You’re In or You’re Out
An In-Depth Study of Zara Sweden’s Foreign Liability

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Abstract

Recent media articles have illustrated different human resource management problems within Zara Sweden and the retail industry in Sweden. In these articles numerous employees speak about mistreatment and abuse at Zara Sweden. A union official states that Zara is not a unique case, but more so a representative case of the retail industry. Adding to this Zara Sweden has not performed well financially and they state that they are still trying to adapt to the Swedish market.

There is plenty of research explaining the relationship between human resource management and performance. Furthermore, a lot of research urges international companies to be locally responsive especially in their people management. To understand the level of local responsiveness it is important to first examine the cultural disparity between the organization and the employees, for this Hofstede’s cultural dimension was used. With this background the study explores Zara Sweden’s level of local responsiveness as well as their general human resource management practices from three perspectives. Semi-structured interviews have been used to understand the employee perspective. The two other perspectives come from the Annual reports produced by both Inditex and Zara and media articles.

Our findings demonstrate that media perspective and employee perspectives comply well with each other. However, there is a great disparity between the annual report perspective and the other two perspectives. The results show three major HRM liabilities, the sole use of internal promotion, general employee dissatisfaction and the lack of local responsiveness. Our aim is that this study will benefit the Swedish retail industry, to perhaps understand performance issues through study. Also, benefit Zara and Inditex if they have similar problems in other countries and the study might explain their lack of financial performance in the Swedish market. In general, this research could assist companies that are expanding into the Swedish market, seeing it emphasise the importance of regional adaption.

Key words: Local Responsiveness, Human Resource Management, Cultural Disparities, The Retail Industry, Sweden
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1. Introduction

1.1 Preamble

Today’s clothing retailers in Sweden are faced with a variety of complications. According to SVT (2012) who is a representative of the retail trade union in Sweden, they receive calls from many employees who bear witness to threats, harassment, and bullying in several major clothing companies. One of these clothing giants is Inditex and with is leading brand Zara; they have conquered Europe (The Economist, 2012). Zara is no exception to these accusations and complications by their workers in Sweden, but somehow have managed to continue to be viable. The Economist (2012) speaks of Zara’s parent company Inditex’s business model being celebrated. They elaborate by stating “its supply chain is short and Inditex can react quickly to new trends” (The Economist, 2012). In order to elaborate on Zara’s success in depth we can take a look at their contribution to their parent company Inditex. Zara’s success as a company can be evaluated, by looking at Inditex’s 2010 annual report it can be seen that Zara is contributing to total sales by 64.6%, they have 1,723 stores including 205 Zara kids’ stores, and they’re present in 80 countries total as of 2010. From this information it can be seen that Zara is a huge company that contributes a lot of success not only to itself but to its parent company Inditex.

Financial success might be a key goal for large organizations like Zara, however to understand the contribution to these figures stated above one can begin to look at the organization of Zara itself. How it is that they treat their employees and manage their human resources. In this case Inditex’s 2010 annual report is reporting an 8.49% new rate of employee, this is not to be confused with turnover. A case study by Zeynep Ton, et al. (2009) reports Zara’s employee turnover as 15-30% overall internationally which is low in comparison to other companies of this magnitude. Supporting this claim Inditex’s 2010 Annual Report presents scores of their sustainability yielding a 55% according to their calculations for development of human capital compared to the industry’s average 29%. Furthering this Inditex presents a score of 60% for gaining and retaining talent with an average industry score of 36% (Inditex Annual Report 2010). With this information one can deduce that Zara’s ability to retain employees is quite effective compared to competitors. With that in mind we now turn to a media source that may contradict this deduction of reasoning. Swedish TV show Uppdrag Granskning’s 2012 article by Peter Bagge and Jorun Collin state that Zara’s management is out of control and employees felt compelled to speak out against it in Sweden. Peter Bagge and Jorun Collin (2012) continue to elaborate on the voices of the Swedish employees writing that Zara’s management has a poor sense of care for their employees.

The paradox here is a peculiar one, in that Inditex and Zara are reporting a satisfying development of human capital and gaining and retaining talent scores which suggests that employees are satisfied with their work, workplace, and management. On the other hand we have media dating
back to 2009 reporting that the management in Sweden is poor and employees seem to be unsatisfied with said management, yet with the turnover rate they seem to stay regardless of this factor. What makes this an even more interesting paradox is Zara Sweden’s lack of financial performance, compared to its parent company Inditex. Like a youth curious about the world, the big question here is why?

1.2 Background

Zara claims to be one of the largest international fashion companies with its popularity that can particularly be seen within Europe. Its parent company, Inditex, is one of the world’s largest distribution groups. Zara has proven itself to be unique with their business model that has allowed them to position themselves strategically against their competitors. With Zara’s business model including design, production, distribution and sales through their extensive retail network, it has been able to position itself within a unique category by claiming their customer is at the very heart of this model. (Inditex’s Annual Report, 2010).

Zara has created a business strategy that holds its key to differentiation within the activities of its supply chain, which has allowed it to position itself competitively and sustain itself in the long run (Pearson, 2011). From this example we can see that Zara has a knack for doing things much differently than their competitors. The company pre-commits to 50%-60% of its production in advance of the season to ensure facilities of production are available when needed, which is in opposition to their competitors who pre-commit 80-90%, according to Pearson (2011). Pearson (2011) makes a comparison between Zara’s spending and its competitors spending on advertising, while Zara has spent 0.3 percent of their sales on advertising while their competitors spent 3-4% of their sales on advertising. Pearson (2011) concludes that Zara has fine tuned their supply chain so much so that it has become a strategic necessity for competitors to compete with Zara and its business model that has earned them the worth of £2.5 billion (Pearson 2011). With this kind of success that can be attributed to numbers, a question of culture at Zara comes up. What kind of culture is Zara facilitating that allows them to continue this success and positioning when competing against other clothing brands? Pearson (p.2, 2011) states “Some say Zara’s real strength is its well developed culture, and that isn’t something that can be easily knocked off”. With this praise one can ask the question why Zara has failed to be a success in Sweden. From Zara Sweden’s annual report 2010 their income statement depicts negative profits. Adding to this an article by Lindberg (Sundsvall Tidning, 2010) states that Zara is making big financial losses in Sweden and that they have closed three stores in Täby, Sundsvall and Örebro. Figure 1 depicts these financial losses starting from the year 2006.
Below in figure 2 we can see a comparison of Zara Sweden’s profit margins with Inditex and Cubus. Cubus is a retail chain, owned by a foreign company, which started operations about the same time as Zara did in Sweden.

Many would claim that one of the primary goals of large companies such as these are profits. These comparisons bring an interesting notion, especially the comparison of Zara and its parent company Inditex. We can see that there is a huge difference between their profit margins in Sweden, which leads into a curious question as to why this is the case and what is Zara doing in terms of their Human Resource Management.
A lot of authors have written about Human Resource Management aspects, authors such as David Guest, Gretchen Spreitzer, Christine Porath, Paul Boselie, Ton van der Wiele, and Jeffrey Arthur. These authors have been able to prove through case studies and studies of their own that there is in fact some kind of correlation between employee satisfaction and overall company success. It would seem that much of the literature suggests how human resources should be managed in order to produce maximum output. Theory seems to lack analysis through up-to-date case studies, in the retail industry, of possible effects employees can have on organizations, and vice versa, and how that in turn affects the viability. In specific for international companies that are receiving negative attention through local media about their HRM practices.

1.3 The Problem Statement
With much research being done within the area of human resource management, employee satisfaction and its effects seems to fall short in drawing conclusions between international types of HRM and the effects they have on employee. It would be interesting to see the current retail industry’s fast paced perspective analyzed to gain this particular insight. The insight gained could not only yield how effective these types of organizations are, but also how past theory can be applied in a current setting to be used as a measure of effectiveness in these organizations. Lastly to reveal how these organizations are adapting themselves internationally and how effective these organizations are at carrying this adaptation out.

1.4 The Research Objective
The focus throughout the account is to further the understanding of Zara’s current human resource management, by investigating through a qualitative study, the possible effects that will promote or hinder their performance management, and overall company success in Sweden. This will gain insight into Zara’s human resource management but also shed light on people management and local responsiveness which is proclaimed to be the most sensitive to local context (Evans et. al., 2011). The research carried out is intended to investigate why the perspectives given of Zara’s human resource management through media, annual reports, and their own employees have raised, what knowledge they can provide, and how the knowledge of these perspectives can be analyzed through human resource management theory.

The theories presented in the following chapter will aid in deducing to what degree their local responsiveness is affecting their employees in Sweden and how that affects their performance in Sweden. These theories help understand how it is to manage an organization’s employees along with being locally responsive to the host country in order to gain the best possible output from employees and the best degree of success within another country. After exploring different perspectives of Zara through this theoretical lens we want explore what kind of HRM practices are crucial, in regards to adaptation, for international companies in the retail industry in Sweden in order to be successful?
1.4.1 Research Questions

- What knowledge will the perspectives of media, company annual reports, and employees bring to the notion of Zara’s human resource management?
- How can Zara’s human resource management be understood from a cultural perspective, coming from Spain integrating itself into Sweden?
- What are the effects that Zara’s local responsiveness has had on its performance management, and how has that contributed to Zara’s success or lack thereof?

1.5 Structure of the Report

To better the reader’s overview of the report we provide a short introduction to each chapter.

**Chapter 2 - Theoretical Framework**
In this chapter three major theories are presented. First, performance management describes different human resource management practices and their relationship to performance. The second part of the theoretical framework consists of local responsiveness theories that clarify the importance of regional adaptation for multinational enterprises. Lastly, Hofstede’s theory of cultural dimensions is used to provide a general cultural difference between Spain and Sweden.

**Chapter 3 – Methodology**
The methodology chapter provides the reader with information concerning our research strategy and design. This chapter presents a thorough and descriptive explanation of our choices as well as the report’s weaknesses and strengths.

**Chapter 4 – Empirical data**
Three perspectives are given to human resource management and local responsiveness. The first perspective consists of media articles, followed by Inditex perspective which is portrayed with the help of their annual report from 2010. The third perspective and the main focus is the employee perspective, consisting of four qualitative semi-structured interviews with former and current employees at Zara Sweden.

**Chapter 5 – Analysis and Discussion**
This chapter is where we analyze our empirical data through our selected theories. There is also three sections in this chapter; human resource management, culture analysis and local responsiveness.

**Chapter 6 – Conclusion**
In the conclusion we point to the factors our analysis proves to be the most important for Zara Sweden’s human resource management. These are further discussed and finally applied in a model.
2. Theoretical Framework

2.1 Performance Management

Performance management is a practice that is crucial to managing employees. According to McKenna and Beech (2008) performance management incorporates the review of past performance and the setting of objectives for the future. McKenna and Beech (2008) continue to say that a distinguishing feature of performance management is its integrating strength in aligning various processes with corporate objectives. With this being said this section highlights theories that lean more toward the aspects that affect corporate objectives through performance management. This will further the employee perspective and what it might take to manage employees’ performance to get the best outcomes for organizational objectives.

2.1.1 Employee Satisfaction

Much research has been done to understand what it takes to keep employees satisfied, in order to get the best outcomes for an organization and their objectives. Guest (2001) performs research to confront the challenges facing theorists who engage in large-scale, survey-based empirical work. Guest (2001) argues that employee satisfaction is positively related to comparative productivity and reduced labor costs. From this simple argument it can be deduced that there is an importance to employee satisfaction for organizations to take into account. Guest (2001) builds two models that support his argument, stemming from his empirical analysis through survey.

Figure 3: David E. Guest (p.1095, 2001)

The model above shows how the number of HR practices leads to a certain amount of employee satisfaction that yields positive outcomes for an organization. These positive outcomes then lead to a certain amount of financial performance and sales. This is something an organization wants
and these models will aid the researchers in having a set of standards to utilize when measuring the number of HR practices at Zara.

Figure 4: David E. Guest (p.1096, 2001)

This second model of Guest’s (2001) shows the link between the number of HRM practices leads to a certain amount of employee quality, commitment, and flexibility. This leads to a certain amount of productivity and quality of goods and services for an organization that has a link to a specific amount of financial performance for an organization. From the model one can also see that the level of trade union membership an organization is at has a positive effect on the quality of goods and services provided.

These models will aid in further understanding what kind of affect human resource management practices have on employee satisfaction, quality, commitment, and flexibility. As well as provide sets of positive outcomes that can be used to measure how positive of an impact human resource management practices are having on employee satisfaction, quality, commitment, and flexibility at Zara.

There are various methods that tie in employee satisfaction with organization’s objectives. Spreitzer and Porath (2012) have found good reason to care for employees and shape them into what they call a thriving employee in order to facilitate a consistently high performing workforce. Spreitzer and Porath (2012) identify two components that make up a thriving employee. The first being vitality which is defined by them as the sense of being alive, passionate, and excited. They claim that employees that experience this spark energy in themselves and others and that companies do this by giving people a sense that what they do makes a difference. The second component is learning which is defined as growth that comes from gaining new knowledge and skills. They claim that learning can grant a technical advantage and a status of expertise.
Employees who fit this description have demonstrated 16% better overall performance, 125% less burnout than their peers, with 32% more commitment towards the organization, and 46% more satisfied with their jobs according to the statistical analysis of Spreitzer and Porath (2012). It can be argued that these two components are influenced heavily by the employee themselves and that the organization merely needs to provide employees with the work they are expected to perform; however it can also be argued that organizations must create an environment that facilitates and allows employees with these qualities to flourish. Spreitzer and Porath (2012) name four methods as to how organizations can nourish this kind of environment.

