Managing organization development and change across Scandinavian borders

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Abstract

Many of our change theories and models originate from North America, and recently the question concerning how these theories apply across borders has been raised. In general, more bottom-up and inclusive processes are recommended when managing change in the Scandinavian countries, however this will depend on the types of changes that are being made and the reasons for initiating planned change. In this paper, we focus not on the similarities between the Scandinavian countries but rather probe how subtle differences between these three neighbouring countries might influence the management of change and ask which cultural aspects need to be taken into account when planning and managing change across Scandinavia? We address this topic conceptually by linking common change management practices and prescriptions to research on culture and management in Scandinavia.
In the face of globalization, Scandinavian organizations increasingly expand their businesses abroad, and in many cases, the most similar countries are targeted first, which in this case means the neighbouring countries. In order to meet the competition from large multinationals, we have also witnessed attempts at generating economies of scale and transfer of competencies and best practices by cross-Scandinavian (Denmark, Norway and Sweden) and Nordic (also including Finland and Iceland) mergers. This is for instance the case within financial services (banks and insurance companies) where an industry consolidation has taken place across the Nordic countries. In this paper, we limit our focus to the three Scandinavian countries, which are similar in their strong commitment to egalitarianism and democracy. This is reflected both in how work is organized and the management style (Schramm-Nielsen, Lawrence & Sivesind, 2004; Larsen & de Neergaard, 2007) and it has given rise to the notion of the Scandinavian management style, as something distinct from other styles of management, particularly if one compares the Scandinavian countries with continental Europe and North-America. While there is ample evidence of common characteristics within management and organization in Denmark, Norway and Sweden, there are of course also subtle differences between these three Scandinavian countries (Schramm-Nielsen et al. 2004; Larsen & de Neergaard, 2007), and such differences can make or break new business opportunities. This paper probes such differences and their implications for change management.

We apply a broad conceptualization of change focusing on planned change efforts by management, undertaken with a specific attempt to improve long-term performance. For instance changes in work processes or systems as a result of the integration of merging organization, or as a result of an attempt to transfer competencies and/or best practices between different divisions and units within a multinational firm. Culture plays a critical role in determining corporate behaviour (Scholtens and Dam, 2007) and a number of studies have addressed the effects of cultural differences and cultural
distance on MNC performance (Shenkar, 2001; Stahl and Voigt, 2004; Morosini, Shane and Singh, 1998; Barkema and Vermeulen, 1997); however studies show contradictory results either favouring low cultural distance or the opposite, high cultural distance. While cultural distance is important in decisions on where to locate future business and how to enter new markets, value creation and bottom-line performance ultimately depends on how new units (greenfields or acquisitions) are incorporated in the MNC and the role they play, and this will generally represent a change in terms of how work is organized and performed. Hence a-priori assessments of cultural distance are inadequate predictors of long-term value creation. This depends on how change is managed as even in closely related cultures such as the Scandinavian countries organizational members tend to create cultural distance once faced with change. Studies on cross-national mergers and acquisitions show that national culture becomes particularly salient during integration of two or more organizations from different nations (Barkema and Vermeylen, 1997; Morosino, Shane and Harbir, 1998; Stahl and Voigt, 2005) and that national stereotypes are actively constructed when organizations are attempted integrated across borders (Söderberg & Vaara 2003). This means that even in countries that measure low on cultural distance, changes are likely to trigger perceptions of differences and the key to value creation and improved performance then becomes managing the change process. We focus on identifying the national stereotypes that might appear as cultural gaps and a distinction between “us” and “them” is created, and the implications perceptions of cultural differences have for change management.

While some of the normative contributions within the literature on change management seem to suggest that there is one universal way to manage change (see e.g. Kotter, 1995) regardless of the type of change that is initiated or the context within which change is pursued, most of the empirically based research argues that good and effective change management requires knowledge
about the drivers for change, the content of change, and the context within which change is taking place (Pettigrew & Whipp, 1991). Hence appropriate change management approaches for downsizing in the private sector will most likely differ substantially from suggested approaches for managing the integration of two public sector organizations. Despite an increasingly context-sensitive approach to change management (Bate, Khan & Pye, 2000), with tools and frameworks that incorporate which questions need to be asked about the internal and external change context (Balogun & Hailey, 2004), we lack more systematic and country-specific overviews of how change management works across international boundaries. Recently, the question concerning whether or not models and theories on change management can be applied across boundaries and within different cultural contexts has been raised (Neumann, Lau and Worley, 2007). This lack of knowledge on change management across national boundaries is rather surprising considering the abundance of change studies from various national contexts and studies comparing differences in national culture and management styles. Hence we believe the change management literature can be informed by these related fields.

While our purpose is to map cultural differences and discuss their implications for change management, this is a risky endeavour, as it is inherently difficult to say anything in general about national cultures without making gross simplifications. Furthermore, cultural characteristics, although slow in changing, are not static, and any attempt at describing cultural traits risks reinforcing them. However, we believe that knowing about commonly acknowledged stereotypes is preferable to ignorance, but will still caution that implications we propose for change management must be handled with care.
Change management literature

Beer and Nohria (2000) argue that there are two dominant change management strategies: the economic strategy (E) and the organization strategy (O) and that when managing change, managers tend to think either in terms of Strategy E or O. Strategy E implies a focus on financial goals and changing formal organizational elements (such as systems and structure), with top management playing a key role. Planning follows a formal, linear and sequential pattern. This is also sometimes referred to as a strategic approach to change management (Huy, 2001). Strategy O means a focus on learning by changing more informal elements (such as culture) and employees here play a key role. This is sometimes referred to as an organization development (OD) approach to change management, which relies on extensive involvement by employees and a longer time frame as compared with more top-driven processes. These two strategies differ in terms of planning and responsibilities, tempo, participation and communication. Each of these differentiating factors is briefly described below.

Planning and responsibilities. Change managers who think in terms of strategy E tend to view the change process as rational, linear and sequential, where decisions are first made (formulated) and then implemented. Top management is the primary change agent with a clear mandate and responsibility for executing change. Strategy O, on the other hand, implies a more circular process where formulation and implementation can take place simultaneously, or at least reoccurringly, based on learning. Responsibility for executing change is more dispersed and relies heavily on organizational members taking charge rather than top management.
**Tempo.** The pace of change has been subject for much debate and research. While strategy E, which tends to focus on formal elements within the organization, often suggests that a fast-paced tempo can be beneficial, strategy O is based on a longer time frame, which allows for learning and improvements during the process. In general, there seems to be agreement among researchers that formal elements such as the organizational structure can be changed at a quicker pace than more informal elements, such as culture. However, actual practice often lags behind and takes much longer to change, both when formal and informal elements are changed. Empirical studies suggest that regardless of whether short or long timeframes are planned, large-scale organizational change tends to require a long time-frame (Stensaker and Langley, 2007).

**Participation.** With its focus on the role of employees, strategy O is more prone than strategy E to rely on direct participation during formulation and decision-making. In general, the literature on participation and employee involvement reports almost single-handedly on positive effects, with very limited attention to the costs of participation. However, when changes appear frequently in organizations, there is some recent evidence that if provided a choice, a number of employees prefer *not* to be involved in change processes, but rather be allowed to attend to daily operations and provide input on changes through other means than direct participation (Meyer and Stensaker, 2007).

**Communication.** The importance of sufficient and targeted communication during change has been well documented in the literature. While strategy E focuses more on communication as a tool for change agents to persuade change recipients to buy into the changes, or at least as a tool for creating commitment to change, strategy O is more concerned with securing input from many different organizational groups. In strategy E, experts (such as consultants or industry experts) are sometimes
used to legitimize why change is being pursued or to provide the rationale for the particular changes that are being made. In strategy O it is more common to find process experts, which for instance facilitate communication between different levels or positions within an organization.

It has been argued that Scandinavia, with its focus on equality and broad participation, should be a perfect contextual match for OD principles and ideas (Jaeger, 1986) and hence for strategy O. However, adhering to one rather general approach, such as strategy O, for all types of change and across various organizational contexts within Scandinavia, goes against current insights from the change management literature. A central point in Beer and Nohria’s (2000) work is the potential strength of being able to draw on both strategy E and O. Combining different approaches and strategies for managing change has also been suggested by a number of other change researchers (Huy, 2002; Nutt, 1986, 1989). Hence, while it is fair to question if North-American models for change management fit the Scandinavian context of more equality oriented, non-hierarchical and non-confrontational management, it is also fair to ask if it is possible to develop more specific advice for change management within and across Scandinavia than general references to strategy O.

Instead of adopting one change management strategy for all types of changes and across the Scandinavian borders, we discuss how cultural nuances between the three Scandinavian countries might influence the four important process dimensions within change management that were discussed above: planning and responsibilities; tempo; participation; and communication. We turn now to a brief presentation of the literature on national culture and identity within the three Scandinavian countries.
National culture and identity

Culture resides in deep meaning, value, belief and assumptions, and it operates beneath awareness (Hatch, 1993; Schein, 1985). In this paper, our perception of culture and identity is dynamic and socially constructed. This means that although culture is defined as relatively stable and enduring over time, it is continuously in a process of development. The characteristics of any particular culture are constructed in a specific context and in relation to some other culture. This means that the culture of the Scandinavian countries can be described as similar when compared with cultures in the Far-East or in Africa, but different upon closer inspection. Cultural differences can surface in specific situations, such as in the face of planned integration and/or coordination across organizations in different national context. Studies on cross-national change have shown that this can trigger banal stereotyping (Vaara et al. 2003). Although there is a certain risk of cementing and reinforcing existing stereotypes, we believe it is important to be aware of such stereotypes as they are likely to influence how decisions and change actions are interpreted. Both perceptions about own national identity and stereotypical accounts of other’s will influence reactions to change initiatives and subsequent action (or non-action). According to Vaara et al. (2003) it is not interesting whether stereotypes are facts or represent reality, what is interesting is merely that they represent shared meanings. This is because stereotypes are flexible and ambiguous and can be “used” to accommodate completely different conceptions – both positive and negative. For instance, during change, national stereotypes tend to be used to promote a positive self-image of representatives of ones own nation and create a distance to those belonging to another national culture (Vaara et al. 2003).

The Scandinavian countries have similar languages, political systems based on extensive welfare states, wage and gender equality and a balance of power between capital and labour (unions)
(Schramm-Nielsen et al. 2004). The management style is often described as less hierarchical and more consultative than for instance the US management style where many of our change theories originate from. Given these similarities one might argue that differences within these countries are greater than differences across these three countries. However, cultural studies within management show evidence of subtle differences that are likely to be important for managing planned organizational change (Schramm-Nielsen et al., 2004; Larsen & de Neergaard, 2007; Lewis, 2006).

Another general trait in two of the Scandinavian countries, which is highly relevant for managing change, is the stable workforce and low mobility. This is particularly the case in Norway and Sweden, whereas Denmark has a high mobility in the labour force (Schramm-Nielsen et al., 2004). The low mobility in Sweden has been ascribed to industry structure with many very large companies, whereas in Norway low mobility has been explained by infrastructure, geography and regional attachments (Schramm-Nielsen et al. 2004).

A majority of the studies we draw on in our descriptions of the three countries are comparative and describe each Scandinavian country in relation to the other two countries. The descriptions are based on cultural studies of management in Scandinavia, studies of cross-cultural mergers and acquisitions, and studies of how the Scandinavian countries joke about each other – i.e. content analysis revealing common stereotypes the three countries have about each other. Below we first describe findings on general traits of each country and insights on organization and business life (such as decision-making processes). We then present typical accounts by e.g. Norwegians about themselves before we show how people in the neighbouring countries would describe typical Norwegian ways of doing things.
Norway has been described as a rural, clean and unspoilt country (Eriksen, 1997). In a study of the jokes people of Norway, Sweden and Denmark tell about each other, Gundelach (2000) found that Norwegians are perceived as egalitarian, objective, sincere, small-townish, with values based on simplicity, nature, and Puritanism. Traditions are strong, but with the oil in the 1970’s came perceptions of modernity as well (Gundelach, 2000). The people of Norway have a strong national pride (Gundelach, 2000). Indeed, Norwegian history textbooks are more nationalistic than those of neighbouring countries (Eriksen, 1997). The strong, cohesive and boisterous identity (as compared with Denmark and Sweden) can be ascribed to the relatively recent independence (since 1905), but also because of its small size in terms of population. In terms of business life, Norwegian managers have been characterized as individually oriented (Larsen & de Neergaard, 2007), somewhat stubborn, frank, straightforward (Lewis, 2006), straight to the point (Vaara et al. 2003) and assertive (Larsen & de Neergaard, 2007). Meetings in Norwegian companies are generally quick and to the point (Lewis, 2006), loud discussions and disagreements are accepted, and the leader has the authority to make decisions. However, decisions that have been made are not easily adjusted (Lewis, 2006). Norwegians tend to be more theoretically oriented than their neighbouring countries. They rely more on written documentation and analysis (Schramm-Nielsen et al. 2004:110), although it is not clear if this is country-specific or organization-specific. They also focus on the big picture (Lewis, 2006) and have a particular concern for how resources are used (Larsen & de Neergaard, 2007).

In a study of the Nordea (a merger between banks in the four Nordic countries) Vaara et al. (2003) found that Norwegians generally see themselves as straight-forward and quick decision makers, while they are seen as independence-driven, nationalistic, having an inferiority complex, straightforward and stubborn by the Swedes.
Sweden is the largest of the three Scandinavian countries in terms of population and often perceived as the big brother, particularly in relation to Norway (Vaara et al. 2003). Sweden has been described as a future-oriented and modern country (Eriksen, 1997). The Swedish people are perceived as clever, capable, reliable, formal, success-ridden and neurotic, but also as shy, lonely, independent, avoid conflicts, sensible, reasonable, melancholic, and on a more negative note as too energetic with their healthy lifestyle and perhaps too accepting of a strong authoritarian state (Gundelach, 2000). Swedes are more practically oriented than their neighbours, while at the same time more formal and bound by rules (Schramm-Nielsen et al. 2004). For instance, in the integration of four Nordic organizations, Tienari et al (2003) found that the Swedes applied more formal ways of working with gender equality issues as compared with the other countries. The same study pointed out that the rigid labour legislation in Sweden risks constituting a potential obstacle to flexible management. They are extremely conflict avoiding, hence loud discussions in organizational life are not considered acceptable (Schramm-Nielsen et al. 2004; Larsen & de Neergaard, 2007). Decision making processes are very decentralized and democratic, based on collective decision-making and consensus, hence they take long (Larsen & de Neergaard, 2007; Lewis, 2006; Vaara et al. 2003). For these reasons, decisions are difficult to change once made (Schramm-Nielsen et al. 2004). Swedish managers have more status than managers in their neighbouring countries, but the way in which they gain power and status is not by signalling that they are the boss, but rather by creating an image of not being powerful (Lewis, 2006) – a contradiction that would seem next to impossible to more masculine prone cultures, such as the USA, France, and Russia.

According to Eriksen (1997), Swedes have a clear self-image. When they compare themselves with Norwegians then they describe themselves as modern and sophisticated as opposed to the rustic and unsophisticated but harmless fish-eaters from Norway. When compared with the Danes, Swedes
describe themselves as rational and well organized as opposed to untrustworthy, beer-drinking, happy-go-lucky and disorganised Danes (Eriksen, 1997). According to the Danes however, Swedes are bureaucratic (Vaara et al. 2003), boring, rigid and formal (Gundelach, 2000), while Norwegians perceive Swedes as submersive to the state (Gundelach, 2000).

**Denmark.** Danes are sometimes described as the little sister in relation to Sweden (Vaara et al. 2003), but even more often as the negotiating merchants (Vaara et al. 2003). They are generally perceived as relaxed, fun-loving, easygoing, and having an anarchistic even hedonistic lifestyle based on liberalistic values (Gundelach, 2000). Jokes sometimes depict the Danes as the decadent hedonist (Eriksen, 1997). On a more critical note, Danes have also been described as shallow, shrew, not altogether sincere, relatively closed and self-satisfied (Gundelach, 2000). Danes are business-oriented as they have a history of selling something they do not own (Larsen & de Neergaard, 2007). They are continental, easy-going, pragmatic and open and tend to use humour (Larsen & de Neergaard, 2007; Lewis 2006). Decisions are made quickly, sometimes impulsively, often based on loud discussions (Larsen & de Neergaard, 2007) as Danes are the least conflict avoiding among the three Scandinavian countries (Schramm-Nielsen et al. 2004). Although employees are involved in decision-making, managers both can and do make decisions and govern the organization with a steady hand. Since decisions are made rather quickly, and the Danes are pragmatic and prone to negotiations, adjusting previous decisions based on new circumstances or information is not a problem (Schramm-Nielsen et al. 2004). The study of the Nordea mergers showed that as compared with the Swedes, the Danes applied more informal procedures for gender equality, such as supporting “trust-worthy” females (Tienera et la. 2003).
Danes depict themselves as business driven and tough negotiators (Vaara et al. 2003), pleasant, anarchistic and hedonistic (Gundelach, 2000). They also describe themselves as easy-going, tolerant and urbane people, sociable and relaxed as opposed to Norwegians who are depicted as a friend, but perceived as rustic and simple, but honest and straightforward people who live close to their beautiful and spectacular nature (Eriksen, 1997). According to the Swedes, the Danes as compared with the other Nordic countries, are less reliable and trustworthy, because they are always negotiating about everything (Vaara et al. 2003), but they are also described as relaxed and kind. Swedes furthermore look upon Denmark as consisting of a more easy life and less dominant bureaucracy, but because of this, it can become too bohemian, loose and inefficient (Gundelach, 2000).

**Implications for change management**

The national stereotypes that appear when organizations across borders are drawn closer and forced to cooperate, e.g. through organizational integration or transfer of competencies and practices, have implications for change management. Based on studies of cultural differences between the Scandinavian countries, we have pointed out some characteristics that might surface upon cross-border cooperation. Knowledge about such national stereotypes can contribute in explaining actions and reactions. Based on some of the differences and stereotypical descriptions we mapped above in terms of how decisions are made and organizations function we would suggest some different approaches to how to manage change depending on the situation at hand.

Organizational change brings uncertainty and ambiguity. There are several ways in which change managers work to reduce uncertainty. One of the more common means for reducing uncertainty has to do with providing a clear picture of the future, for instance by communicating a clear vision of
the future (Kotter, 1996). Another means for reducing uncertainty is tied to the change process, and has to do with establishing trust in the procedures and routines for executing change (Meyer & Stensaker, 2007).

In Norway and Sweden where mobility is low, one way to reduce uncertainty could be in terms of the solutions that are offered, such as by avoiding solutions that imply geographical shifts (moving). For instance, if two organizations are planned to be highly integrated with certain activities located in Sweden and others in Norway, and this implies moving people between the two countries, then one way of reducing uncertainty might be to offer changes in position rather than in location. This was recently done during a merger predominantly within Norway between Statoil and Hydro. All employees had to reapply for jobs, but to reduce uncertainty, assurance was given that everyone would be offered a new position, and no one would be forced to shift locations against their will.

In Sweden, process uncertainty can be reduced if much time is allowed for planning and reaching a consensus. Since Swedes prefer long discussions and reaching consensus before decisions are made, they seem to follow a sequential approach where formulation precedes implementation. However, because decision-making has involved many people, much of the implementation is “done” or secured through the formulation process. In Denmark and Norway, on the other hand, the decision-making phase can be considerably shorter, but particularly in Denmark, there must be room for adjustments during implementation. Hence this is more in line with the idea of continuous formulation and implementation, where some decisions are made, and more decisions are made after action has been taken. Hence the time and tempo for formulation versus implementation will differ across the Scandinavian countries, as will the level of formality in the process. Union participation is accepted and expected in all of the three countries, but in Sweden this should be
planned through more formal procedures. This is also the case in Norway, where managers and union representatives are more attached to union procedures and rules than in Denmark, where more relaxed attitudes can be observed - sometimes they are ignored altogether.

In terms of communication, it is extremely important in all three countries to secure a genuine two-way communication process between change agents and change recipients. It is never sufficient to state that someone (such as the CEO) has decided that changes need to be made. The rationale behind the changes must always be communicated. It is furthermore expected that top managers solicit employee input and listen to employees. Change agents must show how input has been considered and explain why it has not been taken into account if input is discarded. There are some differences in terms of communication. In Norway and Denmark it is more accepted for the change agent to exercise leadership by making decisions, while in Sweden a change agent must not give the appearance that leader is making decisions. In Norway and Denmark, change agents should be prepared for honest and sometimes very critical feedback from employees, while in Sweden disagreements are likely to be communicated more indirectly to avoid conflict.

The Scandinavian countries have a number of common characteristics which suggest that managers must think differently when managing planned change processes in these countries as compared with North-America, where many of our current change models and theories originate. Based on a long tradition of democracy and equality in the workplace, managing change in Scandinavia requires careful attention to and knowledge of the expectations tied to planning, tempo, participation, and communication. Change recipients in Scandinavia expect (1) to be invited to participate in decision making, and this is often done through the unions; (2) to have an influence on the process; and (3) two-way communication, including honest and sometimes very critical
feedback from employees. These process expectations have implications for the tempo of change and the planning process. However, the ways in which these change management issues are attended to differ among the countries. When changes are made across the Scandinavian borders it is important that managers know about the subtle differences between the nations and it is also important to know about the stereotypical perceptions people in these countries have about each other. Cross-border changes, particularly those that require integration across cultures tend to trigger construction of differences. We have presented some of the stereotypes that can be found in the literature on national cultures and different management styles, and we have discussed how knowledge about these stereotypes might influence change management approaches; such as needing to spend longer time on planning in Sweden, while needing to incorporate more flexibility in the process in Denmark. However, this is merely a first attempt at drawing implications from cultural studies into the sphere of change management, an issue which needs to be explored further and in greater depth. Theoretically, the cultural implications of national identities and stereotypes could be explored by analyzing research on specific types of changes and assessing different processes for similar types of changes. For instance by comparing the implementation and success criteria of recent changes in the public sector, which have taken place in all three Scandinavian countries, or by comparing the implementation of management techniques across the three countries and assessing differences in terms of what works and what does not. Another route for developing further these ideas could be to explore the preliminary findings of this paper empirically and as a basis for further development. Ultimately, increased knowledge about cultural differences and expectations in change management will contribute in developing culturally sensitive models and theories of change management that incorporate necessary contingencies and adjustments across borders.
References:


