Both LogisticsCo and Haier have these types of motivators as key concepts in their organisational structures through autonomy. Although, it can be argued that Haier is more autonomous than LogisticsCo in terms of decision-making. At Haier, the boundaries between the teams are clear. The teams are completely autonomous with full responsibilities. Each team operates as a separate company and is limited by their own resources and capabilities. If a team consistently underperforms, it will either cease to exist or be acquired by another team. This is not the case at LogisticsCo, where collaboration rather than competition is encouraged between teams. At LogisticsCo, the teams consistently provide resources to each other when needed. At Haier, if a microenterprise lacks resources, it turns to the internal or external market. All internal transactions at Haier are billed - everything has a price. This is a key difference between the Haier model and the LogisticsCo model.

5.2 Information

The subchapter begins by relating the empirical findings to the analytical framework. The subchapter ends with comparing LogisticsCo to Haier concerning information.

5.2.1 Internal communication at LogisticsCo

One of the main challenges for a horizontal organisation like LogisticsCo is that there will be difficulties with knowing what is going on in the organisation (Shani et al., 2008). The likelihood of doing the same work twice is higher in an organisation which is organised along with customers or products than those organised around the activities. To some extent, this was noted in the interviews at LogisticsCo. The general opinion was that the employees found it difficult to get an overview of the company's activities. This can partly be explained by the lack of standardised documentation - and the documentation that exists in the forms of a wiki and a Sharepoint either lack in updated content or in functionality. As some interviewees explained, it is often easier and takes less time to build a new component from scratch than to search internally to see if there already exists a similar solution to copy or take inspiration from. If LogisticsCo continues to grow, there is a belief that documentation would be more useful. While standardisation has a positive effect in accessibility of information and reuse of existing solutions, there is a risk that standardisation would decrease the flexibility of the organisation and the possibility to adapt to each customer. Moreover, if the documentation is done in the wrong way, too much documentation could lead to information overflow, and the desired positive effects may never occur.

Furthermore, the exchange of information at LogisticsCo is mainly informal. Much of the information exchange happens in coffee or lunch breaks. There is also an informal title at LogisticsCo called 'brokers'. These are employees who have worked at LogisticsCo for an extended time and are well-informed of the company culture, solutions, and way of working. The exchange of information can be considered to be quite well-functioning within the sectors. Between the sectors and clusters however, the information exchange is not sufficient. While there have been attempts to formalise information exchange on a company-wide level, these have either been unsuccessful or are held not frequent enough.

Information of what happens at different parts of the organisations is not only a challenge for LogisticsCo but a general weakness of organisations of flat structures (Grant, 2016). Due to organisations being organised around the customers or the products, other products and customers of other parts of the organisation are often less prioritised (Shani et al. 2008). Together with the lack of documentation, this leads to inefficiencies. First of all, most work is done from scratch and standardised solutions are not used to a wide extent. While this is partly explained by the customers requiring tailored solutions, it is clear that standardised solutions can be used to a higher extent. Secondly, the lack of communication between sectors can result in other teams being affected when a team is rewriting code or changing a function in a solution. If team A is changing code in a solution which team B is also using, team A must communicate this to team B. This may not be the case today where team A might not even know that team B is using the solution. The preferred way to handle such a case would be that team A communicates with team B even before the change is done so that team B can give input on the change and whether or not the change can be made and then be prepared for the change when it happens.

With regards to information flows to and from foreign locations, there is a smaller overlap of the working hours. Furthermore, due to the relatively strong dependence within the teams, this aspect is considered to have a negative effect on the performance (Andersson & Pedersen, 2010). However, as Andersson & Pedersen (2010) further noted, there is a need for good ICT tools if there is to be strongly dependent structure between countries. In the interviews, it was concluded that the tools most often work well. Though, the small talk and relationship building suffers. This informal communication may transfer important information which consequently risks being lost in cross-national teams.

Shani et al. (2008) describe the team organisation as one where the organisation consists of teams made up of teams. At LogisticsCo, this holds true with teams that make up a sector; sectors which make up a cluster; and clusters that make up the organisation. Shani et al. (2008) further highlight the importance of a well-functioning cross-team integration between work groups in order for information to flow in the organisation. LogisticsCo uses forums where teams, sectors, or clusters gather to create networks within the organisation. However, it was noted in the interviews that poor attendance in these forums sometimes limited the information exchange possibilities. Since attendance at the forums most times is not mandatory, it did happen that specific forums ceased to exist due to low participation and motivation among employees.

