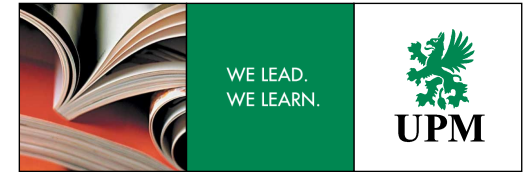




Leadership challenges of diversity in a multicultural environment - Case: a Finn works with a German

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UPM-Kymmene Group**

Helsinki School of Economics, January 30th, 2006



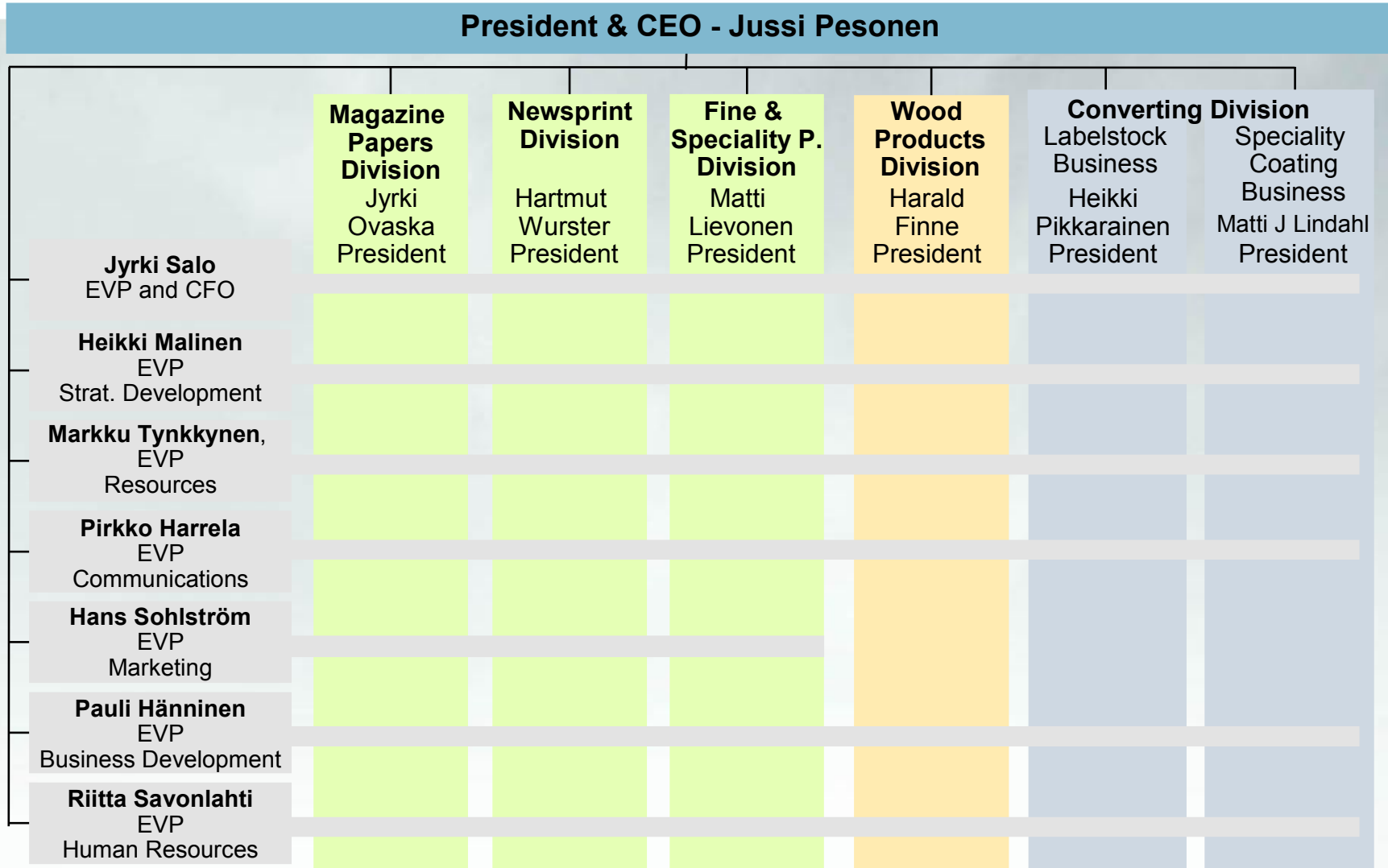
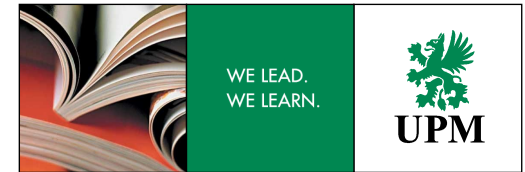
Content

