Leadership Styles and Decision-making in Finnish and Swedish Organizations

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Abstract

Globalization and other forces are challenging the European leadership models and practices. It can be seen that albeit what's a very efficient leadership style for one country may be an extremely ineffective style for another - people aren't always aware that cultural differences exist at all.

Finland and Sweden are neighbouring countries which have a long common history behind them. This paper introduces how substantially the management cultures and leadership styles really differ in these countries. Cultural values have an influence on leadership practices and institutional arrangements. Many aspects of leadership are affected by cultural differences, and in this paper the differences in leadership styles between Finland and Sweden are presented, concentrating in management and decision making which vary culture by culture.

Keywords: *consensus, culture, decision-making, leadership, management.*

JEL classification: F23, M14, O57

1. Introduction

Finland and Sweden are neighbouring countries which have a long common history behind them. Today Finnish and Swedish companies cooperate closely in several separate fields among themselves. Finnish management style has been described with the expression *Management by perkele* (in English: management by damn) and correspondingly the Swede with words *Management by ack herreguuden* (in English: management by oh good heavens). This paper introduces how substantially the management cultures and leadership styles really differ in these neighbouring countries. Finnish and Swedish leadership have been studied quite a lot separately, but a comparative study of the subject does not exist in the same degree, so even then, the topic is interesting.

Although what's a very effective leadership style for one country may be an extremely ineffective style for another, people aren't always aware that cultural differences exist at all (Kets de Fries 2001). And many aspects of leadership are affected by cultural differences. In this paper the differences in leadership styles between Finland and Sweden are presented, concentrating in management and styles of decision making which vary culture by culture.

However, I will start with a basic look at European approach to leadership and decision-making by comparing Anglo/US view of leaders to the European approach. The background on Finland and Sweden is introduced next. This is followed by a section that outlines the differences and similarities between the Finnish and Swedish leadership and behavior in business.

2. European approach to leadership and decision-making

According to Cranfield University Professor Andrew Kakabadse and his colleagues, four basic European styles in cross-national teams are identified (Kakabadse, et al., 1995): consensus (mainly in Finland and Sweden), managing from a distance (France), working towards a common goal (Germany and Austria) and leading from the front (UK, Ireland and Spain).

Especially executives from Finland and Sweden are using consensus in managing and leading their workforce. Under consensus, working in groups and team spirit is central. These managers emphasize people moving forward together through effective communication and stability, open discussion at team meetings and consensus decision making. It can be said that the greater the perceived level of consensus, the greater is the job satisfaction.

Another difference is that the traditional Anglo/US view of leaders, as special people who set the direction, make the key decisions and energize the troops, is deeply rooted in an individualistic worldview (Avery 2005). According to Vaill (1989), the European approach to leadership moves away from the leader-as-person to looking at the whole organization as a system. Various writers point out that this heroic notion of leadership is a myth that creates the illusion that leaders are in control of events (Gemmill & Oakley 1992; Kouzes & Posner 1995). Such myths reinforce a focus on charismatic heroes rather than on distributed leadership, leadership as part of a system, and collective learning.

The traditional Anglo/US and European concepts of leadership differ markedly (e.g. Kuchinke 1999). First, individual European leader tend not to have superstar status. Top leadership generally tends to be more low-profile than in the Anglo/US world. It is shared and rarely focuses on one individual. Part of the leader role is to obtain agreement from the supervisory board, unions, works councils and other parties on major decisions.

One way of minimizing the leader's role is to use substitutes for leadership (Avery 2005). These are features of the workplace that replace or augment the role of leaders (Howell, et al., 1990). For example, companies can use closely-knit teams of highly trained individuals and professionally educated and skilled workers

who do not need to be told how to do a job. Or, work providing intrinsic satisfaction that can replace a manager's role as motivator. Also computer technology can take over many of manager's controlling and other time-consuming functions.

To be effective, top team members need to feel positive about the quality of relationship, the openness of discussion, commitment to the decisions and discipline to implement them (Kakabadse, et al., 1990). This is easier to do with a long-term perspective than under shot-term pressures.