1. Providing decision-making discretion
2. Sharing information
3. Minimizing incivility
4. Offering performance feedback

Either one of these can be argued to better the organization and workplace as a whole, particularly the fourth method seeing as McKenna & Beech (2008) offer several appraisal methods with which to provide proper performance feedback. Spreitzer and Porath (2012) state, that these mechanisms don’t require an enormous amount of effort or investment but only leaders who are open to empowering employees who set the tone. From this theory we can deduce that through small methods an organization can create an environment in which employees are able to thrive, which only compliments and adds on to Guest’s (2001) model involving employee satisfaction, quality, commitment, and flexibility.

Generally HRM can serve as an enabler. A company that “treats their employees well” can expect lower absence, higher satisfaction, greater willingness to stay with the company and higher effort from the employee. These factors will provide lower costs for the company, but this is also achievable through outsourcing. Because of this the real benefits of ethical HRM will be a greater willingness to trust management, greater willingness to change, a “they will treat me fairly” feeling and more room for maneuver for management according to Paauwe (2004).

This research and theorizing will help analyze Zara the results of our empirical research in order to measure just how effective Zara is within these four fields which will then lead to a deduction in thinking in order to provide simple solutions or to support what is already happening at the workplace in Zara.
2.1.2 Employee Turnover

Research in this field of performance management has been extensive and its most basic origins are tied to performance management. Arthur (1994) hypothesizes and concludes with the idea that turnover results in decreased productivity. In order to come to this conclusion Arthur (1994) speaks about two types of distinct approaches to shaping employee behaviors: Control and Commitment. The control approach has its goal set on reducing direct labor costs and improving efficiency by enforcing employee compliance with specified rules and procedures and basing employee rewards on some measurable output criteria. Arthur (1994) warns against this approach stating it can be met by strong resistance from a unionized work force. The commitment approach shapes desired employees behaviors and attitudes by forging psychological links between organizational and employee goals. This approach is characterized by higher levels of employee involvement in managerial decisions, formal participation programs, training in group problem solving, and socializing activities and by higher percentages of maintenance or skilled employees and average wage rates. As suggested, one can deduce that this type of approach is more humane than the control approach and allows subordinates to develop a relationship with their superiors while still maintaining a professional and structured hierarchy. This ties in nicely with employee satisfaction seeing as Spreitzer and Porath (2012) suggest their own humane approach that links employees together through their theory of a thriving employee.

This theoretical aspect is practical and helpful towards the analysis of empirical data of this thesis seeing as it provides a basic understanding of a traditional human resource management performance approach and gives insight into the factors that can affect employee turnover negatively and positively from a human resource management perspective.

2.1.3 Employee Satisfaction and Turnover

To tie the two sections previous to this one we turn to Boselie & van der Wiele (2001) who conclude that employee satisfaction is negatively related to intention to leave the organization through their study. Their analysis reveals a correlation matrix that depicts a higher level of employee satisfaction is correlated with a lower level of having the intention to leave the organization. Their analysis also concludes that high scores in cooperation within business units, leadership, and salary lead to high scores on employee satisfaction. They’ve also concluded that older employees, female employees and employees with children at home are more satisfied than employees who are younger, males, and without children. They continue to conclude that positive perceptions of individual employees on human resource management concepts lead to a higher level of satisfaction and less intention to leave the organization. Lastly they conclude that in order to keep employees in the organization, organizations have to create demanding jobs, supportive management and a coaching style of management, clear views on the objectives of the organization and a good payment structure.

This theoretical aspect of performance management allows us to see what factors affect employee turnover in a positive and negative light, and what it is that organizations need to do in order to
keep their employees in order to contribute to their success. Boselie & van der Wiele’s (2001) analysis provides a basic understanding as to what factors influence employee satisfaction and their intention to leave. Lastly this will allow us to have predetermined ideas of what to expect out of the analysis of the interviews at Zara in terms of employee satisfaction and probable reasons for employees staying with the organization or leaving.

2.1.4 Internal Promotion

Promotion and recruitment of workers is a delicate process. Businesses today face the challenge of choosing to either promote from within or recruit from without, and face the advantages and disadvantages that come with those choices. Safsudd (2003) writes that in all recruitment processes there is an element of information uncertainty that recruiters and promoters must face, no matter how well known the candidate is for the position; the less possible candidates are known to the recruiters/promoters the greater the information uncertainty becomes. Research has shown that recruiters attempt to select managers by using a great number of variables as a means to judge the ability of the candidates for the position, such as education. Blaug (1976) cited in Safsudd (p.118, 2003).

Internal promotion is one of the many ways that businesses can fill a position by choosing an employee from within the company. This has the benefit of aiding not only the employee but the company as well, because there are certain characteristics gained from working within the company and being promoted. Safsudd (2003) generalizes these characteristics as firm-specific knowledge, whereby employees learn and have embedded within them the values of the organization. Internal promotion has the argument that firm-specific knowledge will aid employees in reaching higher hierarchical levels, but can turn out to be a liability when new knowledge and perspectives are needed for a particular position within the organization (Safsudd, p.119, 2003). In order to counteract this limited thinking it is argued that when control systems value firm-specific knowledge to the degree that it will aid employees to reach higher hierarchical positions, that this has a tendency to recruit external managers with varied backgrounds in order to provide different perspectives to the organization (Safsudd, p.119-120, 2003).

Thus Safsudd (p. 120, 2003) makes the argument that internal recruitment happens due to a need for firm-specific knowledge and external recruitment occurs due to a need for varied experience, although expertise may be demanded. Internal promotion has the benefit of providing employees who have unique skills that are particular to the organization to the degree that it cannot be found within an external recruitee. Internal promotion is needed in order to be able to retain employees and for those employees to develop firm-specific knowledge (Safsudd, p.123, 2003). Making a vague connection to employee satisfaction it can be argued that to a certain degree internal promotion is needed within an organization in order to give employees something to strive for. Safsudd (2003) states that a long-term relationship is needed, where the employer compensates the employee in the form of job security and promotion possibilities for their investment in
gaining firm-specific knowledge from the organization that cannot benefit them outside of the organization. Safsudd (2003) argues that while this may be true, having employees compete with each other for these compensations may diminish internal promotion and employee’s motivation, which may also happen if internal promotion is not made a general practice because the visibility of the employee’s investment is reduced which in turn may reduce the motivation of other employees that are investing their efforts in gaining firm-specific knowledge. Of course this is all only worth considering from an employee’s perspective if the firm-specific knowledge is highly valued in the organization, because if not it will not yield the results of higher hierarchical positions for employees (Safsudd, p. 138, 2003).

Bringing to light an interesting point of view concerning firm-specific knowledge is that managers may still reach higher hierarchical levels i.e. being internally promoted without firm specific knowledge, by instead having varied corporate experience combined with a varied function experience which is the same reason for organizations to turn to external recruitment (Safsudd, p. 147, 2003). Lastly a curious light is shed through Safsudd’s (2003) results and that during the recruitment process a perceived friendship with a prominent person in an organization will indeed influence an employee’s reputation more than an actual friendship with a prominent person i.e. being friends outside of the organization.

2.1.5 Local Responsiveness

Plenty of research shows that multinational companies that enter new markets may have a disadvantage compared to local competitors. The companies can decrease this disadvantage by continuously working with local responsiveness (Evans, Pucik & Björkman, 2011). There are a lot of factors contributing to this disadvantage. The source of the effect lies in the culture and institutions of the home country of the company. The mechanism through which the effect manifests itself is that the company tends to hire more people from the home country and administrative preferences from the home country are embedded in the organization (Noorderhaven and Harzing, 2003). The foundation for a successful local responsiveness is management localization and of all management domains, people management is generally seen as the most sensitive to local context. Differences in local context can be found in a lot of factors, e.g. employee training, firing/hiring and overtime view. People management tends to adhere towards the parent company norms. Companies should attract and develop capable local talent to achieve successful localization. Three steps are suggested to accomplish this; visible presence in the local labor market, adjust selection criteria according to environment and sell careers, not just jobs. Because of the problems with attracting and retaining talented locals some companies choose to “grow their own timber” (Evans, Pucik, Björkman, 2011). With local responsiveness comes a business advantage. By presenting a local face and acting like one of the domestic firms, the foreign firm might reach a wider customer base and compete better on the local labor market.

This theory provides an understanding of the relationship between Inditex and Zara. This is an important relationship to understand seeing the parent-subsidiary relationship place a big role in
the preference of administrative practices by the company. People management, HRM, tends to adhere from the parent company. Therefore it is important to investigate from where the HRM practices come from. This theory suggests that using local HRM practices might benefit a company. Furthermore Rugman and Verbeke (2008) provide a regional solution for problems with local responsiveness.

**Regional Solutions**

Rugman and Verbeke (2008) analyze the transnational solution for multinational enterprises, MNE, by Barlett and Ghoshal (1989). The transnational solution suggests among other things how to manage the transformation toward a transnational company, with the underlying assumption that firms have widely dispersed assets and sales. First, there should be a respect for the firm’s specific administrative heritage, i.e., the MNE should build on existing strengths that caused the initial stages of international success. Second, extensive socialization, i.e., devote a lot of attention to the physiology and psychology of the organization rather than only on the organizational structure with its focus on hierarchy and internal pricing tools. Third, assign roles to the different subsidiaries based on the attractiveness of their location. Rugman and Verbeke (2008) find that these condition for the transnational solution needs to be adapted in order to be effective in practice. Socialization should be available at a rather low cost; the MNE should be easily decomposed into a portfolio of interdependent national units. They argue that most large MNEs have not been as successful, when it comes to market performance, abroad compared to their home region. A different firm specific advantage – country specific advantage composition is required for abroad regional markets. Furthermore, that a regional component in structure and strategy may help a lot with the managerial challenges the MNE faces abroad. The authors suggest that most MNEs, virtually all of them, need a regional solution rather than a transnational solution. This is because such a small percentage of MNEs can be classified as global. To have a global market presence less than 50 % of sales have to happen in the home region of the triad and 20 % in each of the three regions of the triad. The triad is basically North America, Europe and the Asia Pacific. MNEs usually have a hard time replicating their home region sales in other parts of the triad. There is a different market presence in different regions which suggest that these regions should be handled differently, concerning managerial attention. If the MNE wants to penetrate a market they need to adapt to host region requirements and their structure and with the need of being regional there is a greater use for a regional solution than a transnational one. In addition, limitations with the transnational solution could be that the administrative heritage might not be effective in the host country. Market success in a host region might be easier to achieve with regional adaptation.

The main advantages with a regional component and focus on national responsiveness as well as the weakness with the transnational solution are three. First, MNEs need to do more than just build on their administrative heritage. One size does not fit all and regional solutions need to be adapted. Second, companies focus on socialization at the expense of organizational structure.
Third, companies that manage national subsidiaries as a set of interdependent businesses tend to lose the regional differences.

Since market success might be easier to achieve when a company is local responsive and Zara Sweden’s financial situation is not looking very good despite their complemented business model, this theory provides a good foundation to analyze whether Inditex and Zara are trying to achieve a regional adaptation and perhaps provide a solution if a problem is identified in our empirical results.

2.2 Dimensions of national culture

Hofstede’s cultural dimensions serve as a tool to analyze and describe the responses of our interviewees as more Spanish or Swedish oriented, particularly those questions that are centered around getting a feel for the culture at Zara and the way of managing at Zara in Sweden. Hofstede (2010) presents six different cultural dimensions. These cultural dimensions make it easier to compare cultural differences between countries. There is a great difference between Spain and Sweden and consequently Hofstede’s cultural dimensions theory reflects that. One dimension, Long Term Orientation, is not covered because of the similarity between Spain and Sweden. Below are each of the dimensions accompanied with their respective definitions and the main questions Hofstede used in order to get the most insight out of these dimensions. Below a short description of the cultural dimensions, the aspects by which the dimensions were measured and a review of the difference between Sweden and Spain according to Hofstede (2005) is presented.

**Power distance**

According to Hofstede (2005) this is the dimension that deals with how societies handle inequalities between people, this dimension deals with aspects of societies such as hierarchies and the distribution of power among people.

1. How frequently, in your experience, does the following problem occur: employees being afraid to express disagreement with their managers?
2. Subordinates’ perception of the boss’s actual decision-making style
3. Subordinates’ preference for their boss’s decision-making style

**Individualism / Collectivism**

Hofstede (2005) states that this dimension handles the ideas of tightly or loosely knit social frameworks and how well individuals are expected to take care of themselves and their immediate families.
Individualism:
1. Personal time: have a job that leaves you sufficient time for your personal or family life
2. Freedom: have considerable freedom to adopt your own approach to the job
3. Challenge: have challenging work to do – work from which you can get a personal sense of accomplishment

Collectivism:
1. Training: have training opportunities (to improve skills or learn new skills)
2. Physical conditions: have good physical working conditions (good ventilation and lightning, adequate work space)
3. Use of skills: fully use your skills and abilities on the job.

Masculinity index

Hofstede (2005), states that this dimension deals with how competitive individuals in societies are and how cooperative they seem to be. Masculinity leans more towards the competitiveness while cooperativeness is usually associated with more feminine societies.

Masculine:
1. Earnings: have good opportunity for high earnings
2. Recognition: get the recognition you deserve when you do a good job
3. Advancement: have an opportunity for advancement to higher-level jobs
4. Challenge: have challenging work to do – work from which you can get a personal sense of accomplishment.