- UPM-Kymmene in brief
- Background for the Case
- Similarities and differences when making business in Finland and in Germany
- Specific leadership challenges
- Observations and experiences on the relationship between the boss and a subordinate
- Observations and experiences on the relationships between peers
- Key learnings



UPM – Kymmene in brief

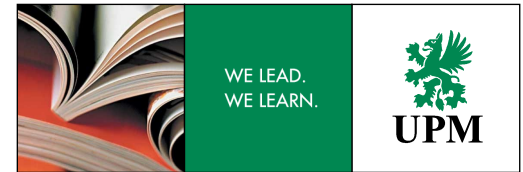
Executive Team



UPM – Key figures 2004-2002

		2004	2003	2002
Sales total	EUR million	9,820	9,790	10,420
Profit before tax	EUR million	600	440	710
Paper production	1,000 tons	10,890	10,230	10,050
Sawn timber	1,000 m³	2,410	2,410	2,200
Plywood	1,000 m³	970	940	910
Chemical pulp	1,000 tons	2,240	2,030	2,100
Personnel at 31.12		33,400	34,500	35,600

Divisions - sales



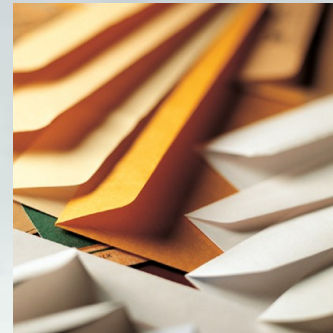
**MAGAZINE PAPER
DIVISION 32%**



**NEWSPRINT
DIVISION 13%**



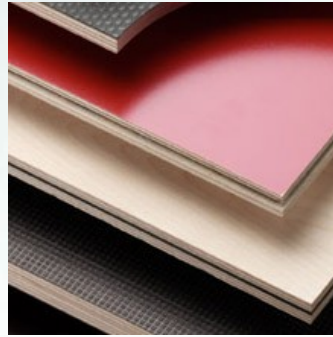
**FINE AND SPECIALITY
PAPER DIVISION 22%**



**CONVERTING
DIVISION 14%**



**WOOD PRODUCTS
DIVISION 14%**



**OTHER
OPERATIONS 5%**



UPM's position in 2005*)