5.2.2 Comparison to Haier

Both LogisticsCo and Haier have platforms with the aim to share and visualise information. While it is difficult to assess the performance of the two platforms directly to each other, it can be concluded that Haier emphasises and communicates the importance of the platform internally to a higher extent than at LogisticsCo. In the interviews with LogisticsCo employees, a general opinion was presented that the platform has potential for improvements. Many believed the Sharepoint to be slow and the wiki to not being updated. Furthermore, the communication at LogisticsCo is mainly informal and not standardised, while at Haier - some standardisation exists. For instance, the Saturday meetings at Haier are mandatory while the forums present at LogisticsCo are not. It seems like LogisticsCo to a higher extent rely on individuals for information and knowledge transfer, while Haier uses internal market mechanisms.

5.3 Team Composition

The subchapter begins by relating the empirical findings to the analytical framework. The subchapter ends with comparing LogisticsCo to Haier in terms of team composition.

5.3.1 Team composition at LogisticsCo

At LogisticsCo, the teams are set by the delivery manager. The teams do not have a formal leader. However, the delivery managers at LogisticsCo are the formal leaders of the sectors. As a sector consists of 2-3 teams, the delivery manager is not directly in charge of the teams but rather has a supporting function.

As of now, the team has no responsibility for HR and finance. Instead, these aspects are handled by the HR and finance functions of the firm. If the team needs a new member, it is up to the delivery manager to realise and plan for the new member. As the cost structure is made of hardware, server capacity, and people, then separating the finance and HR responsibility for the teams will be hard. Though, delegating these out would make the team autonomy greater.

5.3.2 Team development and performance

As described in the literature review (Bonebright, 2010), it takes time for teams to reach a performing phase. To achieve the performing phase is something that LogisticsCo continuously strives to accomplish. The fundamental logic to exploit the reasoning of Tuckman's model (see figure 2.1) is to have a short development phase and a long performing phase. Then, the ideal scenario is to split up right before the adjourning phase. In the interviews, two main challenges for LogisticsCo to reach the high-performance phase were identified.

The first challenge concerns the current rapid rate of growth the company is experiencing where many new employees have joined the firm in a short period of time. As a consequence, new people have joined teams in a faster way than would be theoretically optimal. To reach the performing phase, a static phase where the team can develop for an extended period of time is required. If newly recruits join teams which are in this static phase, there is a risk that the team developing process is disrupted. A plausible scenario in this case is that the team never enters the high performing phase - which is something that was noted by some interviewees.

The second challenge is to perfectly time the breakups of teams with the vision to avoid the adjourning phase. It is not reasonable to assume that each team will reach the high performing phase in the same time. Some teams may reach the phase after 3 months while others take 2 years or do not reach the high performing phase at all. LogisticsCo currently breaks up teams after approximately 12 months. According to some interviewees, this was too early as the breakup occurred before the high performing phase even had started. Together with the fact that newly recruited employees may prolong the cycles of the high performing teams, an argument can be made that the 12 months number is too low. At the same time though, the team members might not be the best persons to ask of when to break up a team. A feeling of satisfaction and that ‘everything is going well’ could in fact be an indicator of that the adjourning phase has started.

5.3.3 Comparison to Haier

The main difference in team composition between LogisticsCo and Haier is that at LogisticsCo there is no formal leader of the teams, while at Haier there is. There is also a difference in size. At LogisticsCo, the teams consist of 5-8 employees while at Haier the number is 10-20. The creation of teams and the selection of leaders is quite similar at LogisticsCo and Haier if the assumption is made that a delivery manager at LogisticsCo is equivalent with a leader of a microenterprise at Haier. At both firms, the leaders are selected in a competitive way - at LogisticsCo through a regular recruiting process and at Haier by a committee. The difference here is that the committee at Haier consists of stakeholders, entrepreneurs and customers while LogisticsCo uses a more regular HR department to manage the recruiting process. After the leader is selected, the team members at Haier are chosen exclusively by the leader, while at LogisticsCo the team members are selected through a recruiting process where both the HR department and the delivery manager are involved.

One could argue that it is more logical to compare sectors to microenterprises than to compare teams to microenterprises. In terms of size, it is certainly more reasonable since the microenterprises are larger than the teams at LogisticsCo. From a leader perspective, the sector-microenterprise comparison also makes more sense. However, the team-microenterprise comparison may be more appropriate regarding actual work tasks, goals, and commitments since teams within a sector at LogisticsCo often have different responsibilities and customers.