2.1 Decision making

Avery (2005) has studied how widely dispersed power is in European companies, and this is associated with an emphasis on gaining consensus in making decisions. Valuing consensus-oriented decision-making processes reduces the power of the leader. Power is spread within the management and supervisory boards and to experts elsewhere in the organization. It involves worker participation at all levels. An overall participative climate enhances worker satisfaction more than occasional participation on specific decisions or goal setting (Miller & Monge 1988).

The European approach fosters a strongly participative decision-making environment, with operational decisions generally pushed down to the lowest level. A cooperative management style provides a framework for motivated and creative staff to achieve goals. Clearly, those who work directly with any production process or customer will understand the requirements of the job better than those operating some distance away (Collins 1997).

3. Background on Finland and Sweden

Quality of life is higher in Nordic regions (incl. Denmark, Norway, Iceland, Finland and Sweden) than in most other countries in Europe when measured by wealth, political stability, generous social welfare and foreign aid programs, low crime and high standard of living. As a group, Nordic people are the happiest in their jobs and women enjoy more equal treatment with men than women anywhere else (Economist 2003). However, this idyll is being challenged. The populations are aging because of high life expectancy and low birth rates, which is expected to strain the highly successful Nordic social welfare states. The homogenous culture is also facing social changes due to an influx of immigrants.

Sweden is the third largest country in the EU in terms of area, and it has a total population of about 9.2 million. Even if Sweden is a member of the EU, Sweden has resisted adopting the euro. Sweden is a constitutional monarchy with a parliamentary system of government and a highly developed economy. Sweden is an export-oriented mixed economy featuring a modern distribution system, excellent internal and external communications, and a skilled labor force. Timber, hydropower and iron ore constitute the resource base of an economy heavily

oriented toward foreign trade.The government plays a major role in the economy. The slow growth of the Swedish economy has been partly attributed to high government involvement. Germany and the USA are Sweden's largest export markets, but services form the major growth sector in the economy.

The Republic of Finland has a population of about 5.4 million. Finland was an early member of the EU and has adopted the euro. Finland is highly integrated in the global economy, and international trade is a third of GDP. The European Union makes 60 percent of the total trade. Its economy is considered the most competitive after America, but reducing the employment rate is crucial to preparing the Finnish economy for the impact of an aging population. From the 1990s, Finnish industry which for centuries had relied on the country's vast forests became dominated by to a larger extent by electronics and services, as globalization lead to a decline of more traditional industries (Economy of Finland 2010). Outsourcing resulted in more manufacturing being transferred abroad, with Finnish-based industry focusing to a greater extent on R&D and hi-tech electronics. The economy depends largely on its information and communications technology sector, and also basic metals and paper and pulp.

Finland and Sweden are neighbouring countries which have long common history behind them. Today Finnish and Swedish companies cooperate closely in several separate fields among themselves. Many Finnish companies have affiliated companies or a parent company in Sweden, as well as many Swedes in Finland. Also the mergers will be mundane on the axis Finland-Sweden. One could suppose easily that because of common history and cooperation also the cultures resemble each other closely and the likenesses are found. The assumption partly is true but however the collisions of cultures cannot be always avoided between the Finns and the Swedes. Ekwall and Karlsson (1999, p. 147) state that the mutual understanding with the Finns and the Swedes is easily created just because of a near physical location. But this neighbourhood contains the risk that the misunderstandings are created. Sometimes it is namely difficult to understand how somebody which is so near can be so different. Misunderstandings and 'culture crashes' are emerged between the Finns and the Swedes based on that supposition, in particular, that we are alike (Lewis 1992, pp. 147-148). If the Finn or the Swede meets the Japanese he can wait for cultural differences and can prepare for them, but if they meet each other, they necessarily haven't been prepared for the differences.

