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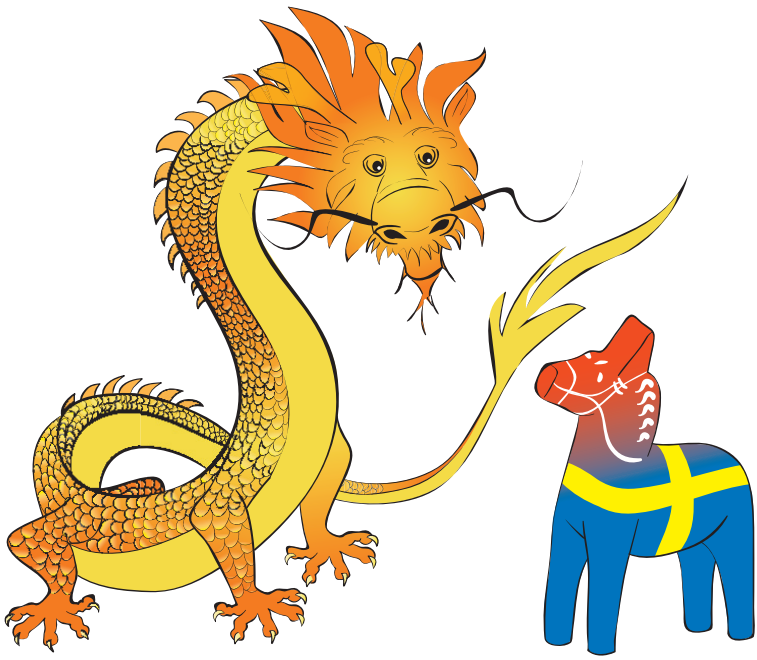
CHINESE VIEWS ON SWEDISH MANAGEMENT

CONSENSUS, CONFLICT-HANDLING AND THE ROLE OF THE TEAM

PÄR ISAKSSON



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About VINNOVA

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Research and Innovation for Sustainable Growth.

Chinese Views on Swedish Management

Consensus, conflict-handling and the role of the team

by

Pär Isaksson

Foreword

The intensity of globalization has put pressure on many companies to enter foreign markets in order to stay competitive. This requires organizations – and the people who lead and work in them – to work and collaborate outside their native country with people from a wide range of the world's cultures. In a globalized world, the management's knowledge and skills regarding cultural differences and similarities in work-related values are of special importance.

In this report, we deal with Swedish management. Some people say that the Swedish management style, with its emphasis on trust, teams, empowerment and decentralization, has been a competitive advantage for Sweden in many areas, not least when it comes to promoting the capacity for technical and organizational innovations. An indication of this is the interest in Swedish management in other countries, including China. But do the main characteristics of Swedish management constitute the vital leadership qualities needed in a global knowledge-economy? And how should Swedish management be adapted, in theory and practice, to continue being a competitive advantage in a changing global business environment?

A focus on the team, consensus-based decision making and skillful conflict handling are described as distinctive features of the Swedish management culture. But what do these words mean in managers' everyday work? The Chinese management style is also described as team-focused and consensus-driven. Does this mean that Chinese and Swedish managers act in the same way?

The Swedish Institute and The Swedish Governmental Agency for Innovation Systems (VINNOVA) jointly decided to conduct a pre-study on the subject. Swedish and Chinese managers were asked to illustrate some of the main characteristics of Swedish management by anecdotes of specific case histories. The different cases were then discussed in a workshop. In this way, we combined the very abstract and the very concrete. Hence, this report represents an attempt to go beyond words and focus attention on Swedish management in practice – by looking at the main characteristics of the general conception of Swedish management from the view of Chinese managers and contrasting it to views put forward by a group of Swedish managers. The overall objective is to reach a deeper understanding of "managing the Swedish way".

For VINNOVA, issues of organization and management are critical for an innovative company. The Swedish management style is considered important for the competitiveness of Swedish companies, especially when expanding abroad. Knowledge about how the Swedish management style is interpreted from other cultures' perspective can help the organization towards a successful establishment.

For the Swedish Institute, that promotes interest in Sweden in other countries, it is of great interest to identify and analyze areas where Sweden is believed to have a competitive advantage. To further understand how these areas are perceived across cultural borders is vital in order to communicate and brand Sweden efficiently.

Although limited in its scope and empirical data, we think that the results can contribute to further work and fresh approaches toward a better understanding of cross-cultural management thought and practice; in particular about Swedish management from the view of other cultures.

We would like to express our thanks to all who participated in and contributed to this report, especially to the nine Chinese and Swedish managers for their generous input of case histories and reflections. We appreciate their enthusiastic support. We would also wish to thank Ingelore Djurheden at VINNOVA for the final layout of the report and to Emma Sandqvist, student at Berghs School Communication, for the front page illustration. Finally, we are particularly grateful to the business journalist Pär Isaksson. He thoroughly deserves special credit for his work in transforming the discussions and reflections into text in this report. The views and conclusions expressed in this report are solely those of the author.

Please enjoy and share.