5.4 Culture

The subchapter begins by relating the empirical findings to the analytical framework. The subchapter ends with comparing LogisticsCo to Haier with regards to culture.

5.4.1 Culture at LogisticsCo

LogisticsCo is about collaboration and openness, which fits in with the supportive culture by Wallach (1983). There are aspects of creativity and dynamic environment as well, relating to the innovative culture by Wallach. However, the organisation is built the wrong way for it to be possible to climb a corporate ladder and there is no possibility of gaining the power of control which is rewarded in the bureaucratic culture (Wallach, 1983).

LogisticsCo will also be rewarding to those with the need for achievement due to the freedom to choose what to do (Shani et al., 2008). This aspect works well with the innovative culture described by Wallach (1983). On the other hand, since the organisation allows people to build relationships and wants openness, it will reward those with a need for affiliation (Shani et al., 2008; Wallach, 1983) and suit the supportive culture (Wallach, 1983). However, there is a difference between the Swedish and Indian part of the organisation, where the Indian part of the organisation needs stronger directions on work and seems to be less collaborative than the Swedish part. This was highlighted by the majority of the interviewees. The hierarchical culture of India does not seem to integrate well into the LogisticsCo flat organisation where freedom and own initiatives are fundamental parts of the organisation. The communication and collaboration issues have become more strategically important in the last couple of years when the Indian office has grown rapidly in size. It was also noted in the interviews that although it could take time, the workers in India were able to adopt some parts of the LogisticsCo culture. The situation had also improved after several Indian workers have visited the Swedish office and vice versa.

There are likely several aspects which explain why there are issues between collaboration and communication between the Indian and the Swedish office. One is obviously the time zone difference. There is only a limited number of hours of which the two offices can communicate directly with each other. The main reason however is the differences in culture. An interviewee pointed out that the hierarchical characteristics of the Indian society were automatically transferred to the office and was difficult to get rid of. Perhaps it would be clever from LogisticsCo's point of view to instead of trying to force the LogisticsCo culture on the Indian office - to accept the differences and adapt the Indian office to the Indian culture. For instance, the delivery managers in Sweden could use more micro-management methods toward the Indian team members. The fact that several teams at LogisticsCo are cross-national make collaboration crucial and the cultural differences must be taken seriously from a LogisticsCo management point of view.

5.4.2 Comparison to Haier

The internal markets work for a competitive organisation. The organisation of Haier is much larger than for LogisticsCo - 200,000 employees compared to 300. This will have a significant effect on the fundamental assumptions of a large number of sellers and buyers of the market economy approach. In the market economy, efficiency is gained by suppliers shifting from markets with low demand to those with high. Competition thereby is fundamental for the market approach to hold (Mankiw, 2009). Price setting is done by the market and thus the cost of setting up a deal will be low. If, however, there would be a lower number of teams, then the supply and demand may not work to the same extent than it would have in a large organisation. The bureaucratic and supportive cultures are either rigid or collaborative (Wallach, 1983), which does not fit on Haier. The innovative culture with its dynamic and entrepreneurial climate (Wallach, 1983), will fit more into the Haier culture that is faster changing and more dynamic.

Thus, fundamentally it can be concluded that LogisticsCo and Haier have different types of cultures. Using the model by Schein (2012), there are values and beliefs that are different in the second layer causing different kinds of cultures. Changing the organisational culture is difficult (Shani et. al., 2008) - and the deeper one goes, the harder it gets. There are however some aspects of the culture that are similar: both have a belief that customers are those who will generate the value for the firms, and that the employees are those generating the value within the firms. Thus, while we see different beliefs with regards to how value is generated within the firm, the view of where the value is generated is the same. Another similarity is that formal titles of team members are mainly used to simplify internal and external communication and not for indicating a hierarchical position.

Since both organisations value people, there are different types of motivators behind the work that is done. Wallach (1983) argues that different types of people fit in different cultures and that innovative cultures fit those with the need for achievement. These people will need to feel free in the working environment and exercise self-direction (Shani et al., 2008). At Haier, that is the case culturally with the enterprises having little direction from above other than profitability requirements. Further, that could be seen in the salary distribution at Haier which is completely performance-based. This aspect also ties into the theory of equity of motivation (Shani et al., 2008), where the pay is directly connected to the performance of the work. At LogisticsCo, the salary is set by the delivery manager and is competency-based rather than performance-based. That is, the salaries are not directly based on the profit contributions generated by the team which is the case at Haier.