Feminine:
1. Manager: have a good working relationship with your direct superior
2. Cooperation: work with people who cooperate well with one another
3. Living area: live in an area desirable to you and your family
4. Employment security: have the security that you will be able to work for your company as long as you want to.

Uncertainty avoidance

This is the dimension that covers ideas of how worried societies are of risks happening and how well they plan against those risks. Hofstede (2005) states the fundamental issue is how a society deals with the fact that the future can never be known.
1. How often do you feel nervous or tense at work?
2. Agreement with the statement “company rules should not be broken”
3. How long do you think you will work for Zara?

**Indulgence versus restraint**

This dimension deals with the aspects of whether or not basic human needs for enjoying life are satisfied or suppressed and regulated with social norms created within those societies.

1. Happiness. Would you say you are very happy, quite happy, not very happy or not at all happy?
2. How much freedom of choice and control do you have over the way your life turns out?
3. Leisure, How important is the following in your life – family, friends, leisure time, politics, work, religion, service to others

**Results of Hofstede’s research**

**Spain**
Power distance: 57/104  
Individualism: 51/91  
Masculinity index: 42/110  
Uncertainty avoidance: 86/112  
Indulgence versus restraint: 44/100

**Sweden**
Power distance: 31/104  
Individualism: 71/91  
Masculinity index: 5/110  
Uncertainty avoidance: 29/112  
Indulgence versus restraint: 78/100

Considering the definitions of these dimensions and the numbers that represent these two countries we can see that there are, in some cases great disparities between the numbers. Taking a look at one of the first great disparities we can see that Spain’s masculinity index is much higher than that of Sweden’s. The Spanish seem to prefer more achievement, assertiveness, and material reward, garnering a type of competitive nature amongst people in a Spanish oriented society/organization; however this is speaking within the context of comparison. Geert Hofstede (Spain, 2005) states that managers like to consult their subordinates in order to understand their opinions/interests and make decisions according to it. Swedes on the other hand are less worried about these factors and seem to be more concerned with a type of cooperation, modesty, and
consensus rather than a type of competition, again speaking in the context of comparison. Geert Hofstede (2005 Sweden) states that an effective Swedish manager is supportive of his/her people and decision making is achieved through involvement. With the comparisons showing a disparity between the two here but Hofstede’s comments about each culture showing similarities it can be deduced that the degree to which the cooperative nature is within the cultures is the difference.

The next disparity seems to show within the uncertainty avoidance index. Those from a Spanish oriented society seem to reflect a greater uncomfortability when it comes to uncertainty and ambiguity while those from a Swedish society are not. Geert Hofstede (Sweden, 2005) states that people from Sweden believe there should be no more rules than necessary and if they are too ambiguous or don’t function, they should be abandoned altogether. This would reflect the notions that those coming from a Spanish society have more rigid codes of behavior and are less tolerant of unorthodox behavior within a society/organization. For Spain Geert Hofstede’s comments (Spain, 2005) state that people in Spain like to have rules for everything because change causes stress; however at the same time members are obliged to avoid rules that make life more complex and confrontation seems to be avoided due to the fact that it causes great stress. There is also a great concern for changing ambiguous or undefined situations (Geert Hofstede, Spain, 2005).

Moving on to the next biggest disparity between these two cultures, one could argue that one conducts themselves a certain way because it satisfies their instinctual nature to enjoy life. The indulgence vs. restraint index between Spain and Sweden seem to be another differentiating factor. The numbers from the dimensions of culture would suggest that those from a Swedish society or organization are less concerned with regulating how it is that members of their society/organization achieve self-gratification and pleasure. On the other hand those from a Spanish culture seem to be more rigid and controlling when it comes to making the comparison between the two.

With this in mind we can then talk about how it is that each country views hierarchical structures, since these are the basis for creating rules and regulations. As the numbers from the power distance index seem to reflect, Spain is concerned with creating a structure in which everyone has their place and members of these societies accept that power distribution is more unequal the lower you are within the hierarchy. Geert Hofstede (Spain, 2005) states that with the given index for power distance management controls the boss require information from subordinates and they expect to be controlled by the boss. In comparison the numbers seem to reflect that Sweden’s hierarchical structures seem to strive for equality amongst its members and have the power distributed amongst them more equally. When it comes to the workplace Geert Hofstede (Sweden, 2005) states that in Sweden power is decentralized and managers count on the experience of their members, employees expect to be consulted, control is disliked, and the communication between the two is direct and participative.
Last we look at individualism index in which we can see that Sweden is more individualistic when compared to Spain. According to Geert Hofstede (Sweden, 2005) there is a high preference for a loose knit social framework in which individuals are only expected to care for themselves and immediate families. For Spain Geert Hofstede (Spain, 2005) offers a different perspective by stating that although Spain by technicality of its score is collectivistic, when looked at by other countries can be seen as individualistic. In Spain teamwork amongst workers is natural and no motivation from the managers needs to be implemented in order for workers to commence in this act. When having it compared to Sweden however, we can see that once again the degree to which this happens is the difference maker here.
3. Methodology

The methodology section is divided into two parts, strategy and design. The strategy section will provide the basis of our research methodology, the theoretical considerations. The design section will elaborate on how we conducted our research and offer the reader our view of the study’s strengths and weaknesses.

3.1 Research strategy

There are numerous important questions to be answered in this chapter concerning our research methodology. In this section we discuss the research paradigm, our standpoint when it comes to the relationship between theories and empirical data as well as the determination between quantitative and qualitative research.

3.1.1 Epistemological, ontological and methodological considerations

A paradigm is an underlying basic belief system based on epistemological, ontological and methodology assumptions. This paradigm represents a worldview that defines the nature of the “world”, the individual’s place in it, and the possible relationships to that world and its parts. Guba and Lincoln (1994) introduce three questions to describe the paradigm for research. The beliefs generated from the answer to these questions are basic and must be accepted simply on faith. It would be impossible to create a paradigm that was ultimately true; nevertheless we consider it crucial to present the reader with the basis of our research paradigm. The reason for using the three questions is to provide our point of view from the start of the research and thus giving the reader a greater understanding of our perspective. Furthermore, the answer to the second question is constrained by the answer to the first etc. (Guba and Lincoln, 1994)

3.1.2 The Ontological Question

What is the form and nature of reality and, therefore, what is there that can be known about it?

Guba and Lincoln (p. 108, 1994)

Ontology describes the social entities’ nature. According to Bryman (p.36, 2011) there are two major approaches concerning ontology, objectivism and constructivism. The ontological assumptions are described since the chosen approach tends to influence both the research questions as well as the research itself. For example, in this paper, the assumption will decide if Zara is viewed as an objective organization that influences its employees or if the weight is on the employees actively constructing the organization. We will describe both the objectivist and constructivist approach, to provide the reader with both sides and end with our determination.

The ontological perspective in objectivism is that social phenomena and their implications exist independently of social actors. Bryman (p.36, 2011) provides a useful example; the ontological perspective suggests that organizations are perceived as a concrete and tangible object with rules and guidelines. Within the organization procedures are standardized to facilitate that things get
done. Employees are assigned positions and there is a strong hierarchy and goals. Furthermore, there is a social order where employees are pressured to follow the organizations’ rules and requirements. Employees learn and apply these guidelines. They follow the standardized procedure and perform their assigned tasks. They also learn and apply the organizations values that are a part of the organizations’ goals and mission. If they don’t they can be punished and even fired. This is to say that the organization is a compelling force that effects and inhibits employees.

Constructivism is also an ontological perspective and the opposite of objectivism. Thus, social phenomena are created by social actors. Bryman (p.37, 2011) states that not only do social interaction create social phenomena but it is under continuous change. This perspective challenges the notion that organizations and cultures are preordained units and that social actors perceive organizations as a reality out of their realm of control. In an organizational context Bryman (p.37, 2011) describes it as, instead of a set order existing independently of individuals, the order in the organization is worked out or negotiated through the individuals. The rules are not as extensive and to a less extent binding, compared to the ontological perspective. Rules, in this perspective, are a form of general understanding and consensus.

To answer the above question, we would argue constructivism. Although not everything in this study leans towards constructivism. We can deduce a somewhat similar pattern described by Bryman (2011) “Organizations are perceived as a concrete and tangible object with rules and guidelines.” Our view of Zara is that it is somewhat of machinery. Everyone within this machinery is supposed to their job according to the rules. However, it is people making these rules and guidelines and even though the organization can be perceived as concrete it is individuals creating this concrete organization. Thus, the reality of this study suggests that it is the individuals in the organization that creates the setting in the organization.

3.1.3 The Epistemological Question

What is the nature of the relationship between the knower or would-be-knower and what can be known? Guba and Lincoln (p.108, 1994)

Bryman’s (p.30, 2011) definition: An epistemological question deals with what should be considered knowledge in a certain field. Once again there is a division into two major positions, positivism and interpretivism. Positivism is an epistemological position with the ground in scientific methods. According to Bryman (p.30, 2011) positivism is a difficult term to define. However there are a couple things that most researchers agree define positivism. First, only the things that can be confirmed by our senses are knowledge. Second, the purpose of theory is to generate a hypothesis which can be tried. Third, science can and should be objective. Interpretivism is based on the idea that there is a difference in studying people compared to science. The study of the social reality requires a different logic of the research process, one that
compared to the natural order reflects what is special to humans. This position gives the researcher a chance to capture the subjective reality of a social action. (Bryman, p.32, 2011)

To answer the question above, we would argue an interpretivist epistemological standpoint. When studying people, like in the case of our research, it is almost impossible to achieve full objectivity. Our respondents will interpret their social environment and in turn we will analyze it. This will create subjectivity, no matter what the design of the study is. Interpretivism provides an opportunity to capture the subjective reality of a social action, which is what we aim to do. Moreover, our aim is not to test a certain hypothesis but foremost analyze the perspective of the employees. Thus, we believe that through an employee perspective we are able to acquire valuable data of Zara Sweden’s human resource management practices.

3.1.4 The Methodology Questions

How can the inquirer (would-be-knower) go about finding out what ever he or she believes can be known?

Guba and Lincoln (p.108, 1994)

This section will cover the determinations made to facilitate the best conditions as possible to conduct our study.

Inductive, Deductive and Abductive

There are different ways of looking at the relationship between theories and data. The main methods are described below and finally our chosen method is presented.

The deductive view represents the most commonly used in social science research. This method starts with general knowledge and theory in a certain field; from this the researcher deduces one or multiple hypothesis. After the data collection begins and a result is achieved and the hypothesis is either confirmed or rejected. (Bryman, p.26-27, 2011) With an inductive view the theory is the result of a research effort. The inductive process means that you draw generalized conclusions from the observations. (Bryman, p.30, 2011)

Svennevig (2001) explains that abductive reasoning is a way of gaining new knowledge and the process is started within a similar manner such as inductive and deductive, but the difference is in how it is carried out. Abduction starts with consideration of facts, which come to be particular observations of a subject at a particular point in time. These observations lead to a hypothesis which is then answered using theories in order to analyze the results of the research carried out in order to help analyzed add to the fundamental notion of said hypothesis. This involves correlating and integrating the facts into a more general description, which is, relating them to a wider context (Givon 1989 cited in Svennevig 2001, n.d., pg2). Abduction is meant to cover both practical reasoning and scientific inquiry (Svennevig, p.3, 2001).
Our method best represents the abductive method, although it is difficult to fully label it abductive. Firstly, we considered the material about Zara in the media and information from a former employee of Zara. This resulted in the first theories about human recourse management and localization. After conducting the interviews and gathering the rest of the empirical data we added the theories “Internal promotion” and “Dimensions of National Culture” to create a stronger relationship between the theories and the empirical data. The research questions have been altered from the first draft to the final and it’s been a continuous process to make the research questions correspond with our empirical findings.

The reason for choosing the abductive method is mainly in part to do with the fact that this thesis uses particular models and the theories behind in order to integrate them in with our results, use them as standards for analysis and support or point out where it is that these theories are lacking. Given this explanation and the methods used to carry out our research we can therefore argue that our approach at formulating our hypothesis after the collection of empirical data, that we have take an approach of qualitative abduction.

Why use qualitative method?

“Qualitative research is based on a strategy where there is a greater emphasis on words rather than the quantification, at collection and analysis, of data. There is often an inductive view on the relationship between theory and empirical data – this is to say the theory is generated on the basis of the empirical findings. Qualitative research also implies an epistemological position – an interpreting orientation where the foundation relies on an understanding of the social reality based on how the participants in a certain environment interpret this social reality. This as opposed to the science based standpoint used in quantitative research. Furthermore, an ontological basis – an approach based on constructivism. Lastly, a constructivist view entails that social characteristics are a result of the interaction between individuals”. (Bryman, p.340-341, 2011)

The focus of this study is mainly from the employee perspective. The objective is to get the employees to describe, in as much detail as possible, how the overall cultural and HRM practices are at Zara. Therefore there will be a greater emphasis on words rather than quantification of data. We believe this method is better for our purpose, using in depth interviews with fewer respondents than trying to quantify data from more respondents. Also, considering our limited access to Zara Sweden and that we did not have the time to look for more respondents or conduct more interviews, the determination to use a qualitative method got easier. A qualitative method also rhymes better with the rest of our research paradigm, both the epistemological considerations and the ontological.
**Why use interviews?**

There are plenty of different ways to go about data collection when it comes to qualitative research method. The most important methods are: ethnography, participant observation, qualitative interviews, focus groups and the collection and qualitative analysis of texts and documents. Ethnography and participant observation relies on the researcher to engage in a specific environment for a period of time to observe the culture of a certain social group. (Bryman, p.344, 2011) The reasons for not selecting this method are the restricted amount of time together with the denial from Zara to help us. Focus groups, where the researcher interviews a number of people at the same time and therefore can save time compared to individual interviews, was never an option for two main reasons. First, there tends to be a group effect where not all the individuals get to speak. Second, the respondents could very well be affected by the others in the focus group and it was our desire to get individual answers (Bryman, p.464, 2011).

