“Understanding Management Style Differences between Germany, Sweden and Italy – Considering Environmental and Social Viewpoints”

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List of Abbreviations

CSR    Corporate Social Responsibility
EMAS   Eco-Management and Audit Scheme
EU     European Union
GDP    Gross Domestic Product
KPI    Key Performance Indicator
LTO    Long-term Orientation
OECD   Organization for Economic Cooperation and Development
R&D    Research and Development
SME    Small and Medium-sized Enterprise
UN     United Nations
1 Introduction

1.1 Motivation and background

For a long time culture has had a consistent impact and had played an important role in matters of structuring work within organizations (Hofstede 1980). Cultural differences are present within and in particular between different countries. These differences exist between groups, nations and individuals due to the fact that people do not think and act in an equal way (Hofstede 1997). Therefore different cultural behaviors can be considered the central point in having different values (Hofstede 1980). According to Hofstede (1991) it is possible to confirm that cultural differences are consistent and real by just only asking people that got a work or academic experience abroad their own country to understand that such cultural diversity is not only an assumption. Moreover this variation between national cultures can also be recognized in the management area. Around forty years ago Geert Hofstede was one of the first researches which made a deep investigation on cultural differences between countries based on more than 50 nations. These studies and reports have then created the framework of this work because his approach across cultural dimension gives a psychological and sociological fundament that permits further analysis.

The thesis therefore selects three European countries - Germany, Sweden and Italy - in order to make a deep investigation on employees’ and managers’ behavior in business based on different cultural values and particularities in their countries. The thesis concentrates on values that determine the interaction with other people and the way decisions are made and then converts the findings into the context of organizations. The objective of this thesis is to show in which way firm’s stakeholder management, their perceptions of stakeholder pressure and the reactions to it vary across Italy, Germany and Sweden due to
their cultural predisposition. This might be due to different selected Key Performance Indicators that managers rely on. So manager’s perception in the selected countries is expected to be different even though external pressure from financial markets, competitors and diverse stakeholder groups as well as disclosure frameworks and guidelines e.g. Global Reporting Initiative or OECD Multinational Corporate Social Responsibility are more and more becoming harmonized internationally and cross-culturally (Boesso 2006).

In the next chapter the concept of stakeholders and CSR is briefly presented as well as Hofstede’s dimensions of national culture and the applications of his concept to management. Chapter three is about categorizing Sweden, Italy and Germany into Hofstede’s dimensions and analyzing their business culture in particular. Chapter four concludes with a comparison and discussion of the results of all three countries and a short outlook to another classification of national business culture.

1.1 Purpose and research question

The purpose of this study is to investigate Hofstede’s cultural dimensions with respect to different national management practices in Germany, Sweden and Italy.

This results in the following research question:

How do different aspects of culture impact management style in Sweden, Germany and Italy, with regards to their stakeholder management and corporate social responsibility?

Therefore national culture and national traditional management are combined to figure out which and why different national management styles exist.
1.2 Methodology

Basically this research question came up from fragmented knowledge regarding sustainability and stakeholders that I challenged during my studies. Therefore for me giving an answer to this research question was based on curiosity. The question for me was to find out the reason why there is a difference between the management of business organizations from different countries. In order to give an answer to the research question a vast range of secondary literature and statistical data was screened. In fact through the theoretical framework a specific ground is provided that permits the combination with other literature to raise reflection and logical deduction for the further chapters. A major part of literature is than provided by many notions of Geert Hofstede who has given me a substantial motivation in terms of knowledge regarding cultural dimensions. The second part of the theoretical framework consists of the creation of an own explanation of stakeholders and corporate social responsibility based on essential literature. Such theoretical framework was a necessity in order to have a ground of knowledge that activates a comparison. The theoretical framework was compared with secondary literature and statistical data based on local organizations in the three countries Italy, Germany and Sweden. By connecting Hofstede’s findings about cultural dimensions, the information concerning stakeholder management and CSR and the statistical data about the countries and their organizations, the thesis explains the differences in management and business between those countries and the different ways they approach CSR and stakeholder management. So it becomes possible to see that theoretical framework and secondary literature were two fundamental pillars to give an answer to the research question.
2 Theoretical Framework

2.1 Stakeholders and stakeholder management

“A Stakeholder of a corporation is an individual or a group which either is harmed by, or benefits from, the corporation; or whose rights can be violated, or have to be respected, by the corporation” (Crane & Matten 2007).

![Figure 1: Stakeholders of a firm (Crane & Matten 2007)](image)

The stakeholder theory of the firm was brought forward by Edward Freeman (1984) in the 1980s. It looks at various groups to which a firm supposedly has responsibilities as not only shareholders have a legitimate interest in the corporation but also stakeholders have to be taken into consideration. The range of stakeholders is different from corporation to corporation and its situation and projects (Crane & Matten 2007). Figure 1 shows some main stakeholder groups.

To inform and satisfy stakeholders (especially investors, creditors and the government) financial and environmental reporting systems evolved in the last
years. Companies’ reporting systems respond to the external pressures they face and non-financial information is likely to be included targeting a broader group of stakeholders in addition to institutional bodies (Boesso 2006).

Also a company’s effort to gain reputation, long-term value creation and pressure from business partners may be driving forces for the voluntary disclosures of companies (Ahmed and Courtis, 1999; Marston and Shrives 1991). Furthermore managers often tend to foster only the most relevant relationship among all their stakeholders which is likely to be influenced by the situation in individual countries and competitive arenas. Stakeholder pressures therefore are perceived differently.

According to Hill and Jones (1992) stakeholders have a legitimate claim on the firm that is based on an existent relationship. A stakeholder supplies the firm with critical resources and in exchange expects his interests to be satisfied by the firm. Such a definition makes clear that the range of stakeholders differs from one company to another company and moreover differs regarding situations, tasks or projects. Therefore stakeholders form the basis of success and failure of business.

In order to serve stakeholders in an ethical and social manner, more and more organizations are adapting the concept of corporate social responsibility (CSR). CSR means integrating ethical and social elements into the business model of the organization, creating therefore a self-regulating structure that guides and monitors in order to achieve all the expectations of all stakeholders. In few words the difference between these two interconnected concepts is that CSR is the instrument to achieve the purpose of overall stakeholder integration within the concept of stakeholder management.
2.1 The concept of CSR

By analyzing literature regarding Corporate Social Responsibility (CSR) it becomes quite clear that the term is not based on just one idea or terminology. It has become very popular but the intrinsic sense of the concept is vague and can be interpreted in several ways. Andriof and McIntosh (2001) subclassified four distinctive areas:

![Diagram of Four areas of CSR](image)

*Figure 2: Four areas of CSR (Andriof & McIntosh 2001)*

CSR is a concept that aims at treating the stakeholders of the firm in an ethical and accountable manner. Davis and Blomstrom (1975) define CSR as an internal shaping by the decision makers to act with precaution and accountably so that their actions are not only oriented at improving own interests but also at taking possible influences on the community and on the environment into consideration (Wulfson 2001). In other words it is not intended that with the idea of Corporate Social Responsibility, a corporation must penalize its earning profits. Instead CSR means that the corporation creates a balance between the possible benefits obtained and the costs caused by achieving those benefits.