As stated, there are aspects of the innovative culture in both organisations. In the Haier organisation, it is most obvious in the use of self-directing enterprises. At LogisticsCo, the most obvious way of seeing the innovative cultural aspects is through the freedom of opportunity and the possibility of choosing the career path. Both organisations are culturally geared towards innovation.

5.5 Summary of analysis

In table 5.1 below, the key findings of the data analysis are presented.

Table 5.1. Differences between Haier and LogisticsCo.

	LogisticsCo	Haier
Teams	The teams are cross-functional with the ability to deliver to the customer and create the product within the team.	The teams work as microenterprises within the enterprise.
Autonomy	The team decides its own method of delivery and how the team should work. The scope of the work and the deliverable is set by the customer.	The microenterprise decides the delivery. The sales microenterprise chooses which team should produce the product and the production microenterprise decides whether they want to produce to the specifications requested.
Information	Wiki, SharePoint and forums. Informal communication.	Market mechanisms. The Haier platform.
Products	Software systems. Integrations into business systems.	Hardware, mixed
Size	300	200,000
Leadership	No clear leader within the team. The role of team leader does not exist.	There is a clear team leader. Challenging the leader is allowed and encouraged if the team considers the leadership to be weak.
Team Composition	The delivery manager selects the teams.	The microenterprise itself elects its team members.
Culture	Collaboration	Competition
Salary	Dependent on several factors.	Performance-based

6 Discussion and Conclusion

The following chapter will relate the analysis and empirical findings to the introduction and research questions. First, key obstacles to consider in order to adopt the Haier model are discussed. Then, a discussion follows regarding whether or not it would be worthwhile for LogisticsCo to implement the Haier model or parts of it. Lastly, contributions to research and practitioners are brought up as well as a call for further research.

6.1 What are the obstacles to adopt the Haier model from a team-based organisation point of view?

To adopt the Haier model, LogisticsCo would need to implement the Haier concept of microenterprises. Although the teams at LogisticsCo in some respects are similar to the Haier microenterprises, there are a couple key differences which have been identified. Firstly, the level of autonomy of the Haier microenterprises is higher than the autonomy of the teams at LogisticsCo. For instance, the Haier microenterprises can choose which projects to take on. They also have full control of internal finance aspects such as remuneration. The microenterprises also elect their own team members. These are all areas where the microenterprises of Haier are more autonomous than the teams of LogisticsCo. Moreover, the microenterprises have a clear leadership which the teams at LogisticsCo do not.

A second aspect where a significant difference between Haier and LogisticsCo was identified is culture - Haier is competitive while LogisticsCo is collaborative. In the literature review it was concluded that the competitive nature of Haier is key for the model to function. The market logic at Haier is likely to reduce the otherwise prominent inefficiencies of network-based organisations - a factor which was identified at LogisticsCo as well.

A major difference between LogisticsCo and Haier is the characteristics of their product offerings. While LogisticsCo is solely B2B, Haier sells their products both B2B and B2C. The majority of Haier’s products are possible to sell with simple transactions. There is no special need to integrate the products into a complex software system as might be the case at LogisticsCo. Also, the products will not need to be customised to each customer. Furthermore, the firms have different customer relationships. With LogisticsCo having close relationships with their customers, Haier has relationships which could be categorised to be more of ‘arm's length’ in nature. LogisticsCo delivers to those who will reap the benefits of the product, while Haier may be one or two steps off through sales to retail and wholesale before reaching end customers.

6.2 Which aspects of the Haier model would be worthwhile and reasonable to implement at a team-based organisation? Which aspects would not be worthwhile or reasonable?

With regards to autonomy - it can be argued that LogisticsCo should strive toward more autonomous teams - especially concerning team composition and recruiting. To involve the team members more in the team composition process would allow for a higher level of autonomy. This was also an aspect highlighted in the primary data collected at LogisticsCo. Moreover, a higher degree of involvement in the recruiting process likely would increase the chances of hiring the right person for the job and perhaps also decrease the time required to educate the newly recruited. This would also allow the teams to have greater influence over their team development and in which development phase they are. The best-case scenario is that an autonomous team composition and more involvement in recruiting would allow for a shorter time until the teams reach wanted levels of high performance.