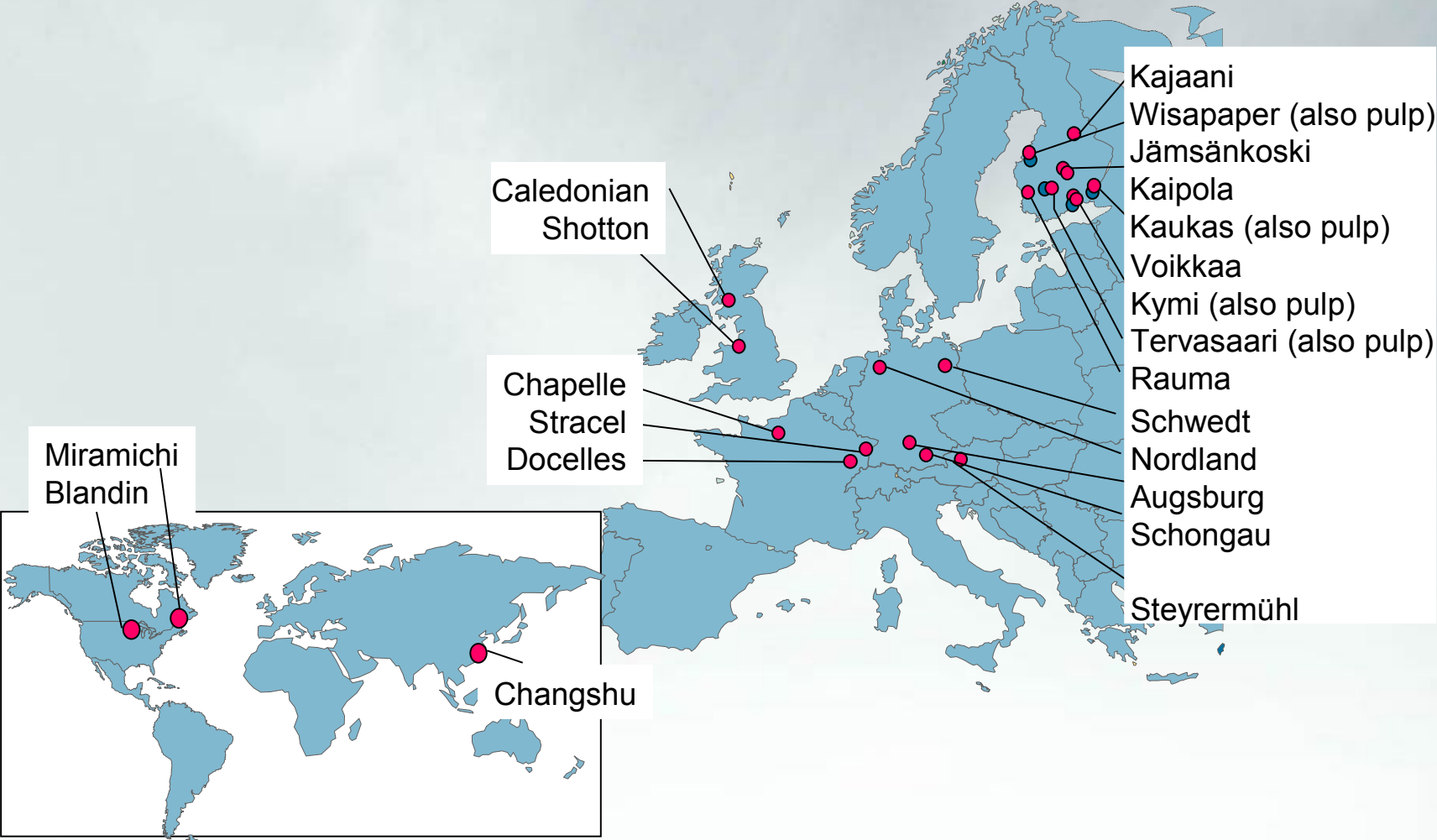
	in Europe	in the world
Coated mechanical	1	1
SC magazine	1	1
Newsprint	2	5
Coated Woodfree	4	6
Uncoated Woodfree	6	7
Envelope papers	1	***)
Label papers	1	1
Packaging papers	1-3 **)	***)