The concept of CSR clarifies that being socially responsible does not only mean looking into legal aspects but going beyond compliance and invest more
into human capital and the environment across the relation between the major stakeholders involved. Therefore implementing CSR exclusively depends on how a company approximates to develop strategy for it. This means how value visions, codes of conduct and missions are built. According to Bhattacharya, Sen & Korschun (2008) the motivation and retention of employees also depends on how a company is able to involve them in the CSR process and implementation and how CSR activities satisfy their needs. Also working conditions, health and safety for employees as well as the management of environmental impacts and natural resources are major concerns of a CSR strategy (European Commission, 2001). Also external stakeholders have to be involved to avoid risks that could affect the firm’s reputation and economic power. Therefore the needs and demands of business partners, suppliers, consumers and local communities as well as the adherence of human rights in third world countries are crucial to a successful CSR strategy.

The evolution of the concept is characterized by the arising of anti-corporate activisms for environmental and human right issues. It changed the enterprises’ attitude in a way that social and environmental facts started to be taken more into consideration. Consequently, the 70s and the 80s were characterized by numerous international boycotts of enterprises such as Barclays Bank and Nestlé. The key moment arrived in 1992 with the Earth Summit in Rio where the notion of Corporate Social Responsibility evolved. With this conference it has been decided to stop the destruction of irreplaceable natural resources in order to save the whole planet’s natural capital (Crane & Matten 2007). It is clear that the notion of the term has emerged and developed as a way to find tools, methodologies and predispositions to embrace manners to perform responsibility. Corporations must express and implement environmental and social objectives integrating them ethically into the general decision making.
Carroll (1991) created a model with four types of responsibilities to be set in CRS: economic, legal, ethical and philanthropic. Those elements are demonstrated as a pyramid where economic concerns are to be satisfied firstly and philanthropic concerns are the last factor to be considered to conclude a holistic CSR strategy. These responsibilities are supposed to be implemented in the management process (Carroll 1991). There are automatic fits between the concept of CSR and the concept of stakeholders (Carroll 1991). According to the author, therefore the notion of responsibility does not seem vague anymore. That is why business groups or persons should take stakeholders into account in order to face and structure the urgencies and clarify whose responsibility is involved and in which way.

The reasons why companies have responsibilities can be seen in various motives. It is based on a number of distinct arguments and many of these are due to the promotion of self-interest (Crane & Matten 2007). Therefore a sustainable enterprise must face and challenge all problems that come up with its economic effects through identifying measures how to monitor and report all social, environmental and economic aspects of its actions in order to arrive to a flow of information between an internal and external dialogue. This will be helpful to construct managerial precaution and control corporate activity.
2.2 Culture as a mental programming

This chapter about culture as a mental programming is an important step in order to give an image of what culture consists. It clarifies how culture can be distinguished from other constructs as personality and human nature. This chapter is considered an essential step to understand the deviations of cultural differences within organizations.

Throughout one’s life a person learns ways of thinking, feeling and acting. Those *mental programs* predetermine a person’s behavior but they also allow deviating from them and reacting in different ways. Our mind is composed by cells that state our behavior (Hofstede et al. 2010). It is impossible to individualize our mental program through such cell’s function. According to Hofstede (2001) due to the intangible mental programs we can observe only behavior, words or deeds. Mental programs vary from the social environment in which they were acquired. Most of the predetermination is given within family in early childhood because in these years a person is most susceptible to learning and assimilating (Hofstede et al. 2010). The above described ways of learning, feeling and acting are subsumed under the term *culture*. To go on it is necessary to give an understanding of what is meant in this thesis with *culture* as it has several meanings. In the narrow sense it commonly is about “civilization” and “refinement of the mind” which in particular refers to education, art and literature (Hofstede et al. 2010). This thesis uses a much broader sense that
is used by anthropologists and refers to the discussion about mental programs. Culture is a collective phenomenon which distinguishes one member of a group from others (Hofstede et al. 2010).

As demonstrated in figure 4 culture is to be differentiated from human nature and personality. Human nature is a universal predisposition (Eaves, Eysenck & Martin 1989). That means that this basic comportment is inherited because it is part of our genes (Eaves, Eysenck & Martin 1989). Therefore different genes seem to make persons or societies different from another. Culture, the second step of the pyramid and the issue the thesis concentrates on, finds its roots in a collective phenomenon (Hofstede et al. 2010). It consists of beliefs and values that are widely shared in a specific society. It is learned and not inherited because it derives from a person’s social environment. This level could depend on: the function of the family to grow up children, school system and type of school, different government and political effects on citizens, historical events. Values, rituals, heroes and symbols are learned by children from parents who acquired them when they were children (Hofstede 1980). Culture influences how the natural ability to feel fear, anger or love is expressed. Consequently this can prove the personality of an individual or a society that is still a collective phenomenon, but it combines inherited and learned values, influencing then preferences, beliefs, strengths and weaknesses. Personality is influenced and modified by culture but it is also a result of personal experiences and thus unique from one person to another. Such differences are the raw material from which theories of personality are crafted (Eaves, Eysenck & Martin 1989). The definition of personality in this thesis adapts the above stated view. It takes culture as the source for the development of personality in general. Personality represented by people’s relations with others and with social institutions may vary markedly by culture (Markus&Kitayama 1991). In the following the research concentrates more on culture and not on personality in particular\(^1\) due to

\(^1\) Within the discussion of individualism and collectivism personality plays an important role. In an individualistic culture the focus is on personality because people decide independently and do not adapt much to groups. Therefore personality cannot be neglected in this research.
the fact that personality varies from one person to another and thus wouldn’t reflect main cultural differences between countries in the field of business. Let us for a moment turn our attention on social attitudes or social environment as intrinsically interesting. According to Feldman and Lewontin (1975) many studies and researches state that behavioral differences exclusively depend on genetic causes. It is in fact interesting in order to proceed with our research to justify those criticisms. One potential reason presented from them consist that personalities could also depend on properties of the nervous system that are created through the cultural effects, playing then a relevant role on those beliefs and preferences mentioned before. Such criticism therefore suggests that it seems too simple that societal or individual behaviors could be based only on a variation of genotype and therefore it is absurd to assume that genes could be the cause for voting “Conservative“ or “Republican” parties or nevertheless choose the religion of appurtenance. Instead comportment could be stimulated by a certain social trajectory that explains logically the adaptive meaning (Mischel 1977). The above mentioned discourse should make clear what culture is from an anthropogenic view. It forms the basis for the further chapters that deal with national culture and Hofstede’s cultural dimensions.

2.3 National culture and national management culture

The term nation refers to political units into which the entire world is divided and to one of which everyone is supposed to belong (Hofstede et al. 2010). Societies instead are historically developed forms of social organization. That is why the concept of a common culture strictly does not belong to nations but to societies. But a lot of nations form historically developed wholes even if they consist of different groups and contain less integrated minorities. That is why the term national culture has its authorization. Most business literature refers to national management cultures. Instead management cannot be isolated from society and other parts of it. But managers and employees are part of na-
national societies. They act in a certain manner that is common in their society. This manner is influenced by the types of personalities in the society, the school system, the government and the political situation and the society’s history. So, national management culture is part of national culture and cannot be seen apart from that. According to that in the following chapters about national management culture this aspect will be taken into consideration.

2.4 Hofstede’s cultural dimensions

2.4.1 Individualism and collectivism

<table>
<thead>
<tr>
<th>Individualism</th>
<th>Collectivism</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Separateness</td>
<td>• Oneness</td>
</tr>
<tr>
<td>• Personalization</td>
<td>• Group</td>
</tr>
<tr>
<td>• Distinctive personality</td>
<td>• Sharing personality</td>
</tr>
</tbody>
</table>

Table 1: Individualism and collectivism (own table)

The soul of individualism is independence as a means of steering own objectives. Individuals decide to take action just with them instead of sharing them with others (Chen & West 2008). Therefore it is possible to understand that individualists only steer personal priorities going far from the social ones without feeling any responsibility to follow group’s good (Chen & West 2008). According to Chen & West (2008) individualists are more searching for privacy, financial security and specific friendship. Such identifications then make relationships hard to achieve and complicated (Hofstede 2001).