The limited size of LogisticsCo still motivates the functions of finance and HR to be siloed as they are today. If LogisticsCo continues to grow however, it could be reasonable to have the HR function on cluster-level instead of company-level. As of today and the near future, it is not motivated to place the HR responsibility entirely on team or sector level.

Concerning remuneration, it is not believed to be reasonable to adopt the performance-based way of Haier. The cultural differences between both the firms themselves but also between the Swedish and Chinese general cultures arguably make it difficult for LogisticsCo to work under such circumstances. In fact, to adopt the highly competitive remuneration distribution system of Haier likely would lead to employees leaving LogisticsCo due to the increased uncertainty and job-security.

Regarding culture, it is worth reasoning whether or not LogisticsCo should be more competitive internally. While the collaborative culture has been a key part of the past success of LogisticsCo, the rapid growth in later years have changed the playing field and challenged the company with unprecedented inefficiencies. One could also argue that a culture in fact can be competitive and collaborative simultaneously. However, even though LogisticsCo decides to go in the Haier direction and become more competitive internally, the small size of the firm will limit the possibilities to achieve a state where internal transactions can be made under a market logic. Also, as was seen in the empirical findings, the culture at LogisticsCo is highly valued by the employees. Additionally, Shani et. al. (2008) highlight that cultural change is in general difficult. That is, if the management of LogisticsCo decides to make the culture more competitive, LogisticsCo needs not only to face the challenges of change, but also overcome the preference for the collaborative LogisticsCo culture. Further it is claimed by Wallach (1983) that certain people are better suited for certain organisations. Having this in mind, a change in employee composition in favour of employees preferring competition over collaboration could be necessary. The conclusion is that LogisticsCo has more to lose than to gain from trying to experiment with the culture - a culture which has been a key part of the company's success so far. How difficult a cultural transformation can be was seen at Haier when they adopted the Haier model 1.0 and 2.0. In total, more than 20,000 employees quit due to the change in the organisational culture (Frynas et al., 2018).

Another reason to why it will be difficult for LogisticsCo to adopt the Haier competitiveness is the difference of product characteristics. As Haier's products can be argued to be more standardised, there are higher possibilities of using market mechanisms and set profit requirements on each microenterprise. In an organisation with highly customised products - as LogisticsCo - the products will need high information input into the developing phase of the products. The costs are therefore directly related to the man hours behind said product. Hence, externally there is less possibility to use market mechanisms to decide prices, thus the profitability internally may differ substantially. Consequently, performance-based remuneration which is a key factor of the Haier model will be difficult and irrational for LogisticsCo to implement.

To conclude, there are two major violations which will prevent market mechanisms to work at LogisticsCo. Firstly, highly customised products do not satisfy the requirement of the products on the market to be homogenous (Mankiw, 2009). Non-standardised products will likely at LogisticsCo result in high transaction costs and impair efficiency. Secondly, the prerequisite assumption of many buyers and sellers (Mankiw, 2009) will be violated at LogisticsCo. As Haier has the possibility to fulfill this requirement with its 4000+ microenterprises - it is not possible for LogisticsCo to do so in the near future.

6.3 Difficulties in adopting another organisation's model

As has been seen in this thesis, certain factors will make it difficult for LogisticsCo to adopt the Haier model. In this context, it would be better to take inspiration of Haier and adopt some parts supporting the business of LogisticsCo. The same would hold true for other organisations. Moreover, it has been seen in previous literature that the value offering and the business model create limits for the organisational structure. Lastly, the use of markets in the organisational structure is limited by the size differences of the firms.

To conclude, adopting another organisation's model is likely best approached incrementally in small steps. By just looking at the largest successful case - as Haier's team-based networked organisation - firms may try to implement a model too rapidly and consequently increase the risk of failing. In the case of LogisticsCo or similar firms, the recommended way of adopting the Haier model is to adopt it one step at the time and being aware of which aspects fit the current culture and size of the adopting firm.

6.4 Contributions

Through a case study, this thesis has highlighted the obstacles presented to a firm aiming to adopt a network-based organisation - more specifically the organisation of the Chinese home appliances manufacturer Haier.

6.4.1 Contributions to research

To research, this study has contributed by reducing a research gap regarding adopting a network-based organisation. While other organisational models such as i.e. the Toyota Lean production system has been frequently studied, the same does not go for innovative network-based organisations. While some research on Haier has been conducted in later years, there is limited research in the context of how the model would work in other organisations in other countries.

