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Finland

Look Who's Talking: Implementing Corporate Diversity and Inclusiveness Practices in Finland

Adam Smale

Case Synopsis

This case introduces students to international HRM issues surrounding the implementation of a diversity and inclusiveness programme, developed at corporate headquarters in the US, in one of the multinational's foreign subsidiaries located in Finland. Taking the subsidiary perspective through the eyes of local HR Manager Maria, the case describes how Petrocom has gone about implementing its 'Global Organization' vision that included the roll-out of its new 'Global Workforce Diversity Management and Inclusiveness Initiative'. The case follows the challenges the initiative has faced as a US, corporate-centric approach to diversity management has been confronted with specific features of local Finnish culture. The case focuses on how the main protagonist, Maria, responds to critical questions about the local need for these practices, the approach to implementation, and who should be teaching whom about diversity and inclusiveness.

Key Words: Multinational Corporation, Diversity and Inclusiveness, Foreign Subsidiary, Transfer of HRM Practices, Finland

Learning Outcomes

After going through this teaching case, students should be able to:

- Identify the kinds of local contextual factors that can challenge the logic, and ease of transfer of corporate HRM practices within the multinational firm

- Understand how the cultural and institutional features of a country can shape employee attitudes about HRM practices in general, and diversity management in particular
- Critically assess the effectiveness of different methods to achieve global integration of HRM across the multinational, and the role of key stakeholders

Local HR gets the call from corporate

Maria, the HR Manager of Petrocom¹ Finland, had been both excited and anxious when news came through from corporate headquarters that Finland had been selected as one of the first to implement the new ‘Global Workforce Diversity Management and Inclusiveness Initiative’ (hereafter D&I Initiative). The mission of the D&I Initiative was to support the integration of employees who may differ in terms of both visible (e.g. gender, race, age) and invisible characteristics (e.g. sexual orientation, values, beliefs, income, and education). Maria had known that it was going to mean a lot of work and that getting local buy-in to a corporate initiative of this kind would be a huge challenge. Although she knew that there had been few cases of harassment or discrimination, she felt that Finland and the people at Petrocom Finland had limited experience in confronting certain areas of workforce diversity management in comparison with their European counterparts. Maria just hoped that her personal convictions about the business case for diversity management would be shared by others.

Implementing the global D&I Initiative in Petrocom Finland

Petrocom Group, a well-known US energy multinational, operates in nearly 100 countries employing more than 100,000 people. In the early 2000’s the Petrocom Group initiated a

¹ For confidentiality purposes, a pseudonym is used and certain details concerning the organization’s titles and activities have been altered.

significant restructuring. The restructuring included the launch of its ‘Global Organization’, which for HRM strategy meant, among other things, greater standardization of its policies, practices and processes. Based on the successful model of managing workforce diversity in Petrocom’s US home-country operations, Petrocom developed a five-year implementation plan, which sought to integrate the principles of diversity and inclusiveness into key business and HRM practices throughout their worldwide operations. In doing so, Petrocom HQ aimed to attract and retain key global talent, to increase productivity through improved employee engagement, and to strengthen their reputation within the global community.

Representing one of the smallest of their foreign operations, Petrocom Finland employed 1,700 people across 400 service outlets when the D&I Initiative began. Since ‘Diversity and Inclusiveness’ was adopted as one of Petrocom’s formal, ‘Global Standards’, it was clear from the beginning that there was to be little scope for deviations in implementation, which was evident in the kick-off memo from the Global Head of the D&I Initiative:

“Naturally, there will be some legal limitations to its application that will be considered, but otherwise we assume that the D&I Standard is translated directly and that there are no local modifications. This is necessary to create a truly global D&I Standard for Petrocom and to ensure the implementation of one of our key business principles”.

During implementation, the D&I Initiative was perceived as an external and largely US, Anglo-Saxon intervention concerned only with the narrower issues of gender, nationality and the staffing of senior country positions with host-country nationals (i.e. not expatriates).

Finland: Highly ranked, inclusive and opening its doors

Finland is an advanced industrial economy located in Northern Europe and has a population of 5.5 million. After gaining independence in 1917, and having still been a largely agrarian economy in the 1950s, it has rapidly developed into a prosperous knowledge economy (Evans,

Smale & Björkman, 2018). Today, Finland is leading or near the top of many international comparisons in terms of growth and development in the economic, technological and social spheres. For instance, Finland is ranked seventh on the Global Talent Competitiveness Index 2021 out of 134 countries, which captures a country's ability to attract, develop and retain valuable human capital (Lanvin & Monteiro, 2021). According to the World Economic Forum's Global Competitiveness Report (2020)², Finland is ranked first for public governance, education and skills for the markets of tomorrow, and incentives for long-term investments in stability and inclusion.

The success of the Finnish economy has been driven by the combination of economic efficiency and growth, a peaceful labor market, an egalitarian distribution of income and social cohesion, all backed up by a generous social security system. The Finnish economy remains heavily manufacturing based, led by engineering and high technology firms. However, the 2008 financial crisis coupled with the rapid decline of Nokia – Finland's national champion – has led to some key restructuring and austerity measures. Hope for the future is increasingly being placed on digital skills and innovative start-ups, epitomized by gaming companies such as Supercell (creators of Clash of Clans).

Managing workforce diversity in Finland

From a legal perspective, the cornerstone of Finnish legislation relating to workforce diversity is the 1999 revised Constitution, according to which everyone is equal before the law. In addition, there are several acts and codes that prevent discrimination in work communities based on any visible or invisible aspects of diversity (e.g. the Penal Code; the Employment Contracts Act (55/2001); the Act on Equality between Women and Men (609/1986, 2005); and the Equality Act (21/2004)).

² World Competitiveness Report (2020): How Countries are Performing on the Road to Recovery, World Economic Forum. https://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2020.pdf

From a cultural perspective, one of the hallmarks of modern-day Finnish society is strong egalitarian values and inclusion. This is reflected in different aspects of Finnish society, not least the focus on achieving social mobility and equal opportunity. Finland again performs well here, ranked number three in the Global Social Mobility Index (2020)³ and number two in the Global Gender Gap Index (2021)⁴.

However, Finland could also be characterized as somewhat bipolar. On the one hand, Finland is representative of a Nordic welfare state that has integrated equality legislation with a distinctively inclusive political ideology, which has served to promote with good effect certain aspects of diversity such as gender equality. Finland was the first country to give women equal political rights and there is evidence of its positive long-term effect in working life, despite some persistent pay inequalities. On the other hand, progress on the acceptance and inclusion of ethnic, cultural and sexual minorities has been much slower. Whilst cultural openness to different sexual orientations has changed considerably from being somewhat of a taboo subject in Finnish society to more of an open subject of discussion, many immigrants in Finland still report discrimination in society, job markets and the workplace.

One possible explanation for this is Finland's relative cultural, racial, religious and linguistic homogeneity, and thus historical lack of exposure to certain minority groups. However, in line with similar developments in other countries, this composition is in flux due to increased labor mobility. The contracting labor market has become particularly topical in Finland as the aging population is placing increasing pressure on the country's ability to attract skilled migrants. Multiculturalism remains relatively low. Based on 2020 figures, the

³ Global Social Mobility Index (2020), World Economic Forum, available at: <https://www.weforum.org/reports/global-social-mobility-index-2020-why-economies-benefit-from-fixing-inequality>

⁴ Global Gender Gap Index (2021), World Economic Forum, available at: <https://www.weforum.org/reports/global-gender-gap-report-2021>

proportion of the population with a non-national background is 8%, which is one of the lowest percentages among the EU countries.

Enthusiasm globally receives mixed reaction locally

The implementation of the D&I Initiative (see Table 1 for the range of tools used) did not encounter any significant legal obstacles in Finland as Petrocom Finland was cautious from the outset not to violate any local laws and to allow legally-obliged modifications. This was also reflected in the responses of local union representatives (who are typically quite influential in the highly unionized Finnish business environment), who remained relatively silent throughout the implementation process, despite some short-lived defensive reactions at the beginning when discussions turned to the employment of immigrants (e.g. the effect of low-cost labor on employee wage levels and rights). Instead, the biggest challenges were associated with the level of priority given to diversity management and how to introduce the issue of diversity sensitively into the workplace.

INSERT TABLE 1 HERE

Getting priorities straight

From the outset, people within Petrocom Finland disagreed about the level of priority that should be given to diversity management issues. These arguments were based on whether diversity management represents a critical business issue, its relevance in a workplace setting, and its relevance given Finland's and the Finnish unit's demographics. The newly appointed Finnish Diversity Coordinator believed the D&I Initiative was an important business issue and had come at the right time due to increasing diversity challenges.

“Our local unit faces more and more challenges related to personnel. Not only have these groups now become a very important target for recruitment in Finland, but we also have to understand that such a variety of individuals can't be managed in the same

way, so we need to adapt. I think we need to pay more attention to these groups, and consider the special needs of women, ethnic minorities and other groups that face obstacles to inclusion.”

Petrocom Finland’s CEO was more diplomatic, but still believed that diversity management issues were premature. However, several employees in the Finnish unit described the D&I Initiative as an overreaction and ‘like using a sledgehammer to crack a nut’, as one disgruntled employee explains:

“We have been told that diversity is just about anything that distinguishes individuals from each other, like religion, culture and ethnicity, language and so on. But I still think that here in my work it is a question of males and females being equal. We haven’t got any immigrants, for example. In my work, everybody speaks Finnish and some English. Religion isn’t visible here, why would it be? It is work, after all. I guess the guys at headquarters have a point generally, and I understand that the main issues are important at that level. A small office in Finland doesn’t count for much there and thus it has to go with the flow, regardless of the local importance of these matters. Suddenly we have all kinds of promotional events and trainings going on. I’ll be retired before those things become important here”.

Maria faced constant challenges about how to strike the right balance between raising awareness, educating and supporting individuals to focus on the unfamiliar aspects of work and behaviors presented by the principles of D&I, and on the other hand, bringing the level of attention to a level that didn’t overshadow key business issues since employees started to view it with skepticism and as a passing fad. At times, she herself questioned what their role as a local subsidiary was supposed to be:

“We are not here to change society. That’s not our prime reason for being in Finland. We are here to do business. But we have to do it as a good Finnish company, as a good Finnish citizen, so that everyone who works for Petrocom can be proud of what we are doing. But I don’t feel that our task is to be the one who comes and breaks the walls down.”

Cultural sensitivities

At a relatively early stage in the implementation it became apparent that the magnitude of cultural adjustments in communication required to openly discuss diversity meant that the Finnish subsidiary considered itself insufficiently prepared to embrace everything that was being suggested by HQ. For example, the suggested use of affinity groups (i.e. groups formed around shared characteristics such as women in leadership, or career experiences of LGBT employees) was regarded as inappropriate and not adopted by the Finnish subsidiary. It was argued that they represented a culture-specific tool reflecting Anglo-Saxon assumptions that everybody is ready and willing to ‘open up’ and discuss personal issues with others in a group.

For employees, the introduction of sensitive and personal issues in discussions of D&I made typically reserved Finnish people feel noticeably uncomfortable. Middle managers started to voice concerns about whether these types of discussions would require them to “*reveal who we really are*” to their colleagues. The questioning of people’s values regarding diversity and inequality was also shown to be a painful experience for some. Maria recalls a landmark team meeting a year into the implementation process in which they discussed issues of inequality and were asked to share personal experiences:

“The atmosphere was unique. The subjects of discussion were unique. The inner dynamics of that team were discussed openly. It had people crying. And that was certainly a first for that department!”

The perceived Anglo-Saxon approach of discussing diversity-related issues in the open in order to raise awareness and provide evidence of ‘progress’ did not sit comfortably with the much more modest, reserved and private nature of the Finns. Although Maria suspected possible traces of denial in people’s attitudes to diversity, even fairly open-minded employees voiced their preferences to keep such personal matters separate from the workplace and were opposed to confronting them in intimate, face-to-face settings. Maria tried to explain this in an informal email to corporate HQ:

“It may just be the Finnish way. People feel uncomfortable when, for example, sexual orientation is brought up as a topic of discussion, and then you are given the instruction to change your mindset, your behavior, to be more open towards this. I think most people think that the best way to approach diversity is to be pragmatic – just focus on the work at hand. To do that, you have to cooperate and get along with everybody.”

5 years on: Lessons learned, and what next?

Having rolled out the D&I Initiative to all its international operations, Petrocom HQ felt that important societal issues remained unaddressed and that they needed a way to build in performance measures that were based on the employee perspective, not just ticking boxes once policies and practices were in place. The D&I Initiative was therefore expanded to include two new elements in addition to Diversity and Inclusiveness: Equity, and Belonging. Whilst Equity was about supporting those with less privileged backgrounds to grow, develop and pursue their full potential, Belonging was to become a new corporation-wide metric to assess employees’ feelings of safety, acceptance and being valued.

While putting the final touches on her feedback report about the new expansion for the corporate D&I Board, Maria shuddered slightly at the prospect of having to sell yet another

‘Made in America’ set of HRM policies and practices to the managers of the Finnish unit. Reflecting back on how she had felt when she first heard about Finland’s inclusion in the global D&I Initiative, she was right to have felt excited and anxious since the D&I Initiative had proven to be rewarding yet very challenging. Maria knew that Petrocom Finland had started off in a strong position in certain areas such as gender diversity, and that Finland could teach the rest of Petrocom a thing or two about inclusion and equity. Progress had been made in recruiting racial minorities and supporting their integration in the workplace. However, Maria intuitively knew that the expanded D&I Initiative will need to be more effective in influencing people’s attitudes concerning the more invisible aspects of diversity such as individuals’ beliefs and sexual orientation. It will also take on extra significance in light of the rapid growth in the number of skilled immigrants they are planning on hiring to replace many of the Finnish employees entering retirement.

Maria still felt Petrocom Finland was at a crossroads. With many corporate expectations met, were Finnish society and the employees at Petrocom Finland ready for this latest expansion and further progress in these difficult areas, and what was the best way to do it? Maria still believed she could make a positive impact, but where should the line be drawn?

Table 1: Diversity management implementation tools used in Petrocom Finland ⁵

<i>Through People ⁶</i>	<i>Through Information Systems</i>	<i>Through Formalization</i>	<i>Through Decision-Making (Centralization)</i>
<ul style="list-style-type: none"> ▪ Local ‘Diversity Coordinators’ ▪ Benchmarking among Diversity Coordinators ▪ Diversity training <ul style="list-style-type: none"> - Managerial-level and regionally standardized ▪ ‘Diversity Auditors’ ▪ Development and appraisal discussions at managerial level ▪ Local voluntary workshop sessions 	<ul style="list-style-type: none"> ▪ Corporate Internet <ul style="list-style-type: none"> - Stakeholder communication - Diversity publications and roadmap ▪ Company Intranet <ul style="list-style-type: none"> - Self-evaluation tools - Survey findings - E-learning material - Diversity ‘games’/quizzes ▪ Annual corporate, regional and local diversity plans 	<ul style="list-style-type: none"> ▪ D&I Standard (mission & values) ▪ D&I Policy Framework ▪ D&I integration into existing organizational policies (e.g. Harassment & Discrimination) ▪ ‘Barometer’-style survey on working environment ▪ D&I-focused survey ▪ Leadership self- and 360° appraisals ▪ Diversity criteria on organizational and individual balanced scorecards ▪ Diversity criteria added to reward and bonus schemes ▪ Signing of Annual Diversity Assurance Statements 	<ul style="list-style-type: none"> ▪ Diversity Council (corporate level) ▪ Diversity Steering Group (corporate level) ▪ Regional HQ ▪ Local ‘Diversity Coordinators’

⁵ Adapted from Sippola and Smale (2007)

Case Study Questions for Discussion

1. Given what you have understood about the Finnish context regarding the HRM practice of workforce diversity management, together with the perceptions of employees at Petrocom Finland about the importance of workforce diversity issues:
 - (i) How would you present the business case for diversity and inclusiveness in the Finnish subsidiary without coming across as over-sensationalising the issue?
 - (ii) How might Finland's standing and recent demographic changes in Finland help or hinder you in the above?
2. How would you best seek to reconcile Petrocom Finland's desire for a more locally-driven approach to the HRM practice of diversity management versus Petrocom Group's 'Global Organisation' vision, strategy and Global D&I Standard?
3. *"I don't feel that our task is to be the one who comes and breaks the walls down."* Where do
 - (i) Petrocom's, (ii) Petrocom Finland's and (iii) Maria's responsibilities begin and end in terms of HRM practices being used as a means to shape Finnish employees' attitudes and behaviors about diversity and inclusiveness?

References

- Evans, P., Smale, A., & Björkman, I. (2018). Macro Talent Management in Finland: contributing to a rapidly evolving knowledge economy. In V. Vaiman, P. Sparrow, R. Schuler & D.G. Collings (eds) *Macro Talent Management: A Global Perspective on Managing Talent in Developed Markets* (pp. 170-189), Routledge.
- Lanvin, B., & Monteiro, F. (2021). *The Global Talent Competitive Index: Talent Competitiveness in Time of COVID*. INSEAD.

Supplementary resources

The case is partly based on fieldwork and findings published in: Sippola, A. & Smale, A. (2007)

The global integration of diversity management: A longitudinal case study, *International Journal of Human Resource Management*, 18(11): 1895-1916.

Further reading

[Another case study on the transfer of diversity management practices within a Danish multinational, focusing on its Saudi subsidiary]

Lauring, J. (2013). International diversity management: Global ideals and local responses. *British Journal of Management*, 24(2), 211-224.

[For a comprehensive and data-based overview of Finnish culture and leadership]

Lindell, M., & Sigfrids, C. (2007). Culture and leadership in Finland. In J. S. Chhokar, F. C. Brodbeck, & R. J. House (Eds.), *Culture and Leadership Across the World: The GLOBE Book of In-Depth Studies of 25 Societies* (pp. 109–140). Psychology Press.
<https://doi.org/10.4324/9780203936665>

Extra resources

Statistics Finland: 'Finland in Figures' is an information package about Finland and Finns.

Finland in Figures provides key up-to-date data on population, housing, education, enterprises and culture in the form of statistics and graphics. Visit:

https://www.stat.fi/tup/suoluk/index_en.html

Global Talent Competitive Index (GTCI): A ranking of countries around the world based on how they grow, attract and retain talent, available at: <https://www.insead.edu/faculty-research/research/gtci>

Nordic Business Diversity Index (2021): Diversity of Senior Leadership in Nordic Listed Companies, available at: https://www.3bility.fi/wp-content/uploads/NordicBusinessDiversityIndex_2021.pdf