The soul of collectivism is based on the need of and contact with others. Beliefs, interest and goals are shared with others. According to Rafferty & Tapsell (2001) in collectivism the welfare of the group is more relevant than the welfare of the individual because only the group can make the human survive (Chen & West 2008). Such a dimension especially believes in human well-being as a collective culture. Therefore it is essential that decisions are taken and norms are followed together.
2.4.1.1 Individualism and collectivism in society

According to Hofstede a society is composed by certain norms. These norms also create direct influence on mental programming of individuals. Political, religious, educational and utilitarian functions are examples of these norms. Assuming that each society has a different culture, such culture influences the comportment of individuals that belong to this society. For example people that are grown up in an independent society see the conversion as an individual choice and therefore as an individual act (Olausson, Stafström & Svedin 2009). The support of other people’s permission is not necessary. If one thinks of Islamic countries where an independent culture is not present, especially concerning religion, it would be hard for individuals to receive a cultural input for converting to another religion. The Islamic society teaches them to believe and behave in a certain manner that includes the Islamic religion as the one and only. In a European country instead personality of individuals is part of the culture (Hofstede 2001).

2.4.1.2 Individualism and collectivism in organizations

There is a huge interconnection between individuals and organizations in a collective society compared to an individualistic one. This means that due to this interconnection there is a bilateral responsibility. Instead if an organization does not receive this responsibility, which is normally common in developing countries, this could create a distortion between social order and individual’s values. The result then could be a shift view from a collectivistic to an individualistic view. According to Hofstede few factors as employee’s level of education or the organization’s culture and its history may have an impact on individualistic and collectivistic organizational view. In an individualistic society an organization only follows its own interests while in a collectivistic society a company tries to act respecting the group’s views. Business relationships are
quite different comparing individualistic and collectivistic cultures. In individualistic societies the task is more important than the relationship one has with another. That means that one client is not preferred over another because everybody is treated equally (Hofstede 1994). In contrary in collectivistic societies it is common to treat people who are nearer better than the others. Relationships are built on trust and make people be a member of a group. That is also the reason why collectivists prefer conformity and individualists support variety including broad experiences by working for different companies over the years (Hofstede 2001).

Also the behaviors of managers and employees vary between cultures. Talking about an employee’s weaknesses could be efficient for individualists but seen as an offence for collectivists. As individualistic cultures are often richer than collectivistic ones, employees do not appreciate the possibility to learn new skills and use one’s abilities much. Instead collectivists tend to take the company’s efforts concerning their employees for granted and feel dependent on their employer (Hofstede 1994). The recruiting process also differs from culture to culture. In individualistic cultures candidates are expected to have studied for a long period of time to learn their specific profession. In individualistic cultures previous practical experiences are preferred beside a good educational background. Furthermore people from individualistic countries consider it more important to have an exciting and motivating job than to earn a lot of money. It is also more common to work for more than one company. Another characteristic of collectivistic societies is that people prefer more to work on their own than in a group and that they do not seek personal contact to others that much (Hofstede et al. 2010).
2.4.2 Power Distance

<table>
<thead>
<tr>
<th>Large Power Distance</th>
<th>Small Power Distance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hierarchical structures</td>
<td>Equality</td>
</tr>
<tr>
<td>Authority</td>
<td>Independency</td>
</tr>
<tr>
<td>Status important</td>
<td>Status not so important</td>
</tr>
<tr>
<td>Counterdependence</td>
<td>Interdependence</td>
</tr>
</tbody>
</table>

Table 2: Large and small power distance (own table)

Power is not power if obedience does not exist (Hofstede 2001). Thus inequality and power are basic characteristics for each society. According to Hofstede (2010) power distance can be defined “as the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally”. Of course some societies are more unequal than others. Naturally such power differences are extremely dependent on cultural aspects (Hofstede 2001). In countries with small power distance for example where culture is based on an independent behavior the distance between who holds power and who does not is limited. The distance is quite small. Therefore this aspect can also be called interdependence because inequality does not seem to exist. In contrary in large power distance societies there is a specific autocratic or paternalistic dependence. Therefore who is subordinated to the power has difficulties to contradict who holds the power. This aspect is called counterdependence (Hofstede 2001).

2.4.3 Uncertainty Avoidance

<table>
<thead>
<tr>
<th>High Uncertainty Tolerance Tendency</th>
<th>Low Uncertainty Tolerance Tendency</th>
</tr>
</thead>
<tbody>
<tr>
<td>No awake curiosity for future</td>
<td>Awareness for unpredictable future</td>
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</table>

Table 3: Uncertainty Avoidance (own table)
Uncertainty means that everything and anything may happen – it is human-kind’s search for truth (Hofstede 2001). In contrast to the term risk, uncertainty depends on the difficulty to be able to calculate the outcome. According to Hofstede (2001) then the degree of tolerance for uncertainty varies from society to society. Some societies in fact are characterized by accepting everything what comes without regarding menace hypothesizes. These kinds of societies have high tolerance for uncertainty. Instead in societies where anxiety seems to be a characteristic to face unpredictability regarding the future, tolerance for uncertainty is quite low (Hofstede 1983). In order to face uncertainties Hofstede (2001) gives important relevance to technology, law and religion. Technology can give a feeling of enriching the need of security regarding specific uncertainties. Law assures who is right when talking about different opinions and conflicts and so it regulates uncertainties. Finally religion is seen as an orientation that teaches people how to behave. All three elements are seen as extents because they provide believes and in turn then give directions to the tolerability of uncertainties.

Uncertainty is one of the notions that are considered important in modern organizational theories. In the last three to four decades it has acquired a relevant importance, especially when it is linked to environmental issues. Uncertainties can be categorized into two rational behaviors: the logical and the non-logical behavior. For Hofstede (2001) rational behavior trends tend to be normative. It includes

- Theory of decision making under uncertainty
- Contingency theories
- Theory of strategic behavior.

March and Simon (1958) do not recognize the theories of behavior as normative for dealing with uncertainty under a rational definition. Instead it is recognized by “uncertainty absorption”.
“The world tends to be perceived by the organization in terms of the particular concepts that are reflected in the organization’s vocabulary” (March and Simon, 1958).

Therefore the emphasis to react to an uncertain situation that could be seen as a long-term or short-run reaction or to create a panel strategy or to bypass planning procedures depends uniquely on the way in which uncertainties, complexities and dynamics are perceived. The cultural elements are seen as the most important incident whether uncertainty is tolerated or not in organizations. So, some organizations may have a high tolerance for ambiguity and uncertainty. That is why they may perceive situations as less uncertain than organizations with lower tolerance.

To reduce uncertainty in human societies and in organizations rules often seems to be important. However, such an orientation can be positive if rules lead to the intended goals. At the same time it can be negative because rules could lead to serious risks of limiting people’s autonomous decisions (Hofstede 2001). If in organizations, there is high tolerance for uncertainty it seems passable to bypass the company’s regulations just because this can resonate in line with the enterprise’s best interests. If there is low tolerance regulations are seen as a necessary authority step to make events more predictable (Hofstede 2001).