Just as when adopting the Toyota system (Bortolotti et al., 2015), the findings of this study showed that culture, just as when adopting other models, is a significant factor to consider when adopting a network-based organisation. Although, there were factors found in this study which are not highlighted in the literature about the Toyota system and could potentially be significant exclusively when adopting a networked organisation. These are that the size of the firm is crucial in order to reach a state where internal market mechanisms can work - hence reducing the risks of double work and not utilising existing knowledge within networked organisations.

Lastly, the contributions to literature are factors which need to be further researched. Since the scope of the thesis limited the possibilities to statistically verify the findings, a call for further research is motivated. However, this study does make for a starting point in trying to find causal relationships within the topic of adopting a networked organisation.

6.4.2 Contributions to practitioners

For practitioners, this report highlights points to consider and analyse when adopting another organisation's model. The findings showed that there are several key factors to consider:

- Cultural differences may lead to internal resistance among employees and obstruct the adoption process. In fact, in the 10 years after the launch of the Haier model at Haier, over 20,000 employees left the company (Frynas et. al., 2018). That is, the Haier model would work best for organisations with a competitive culture internally. If the adopting firm has a collaborative and supportive culture, difficulties may arise when adopting the model.

- The size of the firms will have an impact. In the case of Haier, it seems like a large size is a requirement to fully adopt the model. However, parts of the Haier model can be adopted and could lead to internal improvements. Though, one must consider the overhanging risk of inefficiency before adopting a network-based model.

- The product offering of the adopting organisation could reduce the possibilities to adopt the Haier model. For instance, it was shown in the case of LogisticsCo that their product offering of customer made solutions would not be a great fit with the Haier model.

6.4.3 Future research

For future research, a call is made for the Haier model to be analysed in the setting of a larger firm. The findings of this report build on theoretical models using assumptions where the Haier model can be discredited through these models. However, in the case of a company with similar type of culture or size, the results of the study may be challenged.

Another aspect worth researching further is to use some form of quantitative study on the impact of a set of design variables on the likelihood of success in adopting a network-based model. The factors mentioned in this study would then be measured in terms of level of importance such as i.e. pre-requisites, preferable, or negligible. This also would lead to the model being statistically tested.

Lastly, a study on internal billing practices may be interesting, especially from the point of view of smaller firms. Potential fields of study would be economics and game theory.

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8 Appendix

Interview questions

Introduction

[Describe briefly who you are and the background of the study]
[Ask if the interviewee is fine with recording the interview]
[Discuss confidentiality aspects - if they want to say something off record, they are free to tell us to stop the recording]

When did you join LogisticsCo?
Which cluster/sector/team do you work in? What is your role/responsibility?
Can you describe the process from customer request to delivery?

Autonomy

Who is responsible for the planning process? How does the planning process work?
Which decisions can be made by the team? Which decisions need approval from further up in the organisation?
What is the process like in these different kinds of decisions?

Motivation

Which KPIs are currently used to measure the performance of the employees?
-How are the results used?
How is salary levels set in the teams/sectors/clusters?
Have you ever felt that there is any competition/rivalry between the teams/sectors/clusters? Is that positive or negative?

Communication

How are customers involved, and what does that mean for the delivery process?
When a new employee is introduced to a team, what information is given to the new employee regarding other teams/sectors/clusters and the interaction between these?
Who is responsible for giving the new employee the right information and introduction?
How do you go about searching for information or knowledge within the company?
Is there an existing platform where you can share resources/knowledge/experience between teams/sectors/clusters?
What is your opinion on the platform? Do you use it? Do people use it? What are the positives/negatives of the platform?
Could you give us an example each of one successful and one less successful time when the teams or sectors have collaborated that you have experienced?
Which factors need to be considered to achieve a well-functioning interaction between the teams/sectors/clusters?
Imagine if the interaction between teams/sectors/clusters was standardized through a framework - how would that framework look like? What are the positives and negatives of such a framework?
When you need to communicate with people outside you own team, which difficulties exist?
Does your team include employees in India/UK/USA?
-how does this affect the team?

HR
How does the recruiting to the teams work?
If you would need someone new in your team, how would you go about doing that? What does the process look like?
How do you communicate with HR?

Finance
To which extent are you in control over your own budget and financial planning?
How is the process when you request resources - how does the communication with the Finance staff go about?
Do you have a specific Finance person assigned to your team/sector or does it depend?
Future
What are the key challenges for LogisticsCo in the upcoming years? 400/4000 employees
Is there anything else we should have asked today that you want to bring up?
Who else should we talk to at LogisticsCo?