Stockholm, December 2009

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1 Introduction

In the most successful global firms, we take for granted strengths such as superior technology, access to abundant capital, strong market positions, well-established brands and efficient supply chains. But in today's climate of severe cost pressure and global competition, the inner workings of the company are becoming increasingly important. Management that is best-in-class may help reduce complexity and increase flexibility – thus providing benefits such as quick time-to-market for newly developed products and services and maximum utilization of capital and capacity. That is why the way in which firms are led is important – both for the development of individual business and for the economy in general.

Corporate management is also the overall theme of this report. Specifically, we seek to put "managing the Swedish way" in a Chinese context and to examine Chinese managers´views on Swedish management. One may ask if such a study is at all relevant. Is there any point in analyzing corporate leadership styles in countries which differ so much in culture, size and history? China is, on the one hand, still a developing nation. On the other hand, it is also expected to surpass the United States as the world's largest economy in a mere two to three decades, depending on your expectations of post-recession trend lines. Sweden is a rich country which, at the time of writing, holds the rotating chairmanship of the European Union – a major global force. But with a population of nine million, it is a minute power.

1.1 Sweden has a story to tell

Yet there are valid arguments for looking into this subject. The first is illustrated by the slogan of the Swedish Chamber of Commerce in China ("Small country – Large companies"). A number of the world's leading multinational companies are of Swedish origin, including ABB, Atlas Copco, EF Education, Ericsson, H&M, Ikea, SKF, Tetra Pak and Volvo. According to international surveys, only Switzerland boasts a higher number of globally-recognized firms in relation to the country's size. The fact that such a large part of the Swedish economy is made up of multinational companies means the work force is adapted to supplying sophisticated skills. Organizational methods in Sweden may consequently be of particular relevance to a Chinese audience as businesses in that country globalize.

The second argument has to do with the "born global" set-up of many Swedish firms. With a tiny home market, international expansion has been a must from the outset. This has evolved over several decades into a leadership mindset focused on running global operations. As several Chinese companies are now exploring opportunities outside their

home market, they will also seek to develop their own, internationally competitive management cultures.

The third argument for launching this report is that the Swedish management style in some areas, such as human resources and corporate social responsibility, appears to be a leading indicator for global trends in business. A common experience is that ambitious goals for human resources (HR) and corporate social responsibility (CSR) is a profitable strategy, according to many observers. This is confirmed by the fact that there is an interest in Swedish corporate leadership in other countries, including China. This report will contribute to our understanding of Swedish leadership culture by bringing some experiences into the discussion of how Swedish management can be adapted, in practice and theory, to suit a changing global business environment.

1.2 Our objectives

There are three main objectives of this report. Firstly, we would like to satisfy a growing interest among Swedish business leaders and in academia, in think tanks, in consulting firms and also in government on “managing the Swedish way” and especially how it is practiced. Secondly, we would like to describe how the Swedish management culture can be viewed in a foreign context. It is of special interest to choose a context – China – where history, culture, tradition and the role of hierarchies in large organizations is very different from what is found in Sweden. By doing this, we will increase our understand at the characteristics of the Swedish management culture and its strengths and weaknesses.

Finally, we think this topic may be of interest among managers who lead and work in non-Swedish companies. Additionally, researchers and consultants with an interest in international management may find the report useful.

2 The procedure – case stories and workshop

Analyzing the characteristics of management in Sweden and China is a difficult task. A number of studies exist which focus on corporate leadership in the United States and other industrialized countries. There is also a lot of material on how multinational companies are led. Management as a profession has been studied for more than 100 years. There is, however, little data easily available in the West on the topic of Chinese corporate management – which is only natural as the nation took its first steps away from a centrally controlled economy fairly recently. Only in the past few years have we seen the first Chinese firms with an aspiration to become truly global companies. A distinct Chinese management culture is only just starting to evolve.

It is a challenge to compare the way companies and organizations are run in China and Sweden and to draw valid conclusions from such a study. This has imposed natural limitations on this project. Its scope is relatively small. It should also be noted that we have not accessed existing studies in China or elsewhere and we would caution against drawing far-reaching conclusions from this report. It should be viewed as a pilot study.

This report is based on oral comments and written case histories originated by five Chinese managers and four Swedish managers. The Chinese group was drawn from a team attending the Swedish Institute Management Programme while the Swedish group was selected by a project group comprised of representatives of VINNOVA, the Swedish Governmental Agency for Innovation Systems, the Swedish Institute and the author of this report. The participating managers work in a number of sectors and types of positions, ranging from company executives and government officials to entrepreneurs and consultants. The individuals who generously contributed to this study are listed at the end of the report.

Each of the managers was asked to write a case story from his or her own experience as manager. The instruction was to describe, in as much detail as possible, an example of one of three aspects deemed by the project group to be most specific for the Swedish management style. They are:

- team-focused leadership
- consensus-based decision-making
- how to handle conflicts

A joint workshop, based on the case histories and managed by the project group, was held in Stockholm on June 4, 2009. The focus was on how Swedish and Chinese

managers interpret and describe the three aspects of Swedish management through actual examples from everyday work. The workshop was structured around the three aspects. This report is based on the written case histories and the workshop discussions.