However, qualitative interviews and collection and qualitative analysis of texts appeared as the most appropriate methods. On one hand we get to understand the employee's’ version of the culture at Zara as well as Zara’s version through their annual report, together with media articles describing the culture. This provides three comparative possibilities: employees’ answers compared to each other, the analysis of said answers to the picture Zara and media gives and the total empirical findings to existing theory.

There are a number of advantages with qualitative interviews for our study. The questions we are asking would, without interviews, be very difficult to provide answers to. For example, to discover how the HR department conducts Human Resource Management at Zara would be complicated without the help of ex and current employees of Zara, if interviews were not conducted. With interviews the individuals will get to speak more freely and it makes this method makes it possible to focus on a specific theme. (Bryman, p.441-444, 2011)

**Semi-structured interviews**

With the interviews in the data collection there is a need for both flexibility and structure to achieve the most suitable method. Flexibility is needed first because we want our interviewees to speak freely without the interviewer affecting the answers. Second, since the interviews won't be exactly alike depending on for example the position the interviewee has in the company. Structure is required given that there are certain topics that have to be touched upon.

According to Bryman (2011) there are three different qualitative interview structures; unstructured, structured and semi-structured interviews. During an unstructured interview the interviewer could ask just one question and then it is up to the interviewee to answer and associate freely. Opposed to a semi-structured interview where the interviewer has a list with
specific themes that are to be touched on during the interview. To be able to collect the type of data which is needed there are certain questions that have to be asked and there are also a number of different parts of the interview, e.g. HR, culture and localization. This suggests that our interviews have to have a structure to them – therefore semi-structured interviews are the most suitable option for our data collection. (Bryman, p.412-416, 2011)

**Why the collecting and analysis of texts and documents?**

In our data collection a determination was made to include both news articles, concerning the topic of our thesis, and the annual reports from both Inditex and Zara Sweden. These documents and texts will serve as different perspectives on our research questions to strengthen our analysis. The articles will provide insight as to what kind of effects Zara’s HRM practices have had on their employees. The annual reports serve as support for interviews with the managers at Zara, since Zara did not want to partake in our thesis. Data from the annual reports will both reflect Zara’s version of localization, culture, and HR practices as well as what kind of financial state they are in. (Bryman, p.489, 2011)

These types of documents are often produced by companies and are official, such as annual reports. Data like this is frequently used by researchers that can not get access to an organization. We intend to use annual reports from both Zara Sweden and Inditex to provide a broader perspective for the reader. (Bryman, p.496-497, 2011)

Since the start of Zara Sweden there have been a number of distasteful news articles concerning their HR practices. As said, these will serve as different sources supporting the same argument. To create what Bryman (2011) refers to as triangulation we use media products. Triangulation is when researchers use more than one source for empirical data. This could increase the credibility for the study. (Bryman, p354, 2011)

**3.2 Research design**

**3.2.1 Case Study**

The basic structure of a case study involves a specific and thorough analysis of one single case. Case study research oftentimes engages the complexity and specific nature that the single case exhibits. Researchers that choose a case study design tend to also choose a qualitative method because it promotes a chance to do an in-depth and detailed analysis of a case. Although there is often a combination between qualitative and quantitative methods used.

Bryman reserves the term “case study” for research where the case is the focus of interest. (Bryman, p.73-74, 2011) Yin (2003) presents three different kinds of case studies; the critical case, the unique case and the typical case. The structure of a case study appeals to what we aim to do. The primary focus is on Zara Sweden AB, and although we are not saying it is a typical case,
we believe the case presents a specific nature and a complexity which is suggested by union officials to exist throughout the retail industry in Sweden.

Researchers disagree when it comes to quality criteria of the case study design. Some state that factors like reliability, replication and validity are insignificant when doing a case study others still use them. External validity and generalization of result are issues that have received a lot of attention when it comes to case studies, mainly because one single case can not represent an entire population. However, this thesis will consist of the quality criteria. The quality criteria will be used since it will give more credibility to our study. (Bryman, p.76-77, 2011)

3.2.2 Sampling

As much as we would have liked to be able to generalize our results more, we cannot due to our limited access to Zara Sweden AB. However, similar companies with similar problems could benefit from our results. Our sampling methods have been opportunistic and convenient. Our aim was to do an in-depth analysis of one single case and according to Bryman (p.355, 2011) focus of qualitative research is heavy on descriptions, depth, and focus on the unique context rather than transferability. This being said, our respondents still met the requirements we set in the beginning.

We started with one single contact person at Zara Sweden AB, a former employee. Through the respondent we were able to get in contact with more both former and current employees. The employees all knew each other in some form, whether it be friendships or just work related situations. We understand that this could create a bias in our results. The requirements we had was that the respondents should reflect the male/female division among Zara employees. This is to say, 20% males and 80% female. We also wanted both current and former employees. Furthermore, we wanted employees who had worked in different positions and in different stores. All these criteria were met. In the stores there are basically four different hierarchical positions; seller, responsable, assistant manager and manager. We managed to interview all of these positions except that of the manager.

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Training as:</th>
<th>Gender</th>
<th>Current/Former Employee</th>
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</thead>
<tbody>
<tr>
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<td>Female</td>
<td>Current</td>
</tr>
<tr>
<td>Interviewee B</td>
<td>Seller</td>
<td>Coordinator</td>
<td>Female</td>
<td>Former</td>
</tr>
<tr>
<td>Interviewee C</td>
<td>Floor Manager</td>
<td>Assistant Manager</td>
<td>Female</td>
<td>Former</td>
</tr>
<tr>
<td>Interviewee D</td>
<td>Coordinator</td>
<td>Not Training</td>
<td>Male</td>
<td>Former</td>
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</tbody>
</table>
3.3.3 Finding the Respondents and the Interview Process

Before conducting interviews
We have used what Bryman (p.434-435, 2011) refers to as a theoretical sampling method. Theoretical sampling is collecting respondents until theoretical saturation is reached. Theoretical saturation is reached when the categories formed before are saturated. We met our theoretical saturation when all our categories where saturated. Respondents were picked from a theoretical point of view, to better the compliance between the empirical data and our theoretical framework. Furthermore, Bryman emphasis that it is important to choose respondents that meet the standards in the categories.

We emailed Zara Sweden to ask them for assistance with our study. Unfortunately they didn’t have the time to help us. Instead we used a former employee of Zara to provide establish contact with respondents. This employee provided us with respondents that met our requirements; different hierarchical positions, age difference, one male and respondents from different stores. Our contact person made suggestions as to which respondents to interview, while we got the chance to say accept or decline. We wanted the chance to choose who we wanted to interview and who we thought would best fit our criteria of an interviewee. This way the bias is lessened between a broader spectrum of people able to be chosen.

The process was ongoing, which is to say that interviews were conducted with one respondent then the next step was to find the next one. We used telephone as a mean to request interviews with the respondents. Phone numbers were provided by our contact person. We only offered to do interviews in person, but the respondents got to pick the place and date. Over the phone we explained how many questions we would ask, how much of their time we would need and that we were writing a bachelor thesis about Zara Sweden.

During interviews
The interviews took place at various places. The main interview questions remained the same in all interviews, but the follow-up questions differed between the interviews. The fact the our respondents had different positions within the company caused the variation in follow-up questions. Furthermore, that the respondents would be anonymous and would have a say in the final draft so that we could prevent publishing information that could create backlash for them. We asked if we could record the interview and all our respondents answered yes.

During the interviews notes were taken of things that could be difficult to understand when listening to the recordings, such as names of numerous people and their positions in the company. Notes were also taken of how people said different things. Bryman (p 428, 2011) suggests that during a qualitative interview it is important to focus on both what is said and how it is said.
There are a number of reasons for recording an interview e.g. provide a better foundation for analysis, there is proof of what has been said and since our memory can not keep everything it serves as a back up (Bryman, p.428, 2011) Furthermore Bryman (p 432, 2011) suggests that it is usual for interviewees to open up more towards the end of the interview when they feel more comfortable. This happened during a couple of our interviews, when some of the respondents were no longer limited by our questions they began to talk freely about different things that was of the interest of our study. Hence, we never turned of the recording device until the interviewee felt like they said all they wanted to say.

After interviews
All interviews were recorded and transcribed. We gave the respondents the option of doing the interview in English or Swedish, everyone choose Swedish. Consequently we had to translate all of the interviews from Swedish into English. Every interview was translated.

Bryman (p 430, 2011) states that in research it is important to be realistic when deciding how many interviews to conduct. Considering our time limit and our limited access to Zara Sweden we could not do as many interviews as we would have liked. An hour long interview could easily take up to 4 hours to transcribe and on top of this we had to translate them into English (Bryman, p 430, 2011). We got to interview all the different positions we wanted in the company, but only in Stockholm. Preferably we would have liked to conduct interviews in at least one other city to strengthen our empirical data.

Lastly for purposes of anonymity each interviewee’s name is not divulged and instead is replaced with the respective titles Interviewee A, B, C etc. A short description of each interviewee follows below. The main stores are named 1 & 2; however all of the respondents have had a chance to work at different stores a few days out of their employment on occasion and have experience different management styles because of it.

**Interviewee A: Salesman - Responsible in Training**
Interviewee A is a current employee at Zara who is working as a salesman, but is being trained as a responsible. Interviewee A has permanent employment and has a full time contract that allows her to work 38.25 hours. Currently working in store 1, but used to work in store 2.

**Interviewee B: Former Seller – Trained as a Visual Merchandiser**
Interviewee B is a former employee of Zara’s and worked as a seller for them for about one year. Towards the end of their employment the interviewee trained as a visual merchandiser but quit before the completion of their training. Interviewee B worked in store 1.

**Interviewee C: Former Assistant Manager**
Interviewee C began working for Zara in their warehouse department and moved onto becoming a seller who was in charge of accessories, then a floor manager, and their final position was
training as an assistant manager taking on the responsibilities of said position. They were hired full time but worked without a contract and paid as a seller despite performing the duties of an assistant manager. Interviewee B worked in store 1.

**Interviewee D: Former Visual Merchandiser (Coordinator)**

Interviewee D is a former employee who worked as a visual merchandiser (coordinator) for Zara Sweden. The interviewee was employed with a coordinator contract and said that it made them feel confident that it would open up possibilities to apply for other similar jobs in other companies. Interviewee B worked in store 1.

It is important to add that, according to our interviewees, when you train for a position at Zara you actually work as it. For example, Interview B worked as a Visual Merchandiser while he/she was training as one. At the same time the interviewee kept his her contract and salary as a seller. Furthermore, manager is the highest position in the store, followed by assistant manager and responsible.

3.3.4 Interpreting Data

Our strategy is qualitative research with semi-structured interviews, but also to analyze Inditex’s annual report, Zara Sweden’s annual report and different media articles. With four different sources of empirical data we needed to have a way of coding and interpreting this data. Using a system to analyze and code data makes it easier for us to stay consistent in regards to what empirical data we are going to use.

The basis of our study is the lack of financial performance at Zara Sweden along with negative articles concerning their HRM practices, Inditex point of view of how HRM is supposed to be at Zara and our interviews. The main theme is performance. Under this we have two sub themes, issues concerning HRM and local responsiveness. Furthermore there is another division, data about HRM and culture could be both negative and positive. To make it possible to differentiate between positive and negative we intend to use the different theories we have collected. However, it is hard to make a distinction between general HRM practices and the cultural aspects that affect the local responsiveness. A line has been drawn between the two aspects to make the thesis easier to read, though there are issues that affect both general HRM and culture.
Bryman (p.528, 2011) describes this as a thematic analysis. The basis of such an analysis is a matrix consisting of theme and sub themes. These themes are a result of careful reading the empirical data collected. The reasons for selecting these themes are mainly that they are continuously recurrent in our empirical data, much due to that the themes are the basis of our theoretical framework and research objective. (Bryman, p.528-530, 2011)

A thematic analysis is one of the four different analysis methods described under narrative analysis in Bryman (p.527, 2011). Narrative analysis is especially sensitive to the relationship between people and their past experiences, the experienced role the person had during this event, the stories they create of past events and the overall significance of the event. The thematic analysis, compared to the other three, puts weight on what is said instead of how it is said. Our intent has been to find the most critical factors to Zara Sweden’s HRM situation.

3.3.5 Criteria for Quality
There is an ongoing discussion as to whether reliability and validity are applicable to qualitative research, some researcher thinks so and some do not. However, the criteria has been changed a bit to fit qualitative research. The foundation of the criteria has not been changed but less emphasis is placed on issues regarding measuring. (Bryman, p.351-352, 2011) Furthermore, conformability will be added to measure quality in the study to cover the risks of subjectivity (Guba and Lincoln (1994).

