

Sweden - Business Culture

Steffen Grunwald, Damian Borth
Students of Information Technology
TIT01EGR / TIM01AGR
BA-Mannheim

May 23, 2002

Contents

1	Industry and development / Economic History	2
1.1	Early Industrial Development	2
1.2	World War I and the Inter-War Period	2
1.3	After World War II	3
1.4	The 1970s and 80s	3
2	Business Culture in Sweden	3
2.1	Management Style	4
2.2	Power Distance	4
2.3	Organizations	4
2.4	The Approach to Risks	5
2.5	Making Decisions	5
2.6	Punctuality	5
2.7	Business Contacts	5
3	Inventions of Sweden	6
4	Society	6
4.1	Religion	6
4.2	Equality and classes	7

1 Industry and development / Economic History

Sweden is a strongly industrialized Western nation with a free enterprise economy. Several of its companies enjoy a worldwide reputation, and names like Ericsson, Volvo and Astra stand for high quality and state-of-the-art products.

Early Industrial Development World War I and the Inter-War Period After World War II The 1970s and 80s

1.1 Early Industrial Development

The first steps towards an industrial economy were taken in the 1870s, a time when England and a few other countries were already well under way in the development process. Although Sweden, industrially speaking, was something of a slow starter, it entered the scene at a favorable moment, when the economic development in the rest of Europe raised international demand and paved the way for Swedish products. The increase in exports that followed partly explains Sweden's economic growth during the period, but there were internal factors as well. Substantial investments in infrastructure made transports easier, and new, more rational agricultural methods and a rapid population growth provided a large labor force for the developing industry. In addition, a new type of enterprise emerged, the joint stock company, which was an important factor for the formation of large private corporations. By the end of the 1870s the joint stock system had become the dominating form of ownership in Swedish industry. This was also the time when large, vertically integrated company groups began to form, particularly in the export industry.

The engineering industry made its breakthrough at the end of the 19th century. Some of the companies from this period, like Ericsson, ASEA and SKF owe their success to Swedish inventions, and many of them were strongly export-oriented. Often, too, subsidiaries were founded abroad in order to avoid trade restrictions. As can be illustrated by the company names given above, some of these corporations are still going strong and belong to the core of the Swedish engineering industry today.

The developing industry could take advantage of one of Sweden's major natural resources - hydroelectric power. Thanks to the abundance of rivers and waterfalls in the north of the country, electricity was relatively cheap. This substantially lowered the costs of industrial production which, in turn, raised the demand for Swedish products at the international market. Partly as a result of this, the value of the industrial production increased by 150 percent in the period from 1895 to 1914, and the production itself doubled.

1.2 World War I and the Inter-War Period

Sweden did not participate in the First World War and could instead take advantage of the increase in foreign demand caused by the war. Later on, though, this demand led to an accelerating inflation. After the war, the export industry was struck by a deep recession, and it took some years before the economy started growing again. This time the rebuilding of war-torn Europe favored Swedish industry, since it had an intact labor force and undamaged production facilities.

The depression at the beginning of the 1930s affected the whole industrialized world, but some countries, like the US and Germany, were harder struck than others. Sweden came out slightly better, partly as a result of an export-boosting devaluation of the national currency, the krona, in 1931. The end of the decade even saw some growth of the national economy in a time of world-wide economic stagnation. As a result of technical improvements production increased, and so did the quality of manufactured goods. Among the most successful industrial products of this time were textiles, pulp and steel.

1.3 After World War II

The Second World War was followed by an economic boom. Sweden, having managed once again to stay out of the war, had a better starting position than most of its competitors. Export was further promoted by a 30 percent devaluation of the krona against the dollar, and the forestry and mining industries grew rapidly. From the early 50s to the late 60s the entire world economy grew by 4 to 5 percent each year, and Sweden was one of the most successful Western nations of this era. Although the native textile industry suffered heavily from increased international competition, the engineering and rubber industries expanded as a result of an increased demand for motor vehicles.

In the 1960s Japan emerged as a major industrial nation, and the country proved to be a tough competitor in industrial sectors like steel, shipbuilding and car. Competition was made even stiffer when the rebuilt nations of Europe began fighting for a place in the sun.

The Swedish labor market saw a major change in the 1960s. While the number of people employed in the service sector increased, there was a drop in the number of industrial workers, especially in the textile and leather sectors.

1.4 The 1970s and 80s

The 1970s brought many changes in international trade conditions which turned out to have a negative effect on Sweden. Since the countrys domestic market is relatively small, many industries rely heavily on export. The 1973 oil crisis and the subsequent decline in international business activity therefore affected Sweden more drastically than many other countries. The political answer to this was government subsidies to suffering industrial sectors, like steel and shipbuilding. These measures were not altogether successful, however, since they kept up employment only temporarily. In addition, they preserved structural problems in the economy which were to cause inflation as well as unemployment later on. The picture was not altogether dark, though, since the chemical, plastics, electronics and car industries all did fairly well.

2 Business Culture in Sweden

Often, Swedish businessmen don't expect businessmen from other countries to differ much from themselves in management, behaviour, clothing etc. Most of them would be surprised if they were told that their business culture differs greatly from the international norm.

2.1 Management Style

Swedish management is based on the idea that the individual is both willing and able to do a good job. A Swedish manager tends to think of himself as a coach rather than a commander, and he often delegates tasks and authority to his staff. Swedish organizations, employees on all levels have the freedom to make decisions and solve unexpected problems without asking superiors for permission.

A good manager, according to Swedish standards, is a person who takes advantage of the natural creativity and motivation of his staff. He should lead the employees not through his power or formal position, but through the principles of cooperation and agreement. Being a good listener is considered to be another important quality. In discussions with his staff, a professional manager should use reason and base his views on facts. Getting emotional when discussing a problem is considered rather inappropriate.

2.2 Power Distance

The power distance in Swedish companies is among the smallest in the world, according to a study of 40 countries in 1984. 'Power distance' can be defined as "the extent to which people in a hierarchical situation feel they can and should control the behavior of others, and the extent to which those others are conditioned by reflexes of obedience". In Swedish companies, the concept of power distance is largely replaced by personal responsibility.

Personal status is of relatively small importance in Swedish business life. Managers only rarely give signals of their own status and employees normally don't feel inferior to them. An executive is most of all considered to be a specialist in managing companies and he is therefore not socially superior to a specialist in any other field. In this respect, Sweden seems to differ from many other countries. A further sign of the non-hierarchic (or, better, modestly hierarchic) Swedish company structure is that Swedes normally use their first names at work.

2.3 Organizations

Swedish organizations are probably less rigid than many of their foreign counterparts. Swedes try to solve problems in an informal and pragmatic way, even if it means bypassing one or more layers of executives. In most cases, managers do not feel threatened by this practise, the general idea being that decisions are made in order to achieve a result and not to demonstrate your own position. The same attitude explains the vivid exchange of information in Swedish companies. If people know what is going on, the argument goes, they will feel more involved, and therefore more motivated for work.

Swedish companies usually have a flat and team-oriented structure with few management levels. The result is a simple and direct decision-making process. Matrix organizations are common, since Swedish employees often report to more than one manager.

2.4 The Approach to Risks

Swedish executives are generally more willing to take risks than their colleagues in other countries. An international study showed that Sweden had the lowest "uncertainty avoidance index" by far among the countries compared, while Japan had the highest. To generalize this result, one could perhaps say that Swedish managers are not so anxious to do the 'right' thing as long as they do their best.

In countries where managers show a high uncertainty avoidance, employees are often promoted according to seniority. In Sweden, on the other hand, actual work performance tends to be of greater importance. As a result, young men and women are frequently seen in leading positions.

2.5 Making Decisions

Although Swedish executives are willing to take risks, decisions are often made with great consideration. This is so, because there is one thing that must not be risked: the feeling of consensus and agreement in a company. Heated debates are very unusual at business meetings, and criticism has to be presented in a non-personal and diplomatic way. Unlike the situation in most other countries, Swedish business culture strongly favors compromising.

2.6 Punctuality

Being punctual is not only regarded as a sign of respect but also of efficiency and Swedish businessmen will have little understanding for cultural variation in this case. The stressing of the time factor can also be seen in everyday business contacts; it is generally not considered rude to set a deadline for a thing to be done or a decision made.

Punctuality is important not only in working life but also when it comes to purely social gatherings. This means that when a Swede is invited for dinner at eight, he show up at eight!

2.7 Business Contacts

Foreign businessmen often find that their Swedish colleagues talk too much business, and too little about themselves or their interests. They might draw the conclusion that their partners are simply limited and ignorant. The Swedish businessman, on the other hand, probably wishes his foreign business partner would cut the small talk and come to the point. In Sweden, a direct approach is seen as a sign of efficiency and a wish not to waste the other person's time. Important legislation in the labor market field.

Sweden has a labor market legislation that is in a few points similar to the German one.

- Very strong reasons are required for an employer to be allowed to dismiss an employee, according to the act on Security of Employment.
- Employees are entitled to take part in a strike that their trade union has approved.
- Employees are entitled to representation on company boards of direction.

- The act on Employee participation in decision-making stipulates that a company must negotiate with trade unions before making major changes, investments and such like.
- The act on equality between women and men at work protects employees against discrimination based on sex.
- Employees are entitled to take leave of absence for studies.
- Working environment as safety and health as well as working conditions at the places of work are regulated by the Work EnvirSwedish Inventions

3 Inventions of Sweden

Sweden is the home country of unusually many inventions considering its small population. Swedish companies based on unique developments or inventions gave jobs to hundreds of thousands, and still do. Here we have tried to list the most important and/or famous inventions made in Sweden.

- Tetra Pak
- The Separator and the Milking Machine
- The Ball Bearing
- The Propeller
- The Zipper
- The Safety Match
- Dynamite
- The Turbo Engine for Cars
- Innovations in Telecommunications
- The Adjustable Spanner

4 Society

4.1 Religion

One of the ties that links the Scandinavian countries together is a common Lutheran religion. The Swedish situation is special, however, since the Church of Sweden, Svenska Kyrkan, very early became a part of the central administration. Gradually, however, the church has been separated from the state and in 1996 it gained its full independence. This means, among other things, that children have to be baptized in order to become members of the church. Before the separation, children born in Sweden automatically became members of the national church.

The fact that the Church of Sweden has many members does not mean that average people go to church every Sunday or that they have a personal Christian belief. As a matter of fact, only few percent of the population regularly

attend church services. The support for the official church doctrine is hardly expressively more devoted. However, many people visit church at Christmas, Easter and at Advent Sunday, and lots of couples find a church wedding more festive and romantic than a short ceremony before the registrar. In the same way, a christening is seen as a way of welcoming and naming a new member of the family, as well as a reason for gathering friends and relatives. Today, three out of four children are baptized, usually in connection to a church service. The church has, in this way, kept a certain status as a preserver of tradition in a time of social and economic change. To generalize this on a wider geographical scale, one could perhaps say that Scandinavians share a Lutheran past, a present state of religious indifference, as well as the idea that the church still has an important part to play in the major events of life.

Apart from Lutheran Christianity, numerous churches and sects are found in Sweden, many of them fairly small. A large number of immigrants are either Catholics or Muslims. In recent years there are also a large part of Hindus and Buddhists among the immigrants. As to more recently founded religious communities we find Mormons, Pentecostals, and Jehovah's Witnesses.

Sveriges Kristenhet Names and addresses to all local churches in Sweden. Churches belonging to both the church of Sweden and "free" churches. Katolska Kyrkan Catholic Church in Sweden Lutheran Links Church of Sweden Links Swedish Nonconformist Links Links to "free" Swedish churches.n exporAbsolutely Swedish - Outlining a National Character

4.2 Equality and classes

In many respects Sweden is a country of relatively small class differences. Many people even consider the very concept of social class outdated, since it has become notoriously hard to define. A Swedish manual worker may well earn as much as a lower official, and his children can choose to study at the same university as those of the company president. All in all, the principle of equal opportunity has had a strong position in Swedish society, much due to the long predominance of the Social Democratic Party in Swedish political life. Some even think this principle has gone to far, limiting pluralism and individual freedom on the legal as well the personal level. Such a small-minded urge to control the behavior of others in the name of equality is often referred to as the "Law of Jante". Originally an invention by the Danish author Aksel Sandemose, this law tells you, among others, "do not think you are anything special" and "do not think you are better than anybody else"!

The ideal that each and everybody has the same value is manifested in the Swedish forms of address. Just as in Anglo-Saxon countries, Swedes use only one form when speaking to a single person: du ("you"). Irrespective of the sex, age or social class of an addressee, du can always be used. Formerly there was a more polite form, Ni (corresponding to German Sie) which was to be used, for instance, between strangers and by children who were addressing adults. Today it is only rarely used, and most of all by elderly people. Note, however, that it is still the form employed when talking to more than one person.

Another characteristic of Swedish mentality is the urge to agree on things. Heated discussions are rare, and the best way to convince somebody in a matter is not to put maximum emotional energy into the discussion, but to give some good arguments. For this reason, foreigners sometimes think Swedish people

undercooled and formal. They probably have a point there, but it should be remembered that the tendency towards rationality and objectivity most of all is seen in public and professional life. Swedish people can be very emotional, too, especially after 2 a.m. in a bar.