It is clear from the workshop that these three aspects overlap each other to a large extent. This is especially the case with team-focused leadership and consensus-based decision-making. Even so, there was a difference in the sense that the discussions on “leadership” mainly reflected attitudes while “decision-making” was more related to activity. This is why we believe the benefits of conducting the exercise in this way outweighs the disadvantages.

It should also be noted that the overall aim of the case histories and the workshop, and indeed of this report, is to encourage a discussion on the Swedish leadership culture. An additional motive is to develop and update our understanding of this culture in the areas where this is most relevant.

3 Differences – and similarities: some initial observations

At first glance, it would seem as if the Chinese and the Swedes have many things in common when it comes to their attitudes to managing organizations. There is agreement that aggressive, confrontational behavior is a bad way of solving conflicts. There is also agreement on focusing on the team. The "hero manager" who is often found in top positions in large U.S., French and British companies and who symbolizes the entire firm, is not as often found in China and Sweden. In all likelihood, this reflects the meritocratic outlook evident in both countries. In China, meritocracy is a key component of Confucian philosophy, which, among other things, argued that the intelligent and hard-working son of the poorest peasant was as good a candidate for posts in the Mandarin court as the offspring of richer parents. In Sweden, the meritocratic ideal also evolved over a long time. It reflected the ambitions of an impoverished, thinly populated nation with little nobility and where farmers themselves controlled the land and provided the manpower for successful armies when Sweden had a big empire during the 17th and 18th centuries.

However, these similarities are only on the surface. Meritocracy may be a shared ideal, but it is interpreted differently. There are major differences between Chinese and Swedish management, especially when it comes to practical application. This will be analyzed in the following sections, which are all based on the workshop in Stockholm in June 2009 and on the case histories provided by the participants.

4 Team-focused leadership: managing up or down

This section is divided into five subsections: on the leader as symbol or coach, on trusting one's co-workers, on generalists and specialists, on regional differences and on the role of staff meetings.

The first characteristic to be addressed at the workshop focused on the role of managers as representatives of their companies or organizations. The Chinese participants generally viewed team-focused leadership as a culture where "the team" represented the management team. The Swedish participants interpreted the team as meaning the entire workforce. "It seems like the Chinese managers are mainly directing their attention on other managers, while in Sweden we tend to focus on all employees," said one Swedish participant. The Chinese view is illustrated by the following example:

> *Mr. E is CEO of the company but gives a lot of authority to each of the management team members. The CEO is part of the team, and acts in a way that is stimulating, provocative and helpful rather than being bossy and arbitrary. Within three years, the company has become very successful and is number two in its business field. I would call the above example a team-focused leader. I have to say that it is not very easy to find such a leader in China.*
> (Chinese manager)

4.1 The leader as symbol or coach

In Sweden, the coaching management style is predominant. It is regarded as efficient, although several Swedish participants said the trend towards a coaching and delegating – rather than an inspirational, management style – may have gone too far. "We should inspire more and set examples, rather than always coach people. We are so democratic that we are holding back. The reality is that we are here to set good examples," one Swedish manager said.

One observation by the Chinese participants was that it was rare for managers to delegate. "It is very difficult to find leaders in our country. There are a lot of managers who are dominant and often dictatorial. It is difficult to manage in China," said one Chinese participant.

This, apparently, has a lot to do with the ownership structure, with an individual controlling the entire firm.

> *We often observe that in Chinese-owned companies, especially the privately owned enterprises that are growing in scale, the focus is on "one pen," that is only one person who has the authority to sign for everything. The "one pen" person is normally the owner of the company and, no matter how big the company is, it has to be the "one pen" to sign. Other management does not have the power to decide; all decisions have to come from the "one pen" person. These companies very often find that talented staff cannot be attracted or cannot be retained.*
> (Chinese manager)

In privately owned firms in China, resources may sometimes be allocated in unorthodox ways. "Chinese leaders need to show prestige. A new company often first invests in a BMW before they start doing business," one Chinese manager said. Examples like this may have more to do with the stage of development in China than a distinct preference for such attitudes and policies. The Chinese participants viewed the role of the senior manager as symbol of the firm as necessary due to the fact that China is still an emerging economy. "Chinese society is still developing; there is no infrastructure in place for decision-making. Therefore you need a strong leader. If that is not the case, people are uncomfortable."

These comments are important. They appear to signal a preference for strong leaders – not just in companies but also in society as a whole. At the same time, however, the Chinese managers said they expected there to be major changes in the leadership culture as the country become more developed and the workforce more educated.

The Swedish managers, on the other hand, said it was natural for them to adopt a relatively low profile in their organizations. "My own role is not to be dominant but to empower the team to work together. In another management environment I would probably come across as 'weak,' but I would rather have that than be too dominant," said one Swedish manager.

Trust

Trust in the context of team-focused leadership was another issue that generated interest. A Swedish participant said it was easy to delegate in Sweden because of the focus on getting things done, regardless of method: "The way we do things is not important. Our focus should be on creating and delivering results. It is a matter of trust. In our company, for example, media relations are decentralized. All project managers handle their own media inquiries."

One component of a trusting relationship is for senior managers to abstain from involving themselves – even when very difficult situations arise. One Swedish participant described an event when the global financial crisis was at its most acute

stage, noting that all managers in the company needed to be fully up to date regarding the situation so they could draw their own conclusions. This was seen as the most productive way to address the situation.

> *I would not intervene or override individual responsibilities. I strongly believed this was necessary in order for the team to be effective in executing the plan that was decided. You need to be supportive but at the same time stay away and not interfere.*
> (Swedish manager)

The above example is a clear indication of how the "high trust culture" is regarded as central to the Swedish leadership style. Extensive delegation of responsibilities is the standard approach – even in times of severe difficulty.

4.2 The leader as generalist or specialist

One discussion during the workshop was if managers could be respected for their management competence or whether they also had to possess professional skills of their respective industry or sector. In China, the demands are high. A top manager in China who leads by inspiring his or her staff must be very careful about showing individual weaknesses publicly. "A Chinese leader must know his or her field or topic intimately. In a technical environment, he has to be one of the best engineers. He must know his stuff very well, and be able to show it. That is why leaders are very careful about showing their weaknesses," said one Chinese participant.

A common view was that Swedish leaders, on the other hand, may be very open with their lack of specific knowledge as this is not regarded as a threat to the leader's authority. This difference in attitudes may cause problems for Swedish managers in China. "Being a foreign manager in China, you could get very lost in the beginning. Your staff may be frustrated because they do not get enough instruction. In China, we need to have instruction so we know what to do," said one Chinese participant.

A Swedish participant with experience from China agreed, and said foreign managers in China were always observed closely by their staff, who sought to assess the strength of the leader. "The message is: 'show me that you can lead.' Once you get your employees' respect, they will go out of their way to be loyal and hard-working," the Swedish participant said.

In Sweden, however, managers readily acknowledge that employees may be the most professionally competent.

> *Even if the final decision is based on commercial grounds, the team has a say in all decisions on what product to make and how it is made; we have found out that consensus decision making makes the team more*

unified and better at working together. People in the team feel more part of a team, than as individuals with a specified task.
(Swedish manager)

Many Swedish leaders also regard their staff as a critical resource for market know-how. One manager, who works in a creative industry, describes how the company benefited from using the employees' knowledge about the market.

We use a sort of "semi-democracy" where we ask people on their opinions on what to do as our next project. This has proven to be very efficient from a work perspective since people are motivated and feel as part of the decision making. It has also proven to be quite commercially efficient, since our team knows the market very well.
(Swedish manager)

This suggests that there are gains to win by clearly communicating that employees know best in many areas. A leader who is open with his or her shortcomings in terms of technology or customer preferences may thus be more profitable to the company, according to these Swedish managers.

4.3 Regional differences

Several Chinese participants stressed that management styles differ depending on where you are in China, which is a continent-sized country. One pointed out that there was a big difference between managing in Beijing and in Shanghai. In Shanghai, which is in some aspects more business-driven, it was often a requirement to show clearly who is in charge before the start of business. "In Beijing, you would be more understanding and more diplomatic. Why is this? Because it is the capital city, people from all over the country are attracted to Beijing, where they mostly have no established networks," the Chinese manager said.

Some guys may come from a big modern city like Shanghai or Shenzhen; some may have grown up in the Gansu province in central China that still is poor. Some of them may have lifetime contracts since they joined the company early, some of them may only have newly signed two-year contracts under the terms of the new Chinese labor law.
(Chinese manager)

One observation from this is that since Sweden has more or less the same management culture regardless of where you are located, hence Swedish managers may underestimate the differences in leadership traditions and preferences between various parts of China and other large countries.

4.4 The role of staff meetings

One area where cultural differences appear to play a significant role is when it comes to staff meetings. Swedish culture treats people equally to a large extent and managers seek opinions from staff before making decisions. In a Chinese environment, staff meetings where employees are expected to participate actively are rarely held. One participant said employees expect managers to have all necessary information to take decisions and added that employees felt "stupid" if meetings were held often.

> *Many Chinese believe a decision has already been made before the meeting starts, and that calling a meeting is just part of the process. They believe their manager can decide whatever he likes. No matter which company you work for, the Chinese still believe the manager is the one who takes decisions regarding their job, renewing their contract, offering them promotion, increasing their salary, etc. So, play it safe is the priority. You do not want to raise questions and take risks.*
> (Chinese manager)

Our interpretation of attitudes on team-focused leadership is that local managers in Swedish-owned businesses in China note a strong preference for including the entire team in a consultative process. This preference is shown, for example, in the frequent employee meetings in Swedish companies. The participating Chinese managers acknowledge this, but they seem to find no merits in it. Instead, they view it as something over which they have little or no influence.

5 Consensus-based decision-making: command or involve

How a company makes decisions is a key aspect of working life and management. In modern organizations, decision-making is normally done as part of a process. This process consists of several phases, involving stages such as planning, preparation, follow-up and documentation. How this is done often determines the speed and quality of execution.

The term “consensus” seems to have positive associations for most Chinese and Swedes. The Chinese participants in the workshop associated consensus with the company “acting as one,” providing stability and progress. They also associated consensus with the strong desire among employees to be recognized for their individual work. This is very important in China, where the individual normally does not accept subordinating his or her personal ambition to that of the company in the same way as may often be the case in countries such as Japan or Korea. We will analyze this topic in two sub-sections, focusing on the role of culture and the role of knowledge.

5.1 Culture determines employee involvement

As mentioned earlier, there is widespread recognition in China that the top leader decides everything. There is therefore skepticism regarding some aspects of the consensus culture – such as holding what is perceived as too many staff meetings. Additionally, many employees in China seem to be afraid of speaking out publicly.

> *They want to stay low-key, and don’t want to make a big fuss. They prefer to let facts speak for themselves. They fear public statements may be interpreted as criticism by senior managers, and that such statements could lead to the employee’s dismissal.*
> (Chinese manager)

A Chinese manager at a Swedish firm in China noted that the Swedish style is “to involve everyone and have a lot of meetings.”

> *In reality, however, the local employees will say: “Why should we have a meeting? You are the boss.” They do not believe it if you say you want to listen.*
> (Chinese manager)

Overall, the Chinese participants attributed their attitude to cultural factors, not least the fact that China has experienced 3,000 years of hierarchy, much of it under imperial

rule. In such an environment, businesses generally need strong leaders. This does not mean all Chinese organizations are one-man shows. Some managers delegate extensively – although perhaps not to the same extent as is the case in Sweden – with the aim of reaching a joint understanding and a common view.

> *My team leader was a very experienced man. Before the examination process, he assigned work to each of us responsible for one aspect of a bank and asked us to give an opinion. The team leader let us express our opinions on the bank's operation status and the final rating of each aspect. Finally, we gave 3 as the overall rating of the bank. This was a consensus-based decision.*
> (Chinese manager)

One characteristic of the Chinese leadership style is that it encourages managers to very carefully analyze the relative power and influence of people within an organization before they take action. This differs sharply from the Swedish managers' attitude that frequent meetings involving the larger group of employees is the ideal way of assessing such factors. They regard meetings as an efficient operational tool – which is why senior management will actively seek out opinions of staff before taking decisions

One Swedish manager noted the difference between working with leaders from Sweden and from abroad, giving the example of a strategy process which involved all employees, who were all very qualified and had a lot of experience. Tough, new targets were adopted with everyone onboard. "It was a big change from how things were under the previous manager, who was German and simply gave orders," the manager said.

> *When the strategy is set in a consensus approach, the probability that we will reach our targets is very high. The method is very simple. One full day is spent on "planning and strategy." I have the intended strategy 75 percent complete in my mind before going into the conference. However, after a full day brainstorming and discussing, we will come out with a joint document that we will accept and use in the daily work. In most cases, the targets can then be even higher than the ones I had in my draft version in my mind.*
> (Swedish manager)

We can note that Swedish managers do not just prefer to involve their staff. They also are very careful about spreading information and inviting participation at a very early stage. By doing this, they get "buy-in" from employees who identify with objectives and also, presumably, feel loyalty to the corporate strategy.

5.2 Know-how through consensus

When discussing consensus-based decisions, one Swedish participant described the benefits of delegating the entire development process to a group of employees. It was noted that in most companies, teams are made up of people with roughly the same type of competences. This may be a strength. But it may also be a weakness – especially in a creative industry.

> *We need programmers, graphic artists and game designers to cooperate over the 18 months that it takes to create a game. I have tried to be very direct, but it doesn't work. The whole process is a mess, real chaos. We found that the only way is to put people together in a room, giving them time frame, budget and preferred market and then let them work it out – a bit like when they select a new pope.*
> (Swedish manager)

According to the Swedish way of thinking, the benefits of consensus-based decision-making are twofold. One participant said the first benefit is efficiency – that is, management gets quicker buy-in from employees, while second benefit is quality: "You will have better decisions. In my view, there is value in both, but they are different," the participant said.

6 Handling conflicts: a slow process

Conflicts are unavoidable in any business or organizational setting. How such conflicts are handled is a relevant indicator of the quality of management. If the conflicts are addressed at an early stage, little damage may be caused. Sometimes the outcome may even be positive, as hidden problems are revealed and may therefore be solved more quickly. If conflicts are ignored by the managers or are dealt with only after considerable time, operations and product quality may suffer greatly.

The Chinese participants were ambivalent about the wisdom of openly acknow-ledging conflict, as such statements may be interpreted by employees as management weakness. “In China, it would be difficult to say that we have a conflict that we need to solve,” one said.

We will now discuss this topic in the following three subsections: taking time out, the degree of directness and operating under the radar.

6.1 Time out and assessing power

The Chinese managers said they handle conflicts indirectly, normally avoiding direct confrontation. This behavior is described as perfectly natural in a Chinese organization. It involves extensive analysis of various parties and skillful long-term management of relationships.

In a conflict situation in China described by one participant, a newly-appointed CEO had to try to reconcile opposite opinions in a joint venture project involving a large foreign company.

> *The conflict had been quite severe and both parties firmly insisted on their opinions. All that seemed to be left was the final decision of the new CEO, who was Chinese but had been studying and working abroad for more than eight years. The first step of the CEO was to call off the meeting, since he knew that besides the obvious “face” issue of admitting right or wrong in front of the colleagues, there might also be some other hidden concern of a seemingly “simple” issue. He then discussed with managers from both sides. They both had their own, legitimate concerns. Finally, he announced a compromise decision.*
>
> (Chinese manager)

This case history illustrates how the Chinese management style differs from the one practiced in the United States, where a confrontational attitude is more common. Such an attitude is also frequent in other parts of the Western world. But it is rare in Sweden.

6.2 Addressing conflicts directly

The Swedish participants regarded it as wrong to use indirect ways of communicating in a conflict situation. Such situations should be handled face to face. At the same time, Swedish managers acknowledged that they would in many cases wait a considerable time before taking action. Sometimes this may be due to the expectation that people are mostly alike and would normally solve the problem on their own. This assumption may be hard to understand in other cultures.

Once the conflict has been raised to the leader's agenda, however, he or she would deal with it quickly. "When conflicts occur in a Swedish firm, the expectation is that the manager has to solve that conflict. They are appointed to do that job," said one Swedish participant.

> *Two top managers in a company did not get along. They were both fighting for their respective areas of responsibility, which led to a dysfunctional management team, energy drain and focus on wrong issues. The CEO sat down with the two managers for a serious discussion, where both parties agreed that things were not working. The CEO recommended that the parties commit themselves to an agreement to cooperate, with a follow-up together with the CEO. A formal agreement was drawn up, agreed and signed. The result was a dramatic improvement in the attitude of the parties as well as in general working conditions. Both parties became aware of the seriousness of the situation and the fact that not solving the issue would have led to either, or both, of them having to leave.*
>
> (Swedish manager)

Handling conflicts well, as in the example above, is regarded as a vital management skill in Swedish companies. This may be due to the fact that organizations are very flat, meaning conflict situations rapidly become evident to everyone. Also, the non-confrontational culture means that much care must be taken when addressing the conflict.

6.3 Operating under the radar

In a Chinese environment, such direct action is rare. A much more common practice is to try to avoid raising the awareness of opponents by being discreet. Chinese participants pointed out that in Chinese corporate culture it is important that people don't voice strong different opinions against things they do not agree with in public. However, one should be aware that there are always different opinions around. The following quote is an example of how a Chinese manager could gauge the positions and attitudes of various people in the organization before addressing the conflict:

> *A project leader in the media industry was confronted with complex conflicts at the very beginning when he started to organize the launching team. Despite the green light given to launch the new publication, the new editor could not expect to recruit some of the best writers/editors internally. Before the new editor was able to communicate the complete picture of the conflict situation, he stayed low-key, organizing a small team to start the project quietly to test the waters. Once progress was made, it became easier to convince the less supportive parties. Because very few people are willing to voice their real thoughts in public and many people tend to sit silent, the new editor needed to interpret people's true attitudes towards the new publication and to figure out who were the accelerators and who were the blockers regarding the new project.*
> (Chinese manager)

One Chinese manager pointed out that there are, in most cases, three issues to be considered carefully before any action is taken:

- Issue importance – the extent to which important priorities, principles or values are involved in the conflict.
- Relationship importance – how important it is that you maintain a close, mutually supportive relationship with the other party or parties.
- Relative power – how much power you have compared to how much power the other party has.

What this section tells us is that managing conflicts successfully in a Chinese environment involves a lot of preparatory work. Execution has to wait until the strength of relationships and the importance of issues has been assessed. In Swedish firms, conflict-handling is also a lengthy process, but for a different reason. That reason is the need to try to do the utmost to get team members onboard.

7 Swedish management in a wider perspective

We will now seek to put the workshop discussion and case histories in the preceding sections into a wider perspective. The results have limitations due to the small sample but do still give some interesting input to the discussion on Swedish management in a foreign context. But how can we understand it? We will now examine this more closely.

As noted earlier, little data is easily available for a Western audience on the topic of Chinese management. Multi-year, comparative studies appear to be few or even non-existent. Geert Hofstede's (1980) seminal work on national management cultures from the 1970s, just to take one example, does not include China. Instead, Hong Kong is used as a proxy. This might have been a necessary step at the time but it is questionable practice today in view of the Special Administrative Region's financial sophistication and dedication to laissez-faire capitalism. Hong Kong is hardly China in this context. It is thus difficult to find academic research that provides direct guidance when analyzing the differences and similarities between Chinese and Swedish corporate management.

7.1 Swedish management culture is unusual

When it comes to Sweden, we may note the wealth of material that is available from half a century of research into management theory and practice in this country. Despite the converging forces of globalization – which means more and more companies, regardless of nationality, will be managed in increasingly similar ways – the Swedish leadership culture still displays distinct characteristics of openness and flat organizations. It is clearly different than the management practice in most other countries, notably that of the United States. The U.S. style is perhaps best described by the former head of General Electric, Jack Welch. According to Welch, top American leaders "…can delegate, because the U.S. has a very well established and complicated financial system, which will help push the company forward systematically." With its emphasis on metrics and control, this culture is radically different from the Swedish practice of team focus and involving employees.

The Swedish culture may be hard to implement in a foreign environment, especially in a developing economy like China. Nevertheless, most Swedish companies appear to run their operations in China in a way that does not differ fundamentally from the one they use in Europe or Sweden. Isabelle Zhang's study (2009) of how Swedish firms in China motivate local employees provides numerous examples of this. She analyzed the

human resources strategies of five companies in China (Atlas Copco, EF Education, Elektro-Skandia, SKF and Volvo) and found that employee motivation was regarded as a key factor in making the business a success.

Evidently, there are huge differences between the way management is practiced in China and in Sweden. These contrasts are natural in view of the differences in the two countries' size, history and stages in development. On the surface, we note similarities. The team is more important in Chinese and Swedish companies than it is in, for example, American firms. Conflicts are also mostly handled in a non-confrontational manner (although in China this is probably more to do with Asian traditions involving the importance of "face" than with something specific to China).

Concepts are one thing, however. They may mean different things to different people. This was evident in the section on team-focused leadership. Both the Chinese and Swedes agreed that the team was a central aspect of management, but this view was expressed very differently by the Chinese and the Swedes. When the Chinese discussed the team concept, they often referred to the management team (that is, team focus was meant to be a collegial style among the firm's managers rather than a dictatorial approach). For the Swedes, on the other hand, the team meant the entire work force of the company.

7.2 Developing a management style

We will now look more into how the workshop discussions and case histories relate to some anecdotal information from current business developments. The Chinese participants emphasized during the workshop that an inspirational leadership style is very much the norm in China. In this environment, the leader is not expected to be open with his or her weaknesses and shortcomings. A factual example of this was noted in April 2009 at a session at the Boao Forum, a top executive conference in Southern China. During a discussion on management strategies in emerging markets, the head of TCL, one of China's largest consumer electronics firms, was asked by the moderator to name a few examples of mistakes he had made in recent years. He repeatedly declined to reply to the question.

In contrast, senior representatives of Ericsson and Volvo, who were also on the panel, both described serious failures in the past and how they had learnt from those episodes. Such openness is uncontroversial in a Swedish culture. It is perfectly in line with the view that the top leader should essentially play the role of a coach and not be a symbol of the firm.

Another opinion put forward during the workshop was that China is developing so swiftly that it has not had time to implement a managerial culture of its own. This is supported by comments made by the CEO of the white goods manufacturer Haier

recently. At a seminar in Beijing in June, the CEO said: “In China, we don’t have our own management theories yet.” It may be noted that Haier’s growth from a small collective refrigerator factory to a multinational with USD 16 billion in revenues is as impressive as that of TCL, which has won big shares of the markets for television sets in both the U.S. and Europe. Early in 2009, Haier announced it would begin to outsource its manufacturing operations and focus more on sales and services. This strategy will test the capability of the firm’s management. The Swedish companies that have made the same transition have all had many years’ experience of running global businesses in various locations and stages of the business cycle.

7.3 The value of openness

Handling conflicts is another important role for managers, and the differences between Chinese and Swedish practice were clearly highlighted at the workshop. Isabelle Zhang’s research suggests that Swedish companies in China seek to preserve their culture of openness and directness even though this may be difficult to do. One way of facilitating this is to be very careful about recruiting staff, requiring them to have the desired attitudes. Employees interviewed as part of the thesis all expressed their strong preference for working in Swedish firms – which they said compared favorably with the hierarchical atmosphere in other foreign-owned companies, especially those of Japanese or Korean origin. Two of her observations strongly support the findings in the workshop and case histories. The first is that Chinese staffs usually willingly give their opinions to managers in one-on-one-discussions (rather than group meetings). This is because the respect for authority is very strong, overshadowing the reluctance to take risks by openly expressing opinions. The second observation is that Chinese employees find it very hard to understand the Swedish reluctance to punish bad performance by colleagues.

8 Some concluding remarks

In this report, we have sought to achieve a greater understanding of "managing the Swedish way" by looking at its main characteristics from a Chinese perspective and adding the views put forward by the group of Swedish managers. Another objective has been to discuss any comparative advantages of the Swedish management culture.

It is obvious that Chinese and Swedish managers agree on a number of things. Overall, they believe leadership should be meritocratic and team-oriented. However, in practice, Chinese and Swedish managers tend to act differently due to different cultural values and attitudes.

There are some tentative conclusions to be drawn from the material with regard to the three aspects that have been analyzed and also with regard to Swedish management in general. The main points from the discussions were:

- The Swedish leadership culture takes it for granted that both managers and staff work well without much supervision.
- Swedish managers focus a huge part of their attention on empowering employees.
- The high trust culture is thought to be very efficient and is central to the Swedish leadership style.
- The Swedish preference for frequent staff meetings where employees are expected to voice opinions seems alien in foreign cultures.
- Chinese managers seem to build consensus methodically, by analyzing the strength and power of relationships. This is rarely discussed among Swedish managers.
- Swedish managers seem to avoid conflicts in the hope that people will work out the solutions themselves. But once a conflict has become acute, they will address it head on.

As far as team-focused leadership is concerned, Chinese managers believe hierarchies and control are needed to a much greater extent than Swedish managers think is required. The Swedish leadership culture appears to take it for granted that both managers and staff work well without much supervision. Senior managers are expected to cope with all tasks with minimum guidance from the top leader. The best leader is seen to be the one who coaches – not one who inspires or controls. At the same time, one Swedish managers argued that trend has gone too far. His opinion was that leaders should more often step forward, set examples and broadly communicate their visions.

Looking at the second aspect – consensus-based decision-making – we can note that Swedish managers focus a huge part of their attention on empowering employees. They

achieve this through a very high degree of openness and extensive delegation of responsibilities. The high trust culture is central to the Swedish leadership style. This is likely to be an efficient way of organizing work, although it must be emphasized that the preference for frequent staff meetings where employees are expected to voice opinions seems alien in foreign cultures. But there are also areas in which Swedes could benefit from Chinese examples. One such example is the Chinese preference for building consensus methodically, by analyzing the strength and power of relationships. This appears to be largely absent in Swedish companies, but may be an important skill. A manager who is good at assessing which individuals or units that are the most influential may be very productive – both in working with one's own organization and with partners outside the company.

Regarding the third aspect, how to handle conflicts, there is actually a common view. Managers in both countries think it is natural that handling conflicts takes time. The Chinese prefer to solve conflicts methodically, assessing the power and issues of relative parties before taking action. The Swedes are reluctant to address conflicts, letting them go on for some time, before finally tackling them head on. Both strategies require skillful management of relationships and assets.

Interesting the participating Swedish managers expressed a somewhat split attitude when it comes to handling conflicts. On the one hand, they tend to avoid them with the hope, or expectation, that people will work out their differences by themselves. On the other hand, once a conflict has become a serious threat to operative efficiency or the well-being of the work force, they will address the issue head on.

8.1 Is Swedish management competitive?

Can we then make an assessment of the competitiveness of the Swedish management culture?

It seems that we can. The main conclusion of this report is how strongly Swedish managers focus on their teams. Extensive delegation of responsibility is not always an advantage. Control and follow-up are also vital functions in any organization and there appears to be very little emphasis on these processes in Swedish companies, which may be a disadvantage.

However, the main message from the workshop is that the Swedish preference for team-focused leadership seems to pay substantial dividends. It does so in mainly two ways: firstly, in the form of buy-in from employees, who become more committed to their tasks; secondly in the form of better performance of the company as there is less need for middle management and supervisory staff.

8.2 Ideas for future research

The findings in this report are derived straight from business leaders with significant experience. Their case stories are frank, detailed, in-depth and devoid of public relations attributes (although the names of companies and individuals are not identified) and thus a valuable resource when generating ideas for future research on Swedish management. Indeed, further research into how Chinese and Swedish companies manage teams, make decisions and handle conflicts would be of great interest. We would like to emphasize some areas of interest:

- One is the performance of Swedish businesses after they are acquired by foreign companies. Such data would help determine how managers from other nations perceive the Swedish culture from a hands-on perspective.
- Another is analyzing the medium and long term financial performance of Swedish companies, correcting for macroeconomic and technological developments which do not relate to the management style.
- A third area would be the employer-employee dimension. Learning more about job satisfaction, staff turnover and other human resource data would contribute to our understanding of how good, or less good, Swedish organizations are.
- Analyzing the Swedish management culture in another foreign context than the Chinese would be a promising fourth area. It is quite likely that a survey comparing the Swedish management culture with that of other countries than China would have had a somewhat different focus.
- Finally, more studies are needed on the Swedish management style and culture in order to deepen our understanding on how it can be a competitive advantage in the global economy.

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CHINESE VIEWS ON SWEDISH MANAGEMENT

- Consensus, conflict-handling and the role of the team

The Swedish management style, with its emphasis on trust, teams, empowerment and decentralization, has sometimes been regarded as a competitive advantage for Swedish companies, not least when it comes to promoting creativity and innovation. But do the main characteristics of Swedish management constitute the vital leadership qualities needed in a global knowledge-economy?

This report focuses on one aspect of this issue; Swedish management style from the view of Chinese managers. It is based on case stories illustrating some of the main characteristics of Swedish management written by a selected number of Swedish and Chinese managers and on notes from a workshop where the different cases were discussed. Although limited in scope and empirical data, the report can contribute to the discussion of how Swedish management can be adapted to a changing global business environment. The aim is also to generate ideas for future research on "managing the Swedish way".

The report is jointly produced by VINNOVA and The Swedish Institute.

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