**External reliability**

It stands for the extent to which a study can be replicated. This criterion is some regards difficult to achieve with qualitative research, which often deals with social conditions. It is impossible to freeze social conditions and environments and therefore hard to replicate a study dealing with this. LeCompte and Goetz (1982) adopt this to qualitative research by putting the relevance on which role the researcher takes. To achieve external reliability the researcher, when replicating a study, has to be able to enter the same role as the previous researcher did. (Bryman, p.352, 2011)

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<td>Interviewee D</td>
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<tr>
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<tr>
<td>Zara Report</td>
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<tr>
<td>Media Articles</td>
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In our favor semi-structured interviews, as opposed to unstructured interviews, makes it easier for other researchers to replicate our study and therefore strengthens the external reliability. Above all, our intent has been to disclose our methodology as accurately as possible.

**Internal reliability**

Measures to which degree the researchers during a study agree on how to interpret what they see and hear. (Bryman, p.352, 2011) This criterion is closely linked to “inter-observer consistency” which is the linkage between the researchers’ different subjective assessments. If the compliance between the different subjective assessments is too small it could lead to a problem, for example when multiple responders’ actions or answers are categorized whilst conducting structured interviews. (Bryman, p.160, 2011)

The interview questions were prepared by both researchers but the interviews were conducted and written down by one researcher, suggesting a possible problem with subjectivity. To correct for possible subjective bias, decisions taken in this study have been through consensus between both researchers and the answers from the respondents have been analyzed together. There is always a chance that the researchers influence each other and/or have preconceived ideas that very well could affect the study. On the other hand, providing an extensive methodology section creates a chance for the reader to search for potential bias.

**External validity**

The aspect that clarifies to which extent the researchers’ findings can be generalized to a greater population or a different social environment. This is said to be the main issue with qualitative research. This type of research often collects data through case studies and limited selection, making it difficult to generalize the findings. (Bryman, p.352, 2011)

We explicitly explain to whom this data can be beneficial. The ability to generalize our findings is limited to companies suffering the same problems as Zara. Also, it is suggested in the beginning of this thesis that this is a usual problem within the retail industry in Sweden therefore this industry might profit from the results generated in this study. Inditex might suffer the same problems in their other brands or in different localization than Sweden.

However, due to lack of time and resources only two Zara stores in Stockholm have been covered by the interviews. This might cause a limitation when it comes to generalizing. Nevertheless, we feel that the media articles strengthen our argument. The media articles cover several stores and the general view of Zara.
**Internal validity**

This aspect relates to the importance of a good compliance between the empirical data and the generated results. Internal validity is one of the strengths with qualitative research due to the extensive present of the research in the particular social environment, which makes it possible to ensure a greater compliance. (Bryman, p.352, 2011)

We believe our empirical data is sufficient to provide a reasonable explanation to the troubles with human resource management at Zara Sweden. Thus, the compliance between the cause and effect has been thoroughly analyzed.

**Conformability**

Conformability is for the researcher to be able to demonstrate and confirm, based on that full objectivity is impossible to achieve in social science research, that he or she acted in good faith. In other words, for the research to demonstrate that the result has not been affected by personal values. Since we only use anonymous interviews, we still wanted to provide the reader with some back up that our empirical data checks out. Therefore we use media articles. (Bryman, p.355-356, 2011) Furthermore, respondent validation has been conducted. In other words we have sent the translated and transcribed interviews to our interviewees for them to confirm a compliance with their interview and the transcribed material. (Bryman, p.353, 2011)
4. Empirical Results

This chapter includes the results of gathering research and points of view of Zara Sweden AB, Zara’s parent company Inditex, as well as the results after transcribing and translating the semi-structured interviews conducted. It is divided into three sections the first part is a summary of gathered media articles mainly concerning the employee’s point of view of the work environment at Zara Sweden. The second is a summary of the relevant points regarding employee management at Inditex gathered from their most recently published annual report, 2010. The last section are our results from the interviews conducted that aim to verify how effective and efficient Zara Sweden AB is conducting human resource management practices in order to achieve long term viability. Each section is broken down into HRM practices and Local Responsiveness Views. The distinction between the two is the idea of culture, seeing as local responsiveness has a keen focus upon culture. The division is to help create a structure that makes it so that the research questions can be answered.

4.1 The Media Perspective

Zara is a curious case, through the media dating back to at least 2008, it has been reported that Zara’s employees are unsatisfied with the way they are being treated within their work environment when working at Zara Sweden. Used in this section are several newspaper and media articles in order to understand HRM practices and local responsiveness from the point of view of the media in Sweden. The articles cited in this section are from Swedish newspapers and media such as Expressen, Göteborgs Posten, Di.se, and SVT.se. These sources provide a perspective of their own, but also strengthen the empirical data as whole.

4.1.1 View of HRM Practices

Managers at Zara are constantly scrutinizing workers in the workplace and watching them to ensure that work is being done. The newspaper Expressen (2008) who interviews a former employee who worked under a manager that kept tabs within a personal notebook and as the interviewee was fired for unexplained reasons their questions were never answered and were directed higher up the hierarchy until they were forgotten of.

From this it can be deduced that job security seemed to be threatened. Di (2012) describes the criticism of employee treatment at Zara and the methods used that resemble harassment in the workplace. The author’s interview respondent states “If you as an employee question and try to pursue your entitled rights you are looked upon as a troublemaker. By then you might as well start looking for a new job, otherwise they’ll break you down until you resign” The treatment of these troublemakers was described in the documentary aired by SVT in Sweden. Journalist Jorun Collin (2012) states that management would take employees into dark storage rooms and threaten their job security with claims brought up from years prior in order to scare employees. The journalist goes on to quote a former manager that describes what being a Zara Girl entails stating
“Another girl, a former manager, says a “Zara Girl” should never question or demand things. Stating that a “Zara Girl” shouldn’t contact the union and she should say yes to everything management tells you to do”. Employees were labeled as troublemakers for various reasons, a few being questioning the compensation for overtime hours and asking managers not to yell at coworkers. For many workers overtime compensation seemed to disappear out of thin air. Jorun Collin (2012) interviews a manager that claims she would erase worked hours so that the budget was stable. Göteborgs Posten (2008) has interviewees claiming that overtime was only compensated if managers felt that the hours worked gave value to the organization.

The HR manager and the Scandinavian regional manager of the men department deny most of the things stated by the 25 employees in the documentary. Stating that they welcome employees to come to them with problems and they will help them with those. They say that 90% of their current managers started as ordinary sellers, suggesting that employees like it there and that is why they stay. They say that they continuously work to train their managers and their employees. Stating that they have pleased and happy employees and describes Zara as a really flat organization with effective communication (Collin 2012). With many of these allegations and workers took an initiative to search for aid outside of the organization.

Zara’s trade union presence appears to be nominal with not having the proper amount or quality of representatives necessary for workers in Zara Sweden to aid workers with workplace issues. Göteborgs Posten’s (2009) article elaborates on the difficulty that workers had getting in touch with trade unions and having results of change yield from such contact. Jorun Collin (2012) states that a union official describes the work environment at Zara as really bad and goes on to state that the top management of Zara Sweden controls a lot of things in detail. He describes the management as authoritarian and says that they use “management by fear”.

This section has tried to analyze claims of media sources about HRM practices at Zara in Sweden. The idea here is to understand what kind of HRM practices are being utilized by managers to satisfy, retain, and get the best output from their employees at Zara in Sweden.

4.1.2 Local Responsiveness View
The culture created by managers at Zara was one that was very controlling. Expressen (2008) reporting that workers scrutinized for asking too many questions, even if those questions are of simplistic nature like a worker’s salary, schedule, or tasks. This kind of culture doesn’t seem to run parallel with what can be assumed to be a general idea of Swedish culture. According to Expressen (2008) a communications manager says that this criticism has only been made by a few employees and that they have 80,000 employees who enjoy working at Zara, and that claims of criticism regarding employees not being allowed to talk to each other, being graded by their looks, being yelled at is simply not true. Opposing this manager’s denial Göransson (2008) reports that interviewed workers claimed stressful and negative psychological strain was put on them while working at Zara. One worker believes she was even fired on the grounds that she was
pregnant and was evaluated harshly on her appearance and output at Zara Sweden. Jorun Collin (2012) furthers this claim by reporting on documents held by The Work Environment Organization in Sweden who claim that the managers at Zara don’t know how to treat employees who get sick. The journalist’s documentary elaborates that this was in 2005 and there doesn’t seem to be a change four years later.

According to Ottoson (2012) the segment witnesses a destructive corporate culture where harassment and ostracism are part of the punishment for questioning managers and pursuing employee rights. Ottoson (2012) claims that Zara Sweden’s response to respond by email from its parent company Inditex. In it Inditex denies information about their HRM practices in Zara Sweden, and claims that the allegations about bad HRM practices will be taken seriously and will be addressed as far as possible.

From this view one can begin to understand that it would seem Zara is having a difficult time being locally responsive with the culture their managers are creating. The retail industry, on the other hand, seems to be having similar problems. According to SVT (2012) Zara is not the worst actor in the market and that the work environment for employees has deteriorated in the industry the last couple of years. Examples of what is said to be happening at Zara is also happening in other retail companies.

This section has made the attempt to analyze claims of media sources about the culture at Zara in order to understand how it is Zara is attempting to be locally responsive. The idea here is that the culture of the host country is a key factor to consider when a company is attempting to be locally responsive.

4.2 The Annual Report Perspective

Inditex’s 2010 annual report exposes many facets of the company, its functions, management of those functions, corporate structure, and how it is that all of these are present within their subsidiary companies like Zara. Below there is a summary of the relevant topics mainly concerning employees of Inditex. The points in this section are to give Inditex’s perspective, so that it can be understood just what their HRM practices are, how these HRM practices are implemented, and the quality of these practices.

4.2.1 View of HR Practices

Inditex appears to write a lot about their corporate life and how it is that they manage their employees through sets of rules of governance and ethical standards. Inditex writes that a concept of good corporate governance arises as a necessary instrument to help meet the goal of creating net worth in the long term and shall be necessarily embodied through Management that shall act ethically, with transparency, and subject to control and verification, both internal and external. This idea of corporate governance becomes a strategic tool to increase the effectiveness of the company and achieve competitive advantage (Inditex Annual Report, 2010).
Inditex’s strategy for its companies and their employees is to attempt to reinforce the channels of communication between the employees and the sustainability policy through the Internal Directive of Responsible Practices and the Framework Agreement signed with UNI Global Union. Along with these factors Inditex claims to have integrated the values of its Code of Conduct within its business model, which is effectively the code of conduct for its companies and their business models. For employees this code of conduct involves

- Not employing under the legal age.
- Not being discriminated against due to race, physical disability, religion, age, nationality, or sex.
- Having employees’ rights recognized to be able to associate or organize themselves or to bargain collectively.
- Not having any form of physical, sexual, psychological, or verbal harassment be permitted.
- Having an employee’s salary in accordance with the function performed, and always respecting the pacts of each sector.
- And finally guaranteeing their employees perform their work in a safe and healthy workplace.
  - (Inditex Code of Conduct, 2012)

When it comes to their workforce, Inditex wants to make sure that their company and the companies beneath them have employees that are trained and internally promoted. These two things, Inditex claims, are key to the activity that their business model requires in order to provide a continuous amount of innovation and teamwork. Their internal training plans consist of in store, classroom, and logistics, design, commercial and corporate area training. Inditex has encouraged the training of these workers from the beginning in order for it to lead to internal promotion that they feel has encouraged the creation of suitable working environments in which employees can develop their professional abilities and grow in the company. In 2010 543 sales staff of their stores were promoted to different positions of responsibility within the stores or to positions of responsibility within the Zara Spain or Inditex structure. 10% of the Inditex staff are primarily from stores and promoted from within each year. Inditex provide equal chances between genders so that they may compete equally for opportunities in the recruitment processes and application for internal promotion (Inditex Annual Report, 2010).

This section has found its way to pinpoint relevant information regarding the treatment and management of Inditex’s employees as well as how the trickle down of this management has implemented itself with the company’s subsidiary companies. It is to our knowledge and theoretical assumptions that there is a trickle down effect when it comes to parent and subsidiary companies. With this in mind it is safe to assume that the practices, management, and functions mentioned above are also prevalent within Zara stores and Zara Sweden AB.
4.2.2 View on Local Responsiveness

A factor to being locally responsive is to create an ethical culture that is facilitated by an organization with a strong sense of corporate social responsibility. Inditex speaks of their corporate social responsibility as a venture that has the intention to take a step further in strengthening their production chain with a dialogue with their stakeholders, in the care for their products, care for their customers, and the commitment that they have with the society in which they work. Their creativity and innovation stems from the challenge to become more sustainable each day which will inevitably lead to a change in the relationship that the companies under Inditex may have with society. 2010’s financial year was the creation of alliances that supported the growth and strengthening of Inditex’s model of Corporate Social Responsibility with manufacturers, employees, auditors, universities, trade unions, employers’ associations, consumers, non-governmental organizations, supra-national organizations, governments and other parties who interact in the development of the business model. Inditex would like to show their gratitude by giving them their own voices in order to express their reflections and opinions themselves on the projects they have participated in (Inditex Annual Report, 2010).

Inditex Annual Report (p.235-236, 2010) identifies a couple of risks connected with human resources. The main risks are said to be the difficulties in properly identifying and retaining talent, this could lead to an inappropriate positioning, qualification and flexibility of the human resources, an inappropriate labor environment, high turnover or a potential dependence on key personnel. To minimize this risk the Human Resource Department carries out continuous recruitment and hiring processes of new personnel. Also, the work system implemented in the organization favors the transfer of knowledge between employees to prevent the organization from being too dependent on key personnel.