4. Leadership and national features

A nation's feature is rooted in its culture. This feature implies deeply embedded and relatively durable behavior patterns, habitual ways in which the people of a nation deal with external and internal reality. And culture embodies the ideals, values, and assumptions about life that are widely shared among a population and that guide specific behavior patterns. Cultural values can be seen as the building blocks for behavior and action (Kets de Vries 2001). As such, they

have an influence on leadership practices and institutional arrangements. These cultural values are learned, transmitted from generation to generation through parents, teachers, and other influential people in the community. Thus specific childrearing practices play an important role in the formation of the cognitive, affective, and behavioral patterns that people demonstrate in various cultures.

These different 'languages' – these varying aspects of verbal and nonverbal communication that reflect a nation's culture – have serious implications for leadership practices (Kets de Vries 2001). Organizational decision making is seen affecting by how a nation expresses itself through these 'languages'. Organizational design, for example, reflects a country's feelings about power. In Finland and Sweden organizations tend to be quite 'flat', with power more equally distributed. According to Hofstede (2001), the cultural dimensions are seen in everyday life as well as in organizations and management, in other words in all things that is seen as a part of the national culture.

4.1 Finnish in business and as leaders

The Finnish leadership is described often with a concept *Management by perkele*. This term was originally invented by the Swedes, their attempt to describe the Finnish harder style to lead. For Swedes Finnish leadership style is too commanding and unnecessary straightforward. According to Ekwall and Karlsson (1999, pp. 150-155), the Finnish leaders are strong authorities who ultimately bear the responsibility and are able to make large decisions alone. A leadership role in Finland is therefore essential, and the decisions he or she does are not usually questioned. Although the workers would disagree with the decision of senior management, they still are able to work in spite of the differences of opinion. In Finnish organizations is also important that the leader is present and available because employees are accustomed to the fact that the leader is always attainable when needed.

Finnish leadership style is characterized by rapid decision-making because the Finns will appreciate the performance (Ekwall & Karlsson 1999, p. 178). According to Mikluha (1998, p. 148), the Finns do not favor small talk but go willingly straight to the business in business negotiations so that the implementation itself will be achieved as soon as possible since the planning phase (see also Swallow 2001, pp. 144-145). So, one of the special features of Finnish management is impatience. Solving problems and handling in the chaotic circumstances is normal for the Finns. Often the task will begin although exact plans have not yet been fully performed.

One of the special characteristics of the Finns in the business is honesty (Ekwall & Karlsson 1999, p. 178). The Finns are outspoken and say what they think and expect that others will do the same. If a Finn says yes, he also means that the same will hold true in the refusal (Mikluha 1998, p. 148; Swallow 2001, pp. 144-145). The Finns are also not afraid to say negative things out loud even if it leads to the conflicts (Ekwall & Karlsson 1999, p. 105; Mikluha 1998, p. 148).

Finns are proud to see themselves as being very reliable. For them, promise is a promise and it is written in stone; one doesn't change them on impulse.

4.2 Swedish in business and as leaders

The Swedish leadership and the Swedes are often regarded as the representatives of the softer trend. The Swedish leadership style can be described as the concept of management by *ack herreguuden*. Hofstede (2001, p. 500) defined by the cultural dimensions that the Swedes are located in masculinity-femininity scale of very feminine culture which follows the soft values. Herlitz (1995, pp. 29-31) emphasizes the prevailing gender equality in Sweden, adding that the Swedish people are indifferent to whether their immediate manager is male or female. Gender does not matter but the leader is considered primarily as a leader, not a man or a woman.

The Swedish operation in business is dominated by efforts on consensus because the Swedes try to avoid conflicts and to them it is important that all agree on the matters to be decided and commit to them (Ekwall & Karlsson 1999, pp. 150-151). Also Hofstede states that Sweden has a strong feminine culture whose characteristics can be seen as soft values of leadership and desire to consensus. As the Swedes try to avoid conflicts they have the tendency to use euphemisms; for example, when refusing something or indicating matters which the opposite side does not necessarily want to hear because they do not want to sound aggressive. The Swedes also take a criticism personally and therefore an attempt is made to avoid such subjects of the discussion which might cause conflicts or are undesirable otherwise.

