THE ART OF SWEDISH MANAGEMENT

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In the world of professional sport, the difference between success and failure is razor-thin, and it only takes one bad result for a star player or coach to fall from grace. But the story of Sven-Göran Eriksson's turnaround of the England football team is worth taking a look at, even if the England team's performance in this Summer's World Cup ends up falling short of expectations. Eriksson, for anyone who does not follow sport, took an England team lying bottom of its World Cup qualifying group, and brought it out 12 months later on top. He has restored national pride in the sport - largely through the 5-1 defeat of Germany - and he has justified the Football Association's controversial decision to bring in a foreign coach rather than an Englishman.

But Eriksson's success has also put the spotlight on the broader implications of his style of management. He comes across as a rather unlikely leader - modest, understated, a man of few words. But at the same time, he is evidently very successful, and this raises some interesting questions for the world of business and management. What are the secrets of his success? Can his approach to management be applied in other settings? And is his style something that is common to other Swedish leaders?

In this article, I offer some answers to these questions. From my experience of working in Sweden for three and a half years, I believe there are some common managerial traits -exemplified by Eriksson- that can be seen in most Swedish companies. And equally important, the Swedish approach to business is sufficiently impressive, in terms of what it has achieved, that it is a model we can all learn from.

Sweden - an unlikely success story
Sweden is an unusual country in many respects. It has only 9 million inhabitants, spread over a country that is larger in land mass than the entire British Isles. As recently as the late nineteenth century it was primarily a farming economy, but it industrialised quickly through the innovative genius of people like Alfred Nobel and Lars Magnus Ericsson. Industrial companies like Alfa Laval, Asea and Ericsson sprang up and quickly established an international presence in the Scandinavian region, and into Russia. Commercial success led to further economic growth and the “Swedish model” began to emerge – a social democratic government committed to full employment, generous social policies, and powerful labour unions (with surprisingly amicable connections to wealthy industrialists like the Wallenberg family).

All of this is relevant because it helps to explain the Swedish way of working. The Swedes are a surprisingly homogeneous group. There is a strong work ethic. They have strongly held beliefs about equality. They feel they have to stick together in a big unfriendly world. There is a strong desire to fit in and conform to the norms and expectations of those around them.

Research has examined the ways that Sweden’s national culture differs from that of other countries\(^1\). The first key attribute, which Sweden shares with Japan among others, is a strong *collectivist* culture – a belief in the importance of the group or the team ahead of the individual. Britain and America are the opposite – they have a highly individualistic culture, where kids learn from a young age to stand up for themselves, to seek out attention and to compete with their peers. In Sweden, the reverse is true. Kids are expected to be average (*lagom* in Swedish), and the school system dampens down any naturally competitive instincts they may have. In Sweden there is a joke about a clothing size called “extra medium” which is supposed to fit the entire nation.

A second attribute is the lack of hierarchy, or what academics have called *power distance* (the level of inequality between individuals in

society). I remember one of the first meetings I attended in Sweden - a meeting of the professor, the other academics, and a number of doctoral students and staff. The professor was talking about something vaguely important – a new programme they were thinking of putting on. Then a graduate student answered back. “I disagree,” was his opening statement, and he went on to put forward an alternative point of view. From my background in the Anglo-American world of academia, this was truly shocking - graduate students do not challenge Professors. Full stop. But in Sweden this turned out to be the norm - and indeed, it has obvious and important benefits over the more hierarchical system we are used to in the UK.

Much the same level of informality and openness can be found in the boardrooms of Swedish companies. If you try and talk to a CEO in the UK or US you have to get past a protective secretary and a PR minder. The CEO is likely to be highly elusive. CEOs do not answer the phone. They have secretaries who do that. They then recline, put the phone onto “speak” and pontificate. In Sweden I have called CEOs directly and got straight through, not a secretary in sight, just two people talking.

There are two other elements that are typically used to characterise the Swedish culture. One is that Swedes are much more in touch with feminine values like nurturing, caring and supporting, than the more “masculine” societies like America and the UK. You see this in child care, where fathers are encouraged to take six months paternity leave. And you also see it in team situations, where the manager (male or female) tries to understand and support the troubled employee.

The final element of cultural make-up is the Swedes’ high level of tolerance of uncertainty - the ability to ride the rollercoaster of life without fear of crashing or falling off. This is especially useful if you are a football coach. In addition, this has a lot of important consequences in the world of business, because it makes Swedes less resistant to change, more able to accommodate new ways of thinking, and more tolerant of foreigners. It also manifests itself in the rather informal way of doing business in Sweden. When I agreed
to move to Sweden from Canada for a job, no employment contract was offered – a handshake and a verbal agreement were sufficient, at least to the Swedish employer.

The Swedish national culture, then, is different in many important respects from what is the norm elsewhere in Europe and in the UK. As always, it is possible to pick out broad differences in national traits, and we can speculate on the reasons why they turned out that way. But the important question is whether this actually makes a difference – one way or the other - to effective management. Does the cultural background of Sven-Göran Eriksson make a difference to how he leads, coaches and manages? Does the fact that he is Swedish matter? The answer is an unequivocal yes.

Consider a few facts about Sweden and Swedish companies.

⇒ Sweden has more large companies per head of population than any other country in the world. Many of them are still independent world leaders in their chosen sectors – Ericsson in mobile infrastructure, Sandvik in tooling, Electrolux in white goods. Some of them, including Volvo cars and Astra, have recently been bought up by foreigners – a sure sign that they are valued overseas. And importantly, the Swedes often end up running the merged company. ABB, a merger of Sweden’s Asea and Switzerland’s Brown Boveri, is headquartered in Zurich, but all three CEOs since the merger have been Swedes.

⇒ Sweden has a long and impressive tradition of industrial innovations. Sandvik was the first company to commercialise Bessemer steel production. Lars Magnus Ericsson invented the telephone switch. Such everyday items as the zipper, the safety match, and dynamite were all invented by Swedish innovators. More recently Swedish companies have been responsible for a number of management innovations. The cellular manufacturing model was pioneered by Volvo in its Kalmar factory. In the late 1980s Electrolux and SKF were the first truly transnational companies in which foreign subsidiaries were given global strategic roles. Scandinavian
companies also led the way in decentralising. IKEA is an exemplar of the networked organisation – a web with no centre.

⇒ Sweden has been labelled the most “future ready” country in the world in the IMD/WEF annual competitiveness rankings. There is a highly-sophisticated broadband infrastructure - enough to put even the most wired parts of Britain to shame. Seventy percent of people have Internet access. Mobile telephone penetration is close to 100 percent.

And after Silicon Valley, Stockholm (or rather Kista, a suburb north of Stockholm) is widely recognised as one of the leading high-tech clusters in the world, right up there with Cambridge’s Silicon Fen. Over the last couple of years leading IT companies including Microsoft, Nortel, Intel and Oracle all put R&D investments into Stockholm, as a means of tapping into the latest thinking in the world of the mobile Internet. Steve Ballmer, president of Microsoft, said in 2000: "I know no better place to base our mobile telephony business. Stockholm is the centre of mobility." And Newsweek ran a cover story in February 2000 called "Shining Stockholm" with the subheading, "Sweden is the most wired and wireless nation in Europe, and Internet fever is energising its capital, from business to the arts".

Sweden also rates highly in business start-ups and entrepreneurship. Venture capital investment grew 200 percent between 1995 and 1999, more than any other country in the world. And Sweden also tops the table of high-growth start-ups, according to the Global Entrepreneurship Monitor produced by London Business School.

⇒ Swedes are true globalists. In 1997 Jack Welch, GE’s former Chief Executive, reflected: “We are trying desperately to hire more global people. There are certain people who are more comfortable in global environments. The Dutch, the Swedes. ... A Swede is a global traveller. Pound for pound, Sweden probably has more good managers than any other country."

All Swedes learn English from a very young age, and many spend a year in school in the UK or the US. Cable television, mostly from the
US, is left in its English-language form with subtitles (unlike in most of Europe where it is dubbed). The younger generation are keen to work abroad, with London the number one destination. Their appetite for new technologies and new fashions is second to none. No surprise, then, that Swedes make such effective global managers. Lars Nyberg is the CEO of NCR, a major American IT company. Anders Moberg was headhunted from IKEA by American retailer Home Depot to run its international operations. Companies like IKEA, Tetrapak and Ericsson have been sending Swedes overseas to run their foreign affiliates for decades.

⇒ Sweden’s economy has grown impressively over the last decade. Its average GDP growth of around 3 percent since 1997 puts it ahead of Germany, France and the UK. The country’s revival is such that it is easy to forget that its currency was devalued at the beginning of the 1990s and that it has had a social democratic government for all but nine of the last 68 years. Sweden has re-invented itself without shedding its long-term commitments to taxation and welfare. (Swedish corporate tax is set at 28 percent and tax still accounts for 52.1 percent of GDP.)

**Learning from Sweden**

The history of business is littered with ways of working that were picked up in one place and adopted overseas. In the UK the dominant influence has been American. From the tools of Scientific Management in the pre-war years, through the creation of the multi-divisional organisation form, to the more recent obsessions with re-engineering and value-based management, the influence of American gurus and American practices is omnipresent. But there have been other influences as well. In the 1980s the West embraced Japanese management. There were useful techniques like just-in-time manufacturing, quality circles, and constant improvement. And also rather more dubious practices like company songs, and 250-year plans (Matsushita has one of these). In the UK, there has even been some influence from Germany and France - as the practices of leading companies like Siemens, Vivendi, and LVMH have been studied and applied.
Swedish management comes with none of the baggage of the German and French models. It is unthreatening. It is polite. Think of Sven-Göran Eriksson. And it is an approach to management that is already relatively familiar, with its emphasis on things like empowerment, teamwork, and consensus-based decision making. Indeed, the Swedish business culture shares some characteristics with that of the Japanese – the Swedes have sometimes been labelled the "Japanese of Europe". Saving face is important and, rather than direct frontal attack, they prefer a more obtuse and subtle approach. For this reason, Swedes remain largely immune to the quick-fix-gurus who promise to cure all known organisational ills at one seminar. “New ideas are better stated in quite general and vague terms initially, in order to invite others into the process,” note Ingalill Holmberg and Staffan Åkerblom of the Stockholm School of Economics. “Swedes are generally very suspicious of readymade ideas or solutions. It is also a matter of ownership. If a Swede has not been involved in the generation process, no one should take for granted that they will be involved in the implementation.”

The Swedish model, in other words, affords us with a new perspective on management and leadership. It is far more accessible than the French or German models, and it is practiced by people who speak English almost as well as the English. I am not predicting a wave of enthusiasm for Swedish management to match the early 1980s when all things Japanese were celebrated. Rather, the Swedish model – with Sven-Göran Eriksson as its examplar – can be seen as a new way of making sense of a very old approach to management – that you should believe in and respect the ability of every individual who works for you.

**The Swedish style of management**

Let's take a closer look at the Swedish style of management which Sven-Göran Eriksson exemplifies. It can be boiled down to two elements - empowering and coaching. Empowering is about delegating responsibility to the people who work for you, sharing decision making with them, and appreciating their initiative. Coaching
is about making everyone feel part of the team, encouraging players to cooperate, keeping them informed and taking an interest in their individual performance.

The trouble with empowering and coaching as key elements of a management philosophy is that both terms are overworked to the point of cliché. Management theories including the human relations school of the 1930s and the socio-technical movement of the 1950s have emphasised the importance of empowerment and coaching as ways of getting the most out of your employees. It is a rare manager who will openly admit to doing the opposite - to restricting his employees access to information, or ignoring their ideas.

But the reality is that most managers neither empower their employees nor do they coach them. Some think they do, even if their employees know otherwise. And others implicitly adopt a rather different style. It is worth exploring this paradox in some detail.

The definitive research on this subject is the doctoral thesis work of Lena Zander, an academic at the Stockholm School of Economics\(^2\). She looked at the way managers relate to their subordinates (by asking the subordinates) in 18 different countries. After analysing the questionnaire returns of some 17,000 people, she was able to show that the one-on-one relationships bosses develop with their subordinates differ significantly from country to country. So, for example, in Britain people tend to see coaching as an important aspect of the boss’s style, whereas for Germans it is more or less irrelevant. At the heart of Zander’s analysis were three different models:\(^3\)

*Anglo-American management.* British and American employees emphasise empowering and coaching. This helps to explain the clichéd use of these terms, because it is typically management gurus from these two countries who emphasise them, often in the mistaken belief that they represent a universal style of management. For

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3 There were other models as well, but typically exhibited by a much smaller number of countries, and with less distinctive characteristics.
example Tom Peters, the American management guru, enthuses about the coaching style of leadership: "Coaching is face-to-face leadership that pulls people together from diverse backgrounds, encourages them to step up to responsibility and continued achievement, and treats them as full scale partners. It is about really paying attention to people, really believing them, really involving them."\(^4\)

But there is an inherent conflict in this style - empowering is about giving employees the space and the skills to do things for themselves, coaching is about taking a personal interest in employees, encouraging them, and generally getting involved in their day-to-day activities. And it is often difficult to get the balance right. Think about your own working environment. When the boss comes over to ask you how things are going, is he coaching and motivating you, or is he checking up on you? The answer is probably a bit of both, but this means that empowerment is getting compromised for the sake of coaching.

And coaching also has problems of its own. While the term was picked up by the world of business from the world of sport, it is applied in a variety of ways. For some, coaching is about providing the supporting skills and ideas to help the individual excel. To others it is just about setting appropriate targets. To others it has a negative connotation. One colleague of mine was told that she would get some "coaching" from the chief executive, which turned out to be a critique of her work. When coaching can mean so many things, it is little wonder that it gets in the way of true empowerment.

*Swedish management:* Swedes (as well as other Scandinavians) emphasise empowerment, but they are less keen on coaching, and they dislike close supervision intensely. In other words they favour a model that gives them a lot of freedom to do their work uninterrupted by their boss. They believe they should be given a particular objective to meet, but it should be up to them to figure out

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how to meet it. And they think the boss should be prepared to take their advice on matters concerning their area of responsibility.

This is a very grown-up style of management. For the boss, it requires complete trust in his or her subordinates - a sense that they have the skills they need to carry out their job, and a belief that they have the maturity to act in the interests of the company or the team when faced with difficult decisions.

The boss even has to accept that sometimes the wrong decisions will be made, or that work will not be done as well as it might be, because some learning only happens through mistakes. Örjan Sölvell, the Director of the Institute of International Business in Stockholm commented that he prefers not to give his employees individual budgets. "I want people to make smart decisions for themselves," he explained. "It is up to them to figure out how much to spend. Some money is wasted, but eventually they learn what is best for themselves, and for the rest of us." By keeping everyone informed about the financial state of the institute, he reasoned that his team of researchers would act responsibly.

**German management.** Germans have a very different image of the boss-subordinate relationship than their British, American and Swedish counterparts. The boss, in their view, should focus less on empowering, and should downplay coaching altogether. Instead, they believe that they should receive frequent supervision and reviews of their work from their boss. They also don't believe that their bosses should take an interest in their personal lives.

These elements are consistent with most people's crude stereotype of German management - the rigid hierarchy, the careful attention to detail, the impersonal nature of the workplace. It also squares with the simplistic generalisations made about the all-too-frequent defeats the England football team has met at the hands of the Germans - where British creativity and flair has yielded to Germanic efficiency and order. But remember that this is not idle speculation - it is careful social science research and these ratings are simply a summary of how Germans assess their own preferences. It is also
worth remembering that this model - despite its impersonal, machine-like form - also applies broadly to a number of other countries, including France, Switzerland and Japan. A group of countries, by the way, whose economic performance over the last twenty years has been at least as good as Britain's or America's.

Empowerment and coaching, in other words, are not universally desirable attributes. Lena Zander's research shows that in the UK and America both are seen as positive, but in many countries there are other ways of working that are equally effective. And of course these are not just national traits - there will be differences between companies in the same country, and differences between managers in the same company. Try rating your own preferred style using the questionnaire below.

**Adapting the Swedish Model**

While these different management models are all clearly valid, they are not "pure" types. British companies can learn from the efficiency and order of the German and Japanese models. And they can also learn from the Swedish model. The problem with the Anglo-American model, as described earlier, is that the typical boss-subordinate relationship ends up being stuck in the middle. The employee is not given the level of close supervision that he might get in a German company. And he is not given the freedom he might get in a Swedish company. Instead, the boss understands the logic of empowerment - the need to give her subordinates responsibility for their own actions. But she has also learnt about the importance of "coaching" her team - spending time with them, developing them, and taking an interest in their personal life. In trying to balance the two, she ends up getting neither right. And employees become confused by the mixed messages they are receiving.

The Swedish model, in contrast, is internally consistent. It is essentially about letting go. It applies equally to relationships at home, at work, and on the football pitch. And it is exemplified by Sven-Göran Eriksson. He does not meddle in the details that his assistants and his players can figure out better for themselves. He
keeps his distance. But he also spends time with each player, identifying challenges and problems they are facing, and looking for ways to motivate and develop them.

Of course the Swedish model has its own built in tensions. You need to give people the space to make their own decisions, but you also have to define clear boundaries beyond which they should not roam. You need to give them the power to act, but if you give them too much power without the necessary skills and training, they can make expensive mistakes. But if you can get the necessary balance in these areas, it is a very powerful model because it frees up the creativity and talent of your entire workforce.

So if this is such an attractive model, why is it so rare elsewhere? There are a couple of reasons. First, it should be seen as a Swedish model because it is in keeping with some of the underlying cultural traits of the Swedish people. Swedes, as noted earlier, are very good at coping with uncertainty. And they are not obsessed with hierarchical position. These factors make it much easier for the boss to let his subordinate take full responsibility for an area of the business. In contrast, the pure empowerment model is anathema to the traditional British manager who equates his elevated position in the hierarchy with power and with superior knowledge.

Applying the Swedish model in a traditional British company is like pushing a rock up a hill - you can do it if you push hard enough, but one false step and the rock will roll back and crush you.

Think of some British business leaders of the last twenty years - Lord Hanson, Lord Weinstock of GEC; or Sir Richard Greenbury of Marks & Spencer. They ruled their companies with an iron fist - they used a combination of detailed knowledge of their businesses with careful and systematic control systems, and they generated strong loyalty from those managers who appreciated their command-and-control style. As Lord Hanson remarked: "I believe very firmly in the combination of carrot and stick. We make it crystal clear what the manager’s task is, but don’t just leave it to him or allow him to get on with it. We require him to do it. This has a dramatic effect on the
individual. Possibly for the first time in his career, he senses the meaning of responsibility”. Hanson (the company) grew rapidly on the back of this model, but it worked best when it was buying and splitting up undervalued conglomerates, or when trying to squeeze greater profitability out of badly-managed businesses.

But there is also an emerging style of management in the UK that looks a lot more like the Swedish model. Think of the Virgin group, which is now in a plethora of different businesses from airlines to financial services to coke. Virgin has been called a branded venture capitalist. Richard Branson encourages employees to experiment with any number of new business ideas which he provides seed money for. The company is flat, fast-moving, and entrepreneurial. Many ideas don't work out, but a few -like Virgin Atlantic - more than make up for the failures. Another example is British Petroleum (BP), a rare example of a large, lumbering giant of a company that has radically transformed itself from within. At the heart of BP's transformation is a style of management that places responsibility for delivering results deep down in the organisation. “Contracts” are set between the top executives, Sir John Brown and Rodney Chase, and those running BP’s business units, and then those individuals are giving free rein to deliver on their contract in whatever way they see fit. Call it empowerment, or call it entrepreneurship, the essence of the model is that success comes from a high level of commitment to an agreed objective. And the real beauty of it is that BP was once a bastion of traditional British management, with its deep hierarchy, and lifetime job security. Even a leopard, it seems, can change its spots if the rewards are great enough.

The second reason why the Swedish-style empowerment model is so difficult to pull off is that it is inherently fragile. When everything is going well it is easy for the manager to give his employees more slack, and to let them make mistakes. But as soon as problems emerge the knee-jerk reaction is to pull control back to the centre. We have seen this happen countless times in an international setting. Picture the following scenario. The subsidiary manager runs into a problem with a major local customer, and needs to spend all his time sorting it out. But his boss demands that he flies back to HQ to
update him on the situation, and then insists on weekly updates thereafter. Of course, the boss at HQ can't solve the problem, but he craves the security of at least being kept updated on what the problem is, and how soon it will be fixed. In doing this, he actually makes it more difficult for the subsidiary manager to solve the problem. And even worse, a by-product of this little episode is that the subsidiary manager no longer feels empowered. It is fair-weather empowerment only, and that is not the same thing at all.

Theatre offers another example of the power of empowerment. Philip Slater, an American academic who became a novelist and playwright, observes that inexperienced playwrights often want to direct their own plays. They are worried that others will not understand their vision, so they try to control the entire process. "The result", he explains, "is usually sterile and often disastrous. If the playwright's vision comes through in the writing, the director will see creative ways of enhancing that vision - ways that the playwright never dreamed of. And so will the actors, designers, composers, and so on."

Slater's advice to playwriting students is not to set stage directions in detail, because they limit the actors’ options. Good actors, he argues, have dozens of ways of creating a desired effect - ways the playwright probably has not thought of - and will choose the one that is most natural or appropriate to the context. The analogy is a powerful one - effective manager, like playwrights, create a vision and provide a text for people to follow. But once that is done, they stand back and let their people interpret and deliver on the vision. Too much micro-management limits people's opportunity to add value and take ownership of their piece of work. "Letting go" is difficult to do, but as Sven-Göran Eriksson and generations of Swedish managers have shown, it lies at the heart of effective management.

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### CULTURAL DIFFERENCES BETWEEN COUNTRIES

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<th>Power Distance</th>
<th>Uncertainty</th>
<th>Masculinity</th>
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All scores are between 0 and 100.

WHAT IS YOUR PREFERRED MANAGEMENT STYLE?

For each of the questions, rate our answer on a scale where 1=completely disagree, 3=neutral, 5=completely agree. Add up your total scores for Empowering and Coaching, and plot them on the graph below.

**Empowering**

1. The boss should delegate responsibility to his employees...... 1 2 3 4 5
2. The boss should avoid reviewing the employees work too frequently ............................................................1 2 3 4 5
3. Decision-making should be shared between the boss and his employees ......................................................1 2 3 4 5
4. Employee initiative should be appreciated and welcomed by the boss ........................................................1 2 3 4 5
5. The boss should take advice from employees ...............1 2 3 4 5

Total......................................................................................_____

**Coaching**

1. The boss should encourage employees to cooperate, and feel part of the team...........................................................1 2 3 4 5
2. The boss should keep employees informed ..................1 2 3 4 5
3. The boss should take an interest in the development of employees performance and careers..........................1 2 3 4 5
4. The boss should take an interest in the **personal** issues facing employees.....................................................1 2 3 4 5
5. The boss should try to make employees feel proud about their work ..............................................................1 2 3 4 5

Total......................................................................................_____

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**Graph:**

- **Empowering** on the y-axis, ranging from 0 to 25.
- **Coaching** on the x-axis, ranging from 0 to 25.
- Categories: Swedish, Anglo-American, German.