Risks concerning the organization’s business environment stems from external factors. This risk concerns the difficulty in adjusting to the environment or market in which the company operates. In order to reduce the risk in this area Inditex does extensive research before entering a new market. Also, continuously better efficiency and effectiveness in already existing stores. This way the growth achieved by expansion and diversification is complemented by the organic growth of the existing business. (Inditex Annual Report, p.234-235, 2010)

Inditex sales are divided into four areas in the annual report. Europe without Spain stands for 45 %, Spain for 28 %, Asia for 15 % and America contributes 12 % to Inditex’s sales. Europe in total, contributes with 73 % of Inditex sales. (Inditex Annual Report, p.13, 2010) Zara part in the total sales at Inditex is 64.6 %; the largest contribute by far compared to the other companies in Inditex. Zara has a market presence in 77 countries. (Inditex Annual Report, p.21, 2010) Inditex has 4004 stores in Europe and 1040 stores in the rest of the world. Zara division is 1040 stores in Europe, 279 in Asia and 199 in America. Europe is the region that stands out the most regarding sales and market presence. (Inditex Annual Report, p.39-45, 2010)
This section has tried to analyze the most current annual report of Inditex in order to understand how it is that Inditex attempts to manage the risk of their employees. The idea here is that the topics presented in this section are key elements when enabling local responsiveness and they come from Inditex’s perspective.

4.3 The Employee Perspective
This section is set to analyze the results from the interviews conducted for this study. The interviews will be broken down into three sections, a cultural view, a local responsiveness view, and an overall human resource management view that the employees seem to have had when asked particular questions geared towards each one of these topics. The reason for this kind of representation and analysis of each interview is to better shape them around the research questions stated in the first chapter and gear them towards answering those questions within the following section of discussion. The semi-structured interview process allowed for the interviewees to express multiple perspectives within each question. Bearing that in mind each question within these results may contain answers that could pertain to other questions in particular.

4.3.1 Views on HRM Practices
Reflected by several of the interviewees, communication and under appreciation were common issues among their responses. Many of the interviewees had statements with regards to the environment being stressful and tough similar to those expressed by the media sources. Interviewee A suggests that perhaps since Zara as a company is doing well against their competition that staff could be compensated a bit more and that information regarding compensation should be communicated more effectively. Interviewee A has worked at two Zara boutiques in Sweden. The previous store they worked in made them feel pressured into working overtime, and felt as if they needed to work until they physically couldn’t any longer. None of these things however are the case at the current store, the environment is more positive at Interviewee A’s current store. The interviewee does state that everything at Zara happens really fast and that it’s important to be flexible in order to keep up. The interviewee feels that the store they work at now consists of managers they can turn to and count on.

Something that the media articles don’t touch on as much is the hierarchical structure at Zara in Sweden. Interviewee A feels that the HR department needs more people in order to deal with the needs of such a large company like Zara. Interviewee A expresses two views that explain the benefit and downfall of a clear hierarchical structure at Zara. Interviewee B supports this claim by saying it was difficult to get in contact with the HR representative for their specific boutique when facing problems.

In accordance with claims of harassment from the media articles Interviewee A states that at the first boutique they worked they didn’t feel comfortable expressing their opinion, were talked
down to, and felt the inequality of the hierarchical structure. The interviewee suggests that perhaps this could be an effect of the manager working in different countries like Portugal and Spain. The interviewee says that as long as the respect runs both ways it’s beneficial that they have such a clear hierarchical structure and it seems to work better when employees and managers work more as teams. The interviewee expresses that the first store that they worked at hired many employees on a 2 month basis because the manager claimed that they couldn’t provide any other contracts. This last sentence points to a notion that perhaps those that have importance in the hierarchy aren’t communicating effectively with others of importance.

The process by which Zara trains their employees has left many of the respondents unsatisfied and underappreciated because of the lack of feedback, instruction, and involvement by the managers. Interviewee B states that it sometimes felt like the managers and staff worked at different companies. Interviewee C supports this feeling by saying they felt they worked more with managers and managers weren’t really part of the staff team. Interviewee B claims they found themselves working more alone than with others to complete tasks. Interviewee C found the environment resembled that of a dictatorship with no feedback for the employees to learn from, and every task to be done in the structured way that was established by Zara. Much of Zara’s training is centered on situating the employee into a position where they must perform tasks for their desired position. Interviewee B however states that sellers were never instructed on how to sell clothing and didn’t really get the chance to aid customers in their purchases. Interviewee C mentions they had the opportunity to experience the concept “you’re in or you’re out” at Zara which communicated they employees must either work hard or aren’t worthy of their positions. Interviewee C’s experience is an interesting one in that they trained as an assistant manager for so long and they performed several if not all of the tasks of the manager they worked under. Interviewee C elaborates on the fact that when their manager was transferred to a different store they weren’t promoted and instead another manager was brought in. When Interviewee C’s chance opened up to be promoted they were so unsatisfied finally that they refused the position and resigned. Interviewee D sheds insight to this saying “the employee training system is a great way for Zara not to pay higher salaries to employees who perform higher duties because they are “in training.”

Several interviewees speak of how talking with each other during work was something they couldn’t do and was controlled heavily by their managers. Interviewee D’s experience with this involved meetings held by the regional, store, and assistant managers. These meetings gave rise to a decision to move workers into different departments to prevent them from talking. This created a sort of chaos among the workers because the groups had to adjust to performing different tasks in departments they never worked in before. The interviewee explains that perhaps this is the kind of environment Zara tries to create. Interviewee D’s perspective they state that perhaps this lack of appreciation is facilitated in a fast paced environment to see if the employees would work better. What was expected of the workers was that they would show they were joyful and did their best even when this lack of appreciation was present. The interviewee continues to
say they didn’t feel they could go beyond their manager considering those higher up were never available. They claim that management from Spain visited frequently and that much of everything was controlled from Spain. These frequent visits from Spain created an anxious atmosphere among the employees. A positive that came from this interview was that the interviewee felt they had clear goals and expectations communicated to them weekly.

This section has made its attempt to analyze general HRM practices at Zara that might affect employee satisfaction. This is again in order to understand just what and how HRM practices are being utilized at Zara from an employee’s point of view.

4.3.2 Local Responsiveness view

Many of the respondents agree that the culture created at Zara isn’t Swedish by any means. Several of the respondents worked under a manager from Portugal who insisted on speaking English to employees and customers alike. This made it difficult for many of the employees seeing as it wasn’t their native language. Interviewee B started off nervous when they realized they had to speak in English with their manager. Interviewee D supports this notion stating that communication was difficult because of this factor. Interviewee A elaborates that their former manager’s style of management was not Swedish, probably due to the fact that the manager was taught abroad. In general our interviewees sometimes had trouble remembering the names of different managers and their real position, mainly due to the fact that there are so many managers working at Zara Sweden and employees are not really presented with an organizational schedule when they start. According to Interviewee A neither the current nor the former CEO was Swedish and a regional manager at Zara explained to her that problems could arise due to having managers from different countries because they work differently in those countries.

This talk of a possible cultural clash and many of the respondents have spoken of instances where this could have been a factor. Interviewee B describes the occurrence when the Spanish managers visited the store; “When the Spanish people visited the store, everything changed. The music changed to special “Zara records”, we were definitely not allowed to talk to each other and the store had to look perfect”. The interviewee points out one situation in particular that showed to which level the Spanish managers valued their customers. During a visit the Spanish managers together with the store managers stood in a ring in the middle of the store, preventing employees to do their job efficiently and customers to walk around freely. Interviewee C points out a bit of criticism of Zara and compares the work environment to that of the former work environment in Mexican employment. Interviewee C supports these claims by saying “we even had people from Spain whose job it was to decide where posters were supposed to be within the store”. Interviewee C states that all the administrative procedures originate from Spain and there is no change to change or better them.
Financial information in regards to how Zara Sweden is performing was never communicated. Many of the respondents assumed that the company was doing fairly well considering its size and brand. Interviewee A assumed that because the company was doing so well that perhaps more appreciation towards Zara employees could be shown with more compensation; however this is merely an assumption and even Interviewee A didn’t know of Zara Sweden AB’s financial situation. Interviewee B states that on occasion employees were told how their specific store was doing but during their employment they never heard about how Zara Sweden AB was performing financially.

This section has attempted to analyze the culture at Zara a bit more in order to understand just how well Zara is shaping the culture within their boutiques towards a more Swedish and therefore a more locally responsive one.

5. Analysis and Discussion

5.1 Human Resource Management Analysis

What knowledge will the perspectives of media, company annual reports, and employees bring to the notion of Zara’s human resource management?

This section will make an attempt to deduce the possible problems with human resource management that can be seen at Zara. The answer to this question is in relation with the latter part of question one. With this being this analysis’ aim, it is clear that the importance of employee satisfaction and internal promotion will be focused on only if a problem can be deduced. Several authors such as David Guest, Spreitzer and Porath, Arthur, Boselie & van der Wiele, and Safsudd have written extensively on the topic of employee satisfaction and internal promotion. Therefore their theories will be adapted to our respondents’ answers.

Employee Satisfaction

Looking at the answers from the respondents in the empirical presentation it can be seen that there is a general dissatisfaction amongst the employees that were interviewed. According to Paauwee (2004) a company that “treats their employees well” can expect lower absence, higher satisfaction, greater willingness to stay with the company and higher effort from the employee. All of the respondents describe the culture at Zara as way too stressful and they felt underappreciated as an employee of Zara. Several of the interviewees claim that they and their coworkers were yelled at to stay quiet during work hours and especially when new shipments arrived, despite hard work. If the unions were contacted by workers they were treated poorly afterward. Respondents also express that they didn’t feel cared for as an employees of Zara seeing they weren’t motivated by their managers. According to Spreitzer and Porath (2012) a
method of nourishing thriving employees is offering constructive performance feedback. When receiving feedback about their work, one of the respondents state that the feedback wasn’t of a constructive nature and rather quite negative coming from the manager.

Another of Spreitzer and Porath’s (2012) methods to nourishing thriving employees is to share information. Many respondents agree that communication between managers and employees has been a bit of a problem. The dissatisfaction has risen about how much information Zara managers share with their employees and what information they share. Interviewee A directs their dissatisfaction directly towards the managers believing that it’s not right for mangers to be able to insult or yell at their subordinates in any situation. There seems to be a certain kind of incivility coming from managers at Zara which presents a problem seeing as Spreitzer and Porath (2012) state that minimizing incivility is another method to nourish an environment to facilitate a high performing workforce. In accordance with Interviewee A Spreitzer and Porath (2012) have found good reason to care for employees and shape them into a thriving employee that will facilitate a higher performing workforce as a manager. The respondent mentions the notion that perhaps Zara needs to train their managers better in caring for the feelings of their subordinates, because there seems to be a lack of leadership from higher up the ladder. All of the above statements are quite the contradiction when it comes to Inditex’s Code of Conduct (2012) seeing that it states there should be no form of harassment in the workplace.

Considering what has been said Interviewee A has revealed that the current boutique that they work at is the very opposite of these problems stated from the other respondents. All of Interviewee A’s negative remarks are directed towards the first store in which they worked. This could be because the manager in the store they currently work is quite the opposite from the manager at their previous store of employment. Interviewee A states that their current manager is more motivating and pushes employees in a positive manner with constructive feedback. The interviewee also states that there is a more team oriented atmosphere within the current boutique as well. The media articles suggest a similar phenomenon occurring in accordance with the majority of the respondents. Göransson (2008) speaks of an unsuitable psychologically straining work environment that is happening at Zara stores. To further this notion Ottoson (2012) suggests from an analysis of the documentary on Zara there is a destructive corporate culture and that unions have criticized Zara heavily about this and the claims of the workers. Expressen’s (2008) interview with a communications manager from Inditex states that these allegations are false. Inditex’s Code of Conduct (2012) guarantees employees a workplace that is safe and healthy in which to perform their work. It would seem that there is a majority consensus from media articles and direct interviews that oppose the denial of Inditex and Zara on the allegations made. The motivation and self-esteem of employees seems to be suffering at Zara, so much so that employees are finding it hard to stay with the company. The employee turnover and satisfaction are perhaps two key factors to the results of poor performance since Zara’s inception in Sweden.
Employee Turnover

Arthur (1994) speaks about two approaches to shaping employee behaviors in order to avoid a high employee turnover that might result in decreased productivity; control and commitment are these approaches. The control approach is about reducing labor costs and improving efficiency by enforcing employee compliance with specified rules and procedures and basing employee rewards on some measurable output criteria. From this we can deduce that Zara’s approach to shaping employee behavior is more control oriented, because if they were commitment oriented they would spend more time adapting to another culture in order to forge psychological connections between organizational and employee goals (Arthur 1994). Bearing this in mind many of the respondents have claimed that Zara has an unwillingness to change or adapt their ways. Interviewee C specifically states the work environment works according to the concept of either “you’re in or you’re out”. Interviewee C elaborates a bit more by stating that you can’t change anything so you become programmed like a robot to do it the Zara way. It would seem that from the respondents’ views that Zara has taken a more control approach which Arthur (1994) warns about this seeing that over time this approach can be met with strong resistance from a unionized workforce. Ottoson (2012) interviewed a worker who speaks of an attempt by employees of Zara in Sweden to resist Zara’s control approach; however their quote claims “if you as an employee question and try to pursue your entitled rights you are looked upon as a troublemaker….they’ll break you down until you resign”. Through this a resistance to the environment has been created and can be seen from the workers; however for some reason it’s seen as incivility and met with incivility by the managers at Zara. This brings out a sort of contradiction seeing as Inditex’s Code of Conduct (2012) states that employees’ rights be recognized to be able to associate or organize themselves or bargain collectively. Inditex’s Code of Conduct seems to be more of a recommended guide to how the workplace should be rather than one that is actually implemented. Perhaps there is a lack of ethically oriented procedural trickle down, which would suggest that there is a sort of disconnect between the parent company and its subsidiary where certain factors aren’t being communicated effectively.

Despite all of these negative remarks there is a curious question that comes up eventually about why these employees continue to work for this kind of organization or why they stayed so long before inevitably quitting. Boselie & van der Wiele (2001) have found that within their research that female and young employees have proved to be more satisfied as employees and show a stronger willingness to stay with the organization. Several of the respondents’ age range between 20-35 years of age and 75% of the respondents were female. Reflecting the male/female division at Zara Inditex’s Annual Report (2010) states that 80% of store employees are female and 20% are male. Many of their answers as to why they stayed was mainly the issue of trying to find another job, claiming that they were lucky to have found one at Zara and wanted to keep it. Other factors included being in a situation of training for a higher position within the store, being promised certain benefits that were never received, and not having the correct information of
employee rights. Boselie & van der Wiele (2001) concluded that positive perceptions of human resource management concepts lead to a higher level of satisfaction. All of the respondents but one had discontinued their efforts at Zara after a while because of their negative perceptions of the HRM concepts that lead to a lack of satisfaction as an employee. The respondent that still works for Zara says they felt they needed to change stores after becoming sick from the environment created by their manager at their first Zara boutique of employment. What is curious is that Inditex’s Annual Report (2010) doesn’t reveal an exact numerical value for employee turnover within the organization rather only the numerical values for employee talent retention.

**Internal Promotion**

Safsudd (2003) has written on the topic of internal promotion, its benefits and disadvantages. Safsudd (2003) writes that in all recruitment processes there is an element of information uncertainty that recruiters and promoters must face, no matter how well known the candidate is for the position. From looking at the empirical data many of the respondents have trained or are in the current process of training for promotion. From their responses Zara doesn’t recruit much outside of their organization for higher levels within their stores. Inditex’s Annual Report (2010) claims that the preference is to internally promote. The only exception came from Interviewee A who states that an employee was hired from outside of the company to become the manager for Europe who has a great education and hasn’t worked for Zara before. Safsudd (2003) states that external recruitment mainly occurs when a certain expertise is needed in order to provide a different perspective for an organization, that an employee with firm-specific knowledge cannot fill. This is intriguing because these methods of Zara’s can be questioned by asking if employees really do receive managerial training that is of quality. Do these so called managers really understand how to manage people especially seeing a consensus from media articles and interviews about negative managerial practices?

All of the interviewees have stated that their chances for advancement within the company was readily available to them, and that all they needed to do was show interest in a certain position or tell Zara up front what position they wanted to work as. This is in fact something positive seeing as Safsudd (2003) pushes for the idea of internal promotion because it is needed in order to be able to retain employees who have unique skills that are particular to the organization. This would seem to be a factor as to how Zara retained most of these respondents for so long before they quit or changed stores. Internal promotion has the argument that firm-specific knowledge will aid employees in reaching higher hierarchical levels, but can turn out to be a liability when new knowledge and perspectives are needed for a particular position within the organization (Safsudd 2003, pg. 119). In order to counteract this limited thinking it is argued that when control systems value firm-specific knowledge to the degree that it will aid employees to reach higher hierarchical positions, that this has a tendency to recruit external managers with varied backgrounds in order to provide different perspectives to the organization (Safsudd 2003, pg.119-120).
According to Interviewee B however, while they were promised a certain position it ended being that they ended up having to compete with other employees for the position after the hard work they put into training. Safsudd (2003) argues that having employees compete with each other for these compensations may diminish internal promotion and employee’s motivation. After finding out the surprising news Interviewee B told their manager they wished for their former position instead of wanting to be promoted. It can be seen that the disappointment of being internally promoted diminished the motivation of Interviewee B. Safsudd (2003) claims that this is worth noting from an employee perspective only if firm-specific knowledge seems to be highly valued within an organization, because if not it will not yield the results of being promoted.

5.2 Culture Analysis

*How can Zara’s human resource management be understood from a cultural perspective, coming from Spain integrating itself into Sweden?*

The part of the analysis seeks to observe if a cultural disparity can be deduced. Local responsiveness theory suggests that the administrative preference could very well originate from Spain, Inditex’s home region. Hofstede’s (2005) cultural dimensions is used to examine if there is a disparity and if a disparity can be found it is possible to argue the effectiveness local responsiveness has on performance. Thus, adaptation and local responsiveness only becomes significant if there actually is a cultural disparity. Hofstede (2005) through his research have found general differences between the Spanish and Swedish culture. Therefore his theory will be adapted to our respondents’ answers.

**Masculinity index**

There is a disparity regarding the cooperative nature of Swedish and Spanish culture. According to Hofstede, the Spanish culture is of a more competitive nature where people value achievement. The nature of the Swedish culture is less concerned with competition and the people value cooperation instead. The general difference between Swedish managers and Spanish managers is that Swedish managers are supportive of their staff and decision making is achieved through involvement. Spanish managers will consult their staff and make decision according to it.

The theory confirms the interviewees’ answers. Communication between managers and regular staff is said to be difficult and in general not working. All interviewees state that they felt a constant pressure to work overtime perhaps suggesting a competitive environment, where achievement is valued. Supporting this are the interviewees statement and the media articles about firing and hiring practices, saying that it is crucial to perform well if you want to stay within the company. In general there does not seem to be a system with consensus or for that matter cooperation between manager and staff within Zara. Interviewee C explains “you’re in or
you’re out” - in other words either you work or you are not worthy of your job, once again implying fierce competition within the organization. The normal Swedish organizational and managerial structure is more decentralized. The Zara organization is highly centralized which could create a disparity since Swedish employees are used to the Swedish style. The employees might feel that they are not in on the decisions, while normally decision-making is achieved through involvement. However, in the documentary the two representatives of Zara suggest that it is a flat organization with effective communication. This statement does not comply at all with the rest of our empirics.

**Uncertainty Avoidance Index**

According to Hofstede (2005) people from Sweden believe there should be no more rules than necessary, while Spanish people in general consider it important to have rigid codes of behavior and are less tolerant of unorthodox behavior within a society/organization. The reason that Spanish people prefer rigid rules is that they believe change causes stress.

According to the empirical data every task at Zara is performed according to rules and code of conduct. Interviewees state that it is not possible to any extent to influence or change these tasks. Swedes in general do not believe there should be more rules than necessary and the interviewees felt they would have liked to influence and change the tasks to the better. Consequently a disparity can be deduced, where the interviewees would prefer a more decentralized structure. That change is rules causes stress might be applicable to some regard on the organization. Rules don’t seem to change. Although, change seem to be never ending when it comes to employees in higher position than ordinary staff. The interviewees state that during their time at Zara Sweden there were constant changes in positions.

**Power Distance Index**

The most interesting factor regarding the power distance index is that Spanish culture concerned with creating a structure in which everyone has their place and members of these societies accept that power distribution is more unequal the lower you are within the hierarchy. Generally the interviewees accept the power distance in the organization but the power distance also seems to reflect what kind of information an employee receive. For example, all our interviewees reflect on the fact that information is communicated poorly. Perhaps not accepting all the consequences caused by the power distance. Hofstede states that “Swedish hierarchical structures seem to strive for equality among its members and have the power distributed amongst them more equally”. Overall, the interviewees are unsatisfied with the inequality in power distribution stating that it sometimes felt like they worked in a different company compared to the managers. Consequently, supporting Hofstede’s statement; “In Sweden power is decentralized and managers count on the experience of their members, employees expect to be consulted, control is disliked, and the
communication between the two is direct and participative”. A disparity can be deduced in the power distance index as well as both the media articles and the interviewees claim Zara to be a highly controlled and centralized organization.

**Individualism Index**

Hofstede states that Sweden is more individualistic when compared to Spain. However, it is difficult to deduce any actual disparity in this area. In Spain teamwork amongst workers is natural and no motivation from the managers needs to be implemented in order for workers to commence in this act. Compared to the interviews teamwork was almost opposed by managers. Three out of four interviewees put a lot of emphasis on that they weren’t allowed to talk to each other during work hours.

To conclude, there seems to be a cultural disparity between Zara Sweden and the Swedish employees. The comparison with Hofstede’s theory and the interviews suggests there is one, as well does media articles. If Zara Sweden’s human resource management practices were aligned with Swedish standards the media articles would probably not have been written. It should be stated that the annual report perspective in general doesn’t comply with the employee and media perspective. Consequently, the annual report perspective seems to be out of touch with the reality in, at least, Sweden. The analysis of this question makes the next question relevant. A cultural disparity has been deduced, which leads to ask if this is an advantage or a disadvantage for the company?
5.3 Local Responsiveness Analysis

*What are the effects that Zara’s local responsiveness has had on its performance management, and how has that contributed to Zara’s success or lack thereof?*

Rugman and Verbeke (2008) suggest that a company is global when less than 50% of the company’s sales occur in the home region and 20% of sales in the other two regions. Inditex is with Rugman and Verbeke’s definition not a global company. Inditex has 73% of its sales in Europe, the home region. The authors call for a different firm specific advantage—country specific advantage composition, claiming it’s required for abroad regional markets. A regional solution instead of a transnational solution is argued by the authors. Consequently the main issues are that the administrative heritage might not effective in the host region and that managing national subsidiaries as interdependent businesses might lose the factor of regional differences.

Evans et al. (2011) describes specific advantages with a regional adaption and a local responsiveness strategy. Multi-national companies that enter new markets may have a disadvantage compared to local competitors. Research shows that companies may decrease this disadvantage with a local responsiveness strategy. People management, HRM, is said to be the most sensitive factor to the cultural difference between the company’s home country and the host country. People management tends to adhere towards the parent company norms.

Our empirical findings and the media articles suggest Zara’s HRM practices are not in correlation with what is said in regards to the theory of local responsiveness. The reason for this could be many, one of them possibly a mismatch between the Spanish and Swedish HRM practices. It is stated, under the title “future development” in Zara Sweden’s annual report (p.2, 2010), that the company will continue adapting to the Swedish market, from a commercial standpoint. In other words, Zara has not adapted fully to the Swedish market during the nine years of market presence in Sweden. It is not possible to a full extent determine what has caused the problems with Zara Sweden’s performance. However, the local responsiveness theory suggests that effective local responsiveness practices are linked with positive performance. There is no information concerning regional adaptation in Inditex Annual Report 2010, possibly because Inditex is aiming for a type of transnational solution.

All of our interviewees describe the corporate culture at Zara Sweden as non-Swedish, stating that it is a very hierarchical organization where almost everything originates from Spain. Furthermore, interviewee A claims that neither the last nor the current CEO are Swedish and that
a regional manager at Zara explained to her that having managers from different countries could create problems since they work differently in different countries. Hence, the idea of localization of management is not prioritized. However, the idea that managers from different countries could create problems at least exists within the company. The lack of efficient communication is defined as a problem by all of our interviewees, where some of the interviewees relate this problem to the hiring of non-native Swedish speaking to key positions within the organization, specifically the CEO and one of the store managers. Inditex describes a risk of inappropriate positioning, qualification and flexibility of the human resources. However, Inditex is only relating said risk to talent and states that the company minimizes this risk partly with the transfer of knowledge between employees so the company is not dependent on key personnel. Although, the CEO and store manager positions are key positions and theory suggest that attracting local talent and the localization of managers could create a business advantage for Zara Sweden. Consequently, communication might run smoother in the organization with a change towards local responsive people management.

In a minor section, risk concerning business environment in the annual report, Inditex states that risks concerning the organization’s business environment stems from external factors and this risk concerns the difficulty in adjusting to the environment or market in which the company operates. Certainly adjusting to a new market is a difficult task for a company, this task could possibly be eased with a Swedish management that understands the Swedish market and the environment in Sweden. Inditex might not be aiming for a regional adaptation, granting the information about constant visits from Spain and the hierarchical control where all the stores are supposed to be the same.

Zara Sweden’s HRM practices are both in the media articles and by our interviewees viewed as abnormal compared to accepted Swedish practices, which is a usual phenomenon because HRM practices tend to adhere from the parent company - Inditex. The HRM practices are compared to the poor work environment experienced in Mexico by interviewee C and in general the communication regarding internal promotion is said to be confusing at best. There have been concerns regarding overtime payments and rules as well as the universal firing/hiring practices of Zara Sweden. These are the three practices specifically named, by Evans et al. (2011), as most sensitive to cultural differences. The same practices have been discussed both in media and in the interviews. Calibrating said practices to an accepted Swedish standard could better Zara Sweden’s business advantage.

Articles in the media portraying a destructive corporate culture, employees being harassed and unsound financial situation are creating a bad reputation for Zara Sweden. Often the response to these articles is not coming from the Swedish subsidiary but rather Inditex in Spain, proving in part that Inditex controls Zara Sweden to a high degree. Inditex might prefer a type of transnational solution with strict hierarchical structure, a centralized organization with standardized routines with little to none regional adaptation. After all their business model has
been celebrated in case studies and regional adaptation might imply losing control that is needed in such a large organization. This company strategy might very well have contributed to the overall success of Zara.

Regardless of Inditex aim in strategy – decentralized or centralized. Achieving local responsiveness and the goal set in Zara Sweden’s annual report, “adapting to the Swedish market”, changes has to be made. A localization of management is needed, to better communication but also to enhance the knowledge of the Swedish market within the organization. This could create a much needed business advantage for the organization. Adjust parts of the corporate culture within Zara Sweden to better suit Swedish conditions, in particular the Swedish labor market. Making these changes official might also benefit the company’s reputation in local media.

The empirical data suggest that Zara Sweden is in two kinds of problems, a financial problem and a problem with the human resource management practices. The two might be correlated, as is suggested by the theory of local responsiveness. The aim stated by Zara Sweden to adapt better to the Swedish market could also point to this.
6. Conclusion

6.1 Concluding statements

The relevance of the study was to examine different possible reasons for the problematic human resource management in Zara Sweden. There are a lot of factors contributing to either success or failure of human resource practices, a few of which this study has examined. Our aim was to shed light on the problematic at Zara Sweden mainly through an employee perspective and thus deducing what kind of factors were the cause of the effect. There were many issues discussed with our respondents and drawn from media articles. We have found three main factors leading to liabilities and performance in HRM and perhaps even financial performance.

Liability 1: Sole Use of Internal Promotion

While Safsudd (2003) points out several advantages to utilizing internal promotion, there are many things to consider when using one method of filling positions within an organization. In this particular case Zara mainly uses internal promotion within their hierarchy in order to provide employees with opportunities to advance within their system. Employees learn the values and structure of the organization, and are able to uphold those values and structure while moving up in the organization. Internal promotion provides employees with firm-specific knowledge that will benefit employees with unique skills that cannot be found within an external candidate (Safsudd 2003). The visibility to which this internal promotion happens motivates employees to learn the necessary knowledge in order to be promoted. Safusdd (2003) states that a long-term relationship is needed where the employer compensates employees for their investment in the form of job security and promotion possibilities. This is important in order to make the employee feel motivated and appreciated for their investment. Bearing all of this in mind if utilized correctly and effectively internal promotion can be a powerful tool; however it’s how it’s used that will prove it to be powerful.

Zara seems to lack managers with firm-specific knowledge due to their training methods before internal promotion is implemented. Many of the managers seem to lack certain capabilities that employees are looking for in order to create a safe and healthy work environment. These managers are not only lacking in these fields but are also failing to uphold the code of conduct the parent company Inditex has set out for their subsidiaries. This being the case Zara seems to also be creating a competitive culture for promotion possibilities that is diminishing employee motivation to strive for such positions because they have to compete amongst each other even when promised promotion. The only positive effect that is resulting out of Zara’s way of internally promoting is retaining employees long enough until the employee realizes the shortcomings of their process or until the employee is finally promoted. Firm specific-knowledge doesn’t seem to be of any value to the employees at Zara simply because it is not the key to being
promoted. This way of internally promoting is proving to breed ineffective managers who don’t retain firm-specific knowledge, violate the code of conduct, and create a work environment that is unsuitable for employees. This is proving itself to be a liability not only by breeding managers with a limited view but also hindering the view of the company’s HRM practices, limiting HRM practices, and reducing performance.

Companies in the retail industry in Sweden would do best to ensure that when internally promoting it is visible to others in the organization, that managers retain firm-specific knowledge and uphold the code of conduct, and lastly compensate employees by providing an environment that is the least competitive possible. These factors will aid in motivating employees to strive within the organization, gain and retain firm-specific knowledge, and breed proper managers who will provide a positive view of HRM practices and increasing performance out of their employees.

The shortage of outside training for managers within Zara Sweden and the lack of external recruitment could be of the reasons for the problems with human resource management. We recommend that the sole use of internal recruitment should be tried against companies with the same difficulties existing in Zara Sweden. As many companies use internal promotion as a tool. These companies in particular should realize the limitations of internal promotion such as the ones suggested by Safsudd (2003) where internal promotion and firm-specific knowledge are only useful methods for an organization if different perspectives and expertise isn’t needed. Safsudd (2003) also alludes to the idea that organizations that continue internal promotion as their only method only facilitate limited thinking and in order to counteract such thinking external recruitment should be a considered method.

**Liability 2: Local responsiveness**

The analysis suggests that a greater level of local responsiveness would benefit Zara Sweden. Our cultural implies that there is a cultural disparity between the Swedish employees and the corporate culture of Zara Sweden. Hence, a regional strategy is argued. A regional strategy would benefit the company and the employees in different respects. First, recruitment of Swedish managers would increase the knowledge of the Swedish market within the company. Second, adopting HRM practices that aligns with Swedish standards to better both reputation and employee satisfaction. Third, provide a basis for efficient communication within the company and communication to external stakeholders. Since the media mostly has written negative articles about Zara Sweden we believe it would be beneficial to officially communicate that Zara Sweden is working with local responsiveness to adapt better, this could very well improve their reputation. Localization of management in Sweden starting with the CEO position might be a first step to communicate a regional strategy.
Furthermore, Zara business model has received plenty of praise in numerous articles. Pearson (p.2, 2011) states “Some say Zara’s real strength is its well-developed culture, and that isn’t something that can be easily knocked off”. Our aim is not to critique Inditex’s business model, which seems to be working fine, but rather state that Zara Sweden’s HRM practices are not viable in Sweden and local responsiveness theory suggest that a regional solution would increase performance. A company can be widely affected by a bad reputation, which is one of the reasons why we suggest a regional adaptation particularly to companies in retail industry in Sweden.

**Liability 3: Employee Dissatisfaction**

Understanding what has been said within the analysis one can deduce that several of the interviewees weren’t satisfied with their employment at Zara. Once again managers failed to uphold the code of conduct which resulted in the creation of unsuitable and psychologically straining work environments. It seemed to also facilitate a kind of discrimination towards employees as well judging from the analysis of the media articles. It would seem that several of the interviewees alluded to a lack of HRM practices. Referring to the conclusion drawn from figure 3, Guest (2001) suggests that HRM practices should lead to a certain amount of employee satisfaction that will prove beneficial to an organization. Guest’s (2001) model presented as figure 4 points to the idea that the number of HRM practices have an effect on employee quality, commitment, and flexibility which will lead to a certain amount of financial performance. Given the presentations of these two models it can be argued that Zara isn’t implementing enough quality HRM practices to keep employees satisfied, committed to the organization, and flexible in the work environment. This in turn seems to be affecting the productivity of the employees and the quality of service they can and are providing to customers of Zara. Following this train of thought it can be argued that all of these factors are affecting Zara’s financial performance in Sweden.

Inditex’s Annual Report (2010) suggests that they attempt to reinforce the channels of communication between employees. Yet respondents argued that communication between managers and employees was actually one of the largest issues and that feedback on employee performance wasn’t useful to the improvement of employee performance. Zara managers seem to lack the ability to provide proper feedback and share information with employees about their employment. It can then be argued that Zara is failing to motivate and create thriving employees by not effectively implementing two of Spreitzer and Porath’s (2012) methods of nourishing an environment to facilitate a high performing workforce.

The HR department in charge of the boutiques at which the respondents worked was also another dissatisfying factor, seeing as respondents found it difficult to get issues resolved and get in touch with the department at all. It can then be argued that the HR department plays a vital role in minimizing incivility in the workplace, which is something Zara managers are failing to do on their own. Managers were said to be directing incivility towards the employees through means of
yelling at employees, insulting them, and threatening their job security when simple mistakes were made. In all it wouldn’t seem that managers at Zara in Sweden are treating their employees fairly or right, which is in opposition to what Paauwe (2004) suggests an organization should do.

It can be then suggested to companies partaking within the retail industry in Sweden would do best to ensure that their employees are satisfied by ensuring a number of HR practices are implemented to see a positive effect on their organizations. Secondly effective and constructive communication by managers to employees about their employment and performance is yet another suggestion for retail organizations in Sweden. Lastly a suggestion could be made to ensure that HR departments are available to employees and have a definitive say on resolving employee workplace matters.

![Diagram](image.png)

**Figure 6: The link between HRM Practices and Financial Performance (Ljungberg, E. Peña, F. 2012)**

The figure above attempts to describe the relation between the HRM practices of internal promotion, local responsiveness, and employee satisfaction to financial performance. The figure suggests that these HRM practices, which are of equal importance, can turn out to be liabilities for organizations that will affect financial performance negatively in Sweden if not carried out properly. A union official in Sweden stated that there are universal problems with HRM practices within the retail industry in Sweden. Consequently, the three HRM practices that have been highlighted may very well be a problem in other companies. This study emphasizes local responsiveness, internal promotion and general employee satisfaction as main contributors to the lack of financial performance in Zara Sweden. Other retail companies that are experiencing
similar problems, as the ones described, will benefit from this study. On a more personal note, HRM practices might not be the first thing that comes to mind when there is a problem with financial performance. However if a company begins with local responsiveness and adapting themselves appropriately to the host country, in this case Sweden, they may find it easier to have the rest of the practices come to mind. In the case of Zara Sweden we clearly demonstrate a connection between all of the factors in the model illustrated above. This connection should be taken into serious consideration.

6.2 Suggestion for further research
This has been a small scale study of the human resource management problems within Zara Sweden. However, it strongly suggests that Zara Sweden could better their performance by solving the different problems stated in this study. It would be interesting to see if this problem has occurred or is occurring elsewhere within the Inditex organization, if perhaps this is a side effect of a strappingly hierarchical and centralized organizational structure. Also, SVT (2012) state there is a general problem with human resource practices within the retail industry in Sweden. It would be intriguing to see a larger study, generalizable to the whole retail industry in Sweden.
7. References

13. Inditex Annual Report, 2010


8. Appendix 1

Interview guide

In this document we present our interview questions and a brief description of why they were asked. The respondents’ answers have been compared with each other to establish a conformability factor.

- What was is/was your position at Zara?

  This question was asked to establish what the person did in the organization, but also to confirm the position in regards to our categories. The answers were often quite short. Some of the interviewees described what they trained for as well, mainly because they worked in that position as well.

- How old are you?

  The age was important to confirm our categories.

- Are you a current or former worker?

  This was important to confirm to fill our categories properly.

- How many jobs have you had before Zara?

  This question was asked to understand what kind of work experience the interviewee had. All of our interviewees have had longer employments before Zara, which made it possible for them to see a bigger picture and compare Zara to other employers.

- What kind of employment contract did you have?

  We asked this to establish what kind of work security Zara offered the interviewees.

- Were you comfortable with this contract? (Uncertainty avoidance)

  This is a very important question to establish how the employee felt about the contract. Most of our employees were unhappy working as what they trained for, but being paid as what they worked as before.

- How long did you work at Zara?

  This issue was raised to establish how much knowledge the employee had of Zara. The average length of employment was 2.75 years.

- How many stores have you worked in?

  It was important for the thesis to establish how wide and high their knowledge of the organization was. Most of the respondents worked in the same stores, with some exceptions. However, all of the respondents had a lot of awareness of the rest of the organization and dealt with a lot of managers on higher levels.

- How many managers did you work for?
As the question before we wanted to know how many managers the interviewees regularly were in contact with. There is one store manager who all of them had contact with. Otherwise they present further knowledge about different store managers, assistant manager, regional manager and top management.

- Describe the culture at Zara?

This could be described as our main question. We tried not to lead the, but rather letting them define the important aspects of the culture at Zara. This was the question which received the longest answers.

- Would you describe Zara as a centralized or decentralized company?

This question was asked to understand the managerial and the organizational structure of the company.

- How did the managers motivate you?

This question and the two that follows it provide a great basis to understand what kind of managers that works at Zara. We managed to get a detailed perspective of the employee – manager relationship within the organization.

- Can you describe your manager/managers?

- How would you describe your relationship with your manager?

- Could you describe the possibilities for internal advancement?

Inditex’s annual report described that major possibilities of advancement within the company. We got the employee viewpoint of this issue and the reality turned out to be far from what was described in the annual report.

- What was good when working for Zara?

Two general questions to get the respondents to differentiate between what was good and what was bad when working for Zara. Of course we also made the distinction between good and bad through our theories, still it was crucial to get the employee perspective.

- What was bad when working for Zara?

- How were/are the responsibilities divided?

This question was asked to establish whether employees had set responsibilities and for the general spectrum understand the common work division.

- Did you feel there was an investment in you as a worker? (long-term / short-term)

All the questions below relates to Hofstede’s theory about cultural dimensions. We have asked these to examine if a cultural disparity is present. Also, the respondents’ answers were compared to Hofstede’s findings. Under the questions we will name which culture disparity
the question relates to. A lot of the questions above were also comparable with his findings, especially the general question about culture.

- What was expected from you when working at Zara?

**Long term orientation**

- Was it possible to go beyond your manager to resolve any matter? (power distance)

**Power distance**

- Was there a clear hierarchical structure at Zara? (power distance)

**Power distance**

- Did you find yourself working more alone or with others?

**Individualism**

- Did you feel comfortable working with co-workers?

**Individualism**

- Did you have clear goals or expectancies? (Uncertainty avoidance)

**Uncertainty avoidance**

- Do you know how Zara Sweden has been doing in financial terms?

*This question was asked to establish whether Zara communicated to its employees of the financial results, especially since they have been showing a lot of negative numbers.*