The Swedish leader is usually one of the workers among others than a lonely ruler. In Sweden, management is not the person-centered but functional-centered in which case big crisis does not usually arise although a change of manager midstream (Ekwall & Karlsson 1999, p. 150). The Swedes do not want to stick out from the group in his native country but would prefer to merge with it. On the other hand, the characteristics of the Swedes do not include, the fact that they would think of what other countries are thinking of them (Laine-Sveiby 1987, pp. 20-23). The Swedes are more confident abroad as at home because in Sweden they might be distant in their social contacts and sometimes even shy (see also Ekwall & Karlsson 1999, p. 178).

The work is an important issue to the Swedes. They take their work seriously and identify with their work. Herlitz (1995, p. 18) notes the following:

> *"In some societies people say, "We work to live". In Sweden it is more accurate to say, "We live to work."*

Also Rabe (1992, p. 25) agrees with Herlitz and notes that the Swedes are diligent and hardworking.

The long time means high quality in Sweden. In Sweden the planning, the discussion and organizing are appreciated before decision-making and implementation. Often it is talked about the anchoring of decisions, in other words about the fact that all the workers are committed behind the common goal (Ekwall & Karlsson 1999, p. 152).

4.3 Finnish point of view

According to Hakkarainen's (2006) case study (composed of 42 representatives of Finnish and Swedish companies working in the management positions), the majority of the Finnish leaders think that the Finnish leader is more traditional and stiffer than the Swedish. The Finnish leader often also bears responsibility for its decisions alone. The Finnish management style is not as democratic as Swedish in which all may participate in the decision-making. In Sweden the decisions are made often in group in which case the responsibility also is borne as a group. The Finnish thinks that the Swedish decision-making is slow and often even cumbersome because the consensus among all is applied and that also slows down the progress. According to Hofstede's (2001, 500) study, the Finnish culture is more masculine than Swedish. The Finnish describes the differences in decision-making as follows:

> *"The Finnish leader will take things forward and make decisions better. In Sweden it is important that all are behind the decisions. There visions and strategies are discussed in various meetings for long. But when one thing is agreed, all perceive and are committed to it."*

> *"In Sweden the leader's main task is to get all subordinates committed in the joint decision. In Finland is made more decisions based on the position of power. In Finland delegated responsibility means clearly the delegation of decision-making."*

> *"The Finnish leaders can do decision-making better and they bear the responsibility of it. To Swedish managers the decision-making is slower and more difficult. Responsibilities may also blur in complex designs"*

Some Finns see that applying the consensus of the Swedes is only apparent. In spite of discussions the Swedish leader ultimately makes a decision on the matters and has a very strong position within its organization.

According to Finnish, the Swedish leaders are in contact with their subordinates more than Finnish leaders and maintain the dialogue with them. The Swedish leaders are taking more account of all views and also take care of the fact that every one may participate in the discussion and may bring out its own viewpoint. The Finnish comments on the Swedish leaders as follows:

> *"The Swedes are better to listen and to encourage spiritual growth."*

In the Finnish comments on Swedes is highlighted the thought that the Swedes are more human oriented leaders and the Finns task oriented leaders. Both Finnish and the Swedish estimated that the Swedish leader is more informal and more approachable than his Finnish colleague. For example, the Finnish communications manager describes the difference between the Finnish and Swedish leader as follows:

> *"The Swedish leader is 'a neat guy', a jovial leader. Finn is perhaps still more authority and keeps the distance to under ones. Question of the generation in Finland."*

According to one Finnish leader's view, informal management style is not necessarily, however, only good.

> *"The Swedes, at least seemingly want to give a trendy picture as leaders which is not always merely positive to the company."*

4.4 Swedish point of view

According to the Swedes, the Finnish leader is considerably more authoritarian than a Swede. According to the Swedes, the Finnish management style is more hierarchical than in Sweden where organizations are low and the decisions are made often in larger groups. Also the responsibility is shared between the workers. Swedes speak Finnish leadership by saying: "Chefen bestämmer" or "Chefens ord är lag!", in other words the leader is considered to make the decisions and his word is a law which is followed. One describes Finnish management style as military whereas the other describes Finns as straight and honest in the business. In the opinion of the Swedes, the Finns follow the decisions of the uppermost management without the need for the discussion and suppose that the leader knows everything.