*) based on capacities **) depending on the product ***) no ranking available

Source: JP, UPM



UPM - Paper and pulp mills in the world



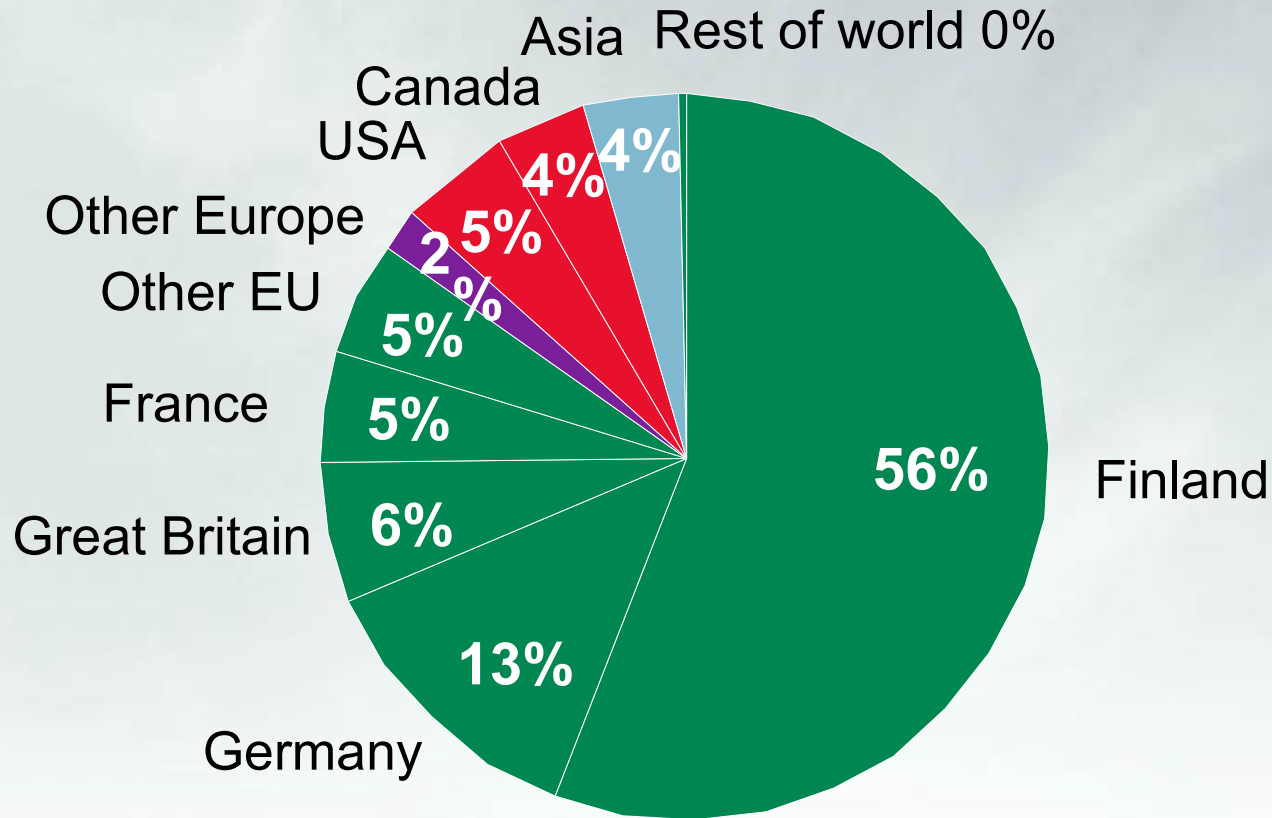
Paper sales network



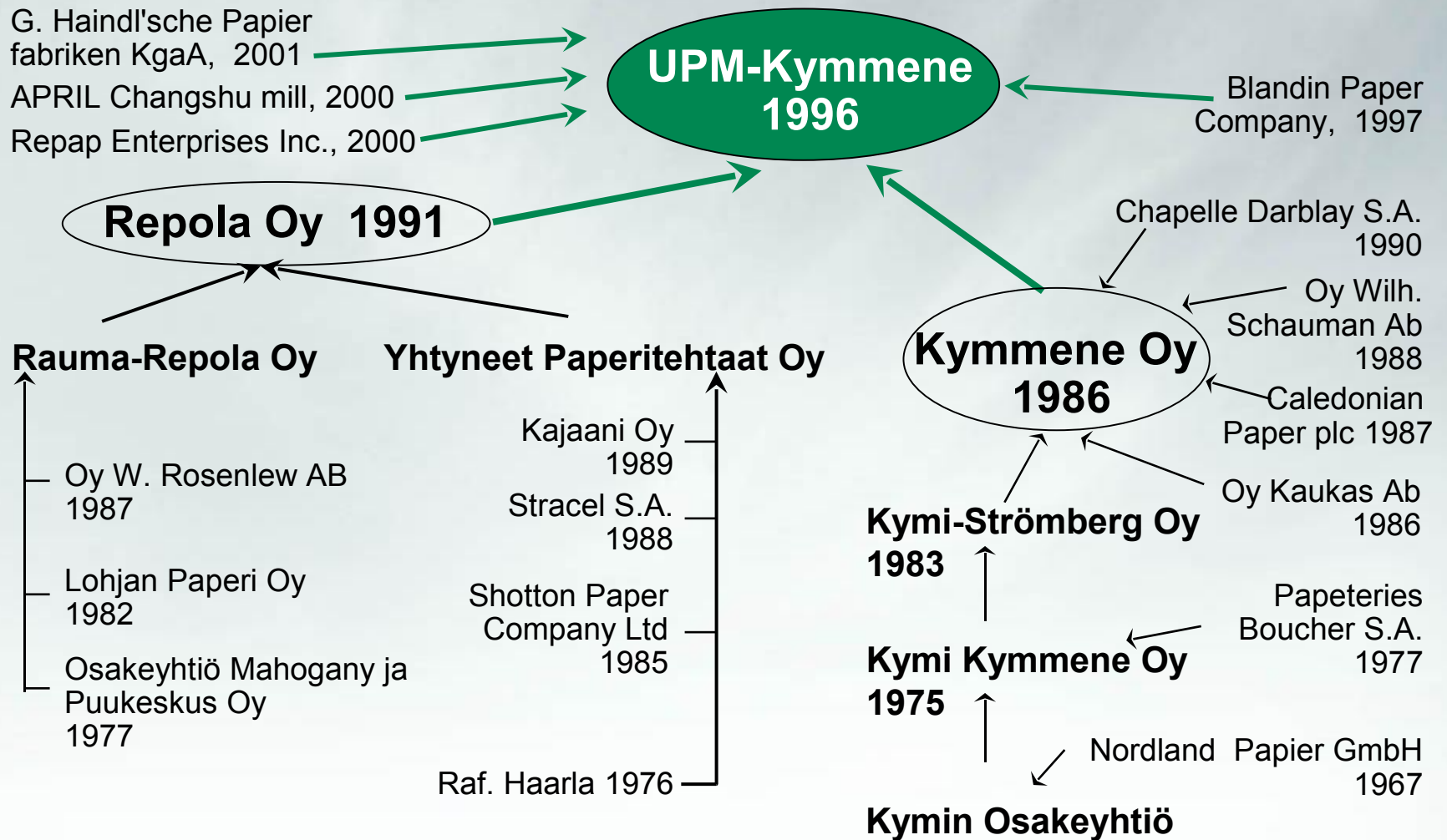
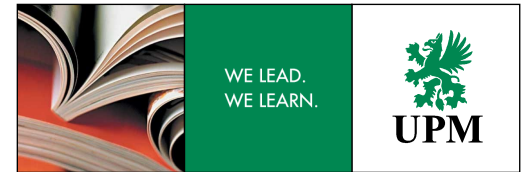
- Sales company
- Sales agent
- ▲ Logistics organization

- 22 paper mills
- Sales representation in 55 countries
- Logistics organizations in 10 countries

UPM – Personnel by area 31.12.2004

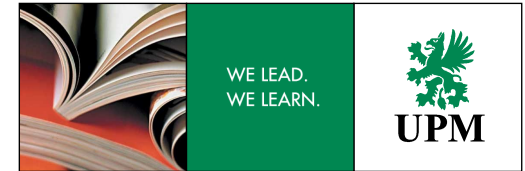


Total personnel 33,400





Background for the Case

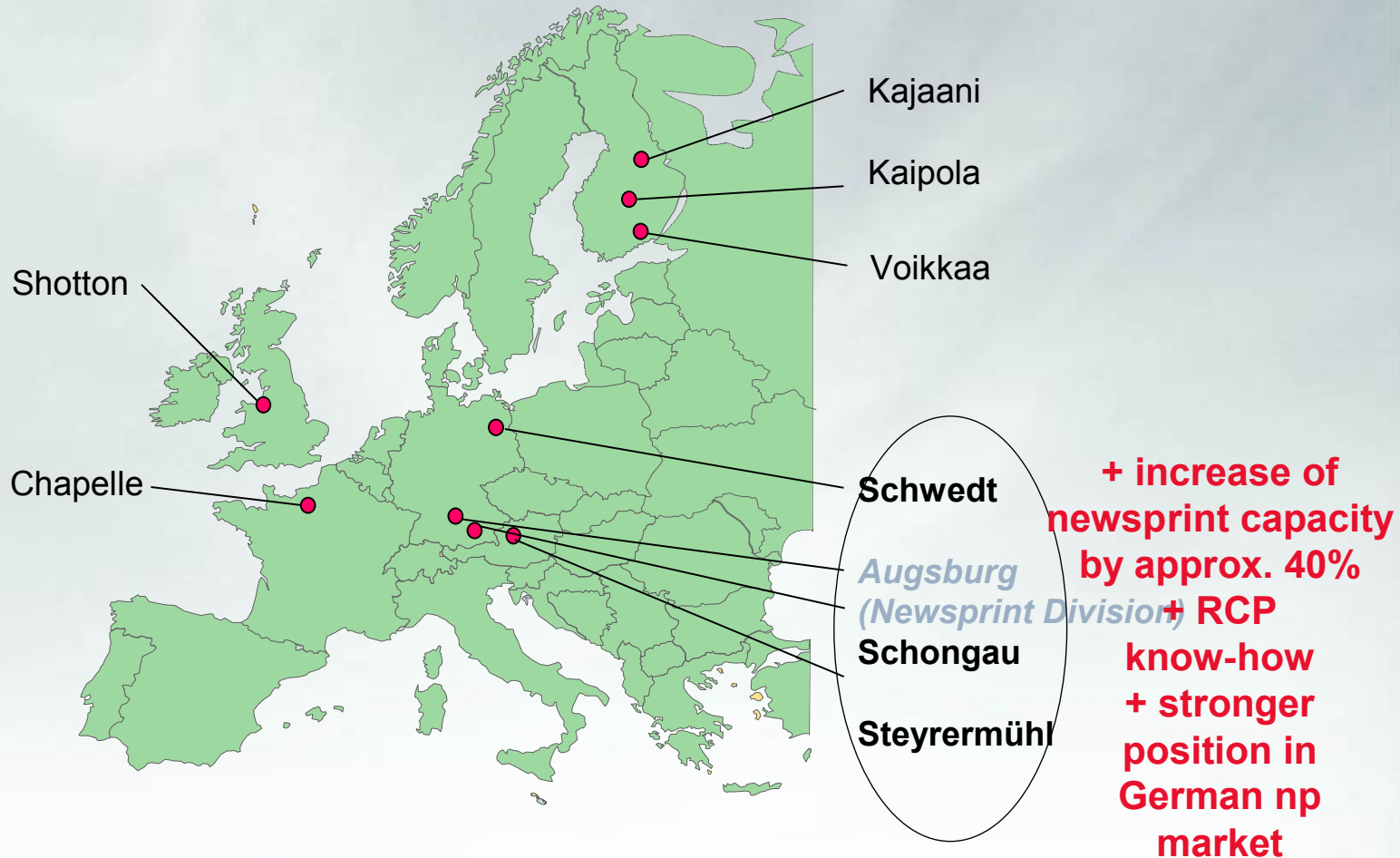
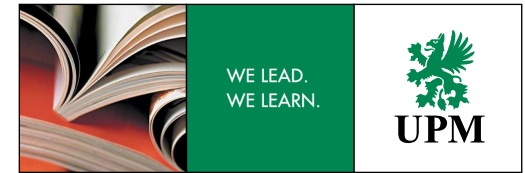


This presentation is based on the writer's personal experiences

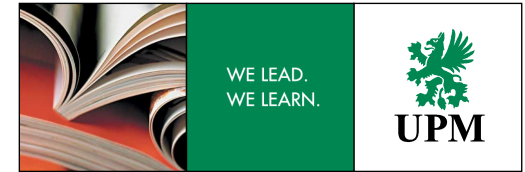
- firstly, from working with German clients *at* paper mills in Finland in product development, technical customer service and as a S&M Director between 1980 – 1992 mainly in Hamburg and in the Frankfurt am Main area**
- secondly, from various customer and internal projects between 1993 – 1999**
- and finally from Jan. 2002 until Aug. 2005 as a Vice President of Business Development in the Newsprint Division *in* Augsburg, Bavaria, Germany, in order to integrate the acquired German company to be a part of the Finnish parent company.**

UPM – Newsprint Division: focus on Europe

Assets in Germany, Finland, France, the U.K., Austria

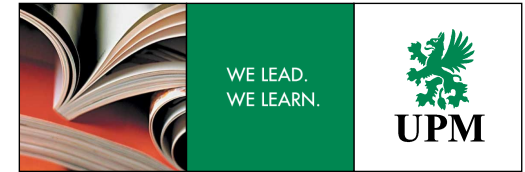


Additional background information for the Case: UPM acquired Haindl GmbH in Dec. 2001



- **the acquisition of Haindl GmbH increased UPM's newsprint capacity by approx. 40%, brought in the know-how on RCP usage and gave access to an important German market**
- **in the acquired company the newsprint business had the more important role in relative terms than in UPM**
- **UPM is a globally acting company whereas the acquired company acted more locally, mainly in Germany and its neighbouring countries**
- **the acquired company was privately owned whereas UPM is a public company**

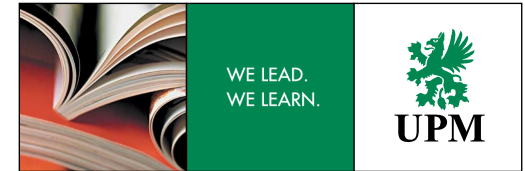
Additional background information for the Case: UPM acquired Haindl GmbH in Dec. 2001 (cont.)



- **German was the language used by the acquired company, in UPM it is English, in addition locally also Finnish, Swedish, German, French, Chinese, Russian...**
- **The home base of the acquired company was in the Roman catholic part of Germany.**



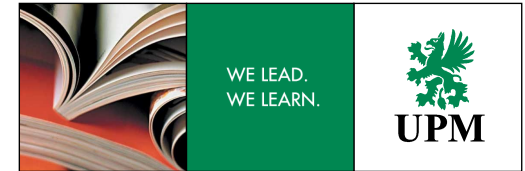
Similarities and differences when making business in Finland and in Germany



Similarities and differences when making business in Finland and in Germany

Similarities:

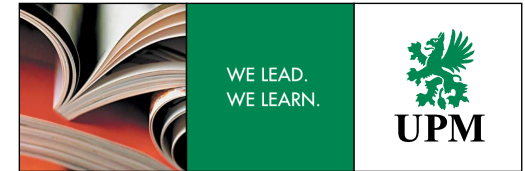
- **Result orientation** but in a different manner;
 - *Finns typically try to reach good enough results rather quickly*
 - *Germans try to reach excellent results driven by the German quest for perfection but it takes time and the situation/ environment may have changed when the results are available*
 - in engineering this approach works but not in administration!
- **Trust**; "what is agreed is agreed"
- **Pragmatism**
- **Notion of time**
- **Time orientation**; both look to the future, but Germans especially are long-term planners.



Similarities and differences when making business in Finland and in Germany

Differences:

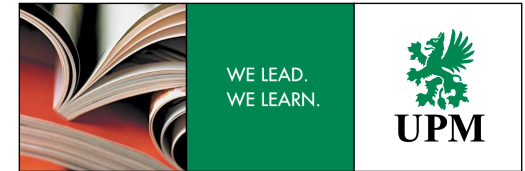
- **Communication style;**
 - *Finns are direct, frank and critical, Germans more polite and diplomatic having a softer communication style. Germans love to debate - argument and defend! Be prepared!*
 - *Different reading of nonverbal communication.*
- **Hierarchy;**
 - *a German leader monitors and if needed, enforces the rules to create an order, a Finnish leader rather empowers the subordinates*
 - *the boss is the boss also in a brainstorming*
- **Basic orientation;**
 - *Germans are more task oriented ("what") where as the Finns more process oriented ("how") with people involvement → managers vs. leaders!*



Similarities and differences when making business in Finland and in Germany

Differences (cont.):

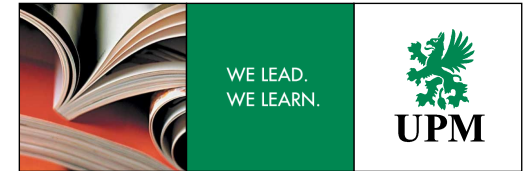
- Experiencing uncertainty;
 - *Finns tend to be bigger risk takers, Germans rather planners and risk avoiders ('Ordnung muss sein')*
 - *Finns are open to changes in the business environment, they try to find opportunities, evaluate risks and adapt themselves, Germans are rather reluctant to change until the last minute*
- Solving conflicts;
 - *Finns typically go to the point and try to solve the problem immediately, Germans start with lobbying on the higher level within the organisation, it takes time and often worses the situation*
- Relation to authority;
 - *the power distance is larger in Germany than in Finland*



Similarities and differences when making business in Finland and in Germany

Differences (cont.):

- **Individualism vs. collectivism;**
 - *Finns are more individualistic than Germans but a personal well-being and status are important to a German leader*
- **Status by formal education;**
 - *for a German leader it is a necessity in practice to be a 'Doktor'*
 - *German leaders are chosen for their positions rather on the basis of their expert knowledge (= engineering skills) than their leadership skills*
- **Formal behavioural code;**
 - *Frau Doktor ...*
 - *this is a generation question and is gradually changing*



Similarities and differences when making business in Finland and in Germany

General aspects:

- ***Germans do not find brainstorming easy without a clear end result in advance – this is the strength of the Finnish experts – we can produce a solution on demand regardless of hierarchy!***
- ***The lobbying skills of Germans are on a much higher level than those of Finnish executives.***
- ***Finnish executives often have better knowledge of the English language than their German colleagues***
- ***Female executives in top management are still rare – you need an open mind, humor and imagination to cope with situations new to German male colleagues.***



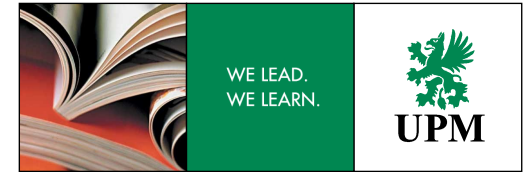
Specific leadership challenges between the Finns and the Germans are to be found on the following areas:

- communication style**
- task vs. people orientation**
- hierarchy and authority**



Observations and experiences on the relationship between the boss and a subordinate

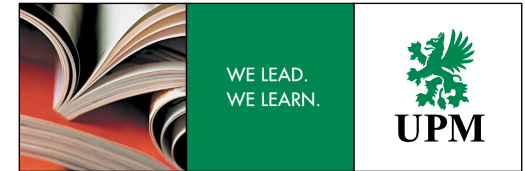
Observations and experiences on the relationship between the boss and a subordinate



- **hierarchical approach, partly on the cost of effectiveness**
- **one-on-one communication**
- **more difficult to reach a real dialogue and to influence in Germany than in Finland – the Finns are not trained to be good lobbyists and debaters**
- **status driven**



Observations and experiences on the relationship between peers

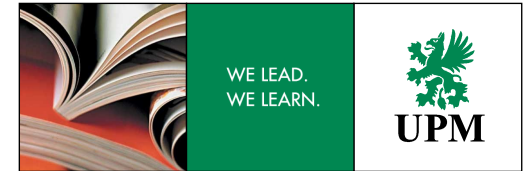


Observations and experiences on the relationship between peers

- **peers from different cultures:**
 - **your expertise is respected once you have got others convinced of your expertise**
 - *basic approach: status rather achieved than ascribed*
 - **do not underestimate the time it takes to get to know each other and perform well as a seamless team**

- **peers from the same culture:**
 - **formal behavioural code remains among Germans**

- **the national inheritance in behaviour, especially in crisis situations, is strong**



Key learnings

- The German culture is more task than people oriented resulting in bigger emphasis on management than leadership.
- Expectations regarding communication vary. Language groups are easily born.
- Illusion of the familiarity of one German culture:
Germany consists of several, rather independent "Länder" with their own history, culture and religion.
- Cross-cultural training and pre-information on the behavioural code of the area would have helped expatriates to get a good and smoother start.
- There are still very few female executives on the top level in Germany.
- Do not be surprised at anything but try to find an innovative solution quickly and be ready to debate, argument and defend it!

WE LEAD.
WE LEARN.