According to Hofstede Power Distance seems to be very connected to this dimension. In societies with large Power Distance the authority of superiors or experts can replace some of the rules. If there is a high tolerance for uncertainty some rules are more reinforced by social control than by the laws themselves. Generally this makes people respect these rules to a larger extent (Hofstede 1994).
2.4.4 Long- versus Short-Term Orientation

<table>
<thead>
<tr>
<th>Long-term orientation</th>
<th>Short-term orientation</th>
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</thead>
<tbody>
<tr>
<td>Perseverance</td>
<td>Personal steadiness and stability</td>
</tr>
<tr>
<td>Thrift</td>
<td>Respect for tradition</td>
</tr>
<tr>
<td>Teaching virtues</td>
<td>Teaching virtues</td>
</tr>
<tr>
<td></td>
<td>directed at the future</td>
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</table>

*Table 4: Long- versus short-term orientation* (own table)

Long- and short-term orientation are based on persistence and thrift to personal stability and respect for tradition (Hofstede 2001). Hofstede (2001) defines long-term and short-term orientation as follows:

“Long Term Orientation stands for the fostering of virtues oriented towards future rewards, in particular, perseverance and thrift. Its opposite pole, Short Term Orientation, stands for the fostering of virtues related to the past and present, in particular, respect for tradition, preservation of “face” and fulfilling social obligations.”

In countries with high Long-term orientation (LTO) friendship and relationships are more pragmatic and non-affective than in countries with low LTO. In general, long-term oriented countries tend to be more aware of saving resources for future investments and try to divide them with regard to the time range they have to be used. Therefore persistence and income savings are important as well as thrift in children’s education. Furthermore people in low LTO countries tend to expect quick results and appreciate personal steadiness and stability. The most important events in life occurred in past and occur in present and respect for traditions is essential. Regarding work they consider leisure time as much important and do not see the status as the major issue in relationships. Protecting one’s “face” is essential. So there are two opposing forces one experiences in such societies. On the one hand immediate consumption and enjoying leisure time are attributes. On the other hand there is a lot to
be respected like traditions, face-saving, being stable, tolerant and respectful (Hofstede 2001). People in high LTO countries instead integrate future expectations and happenings more into their consideration. That is why leisure time is not that important and tradition should be adapted to new circumstances. Persistence and adaptability play a major role and relationships are ordered by status. Having a sense of shame supports decency in business and social contacts. Concerning business long-term oriented cultures work more towards building and maintaining strong positions in their markets instead of trying to achieve immediate results (Hofstede 2001). That is also why managers are given more time and resources to do their work well while in short-term oriented cultures past results are the basis to build up control systems and to judge managers even if those results were caused by their predecessors. Finally, societies with low LTO tend more to analytical thinking while people in high LTO societies go more towards synthetic thinking.

2.5 Critics on Hofstede’s cultural dimensions

Hofstede’s cultural dimensions were criticized by some authors. One of them is Myers and Tan (2003) who in general do not fully agree with Hofstede’s equalization of culture and nation. As Hofstede states that each nation has its own culture he neglects the fact that within nations there can be various different cultures. On the other hand one culture can be spread over nations. So limiting a culture to a nation could be a false assumption to describe the dimensions clearly.

One reason for not being able to equalize culture and nation lies in the past. As many years ago there had not existed nation-states but empires and from time to time frontiers got dislocated the contemporary national territories do not equal former cultural areas. So there is a mismatch because culture is a phenomenon which slowly comes up and persists for centuries while nations are solely political entities that dislocate and change almost arbitrarily (Myers & Tan
2003). Furthermore because of wars, conflicts or colonial powers former nations broke and several new nations were built out of them, e.g. the Soviet Union so that one culture spans multiple countries. Many nations are composed of more than one culture or many sub-cultures (Huo & Randall 1991; Peppas 2001). Globalization brought people from different nations living together in one country. They all bring in their culture and succeed to live together in a multiethnic environment. That is why according to Groeschl and Doherty (2000) changing nation in today’s globalized world brings much more opportunities and makes people absorb certain foreign cultural aspects to mix them with their own culture. The critiques concerning Hofstede’s national culture are based on the characteristic of culture being dynamic. Culture needs to get reinterpreted over the years and reproduced in social relations (Myers & Tan 2003). Furthermore the complex relationship between “national” culture and culturally-influenced work-related values is not explained sufficiently by Hofstede. Specific behaviors within organizations may not only relate to cultural reasons. Just a detailed study of a nation and their organizations can clarify certain characteristics which possibly are also due to non-cultural reasons (Tayeb 1994). Therefore the relationship between culture and behavior might be more complicated as assumed by Hofstede (Winch et al. 1997). In conclusion it can be said that “Hofstede’s dimensions of national culture are a good basis for understanding the influence of national culture on organizations’ self-representation, but miss the actual practice of social activities” (Harvey 1997, p. 145).

Even if there is a lot of critique around Hofstede’s way of categorizing culture into nations and dimensions, it makes it possible to roughly distinguish and understand national cultural differences and thus behaviors of people. Furthermore each model has its natural limitations. Therefore this thesis takes Hofstede’s categorization as its fundament to describe and analyze cultural differences in corporate management and stakeholder dialogue between countries.
3 Influences of cultural differences on firm’s stakeholder management

This chapter takes Hofstede’s (1980, 1997, 2001) cultural dimensions as the basis to research how culture might influence national business and the diffusion of firm’s stakeholder management principles and practices. Therefore the three countries Italy, Germany and Sweden are chosen to have a closer look at concrete examples. The mentioned three countries will show a wide spectrum of cultural influences on a company’s behavior towards external and internal groups. The knowledge about these countries is taken from theoretical literature as well as from statistical data.

3.1 Italy

3.1.1 Outlook on Italian corporations concerning stakeholder management

Due to historical and structural reasons the Italian business is complex and dynamic embracing both – the public and private sector (Perrini, Pogutz & Tencati 2006). A research of the University Bocconi in Milan gives an image of what Italian business consists. They highlighted five characteristics to categorize firms regarding their social and environmental activities (Perrini, Pogutz & Tencati 2006): the categories cohesive and multicertificate refer more to large enterprises. They are more in an international focus and the EU expects more responsibility from them than from smaller enterprises. Because of their international presence they are in the center of attention. So they need to behave more responsibly and respond to external pressure. Whether smaller firms categorized as mobilizable, skeptical and aware don’t seem to feel big external pressure and additionally do not seem to be aware of and do not practice CSR. SME in Italy are solely putting emphasize on economic growth. They are more local and have different stakeholders from large firms (Perrini, Pogutz & Tencati 2006). So the social aspect is just a small part of the business that is mostly focusing on economic growth. Business means gaining an economic benefit in
everything a firm does. In order to modify business in a more responsible one they need to get motivated with incentives like cost reduction, business advantages or subsidies. Furthermore and maybe the most fatal reason for less awareness for CSR is the incompetency of politics that first does not facilitate the disseminate information showing the economic effectiveness of socially responsible behavior. Politics don’t clarify the risks of an economy that only points at growth without any social efforts. Strategies like subsidies are missing to convince firms and make them aware. These actions are needed as firms want to have something back and politics have to use these as a teaser. But the range between firm’s and politics’ interest is too large to get together for CSR initiatives (Perrini, Pogutz & Tencati 2006).

A firm’s institutional communication strategy with different stakeholder groups can be more defensive or more proactive (Boesso 2006). Management applies are more defensive one when its aim is to defend the company as well as avoiding potential threats interacting with different groups. In contrary a more proactive profile has the goal to take advantage of opportunities created by the interaction with existing and potential business partners. A survey conducted by Boesso (2006) on graduate business students at two Italian universities revealed that concerning stakeholder management Italian young managers are more concerned about Labor Union pressure than pressure from Environmental, Customer Advocate, Professional or Industrial groups. They perceived labor unions to possess the greatest power and urgency (Boesso & Kumar 2007). They see stakeholder dialogue more as a threat than as an opportunity in order to take advantage of the networking potential with these groups (Boesso 2006). Beside this survey a study was conducted with 36 Italian companies, half of them had received awards for the quality of their corporate communication in the past and half of them were chosen from the list of companies on the Milano-Mercato Ordinario (Boesso 2006). The companies were selected referring to prior research which has shown that size and industry have an impact on the voluntary disclosure practices of companies. The study revealed that Italian
companies pay high attention to their employees (Boesso 2006). Also customer relationship is an important variable (Fiori, di Donato & Izzo 2007). On the other hand environmental variables don’t have so much importance for Italian companies. Furthermore dealing with customers Italian companies prefer financial information more than operational one while communicating to suppliers and the social community quantitative information is adopted instead of qualitative. So, Italian voluntary disclosure gives the impression to be more historical, financial and quantitative when it comes to dealing with investors and employees. Regarding internal processes it seems to be vice versa. There the study shows that operational KPIs are preferred (Boesso 2006).

By concretely looking at CSR activities of Italian companies, analysis show that most stakeholders and investors are short-term oriented while the impact of CSR and the effects of lacking social and environmental issues are in the long term (Fiori, di Donato & Izzo 2007; Perrini, Pogutz & Tencati 2006). Furthermore CSR is relatively new in Italy and therefore the awareness and importance of this issue relatively low perceived by investors. In consequence companies don’t feel a high external pressure for putting much effort in their social and environmental activities. So there is a lack of culture for understanding the real impact of social and environmental facts on a firm’s life (Fiori, di Donato & Izzo 2007). This missing awareness also leads to the fact that there aren’t general accepted principles for CSR as the quality of published activities isn’t easily measurable. So, most firms use CSR disclosure as an additional instrument of advertising without giving relevant information. Just 25 listed Italian firms have published CSR reports in the last three years. That shows that the stock price is more influenced by economic and financial performance than by social and environmental issues and firms as well as stakeholders are not sensitive for these. But apart from that there is a trend in Italy towards more commitment for social responsibility towards all stakeholders. As a consequence firms are also paying more attention to good prepared CSR reports (Fiori, di Donato & Izzo 2007).
3.1.2 Analysis of Italy’s national business culture concerning Hofstede

Analyzing Italian corporate behavior by Hofstede’s dimensions there are some specific characteristics to be observed. Beginning with the category of Individualism and Collectivism Italian firms are steering more versus collectivism as working in teams generally seems to be an important factor for employees (Lewis 2006). Italians are used to being crowded and they usually work in close vicinity to each other (Gesteland 2005). The so arising atmosphere of teamwork also affects office layout and the concept of using space. Italian employees like to be in company with their colleagues and they are known for their wordiness. They like to talk about things from a personal or emotional angle, even though they are in a professional ambit. During meetings they don’t follow their agenda that strictly as it is important to be together and discuss issues than to follow a strict agenda and finishing in time. Italians have a different concept of time as being on time is not respected at all (Lewis 2006; Gesteland 2005). Furthermore it is common to treat people who are nearer better than the others. Relationships are built on trust and make people be a member of a group.

Concerning the dimension Power Distance Italy, through its historical properties, tends to high Power Distance in comparison to other European countries. As the Roman Empire was characterized by a single power center its heritage still remains in the Italian culture (Hofstede 2002). In fact today titles such as dottore or ingegniere are common when talking to people to underline their status. That makes clear that inequality is more desired and normal than avoided (Hofstede 2002). Secondly, because of the North-South divide, Northern Italian employees feel to outclass their Southern colleagues. They abuse the circumstance that a lot of Southern Italians relocate to the North to find work which in their regions is not available. Northern Italians feel more skilled than their colleagues and see the South as an obstacle for the economy. So they behave according to that.
For the next two dimensions, Uncertainty Avoidance and Long- vs. Short-term Orientation, it is partly difficult to distinguish which characteristic needs to be assigned to which dimension for the Italian business as the author holds that these two dimensions are interwoven. The Italian industrial structure is heavily weighted to small and medium enterprises (SME) (Perrini, Pogutz & Tencati 2006; OECD 2002-2003), mainly family firms, with a few large internationals and a very thin part of intermediate-size firms (OECD 2007). The several OECD reports from the last years demonstrated that particularly Italy’s SMEs have a weak point, which is their low innovative capacity. Statistics reflect the low R&D activities (OECD 2002-2003). Low innovative capacity means low uncertainty avoidance as there is no effort to clarify and kind of try to steer future happenings and developments. Prospective risks or threats are not taken into consideration. This argument also refers to Short-term Orientation because such a behavior only focuses on gratifying needs ‘here and now’ (Hofstede 2002) instead of seeking long-term solutions which embed future generation’s needs and stakeholder demands. Italy’s low innovative capacity could be referred to two trends: first of all there is a scarce mental consciousness to invest in innovations and in the therefore necessary R&D activities to avoid the risks and uncertainties in running certain business behaviors. Secondly there is incapacity of the government to furnish such knowledge that could change the mind of Italian enterprises, especially SMEs, to move from investments that only affect business and financial growth towards more abstract investments in social and environmental growth and maintenance. Italian managers prefer more to invest in issues that have monetary revenue than abstracter ones like satisfied employees or an ethically correct supply chain. Too general existing regulations concerning the environment and high bureaucracy confuse firms and make them stick away from putting much effort into those activities. There is a lack of an information process by politics that points out the benefit of long-term investments. These are the causes for Italian enterprises to be considered as practicing low uncertainty avoidance.
As already mentioned before the dimension Long- vs. Short-term Oriented is interwoven with Uncertainty Avoidance. Italian firms are more short-term oriented because they are focusing much on economic growth. Furthermore the above described missing political efforts to make them aware of the risks attached to that and missing incentives make the situation even worth. By being short-term oriented it is difficult to affect social and environmental issues which are more long-term oriented (Fiori, di Donato & Izzo 2007; Perrini, Pogutz & Tencati 2006). Taken from the OECD report (2002-2003) the performance of Italian enterprises, especially SMEs, has fallen significantly compared to other European countries regarding strategies and efforts towards switching economic growth into a friendlier production respecting environmental emissions. By looking at table 5 Italy reduced its manufacturing CO₂ emissions by 2% until 2000 respecting the quantity in 1990. But the overall Greenhouse Gas emissions in 2000 increased by 0.5% respecting 1990.

<table>
<thead>
<tr>
<th></th>
<th>Total GHG emissions</th>
<th>Manufacturing CO₂ emissions per unit of industrial production</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level million tonnes CO₂ equivalent 2000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Italy</td>
<td>547</td>
<td>0.5</td>
</tr>
<tr>
<td>Germany</td>
<td>991</td>
<td>-2.1</td>
</tr>
<tr>
<td>Sweden</td>
<td>69</td>
<td>-0.2</td>
</tr>
</tbody>
</table>

Table 5: GHG emissions and sectoral indicators (OECD 2002-2003)

In absence of any policy actions the report projects that in 2010 the emission would be 20% above the Italian target level of 2010. This precision is useful to understand that firm’s action plans are highly influenced by specific policy measures and need their pressure and incentives. Italy’s obstacle is that policy measures, especially those regarding actions towards sustainable development, contain broad objectives and not clear and specific action steps. As a consequence operational plans of Italian corporations can be characterized as short-term rather than long-term oriented. As a second indicator the above mentioned
low R&D expenditure is due to a low technology industry. Italy’s manufacturing sector has a large share of traditional industry (OECD 2002-2003) which isn’t oriented at new technology but at maintaining old manufacturing traditions. That’s why Italian firms are less engaged in innovative activities than other countries.