According to the Swedes, occupational titles are much more important to the Finns than to the Swedes. In Finland, management and business in general is more formal than in Sweden where the leader is not so visibly out and thus the titles do not have so big significance. Also Ekwall and Karlsson (1999, 150) have noticed the same.

Many also think that in a Finnish leadership workers are not individually taken into consideration. According to some, a Swedish leader takes care also of how the workers feel mentally. The Swedes are more interested in social relations also in the business. According to Mikluha (1998, 133), it is common for Swedes to discuss personal matters like family when doing business.

5 Conclusions

It can be seen that albeit what's a very efficient leadership style for one country may be an extremely ineffective style for another - people aren't always aware that cultural differences exist at all. One could suppose easily that because of near physical location, common history and cooperation also the cultures resemble each other closely and the likenesses are found. The study shows that notable cultural differences exist in Finnish and Swedish leadership and these differences must be taken into account in doing business together. This paper introduced how substantially the management cultures and leadership styles really differ in these countries.

Comprehending the building blocks of culture will help us understand the differences in leadership styles among cultures. It is possible often to avoid misunderstandings caused by the culture when the knowledge of cultures increases. The common language which is usually foreign either to another or to both parties does not guarantee the success of the cooperation yet because the problems are not often caused by what is said but by how the matters are indicated (Laine-Sveiby 1991, p. 74).

Under the European model, decision making is typically done in groups reaching consensus, rather than by single manager commands. According to Avery (2005), if we compare Finnish and Swedish people, especially Swedish followers expect a consensual leadership style, because group decision making is a core value. There's a tradition in this culture of involving people – of allowing everyone to have a say. Getting consensus by involving the affected parties can be frustrating but the process usually leads to rapid acceptance when it comes to action. Consensus need not always be a slow process either. Decisions can occur anywhere and the readily available directors and constantly interacting teams make mutual decisions quickly.

Many Swedish and Finnish leaders see that from both management styles (Finnish and Swedish) are found both advantages and disadvantages. Just the rapid decision-making and assertiveness are emphasized as the advantages of the Finns; the features which especially the Finnish leaders consider as the Swedish leaders' subjects of development. Their ability to take into account all individually and an informal touch for the management are generally considered as the good features of the Swedish leaders. The Finnish describes the advantages of the Finns and Swedes as follows:

> *"The Finns are good crisis leaders and the Swedes are good coaches of the steady development."*

Many Finnish and Swedish leaders think that the Finns are generally informal in business but more formal compared to the Swedes. Both the Finns and the Swedes highlight the business impact of globalization. Some argue that cultural differences are disappearing along the internationalization while others think that

cultural differences should receive more attention. One Finnish communications manager describes the leaders' attitudes towards cultural differences as follows:

> *"It is my opinion that Swedish leaders take the cultural differences a lot more exact and seriously than the Finnish leaders. They (the Swedes) really understand that this is a pretty big thing, which seems to have an effect on many things. The Finnish leaders are taking this matter so-called 'lightly'."*

The European managers believe that the long-term sustainability of the organization depends on fostering positive relationships inside, as well as with the outside world and environment (Avery 2005). In achieving this, leadership involves long-term thinking and employment; valuing people; developing managers from within; loyalty; team-based top management; innovation in products, services and processes; concern for the interests of multiple stakeholders; social responsibility; and environmental friendliness.

In the spirit of these times business leaders should become more people-focused, ethical, innovative, long-term in their thinking and planning, and to provide for the interests of a broad range of stakeholders, including the environment and future generations. Clearly, no one leadership model is a universal panacea. Globalization and other forces are challenging leadership styles and practices, all the time.

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