3.2 Germany

3.2.1 Stakeholder management in German corporations

Since the reunification German business culture is surrounded by a strong, high-leveled welfare system. This system assures that the basic social needs are met without compromising the enterprises’ growth. Therefore German institutions, especially the Bundesministerium für Wirtschaft und Arbeit, represent a fundamental body to steer towards a more socially responsible business culture (Perrini, Pogutz & Tencati 2006). German government set up several initiatives concerning the creation of transparency to clarify in what ways companies can contribute to social welfare and responsibility neglecting financial aspects as paramount. The German strategy of making enterprises more responsible and aware is built on a synergy between various social actors like the government, institutions, employer associations, chambers of commerce or trade unions (Glunk, Wilderom & Ogilvie 1997). So, German corporations can be characterized as pieces of a puzzle which are necessary to create this synergy (Perrini, Pogutz & Tencati 2006). More precisely, the other actors set the framework requirements whereas the corporations’ task is to implement them into their daily business behavior. That means that the government has a very important role to promote the common goal and make aware of what responsibility means by providing guidelines, benefits, incentives and financial support. Friendly policies should make the corporations feel like a part of a whole where they have to contribute their part to achieving the common goal. The aid of the government is crucial to it. The German model differs a lot from the in chapter 3.1
described Italian model. Instead of promoting precise measures for social re-
sponsibility, the Italian government promotes very uncertain measures which are hard to understand and implement by Italian corporations. Due to the cohesion between all the actors German companies have the best vocation training in Europe (Glunk, Wilderom & Ogilvie 1997). The German apprentice system leads to exceptionally well-trained workforce. Furthermore all employees are continuously challenged and have to adapt to new technologies. In general, managers are more technically oriented and the majority of them have a professional degree. The most important characteristics for hiring a new manager are his quality of skills and his former professional experience in the respective field. This shows that German managers are largely chosen for their expert knowledge and their authority is based on their skills. All employees have a voice in a company meaning that their proposals and opinions are taken into consideration. However, the level of responsibility and therefore authority is based exclusively on knowledge and expertise (Glunk, Wilderom & Ogilvie 1997).

As German managers see trade unions and work councils as a stabilizing factor for their economy, they have a positive attitude towards them. Secondly they feel occupied with labor disputes by collaborating with work councils. Due to this good relation Germany has lost fewer days to strikes than any of the major other industrial economies (Glunk, Wilderom & Ogilvie 1997). The interests of labor are highly safeguarded in German firms.

Concerning customers as a company’s stakeholders their satisfaction is highly persecuted and respected. To satisfy them German firms tend to be very product-oriented and they compete on quality rather than on price. On the other hand customers can and want to afford to pay for the guaranty of high quality. To always being able to compete with competitors, they spend a significant proportion of their revenues on Research and Development (R&D). Their activities also consist in cooperations with universities and research institutes. The aim of those activities is an increase of the country’s knowledge level.
Therefore the government creates and encourages ventures to support and assure this possibility (Glunk, Wilderom & Ogilvie 1997). Also the principle of CSR is anchored deeply in the German constitution (Brodbeck & Frese 2007). Currently the Ministry of Economics and Labor is responsible for promoting it through defining public support initiatives for German firms and increasing transparency. All efforts start from an understanding of responsibility as an essential element of modern development. Therefore managers follow the requirements because government is committed to create a business culture that does not only focus on private interests but also puts a big emphasize on social and environmental aspects (Perrini, Pogutz & Tencati 2006). So, German firms try to promote civic activities and maintain the desired level of social cohesion. The intention behind those activities isn’t so much related to philanthropic reasons, but it is more “a driver of competitive success and national reconstruction” (Perrini, Pogutz & Tencati 2006). All in all the aim is to create a corporate culture which links the profit motive with an orientation towards the common good and a responsibility to developing and maintaining social welfare (Campaign Report on European CSR Excellence 2002-2003). Additionally international initiatives like the UN Global Compact as well as the 2003 Training Campaign to increase business awareness of the importance of investing in employee development are intended to build up a conscience for socially responsible behavior. As a well functioning labor market is an indicator for the level of a nation’s cohesion, a lot of the initiatives, which mostly are conducted through public-private-partnerships, are focused at this sector. Examples for such initiatives are the support of disabled workforce, the quality of the workplace or the fight against unemployment. All projects are supported by incentives for business. Concerning that the government is encouraging firms to participate in EMAS (Eco-Management and Audit Scheme) a European system, stimulating them with benefits. Secondly small and medium sized enterprises can get financial support for implementing environmental friendly policies (Perrini, Pogutz & Tencati 2006). Another initiative of the German government is a roundtable on company codes of conduct. Its purpose is to im-
prove social and working conditions in developing countries. There the cohesion between different actors is once again demonstrated as it involves various representatives of civil society. Apart from the above mentioned initiatives there are many other governmental and international projects to which German firms contribute huge efforts. Due to the well working cooperation between firms and stakeholders it is difficult for other countries to transfer the German model to their national culture (Glunk, Wilderom & Ogilvie 1997).

3.2.2 Analysis of Germany’s national business culture concerning Hofstede’s dimensions

German business culture takes an ambiguous position in Hofstede’s dimensions. It is not always clear and well-defined in which category to put German corporations as some points tend to the one and other points to the other side of a dimension. Therefore only tendencies can be indicated to describe German business routines and habits. This chapter points out the main characteristics of German business culture comparing them with and bringing them in the order of Hofstede’s dimensions.

Individualism means having loose relations between individuals. Everybody is expected to look after themselves and their close family. Whereas collectivism means being integrated into strong, cohesive groups which protect them throughout the whole life and which were given loyalty in exchange. German business culture tends much more towards high individualism. Individual concerns are prior to collective ones and in business tasks prevail over relationships. That means that first the firm’s interests get settled before trying to maintain a good relationship with business partners or other stakeholders. Also Hofstede scored Germany high on individualism with 15 out of 39 points in comparison to other countries in his survey (Hofstede 1980).

The dimension of Power Distance describes the extent to which less powerful actors expect and accept that power is distributed unequally. German corpora-
tions can be more categorized as having a relatively low Power Distance. The reason why is that German organizational structure is poorly hierarchically differentiated (Tinsley 1998). In chapter 3.2.1 it was mentioned that German managers tend to be chosen for their skills and not for their status or their membership to a certain group. Low power differences and decentralized authorities are conceptually related to low Power Distance and governance that doesn’t emphasize status but knowledge, degrees and qualifications (Glunk, Wilderom & Ogilvie 1997). Technical expertise is the basis for achieving authority. Anyways, the hierarchical distance is moderate as managers teach their knowhow to subordinates. Employees are given a voice (Brodbeck & Frese 2007) and their opinion is considered as important and necessary for the company’s success.

With Uncertainty Avoidance the extent is meant to which one feels threatened by ambiguous circumstances and have created institutions to avoid them. In consequence high uncertainty avoidance means creating many rules and giving low tolerance to deviant and innovative ideas. The status quo is desired and changes are to be resisted. Also here Germany takes an ambiguous role as it is not easy to fully decide to which side it tends more. On the one side some indicators stand for German business culture as one with low uncertainty avoidance. The high investments in research and development signalize that German firms are willing to change and to move on with new techniques and innovations. They are prepared for future comings and their consequences to remain competitive and to adapt to new circumstances. High qualified line personnel give security and there is little need for staff personnel to guide them properly. On the other hand in Germany and in German business there are a lot of rules which means a high level of bureaucracy (Tinsely 1998; Glunk, Wilderom & Ogilvie 1997). As mentioned above creating many rules means giving little space for change and regulating and determining almost every possible circumstance even if it hasn’t ever occurred before. Shadow workers assure that a managers’ work is done properly even if he isn’t available at that time. All in
all the degree of formalization is relatively high so that managers work following rules and instructions. This reduces uncertainties and corresponds to Hofstede’s findings that classify Germany as rather high on Uncertainty Avoidance (Glunk, Wilderom & Ogilvie 1997). Instead the author thinks that the indicators concerning innovations and R&D activities have to be put more into consideration so that Germany in total does not score that high on Uncertainty Avoidance.

High investments in technical and professional competence indicate Long-term orientation. Innovations protect companies from future threats and allow them to maintain their economic power for the long term. Being able to be competitive is crucial to build a sustainable business. With such investments German management provides the basis for adaptability and flexibility (Glunk, Wilderom & Ogilvie 1997). And the deep skill base of German workforce is the essential component for the high innovative power. Enterprises see an advantage in being at one with trade unions and the government. Together with them they do agreements that give back contributions and assure future profitability. One of those agreements is to teach students for their interests to assure future candidates and high potentials. On the other hand Germany has an excessive bureaucracy and enterprise performance is based on clear and stable regulations models (Tinsley 1998). Government expects firms to base their performance on many rules because this is meant to reach the interests. Immediate regulations should avoid difficulties and guide every threat in the desired direction. This could be interpreted as a lack of flexibility. But flexibility is indispensable for long-term oriented corporations. So, by categorizing Germany also to this dimension, there occurs an ambiguity.
3.3 Sweden

3.3.1 Stakeholder management in Swedish corporations

Many researchers have classified Swedish culture to be one of the most democratic in Europe. This is because the power and the functions are decentralized, not only to structure the authorities but also to stimulate responsibilities. The decentralization can also be recovered in the Swedish management model by looking into some characteristics.

The first characteristic regards the employee as a firm’s stakeholder. Swedish corporations are based on concepts like ‘cooperation’ and ‘fully participation’ which indicates that the managerial structure is horizontal instead of hierarchical (Tixier 1994). Therefore decisions require the involvement of than just the management of the organization. The democratic soul is expressed in the respect and in the consideration of different opinions. In conclusion it can be affirmed that the success and the resolutions of the Swedish management are built on full involvement. Such an egalitarian value which puts the top and the junior executive in direct contact (Gesteland 2005) is based on qualitatively high skills of all members. These members are the essential element in order to proceed to achieve this shared authority and responsibilities (Auer-Rizzi & Berry 2000). Egalitarian authority goes beyond the normal power status. It is more a sharing of competences where leaders can and want to learn from subordinates who possibly look at certain issues from a different point of view. Thus decisions are taken that are not in contrast with the opinions of subordinates. The Swedish traditional management considers this way an act of wisdom because it is based on professional competencies rather than on hierarchical power (Auer-Rizzi & Berry 2000).

A well-known second characteristic of the Swedish traditional management is a certain trust and admiration towards innovative perspectives (Tixier 1994). As an important societal reflection management style is well-rooted to all issues
that encourage the ‘new’. According to Tixier (1994) a high interest by organizations to invest in R&D can be observed.

As mentioned before, due to decentralization, the Swedish management style is rooted on a circular process where subordinates can learn from bosses and in turn bosses can learn from subordinates. Swedish managers have the characteristic to conduct a deep evaluation in order to avoid risks without needing too many rules. In fact, what appears is that Swedish corporations try to avoid risks from the beginning. One of the measures is related to the interpersonal relationships (Tixier 1994) and the quality of the members in perceiving risks. According to Tixier (1994) one of these qualities is the simplicity of finding answers and measures to resolve occurring problems. This way of thinking is mostly founded on the Protestantism (Tixier 1994). However, this pursuit of simplicity and plainness confirms the managerial attitude pointing on high capability and therefore high skills of the employment structure. This permits Swedish companies to have a simple but advanced system of controls, projects and research that insures tracking the right mission.

A few findings by Hedberg & von Malborg (2003) show that Swedish companies have a particular interest in presenting statistics and reports which regard their environmental and social contribution. Therefore this also explains their interest in steering their business towards sustainability. Such involvement occurred because Swedish corporations want to combat their unfair reputation of not being responsible and prioritizing only financial goals. For Swedish companies CSR doesn’t mean that somebody asked them to do it but to come up alone with the idea to create their own responsible business. The business activity in Sweden generally is rested upon a legitimacy mechanism. For example the companies SAS and Sydkraft want to legitimize their line of business and attain more credibility on their environmental work by telling stakeholders what their actions on environmental and social issues are (Hedberg & van Malborg 2003). Of course such CSR reporting is always a good step to improve the image of Swedish companies. They promote their CSR reports in a fair way as
a tool of information for their stakeholders but mainly for understanding in an educational way how they operate. They consider CSR guidelines a framework that they can use to achieve credibility for their reports. Through efficient guidelines the management achieves a useful overview of the company (Hedberg & van Malborg 2003). According to Emilsson & Hjelm (2002), always as a result of a decentralized system, the authorities provide an efficient structure that includes a set of indicators especially for areas that are new for a company so that the report could be as most transparent as possible. So, the Swedish authorities are always capable to fetch all the activities that the companies are obligated to fulfill. This is the decentralized role of the local authorities. There is no central authority that decides for everything but decentralized local ones which know their territory better and therefore are able to take better decisions.

3.3.2 Analysis of Sweden’s national business culture concerning Hofstede

Sweden is ranked as the most collectivist society in the GLOBE study (Holmberg & Akerblom 2007) on Institutional Collectivism but it is ranked as extremely individualist in terms of In-Group Collectivism. Institutional Collectivism means social arrangements at the societal level that promote conformity and interdependence among individuals which should benefit collective as well as individual interests. Labor unions with their political influence and their level of membership (almost 9 out of 10 wage earners are members of a union) are a good example in this context. In-Group Collectivism refers more to firms and the behavior of their employees and managers. An explanation for the high individualism there could be the desire not to be beholden to anyone. In Sweden the word solitude is afflicted positively because it means inner peace, independence and personal strength. So there is a paradox between individualism and collectivism which can be compared with the result reported by Hofstede (1980), where Sweden was labeled an individualistic culture. Hofstede did not distinguish between small in-groups and society as a whole. This is important
because Sweden in comparison to other cultures divides private and public life strictly while many other cultures see them inseparable (Daun 1986). In our business context Swedes are considered as individualists with a great concern for fairness and well-being for others. They work independently and are not likely to be harsh in criticizing others.

Power Distance is defined as the degree to which members of an organization or society expect and agree that power is unequally shared. Sweden is ranked low on Power Distance because the Swedes are egalitarian, simple and open to international influences. Despite of this a lot of middle managers wish to reduce Power Distance even more. An example for low Power Distance is the fact that most business organizations lack any dress code based and titles are rarely listed on door signs of upper managers. This is because titles are not generally used. Managers are highly interested in a humane orientation and in the creation of teams. They seem to value cooperation, consensus, participation and power sharing (Lindkvist 1988; Brewster et al. 1993; Grenness 1999). At the same time they appreciate individualism and independency which gives an insight in the particularities of teamwork in Swedish firms.

Sweden is characterized by a large number of institutional arrangements and structures, like rules and procedures that reduce uncertainty. Uncertainty Avoidance is the extent to which a collective bothers to avoid uncertainty. The unpredictability of future events is tried to be reduced by relying on social norms, structural arrangements, rituals and bureaucracy. Sweden is the second highest out of all countries in this dimension. For example being on time in working life is considered as essential.

Long-term Orientation is the degree to which an organization encourages and rewards future-oriented behaviors such as planning, investing in the future and delaying gratification. Sweden has a high future orientation. This means investments into various kinds of education and personnel development (competence development, postgraduate education, conferencing, etc.) are highly pri-
oritized. Sweden has been among the leading countries in the world for many years in terms of investment in education (Organization for Economic Cooperation and Development 2005). Sweden is a knowledge-intensive and service-oriented society. The country shows a growth in jobs and above all it is established among the top countries on research and development spending as a percentage of GDP (e.g. in 2001 only industrial R&D expenditures corresponded to 3.3% of GDP) (Swedish Institute 2003). By the beginning of the 21st century Sweden was under the leading IT nations in the world which provides lots of economic growth to the country as it has become an important test market for international IT companies (Ilshammar, 2000). Swedish future orientation is rather high and many managers think that future-oriented activities should be paid much more attention like planning and preparing for future events.

Here a paradox between Uncertainty Avoidance and Long-term Orientation is visible. Avoiding uncertainty seems to avoid future but on the other hand there is a high Long-term Orientation. Swedes are very pragmatic and rational. It is their solution of resolving problems and on acting appropriate to the goal pursued (Daun 1986). As those characteristics are part of a high Uncertainty Avoidance they are categorized high on that. For the Swedes it is just a practical orientation. Viewed through a rational and pragmatic lens, the focus on the future is narrowed down to the manageable aspects and paying less attention to the unknown so that the future doesn’t seem unpredictable and thus allows a quite easier orientation.
4 Results and Conclusion

Through the analysis of the previous chapter, it was possible to get an image of the correlation between national culture and organizational effectiveness. Concerning the theoretical-based findings organizational culture highly influences the conception of business and its attitudes (Jeuchter, Fisher & Alford 1998). The next two figures 5 and 6 sum up the main findings from the categorization of the three countries into Hofstede’s dimensions.

![Figure 5: Individualism and Uncertainty Avoidance](image)

![Figure 6: Long-term Orientation and Power Distance](image)
Beside Hofstede’s cultural dimensions, in order to proceed with a substantial analysis, there are other four cultural characteristics that classify the national organizational differences in culture in a further way by analyzing the relation of national culture and national management (Denison 1990). These cultural characteristics that are called the Denison model are: mission, consistency, involvement and adaptability.

![Denison Model](image)

Adaptability consists in the way how companies react to the external need of customers and stakeholders for change regarding specific corporate attitudes. In a few words such a step underlines the level of integration of a company, the level of responsibility and its capability for organizational learning (Lawler 1996). Involvement is the level to which the company’s employees collaborate to pursue and fulfill corporate goals. It comes into practice when evaluating if the decision making process goes around elements like team orientation, empowerment and collaborative visions (Becker 1964; Lawler 1996; Likert 1961). Consistency aims to bring out the company’s soul regarding the whole internal system and therefore its perspective in terms of issues like problem solving,
efficiency and transparent behaviour (Kanter 1983). Highly consistent culture means coordination and integration of the represented values. *Mission* corresponds to the specific question how an organization intends to pursue its own interests. Naturally a responsible, transparent and effective company already pursues a stable direction regarding both - private objectives and future development (Hamel and Prahalad 1994). The limitation of this model is the similarity of the characteristics and thus the classification is quite ambiguous in some cases (see for instance involvement and consistency).

Each of the analyzed countries shows different characteristics. All three counties took into the analysis, presents different characteristics. Starting from the mission of Italian companies, due to its Uncertainty Avoidance and Short-term Orientation estimation, the objectives and the vision of the future seems to be not clearly identified. It has been shown that in matters of predisposition to introduce research and development activities, especially for SME, the Italian context is weak. The impression is that Italian companies tend to pursue just monetary revenue without any interest in increasing innovative capacity. Also stakeholder dialogue is more seen as a threat than an opportunity to use the networking potential for the firm’s benefit. The only stakeholder group Italian companies take much care of its employees. But as Power Distance in Italy is relatively high and the company’s goal is more based on financial aspects also employees adapt to that cultural behaviour and set their priorities according to economic aims pursuing the same mission as the company itself. Also empowerment is not common. So, all in all Involvement due to the lack of teambuilding and empowerment is not that high in Italy. The efficiency of Italian organizations cannot be considered as having a clear direction because of a low engagement in social and environmental issues. It is important to mention that this low degree of Italian companies of having a clear image where they are going to is highly due to the high absence of cooperative policy action which does not act as an effective social actor. All in all the mission of Italian business is mostly focused on economic revenue and therefore it could be consid-
ered as low responsible because it is too much focused on satisfying own interests. This is due to the fact that CSR is a relatively new topic for Italian corporations.

Differently from Italy, German companies are considered as pieces of a puzzle working together with institutions and politics which represent an important element to steer firms feeling more responsible for their actions. Therefore the mission of German companies does not only correspond to own ambitions but also to the creation of a synergy between the other social actors. German firms are willing to adapt to their external environment because of the support they receive especially from politics to improve social and working conditions and to conduct projects in order to build a friendly business by respecting other social actors. The rule-based model is their strategy to avoid risks and uncertainty to be consistent and responsible face to face with stakeholders. Furthermore this strategy supports efficiency and effectiveness at every organizational level. Internally, well-trained workforce leads to high involvement of employees who get empowered to pursue the firm’s mission in a collaborative manner.

Regarding the analysis in chapter 3, Swedish companies are integrating their employees in decision-making processes and empower them to take over responsibilities. Their involvement is high to fulfill organizational objectives as they feel integrated and important to achieve the company’s mission. Working in teams encourages their team spirit and the awareness for common goals. Self-discipline plays an important role and employees can organize their daily schedule as they believe it is best to finish the tasks on time. So, employees are relatively free in their way of working as long as the result is adequate. Consistency becomes visible when clarifying that employees are encouraged to bring in their ideas and creativity. Managers are wishing them to integrate and discuss about topics freely. In return they need to be informed about changes and learn continuously because the environment is competitive. This process is supported with individual training by the management. Furthermore managers
are concerned about what the employee thinks and wishes. If there is a task that the employee does not feel to do properly the manager is not upset about a refusal. Concerning Swedish firm’s mission they are take care about cost control, projects and research to waste as less resources as possible to always being able to satisfy market needs with new products and remain competitive.

The analysis made in chapter three and the further analysis presented in this chapter rendered the management style of Italy, Germany and Sweden more precisely. An approach to give an answer the research question, thus “How do different aspects of culture impact management style in Sweden, Germany and Italy, with regards to their stakeholder management and corporate social responsibility?” was made. This study therefore emphasized the existence of different management behaviors between these three investigated countries and clarified the effects cultural factors have on management styles.
References:


