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# Elements of the Nordic Leadership Framework, Origins, and Transferability

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# **Elements of the Nordic Leadership Framework, Origins, and Transferability**

A Capstone Project Submitted in Partial Fulfillment of the  
Requirements of the Renée Crown University Honors Program at  
Syracuse University

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## Abstract

Leadership styles can be classified into different buckets based on previously developed leadership framework theories such as transformational, transactional, charismatic, and democratic leadership. This thesis explores the characteristics that define the Nordic style of leadership from a cross-cultural perspective. Under the assumption that the four Nordic nations: Denmark, Finland, Norway, and Sweden share a similar set of leadership practices, my capstone investigates the linkage between the Nordic national cultures and the influences on the leadership approach. The four small, but powerful nations are the homes to many corporations recognized for their highly innovative solutions to meet consumer needs. Nordic leaders apply the cultural norms of honesty and consensus into the Nordic work environment creating an effective set of leadership principles that competitively position Nordic companies across the global market. Is this leadership model only effective in a controlled environment with favorable external support from the society? Understanding the external conditions that support the Nordic leadership framework helps determine the possibility of transferring the model in other countries and how the leadership characteristics can be replicated.

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## Executive Summary

Leadership ability is a key element to bringing an organization to a new level of achievements. Determining the appropriate style of leadership to match the business demands is crucial to the performance of the company. Nordic leadership qualities that bridge forward to the global market includes their (1) commitment to relentless innovation, “even to the most basic industries”, (2) balance short term and long term view, (3) consensus-based approach management, and (4) passion automating processes with machines (“Northern Lights” 9).

The discussion of this paper starts with the description of the salient features of Nordic leadership and then analyzes the relationship of leadership to the national culture. My research is conducted with the following assumptions:

1. The conformity in Nordic leadership exists between the four Nordic states such that the leadership styles do not have significant differences from each other.
2. The national culture has a direct impact on the Nordic business culture and leadership philosophy.
3. Nordic leadership framework can be replicated in other countries.

Like explaining a complicated mathematical formula, the teacher would walk through the steps of how the equation is derived so students can effectively apply it to different math problems. Just as math formulas have interchangeable parts, effective leadership principles are adjusted to cater to appropriate business needs. Variables that affect the company strategy include, but are not limited to, the firm’s geographical location, industry, size, demand, and current external

environment concerns. In order to understand why the Nordic model is successful, you have to look into the individual features that comprise the model. Information on their economic makeup will be drawn in to help investigate how the Nordic business culture came about. After understanding the origins and foundation of the model, individuals can take the essential and interchangeable components of the Nordic model to derive their recipe for success.

The characteristics of the Nordic leadership model are divided into several leadership theories. According to Gert Hostede's cultural dimensions, Nordic leaders are considered to have,

- **Low power distance:** fairly even distribution of power in the company
- **Low uncertainty avoidance:** more inclined to risk-taking
- **High feminism:** family-oriented and non-gender discriminatory
- **High collectivism:** decision made from group consensus

Other leadership frameworks that the Nordic style classifies into include:

- **Participative leadership:** leaders are inclusive of employees' ideas
- **Employee-oriented:** emphasis on employee development and empowerment
- **Transformational leadership:** inspiring employees to share a common vision

The categorizations from above suggest that Nordic leadership is non-authoritative and employee-centered. These leadership characteristics cultivate a unique corporate culture and work environment for employees. Key characteristics of Nordic workplaces are,

- **Flat structure:** short hierarchy pyramids with small degree of power separation between upper and lower level management
- **Teamwork:** employees work in teams to increase productivity
- **Inclusive decision making:** compromising decisions made as a team
- **Female leadership:** high percentage of female executives in the firm with generous maternity leave and child care compensation

The Nordic work culture is very inclusive of employees' suggestions which open the opportunities for new creative ideas to be acknowledged. In terms of compensation, Nordic companies offer generous assistance for female workers, thus making it possible for more women to participate in the workforce. The Nordics also believe that by aligning individual goals together and operating in teams, productivity will increase.

Consolidating the elements to the Nordic leadership framework, I identified several strengths that are derived in this setup. The open work environment that encourages new ideas to be voiced induces *innovation*. Nordic leaders' willingness to take risks and openness to change enable them to develop *agility*. The Nordic work environment engages in conflicting beliefs that yield interesting results. The first issue is between individualism and collectivism. Employees are encouraged to voice their own opinions, but at the same time, they are expected to work in teams. Because the Nordics resolve problems through *compromise*, it allows for employees to think differently and still work in a group to generate innovative solutions. The second concern is that the humble and modest nature of Nordics may hinder the motivation for competition and increasing productivity. Most Nordic workers are passionate about their job and thus, are motivated to work collectively to achieve impressive results.

To fully understand how the Nordic approach works, it is necessary to analyze the conditions that derived these characteristics. Under the assumption that the national culture has a strong influence on leadership, the Nordic welfare system can potentially explain why the model works. The Nordic welfare system

is known for the universal benefits such as free healthcare, education, and other public services available to the citizens. Components to the welfare system include:

- **Parental leave:** both parents together are eligible up to 13 months of paid leave
- **Active labor markets:** assistance is offered to the unemployed for job training and job search; unemployment compensation can be obtained for up to five years
- **High income tax:** income tax range from 40% to 60% depending on income level

Besides the welfare system, another characteristic of the Nordic society that may affect the leadership style is the *egalitarian* relationship between the government and the people. Nordics are taught not to appear superior above others since childhood. Children are brought up in *non-competitive* educational environments. Students free from pressures of trying to perform better than other students at school, but are instead encouraged to explore what they like to study. The Nordics are very *family-oriented* in which they value the time spent with family. Based on these pillars that make up the Nordic society, the Nordics live in a *social safety net* with *strong social trust* between the people and the government.

In order for foreign companies to replicate a similar model, they must foster an egalitarian environment with a sense of security and trust within the workplace. These three conditions are essential to the effectiveness of the Nordic leadership model. In the case of the Nordics, the suitable conditions were set in place by the government. For a foreign company to replicate the model, the company can design a corporate culture that mimics the Nordic society with strong emphasis on equality and creativity. A corporate safety net can be



recreated through generous compensation written in employee contracts.

Replication is seen possible in multinational Nordic firms such as IKEA, Novo Nordisk, and Nokia that successfully transferred the Nordic model to foreign subsidiaries.

Nordic leadership principles cultivate innovation, competition, and high productivity. It is a valuable framework to explore for businesses that intend to achieve strengths in the areas mentioned above.

## 1 Introduction

The ideology of good leadership is subjective to the circumstances at hand. A leader can be loosely defined as someone who has the ability to influence others to work towards achieving a common vision. This broad definition leaves a lot of room for interpretation of what “good” leadership practices are. Instead of going into a debate of what I define as good leadership, this capstone project will investigate a set of leadership principles that have been garnering a lot of attention due to its domination in international rankings in competitiveness, innovation, and happiness indices across the world – the Nordic style of leadership.

The report, “Northern Lights” in *The Economist* has exclaimed that Nordic nations have “reached the future first” (4). The Nordic region consists of Denmark, Finland, Norway, Sweden, and Greenland. Greenland is excluded from the scope of this project because it is ruled under the Kingdom of Denmark. Geographically speaking, Scandinavia refers to the nations bordering the Scandinavian Peninsula which consists of Denmark, Norway, and Sweden. Due to strong historic affiliations, Finland is also included in the definition as both a Nordic and Scandinavian nation. Throughout the discussion, the terms ‘Nordic states’ and ‘Scandinavia’ will be used interchangeably in reference to Denmark, Finland, Norway, and Sweden. The small, yet powerful Nordic economies possess unique approaches to leadership allowing them to excel in innovation, competitiveness, and productivity.

Different cultures hold different definitions and criteria of qualities a leader should possess. There is no universal definition that explains the

relationship between a leader and the followers. Culture refers to the values, beliefs, behaviors, and traditions of a community that creates “the collective programming of the mind which distinguishes members of one human group from other” (Grenness 12). According to social cognitive information processing theory, culture heavily influences a leader’s behavior and decision making. People are psychologically influenced by their heritage and educational systems. One’s culture is arguably the moderator of his or her leadership style (Smith, Peterson, and Thomas 7). The difference in national culture is a possible explanation for the diversity of leadership practices. The *International Studies of Management & Organization Journal* described the relationship between culture and leadership as, “Values, beliefs, norms, and ideals are embedded in a country’s culture and affect the leadership behavior, goals, and strategies of organizations” (Lindell and Arvonen 73). The term ‘cultural distance’ refers to the similarities and differences between countries (Grenness 12). For the purposes of this research Denmark, Finland, Norway, and Sweden are grouped under the Nordics since they share a small cultural distance sharing a history, language, religion, and political system similar enough to be classified under the same cluster. Despite subtle differences between the Nordic states, they can be clustered together for the leadership discussion based on shared similarities in corporate culture, industrial relations, and the welfare state model (Sippola 357).

I was first drawn to learning more about the Nordic states after being told that they are some of the happiest countries in the world. What makes them so happy? The original intention of the research was to investigate the level of

uncertainty avoidance (a cultural dimension identified by Gert Hofstede) Nordic leadership tolerates and connects the cultural dimension to the Nordic external environmental influences. My capstone evolved as I conducted my preliminary background research on the Nordic region. Instead of only looking at the level of risk aversion, I decided to investigate the Nordic management style as a whole after discovering many fascinating aspects to Nordic management. The Nordic nations were able to maintain strong economic and financial performances despite the Financial Crisis of 2008. Separate from what is generally classified as Western Europe, the Northern European culture differs from its neighbors. Other than the obvious geographic separation from the Western European powerhouse, Northern Europeans operate differently in both the business and social context. While the GDP worldwide slumped, Northern Europe managed to sustain their economies and avoid increases in unemployment. Aside from potential geographical advantages or disadvantages, I became curious to what other factors attributed to the steady growth within Northern Europe.

Since the 1980s, studies have been conducted to compare and analyze the economic construct of Nordic countries, known as the Nordic Model. Commonly referred to as the welfare states, these nations promise equal opportunity and public services for their citizens through collecting high progressive income taxes to maintain a balanced income distribution. Functioning as small social-democratic societies, these countries were able to sustain thriving economies through the recent global financial crisis. What exactly is the Nordic model? The Nordic Model references to the economic, political, and social principles

practiced in Scandinavia. These four nations share a similar welfare system that in many ways, contradict many economic principles. They are small powerful open economies that offer a very generous welfare system with assistance available universally. The paper references the impact of the Nordic Model on leadership practices in Scandinavia.

This thesis is constructed as follows. First, I attempt to answer the question, what is the Nordic Leadership Framework? I answer the question by summarizing the current understanding of what the Nordic Leadership framework is and how it seems to operate within Nordic businesses. I will do this by introducing the Hofstede GLOBE project and how this contributes to our understanding of Nordic leadership. Then, I explore several leadership theories such as participative leadership, employee-oriented leadership, and transformational leadership, and conclude different components of the Nordic framework. Next, I discuss how culture and organizational structure are expressed within the Nordic businesses. I highlight what I see as some of the strengths in the framework.

After having studied this framework, I attempt to answer the question, what are some of the cultural, societal, and/or economic factors that complement the Nordic management style? The origins behind Nordic traditions are critical to understanding how and why the model works. The underpinnings of the business model stems from the history and societal values that make up the Nordic culture. The third chapter will review the Nordic welfare system and prominent cultural characteristics such as their egalitarian practices to draw upon characteristics that

may have impacted the leadership approach. The holistic evaluation of the Nordic leadership framework leads to a deeper understanding of the different links that holds the model together.

Finally, I make some preliminary assessments as to how the Nordic framework can be replicated in other nations. After examining the conditions needed to cultivate an environment suitable to apply the Nordic leadership principles, the paper will discuss the potentials of expanding the framework's influence to an international scale. Examples of multinational Nordic firms that successfully transferred the Nordic framework abroad will be provided as examples of how the process from executed. The Nordic leadership model can be replicated under proper circumstances.

## 1.1 Background

Effective leadership cannot be stenciled into a guidebook to be copied and pasted for all organizations. The high level of diversity in leadership philosophies and practices makes it challenging to categorize the different styles. Each business is unique; no leadership strategy from "one cookie cutter" will produce the same results. Then, why study different organizational cultures and leadership theories? While there is no one best way for leaders to determine the exact ingredients needed to foster the ideal corporate culture for a particular business, successful organizations share some similar organizational characteristics that may be applicable for most companies.

Nordic countries occupy the top spots in many global indexes comparing countries across the world in different economic and business aspects. Rich in

education and technology, the four states all operate in small knowledge-based economies which are directly based on the production, distribution and use of knowledge and information as defined by Organization for Economic Co-operation and Development (OECD). The OECD is an international economics organization that promotes global policies to improve the economic and social well-being of countries. The organization collects data, writes policies, and conducts research analyzing 34 countries spanning from North and South America, Europe, and the Asia region (OECD). Table 1.1 provides a statistical snapshot of the Nordic rankings in several global indices in comparison to the United States.

**Table 1.1 Consolidated List of Nordic Rankings on Indices**

	Denmark	Finland	Norway	Sweden	United States
<b>Global Competitiveness Index (2013-14)</b>	15	3	11	6	5
<b>Corruption Perception Index (2013)</b>	1	3	5	3	19
<b>Global Gender Gap Index (2013)</b>	8	2	3	4	23
<b>KOF Index of Globalization (2013)</b>	6	16	20	7	34
<b>Global Innovation Index (2013)</b>	9	6	16	2	5

According to the World Economic Forum, the Nordic countries all ranked within the top 15 nations in the Global Competitiveness Index 2013-2014 which evaluated each country's ability to generate and sustain economic growth. Nordic organizations operate with transparency of their business footprints. Sweden,

Denmark, Norway, and Finland rank highly in the Corruption Perception Index (CPI). In 2013, all four nations took up the top five spots of the CPI. The index is a reflection of the level of association each nation is with bribery, secret deals, and power abuse. Measured by the World Economic Forum, the Global Gender Gap Index is the reflection of the four pillars: Economic Participation and Opportunity, Educational Attainment, Health and Survival, and Political Empowerment. The KOF Index of Globalization evaluates countries based on: actual economic flows, economic restrictions, data on information flows, data on personal contact, and data on cultural proximity. The 5 input pillars capture elements of the national economy that enable innovative activities: Institutions, Human capital and research, Infrastructure, Market sophistication, and Business sophistication and 2 output pillars capture actual evidence of innovation outputs: Knowledge and technology outputs and Creative outputs to generate the Global Innovation Index. All four nations ranked within the top 20 in many studies measuring success in comparison to the rest of the world.

The perception of good leadership is subject to open debate. However, financial and economic indicators are objective facts to justify the effectiveness of leadership that leads them to such results. An effective leader is someone who can generate the most positive outcomes. Analogies of whether a leader is someone who steers the ship from the front or anchors from the back are examples of how the requirements of “good” leadership vary by culture. Nordic leaders practice a balanced set of qualities that draws from the ideals of contrasting cultures of where west meets east.





## 2 The Nordic Leadership Framework

### 2.1 Introduction

The salient features of the Nordic nations share parallel philosophies that create strong small knowledge powerhouses. The consolidated features of the individual nation's shared core competencies define the Nordic leadership principles that are unique to the Nordic region.

Values, beliefs, norms, and ideals are variables embedded in a society's culture that impact the leadership behavior, goals, and strategies of organizations. Culture is a patterned way of thinking that shapes the way a community thinks, feels, and reacts towards each other (Hofstede 23). The community can encompass a macro scale referring to repeated social patterns identified within a geographical region or a workplace. Subcultures are formed with a community because cultural stereotypes are generalizations that do not necessarily apply to all members. People with common interest come together because they share similar (not necessarily identical) behaviors and aspirations. While generalizations on culture do not accurately reflect on the behaviors of everyone within the classification, members within the community share more similar features than those in other communities. Understanding stereotypes are the first steps to chasing deeper into the culture.

The behavior of the larger community, in this case refers to a nation, influences the development of sub communities such as the work environment within the given nation. In this paper, culture refers to both the social and corporate culture within Scandinavia. I will draw from leadership and

organizational similarities found in Nordic corporate environments that define the Nordic leadership philosophy.

## **2.2 Hofstede's GLOBE Project**

A number of cross-cultural researches have been conducted to analyze the range of management styles practiced around the world. The idea of 'Scandinavian Management' originated since the 1980s with no definitive conclusion of the meaning (Grenness 8). The most large scale cross-cultural leadership study conducted involving the examination of 62 countries for cross-cultural leadership is known as the Global Leadership and Organization Behavior Effectiveness (GLOBE) project. The premise of this research stems from the belief that culture has direct influences on leaders and followers' perception of each other. Leadership characteristics are moderated by one's culture. Countries in the project scope were classified into country clusters based on cultural similarity. "History, religion, proximity and education are factors that have been identified as important in defining culture" as noted by Grenness (10). Denmark, Sweden, and Norway were grouped together as the "Nordic" cluster for comparison because they are close in geographic placements and similar in terms of culture and management styles. The project analyzed 17,300 middle managers and identified 112 leadership qualities that generated 21 leadership scales used to measure the level of desire for each country cluster. From the 21 leadership scales, Geert Hofstede defined nine leadership dimensions to compare the target countries. These factors include performance orientation, uncertainty avoidance, humane orientation, institutional collectivism, in-group collectivism, assertiveness,

gender egalitarianism, future orientation, and power distance. For the purposes of this paper, the discussion will focus on power distance, uncertainty avoidance, in-group and institutional collectivism, and gender egalitarianism because these dimensions showcase the distinctive characteristics of the Nordic management style (Lindell, Arvonen 75).

### **Power Distance**

Power distance describes the behavior and relationship leaders have with followers. Leadership creates an uneven distribution of power to allow for a trusted figure to guide the group towards a common goal. According the definition interpreted in the GLOBE Project, 'power distance' is defined as the extent to which a community accepts and endorses authority, power differences, and status privileges (House 513). Power distance impacts the formation of the organizational hierarchy depending on society's attitude towards greater authority. Low power distance indicates a respect for equality despite the uneven distribution of power. Cultures with low power distance believe that even though not everyone has equal influence, but everyone has equal rights in the community. High power distance communities mark a great distinction between individuals based on their social status. In an organization, the subordinate must strictly follow and support the upper level management. The Nordic countries have the lowest score for power distance out of the 10 country clusters in the GLOBE Project (Lindell and Arvonen 75). Regardless of job titles, all employees are seen as equal. Leaders treat their followers with respect and followers are receptive towards the leader's commands. There is a respectful two-way communication

between the leader and followers. Nordic leaders recognize and appreciate the strong interdependence between all the individuals in the organization. High power distances are typically found in strong task oriented organizations. Managers have overarching power to command and execute tasks and decisions to reach an aggressive goal. Nations such as Belgium and France are good examples of countries with power distances on the opposite end of the spectrum from the Nordics. Especially prominent with the Nordics, leaders and followers cultivate a friendly relationship of interdependence.

### **Uncertainty Avoidance**

The Nordics scored relatively low in the ‘uncertainty avoidance’ dimension. Uncertainty avoidance is ‘the extent to which a society, organization, or group relies on social normal, rules, and procedures to alleviate the unpredictability of future events’ (House 30). Having moderately low uncertainty avoidance suggests that the Nordic region operate in a less formal environment with a smaller need for rules and strict regulation. The results for this dimension were not as unified with results ranging from medium to low. The Swedes are observed to be more reliant on written rules and have a greater practice of formality in the work environment. Finnish and Danish corporate environments are more flat with less reliance on their managers; they tend to follow unwritten rules and judge from their experience (Smith et al. 493). Overall, the Nordic leaders have a more adventurous risk-taking business approach with much flexibility in the organizational structure. Nordic leaders are more receptive towards change as they are less risk-averse than many other leaders. Without

being strictly confined to rules and sticking to a pre-existing structure fosters creativity. Nordic leaders are not afraid to experiment with the unknown and challenge ambiguous situations.

### **Feminism**

The Nordic corporate environment is rated as one of the most feminine receptive societies in the world. From the Global Gender Gap Index referenced earlier, Denmark, Finland, Norway, and Sweden are ranked within the top 8 countries in terms of equal opportunities in society for both males and females. The four countries are high on gender egalitarianism, the degree to which a collective minimizes gender inequality (House 30). In a society with a feminine culture, people tend to seek consensus and work in cooperation with one another. Masculine cultures cultivate assertive and result-oriented leadership styles (Dickson 745). Societies high in femininity provide females with equal education and work opportunities as males. There are more women in power in Northern Europe than other nations. Nordic nations have a large number of female senior managers and politicians. Other than having a reasonable amount of women leaders, many executives regardless of gender hold a rather feministic mindset. Nordic managers are more family-oriented where less people are willing to give up the work-life balance to achieve an accelerating career (Smith 493). Nations that score highly in feminism tend to resolve conflicts in the form of a compromise. Leaders in Nordic organizations are more considerate towards their subordinates. Leaders who believe in gender egalitarianism are associated with having a more participative and charismatic leadership style.

## **Collectivism**

The individualism versus collectivism dimension is the area that most closely links to the societal values. The individual versus collectivism dimension refers to the degree to which individuals express pride, loyalty, and cohesiveness in their organizations and families (House 30). Societies strong in individualism emphasize uniqueness and people act out of their own interests. High collectivistic communities tend to operate in groups to reach common goals and prevent out-group penetration (Dickson 742). The Scandinavian culture “promotes long-term ties between owners, managers, workers, and society, where the role of the company includes promotion of goals of society at large” (Grenness 13). Collectiveness is a characteristic of welfare states where everyone contributes to the nation’s overall well-being. The Nordic region is highly egalitarian societies with the strong emphasis on equality; everyone is the same. People do not like to be segregated by social status or gender. Despite the emphasis on independent thinking, Nordic management is closer to collectivism than individualism. While individualism is important, Nordic managers also emphasize relatedness with groups. Collectivists typically are more loyal to their organization because the group shares a common purpose. The corporate Nordic environment is strictly teamwork-based although individual expression within the groups is encouraged. Critical decisions are made on a group consensus. A greater sense of pride and cohesion can be fostered in a team striving for the same vision determined collectively.

## Nordic Cluster Summary

Table 2 below shows a consolidated summary of where the Nordic cluster aligns under Gert Hofstede's cultural dimensions. Each dimension reveals how cultures in different spectrums of the scale behave (refer to Table 2.1).

**Table 2.1 Nordic Characteristics according to Hofstede's cultural dimensions**

<b>Low Power Distance</b>	<b>Low Uncertainty Avoidance</b>	<b>High Feminism</b>	<b>High Collectivism</b>
Inequality should be minimized	Lower job stress	Work to live	Moral involvement with the company
Everything should be interdependent	Fewer problems in changing employer	Sympathy for the unfortunate	Group decision is considered better than individual decision
Everyone should have equal rights	Promotion not based on seniority	Gender should not be a determinate of power	Families or clan protect the person
Decision-making involves managers and subordinates	Conflict in organizations is natural	More women in better paid jobs	Employees show emotion dependence on the company
Subordinates reject micro-management	Activities are less structured	Family-oriented	
Employees show more cooperativeness	Fewer written rules		
Flatter organizational structure	Managers willing to make riskier decisions		

(Source: Navarrete 3-5)

## 2.3 Leadership Theories

Nordic leadership is guided by three virtues: modesty, trust, and care. The model can function as long as the three elements hold true. Embedded deep into the Scandinavian culture, honesty is a prevalent characterization of the people. The belief in interdependence is the driver of cooperation and benevolence. Not all aspects of Nordic leadership can be filtered through Hofstede's cultural



dimensions. The Project GLOBE research examines the cross cultural aspects that draw connections between societal and corporate culture. Other key highlights observed in Nordic leadership include:

- Egalitarian leader-follower relationship
- Coaching instead of demanding from subordinates
- Discovering and exploiting employee's full potential
- Flexible and open to new propositions

### **Participative Leadership**

The small degree of separation by power in an organization encourages participative leadership. The role of the leader to the subordinate is rather participative and consultative instead of authoritative (Greenness 16). Nordic managers trust their subordinates. Leaders are inclusive of subordinates to making company-wide decisions. The relationship between managers and subordinates exemplifies *egalitarianism*. Modest views on having more power prevent abuse. Subordinates are comfortable confronting upper management. As a result, there are fewer hallway conversations and speculations because of the open communication within the organization. Subordinates are not constricted by strict rules that may prevent them from fully exercising their opinions and rights. The Nordics dislike the illusion of separation that job titles create. Managers and subordinates alike are greeted by their first name. Interactions are less formal, but respectful. Believing that everyone deserves equal rights (in the workplace), suggestions from less authoritative employees are taken seriously. Managers proactively seek ideas and consult with the rest of the team. Nordic teams are interdependent of each other. Nordic leaders perceive themselves as coaches who

consult and nurture individuals under them. Suggestions from subordinates are taken seriously as managers like to work in cooperation with everyone on the team. The best work is produced under a motivating environment where each individual believe that they are contributing to something impactful.

### **Employee Orientation**

The belief that the employees are the company's most important asset is prevalent in the Nordic corporate environment (Eriken, Kruse, Larsen 1).

Employee-orientation refers to “the degree to which a manager acts in a friendly and supportive manner, shows concern for subordinates, and looks after their welfare” (Lindell, Arvonen 74). In comparison to hierarchical societies, Nordics have better employee relations with the strong focus on employee development. Nordic managers invest a lot of time in developing their employees. Employees feel valued because upper management would devote the time to helping the subordinates realize their potentials and develop them into skillful individuals. Managers not only care about meeting deadlines, but also the well-being of the team. Larger Nordic organizations usually offer self-improvement or other professional training programs for employees to gain more expertise. The dynamics of the Nordic workplace forces the team to embrace a strong relationship with one another. When success is dependent on the group, everyone becomes more considerate.

### **Transformational Leadership**

Nordic leadership behavior aligns the transformational leadership theory basing “on trust and commitment created and sustained in the organization”

(Sayeed 595). Transformational leadership is composed of four dimensions: charisma, inspiration motivation, intellectual stimulation, and individualized consideration (Bass 184). Scandinavian leaders align employees' passion and skill set with the company goals. Leaders manage employees through inspiring them to work creatively and autonomously out of personal and common interest. Nordic workers are noted as some of the world's most motivated workers. According to *The Scandinavian Way*, "Nordic employees have developed their professional skills out of personal interest and not from the likelihood of getting a job or good salary" (Eriksen, Kruse, Larsen 2). Nordic workers are passionate about their work and feel loyal to their organization.

## 2.4 Culture and Organizational Structure

There is a linkage between leadership style, organizational culture, and structure. Leadership precedes corporate culture and organizational setup. The company molds into the management philosophies that steers the firm. Nordic leadership nurtures an egalitarian work environment with open communication and flexibility.

### **Flat Structure**

As indicated to having a short power distance, Nordic businesses operate in flat organizational structures. The organizational structure defines the way work is broken down by the different units and roles in a workplace (Alvesson 6). The division of power within a firm is one way to distinguish between the different types of organizational structure. The two extremes of power distribution in the organizational context can be classified as either tall or flat. A tall pyramid

refers to a rigid hierarchical distribution of power. The management team is broken up into multiple levels of influence. Subordinates may have to ask for approval from several levels of upper management depending on the spheres of influence of the decision. A flat structure on the other hand, has a smaller degree of separation between the upper and lower levels of authority. Commonly practiced in Scandinavian workplaces, the disparity in the amount of influence each employee has is relatively small or flat. The Nordics do not like to distinguish each other based on job titles. The manager is the ultimate decision maker, but everyone in the project team is encouraged to voice their opinions. A flat work structure facilitates leadership development. Management is different from leadership. A manager is a person who can delegate his or her subordinates to complete an assignment. A leader inspires his or her followers to work towards a common vision and motivates them to come up with a solution together. The authoritative figures in a Nordic organization not only manage, but also lead their subordinates to carrying their company to new level of competitiveness. Nordic leaders master the art of working in cooperation with their subordinates to reach their goals.

A flat work pyramid is a platform for *innovation*. Equality in the workplace opens the door for a free communication flow of ideas. Employers are not restricted, but empowered to think outside the box.

### **Teamwork**

Colleagues in a Scandinavian environment work in a cooperative style. Learning how to work in a team is crucial in the Scandinavian workplace. The Nordics believes that working in a team environment increases productivity

(Eriksen, Kruse, Larsen 1). Group work leverages individual strengths to compensate for the weaknesses of individual employees. Each worker brings different skill sets and unique ideas to the table. Teamwork improves the overall efficiency of the company. Despite the strong emphasis on the collective working attitude, employees are encouraged to open debates.

### **Inclusive Decision Making**

Dutch researcher Fons Trompenaars collected data on cross-cultural leadership surveying 11,000 managers and employees in 50 nations (Smith 493). The results indicated that the four Nordic states delegate higher percentages of the decision making responsibilities to subordinates than other researched countries. Subordinates are open to decision making and are encouraged to share ideas during meetings. All employees are very involved in the decision making process. The holistic approach captures the interest of all stakeholders to commit to the business. The end result is something the entire team or organization have agreed upon and aspire to achieve. Since subordinates do not need to wait for upper management orders, employees are more independent and self-starters. Decisions are made based on group consensus. Strength or weakness, Scandinavians are conflict avoidant individuals that tend to resolve problems with compromises. The conflict of opinions in making decisions would result in negotiated compromises.

### **Female Leaders**

Women in the Nordic business world are more likely to be promoted (Smith et al. 492). Two potential explanations for why there are less females of great influence are sex discrimination and maternal burdens. The egalitarian

mindset alleviates the challenge of gaining approval and trust from the community. The work environment is also very accommodating for females in terms of aiding family needs. Scandinavia may have a strong family orientated culture that does not discourage women from entering the workforce instead of serving as stay at home mothers. The government and employer offer generous services from pregnancy to child care making it possible for mothers to pursue a career and start a family. The female-friendly conditions strengthen the Nordic business practices. The diverse non-gender discriminatory Nordic workforce incorporates holistic ideas drawing from male and female leaders (Buus 2). Studies on different leadership styles reveal that male leaders are generally more assertive than female leaders (Gibson 257). Equal gender influences is beneficial to closing on any gaps that are less obvious to one gender. Potential disputes may arise due to different male and female perspectives. However, debates can be advantageous because the discussions enable all parties to evaluate the positives and negatives together. Likely risks and threats can be identified through friendly debates.

## **2.5 Nordic Strengths**

As a result of the Nordic leadership style, Nordic businesses possess several core competencies that help them stay competitive. Nordic firms are innovative players with flexible business strategies supported by a group of knowledgeable employees.

## **Innovation**

The characteristics of Nordic leaderships cultivate the ideal environment for innovation. Innovation refers to two areas where creative enhancements or modifications can take place. (1) A firm discovers a new source of revenue in developing a new service or product market. (2) Developing an efficient administrative process with cost saving and time reduction benefits is another source of innovation. Components to innovate rely on the company's research & development, engineering, marketing, manufacturing, and administrative departments (Elenkov 669). Strategic planning involves arrangements for a work environment susceptible for innovation to be born. Scandinavian management inspires the company to proactively look for new approaches. Organizational innovation processes are stimulated in open work conditions where creativity is rewarded and rules are loose. Employees are empowered to express their own ideas knowing their opinions are valued by upper management. Stressing to think unconventionally, Nordic companies are always striving for process improvement. The free education system and encouragement to seek higher education supported in these welfare states cultivate skilled employees. Cultivation of employee empowerment is a strong source for innovation where creativity and unconventional solutions are strongly welcomed in the workplace. Nordic professionals engage in work they enjoy and are not necessarily hunting for best salaried opportunities. Passionate workers in an empowering culture increase the chances of finding breakthroughs from existing practices and technologies.

## **Agility**

Scoring relatively low in uncertainty avoidance suggests that Nordic firms operate in ambiguity instead of always sticking to traditional means. The Nordic leaders aim for relentless process improvement and never settling with the current solution. Solutions get outdated just as technology becomes obsolete over time. In order to prepare for unexpected situations, the Nordics are open to agile approaches. Agility allows firms to handle unexpected events and shift focus to whatever that is in need. With rapidly advancing technologies and new market trends, this quality is crucial to keeping up with competition. Nordic characteristics create a flexible and adaptive environment for change. Advantages to agility include the ability “to cope with unexpected changes, to survive unprecedented threats from the business environment, and to take advantage of changes as opportunities” (Holmqvist, Pessi 147). Adaptability allows Nordic firms to benefit from first-mover advantage as they are more likely to experiment with new practices. The agility is a favorable for international expansion into the unknown markets.

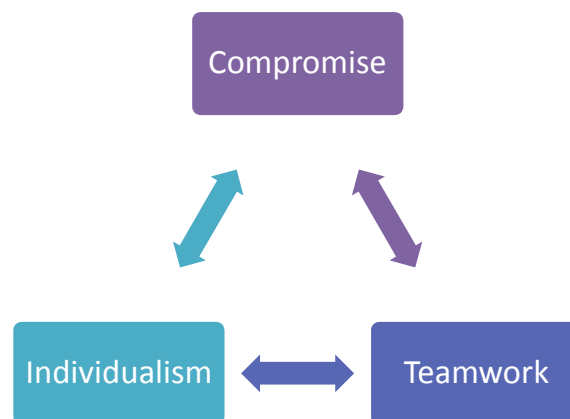
## **Compromise**

Compromise is a salient feature of Nordic culture. Employees are encouraged to think outside the box and formulate their own opinions, but conflicting ideas would be reconciled in the form of a compromise. In the end, employees are expected to work in teams to achieve an effective and efficient turnaround. Nordic employees operate in an interesting dynamic of expressing individualism while working in a group environment. Problems are resolved



through consensus. Efficiency is the united attitude for Nordic success. The desire to be efficient forces people to respect differences and workout a settlement. Unwilling to negotiate terms and sacrifice will leave the team at standstill. Recognizing that stagnant conflicts only negatively impact the entire team, employees learn to reconcile their differences. Figure 2.2 below illustrates the balance between individualism and teamwork that is offset with compromises.

**Figure 2.2 The Compromise Trichotomy**

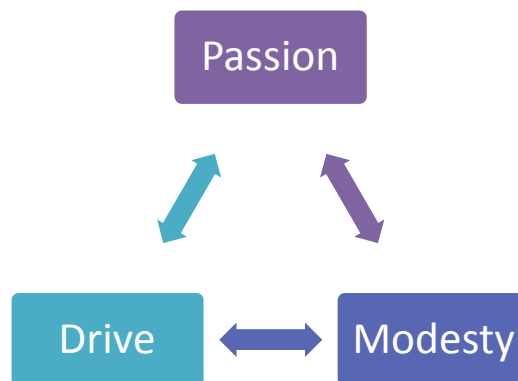


### **Passion**

Nordics do not like to stand out from the group and would prefer a humble and modest presence. Individuals are not different from one another so therefore, everyone should be treated fairly. Having the spotlight on an individual can be considered humiliating. The income tax structure in Nordic welfare system ensures a relatively flat distribution of wealth. Under these circumstances, the Nordic labor force still drives to achieve excellence. Why? The working population develops their career based off of passion and not salary compensation (Eriksen, Kruse, Larsen 2). Nordics would rather work for a company with corporate values that align with them than taking an offer at a firm with higher

pay. Employees are genuinely interested in the company they work for and enjoy the work they perform. Basic survival requirements according to Maslow's hierarchy of needs are secured by the government. Nordic citizens strive for self-fulfillment. Though humble, Nordics are ambitiously working towards what they love. Career development is not oriented towards achieving higher status nor accumulating more wealth. These societal values apply to majority of the population. When the team in its entirety unites because of similar interests, humbly respects, and enthusiastically works towards their passion, no one would stand out. Typically, only the most extraordinary personnel shine from the group; in the Nordic environment, employees are collectively motivated.

**Figure 1.3 Passion Trichotomy**



## 2.7 Summary

These observations suggest a strong commonality between the leadership management styles in Denmark, Sweden, Finland, and Norway. Nordic leaders think strategically long term, focus on employee's professional development, and are relation-oriented (Eriksen, Kruse, and Larsen 1). Although there were some minor differences, they were not significant. A possible explanation for their

similarities is because of their closeness in physical location. The four geographically connected countries share a similar history and developed similarly in social, economic, and political values which form culture. This research further examines the potential cultural link between the four nations and the influence of culture on the Nordic management concept.

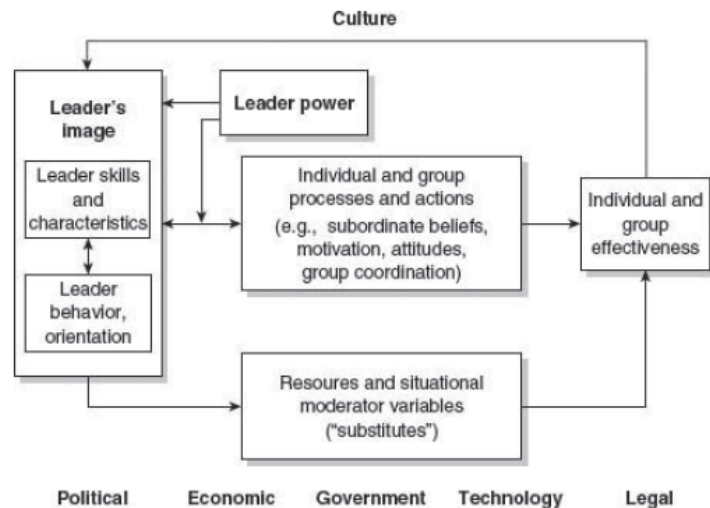
Through Hofstede's GLOBE Project, the Nordic countries scored low power distance, medium-low uncertainty avoidance, high gender egalitarianism, and high in-group collectivism. Core values concluding from the results of the GLOBE Project suggests that Nordic management is a balanced act of relation-oriented and task-oriented management handed with trust, equality, and respect. The scoring of the leadership dimensions indicates that Nordic leaders are very relation-oriented. Nordic companies recognize that employees are the company's most valuable resources. Leaders dedicate a considerable amount of time on developing employees. Nordic managers are more respectful, supportive, and encouraging of their subordinates. Nordic managers lead by coaching not instructing. Managers motivate subordinates to explore what they are capable of instead of doing what they are expected to do. Employee orientation fosters a healthy relationship between the manager and subordinate. In return, employees are more loyal to the company and can produce better quality work. Even though Nordic leaders are not seen as goal-driven as other countries, they have clear visions. Despite the freedom and flexibility given to subordinates, studies show that Nordic managers are keen on 'planning and order' (Lindell and Arvonen 81). Nordic leaders are conscientious of the line between being friendly, not friends

with subordinates. Proper facilitation is needed to reach deadlines. The perception of power distance is short and the communication within the firm is direct (Lindell and Arvonen 85). The non-hierarchical organizational structure enables efficient and effective communication with high employee involvement and faster processing time.

### 3 Underpinnings to Nordic Leadership

The origins of the distinctive Nordic leadership characteristics reveal the conditions needed to sustain the model. In the previous chapter, I conjectured the elements of Nordic leadership. This chapter will examine the underpinnings that support the Nordic leadership framework and potentially use this information to develop a process to replicate the model. According to Dorfman's Culture-Enveloping Model of Leadership (refer to figure 3.1), he believed that "national culture is an all-encompassing influence on leadership processes" (Smith, Peterson, Thomas 5).

**Figure 2.1 Dorfman's Culture-Enveloping Model of Leadership**



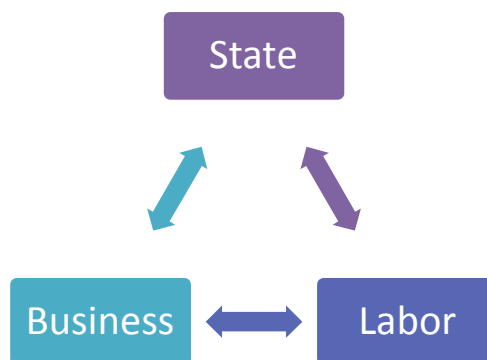
(Source: Smith, Peterson, Thomas 6)

We assume that external environmental factors influence the development of repeated traditions and values shared among a region of people. The framework of business models and leadership styles is shaped by the societal, economic, historic, and political construct of the country or region. The unique combination

of external environmental factors influences the community's values, motivations for power, and the attitudes of managers and employees (Sippola 358). Thus, to gain a better understanding of the Nordic leadership characteristics, we must investigate the societal underpinnings to uproot the origins.

The Nordic leadership philosophies are influenced by the Nordic Welfare Model. Figure 3.2 illustrates the relationship between the state, business, and labor. Only components of the welfare system with direct impact on Nordic leadership will be discussed.

**Figure 3.2 Nordic Collaborative Structure**



The Nordic political and economic structure reprises “strong incentives to optimize the capacities of and the use of human resources in the economy as a national whole” (Midttun, Witoszek 9). The controversial Nordic framework consisting of large public sectors and weak economic incentives of high taxation and generous social security had many critics’ eyebrows raised regarding the sustainability of the model. Despite doubts, the Nordic nations have been consistently generating government surpluses, exceeding exports, and contained unemployment rates.

### 3.1 Nordic Welfare System

The Nordic welfare model's mission is to provide security and equal benefits to all. Nordic citizens are entitled to universal rights believing that "every citizen is potentially exposed to certain risks" (Alestalo 3). The Nordics are known for their emphasis on one's well-being and the quality of life. Sweden, Denmark, Norway, and Finland are ranked highly in the standard of living according to the OECD. The states allocate roughly 30% of the expenditure on social services.

**Table 3.3 Nordic Welfare System Statistical Snapshot**

	Denmark	Finland	Norway	Sweden	United States
<b>Social expenditure in % of GDP (2013)</b>	30.8	30.5	22.9	28.6	20.0
<b>Public spending on family benefits in cash and in kind % of GDP (2009)</b>	3.90	3.30	3.20	3.80	0.70
<b>Public healthcare expenditure in % of total health expenditure (2012)</b>	85.5	75.4	85.1	81.7	46.4
<b>Trade union density in % of total workforce (2010)</b>	68.5	70.0	54.8	68.2	11.4
<b>Proportions of seats held by women in national parliament in % (2013)</b>	39	43	40	45	18
<b>Labor force participation rate of females ages 15+ (2012)</b>	59	56	62	60	57
<b>Total paid parental leave,</b>	52 weeks,	180 days,	480 days,	56 weeks,	
<b>min. paid maternity leave,</b>	18 weeks,	105 days,	No min.,	9 weeks,	0
<b>min. paid paternity leave *</b>	2 weeks	54 days	60 days	12 weeks	

\* Remaining leave days are split between the mother and father  
(Source: OECD, World Bank)

The highlights of the Nordic welfare system include: universal free healthcare, paid vacations, good pensions, paid sick and parental leave, job security, and free higher education (Einhorn, Logue 1).

The interventionist state oversees public services, employment, and taxation based schemes (Alestalo 2). The government mainly relies on regulation

and transfer payments (Einhorn, Logue 7). Decision making on social services involves the input of local municipalities. Despite giving up around half of their salary to the State, beneficiaries are mostly satisfied with the tradeoff. As a result, people are entitled to free healthcare and education (Einhorn, Logue 6). The unemployed receive a much longer government aid and job search assistance and/or skill training than in many nations. Social mobility is greater in the Nordic countries than in many parts of the world according to the data gathered from the OECD in 2007. Citizens are given the same benefits and rights to health services and education. Everyone begins at the same starting point where they are given the freedom to achieve their goals. Based on the Gini coefficient for the measurement of inequality where 1 indicates complete inequality (“meaning one person has all the income or consumption, all others have none”), all Nordic nations scored below 0.28 indicating the highly balanced distribution of wealth in comparison to the 0.45 indicator for the United States (Haagensen 59). Less than 7.6% of the region is at risk of poverty. Statistics show that sons are likely to make more money than their fathers in the Nordic region (Haagensen 59). These welfare states focus on achieving the highest possible employment rates using national policy (Einhorn, Logue 7). The welfare state enables the Nordic nations to have successful macroeconomic markets.

### **Non-competitive Education**

The Nordic education systems promote learning in a pressure-free environment to allow for students to discover their talents and pursue their passion. Since childhood, students were not placed in an environment where they



are not under the pressures to outperform other students to receive better academic recognition. Comparison and competition are not encouraged in primary school as there is no grading system. Students do get tested and benchmarked for their knowledge during the last years of compulsory school. The International Student Assessment (ISA) examines students around the age of 15 in their understanding in reading, mathematics, and science (Haagensen 78). An idea originating from Danish pastor, historian, teacher, and philosopher Nikolaj Frederik Severin Grundtvig, school is to educate for life not for work (Carlson 85). Eliminating a grading system, students are motivated to explore their interests such as developing in musical talents or concentrate in mathematics instead of worrying about school subjects that they are underperforming in. In the workforce, employees are dedicated to their jobs because they are forming a career in something they truly enjoy. People perform better in environments they are comfortable in and doing things they find meaningful, thus in return help the company prosper. People are educated to pursue their passion over money. Arguably the motivation to give up passion for a high paying job within the Nordic countries is low because income taxes would eliminate the difference earned. Coming from an American student perspective, finding a good salaried job is important after the big investment in American university tuitions. Nordic citizens are entitled to free college education. This further eliminates monetary pressures driving people to pursue high paying jobs. The student loan burden in the Nordic region is not as overwhelming. Denmark offers the most financial aid

and grants to students studying in Danish institutions. Perhaps that is one of the reasons why many Nordic students choose to study abroad in Denmark.

The Finnish education system is world renowned for its effectiveness and innovative approaches. Finnish schools experimented with different teaching styles in efforts to garner creativity and group learning (“Northern Lights” 6). Teachers are free to design their own curriculums for what works best for their students. Exams are used to diagnose students’ ability, not to classify students above one another. Finland is notable for the highest percentage of students making it to the university level (“Northern Lights” 6). Strong and free education systems cultivate knowledge-based economies with intellectuals in all fields. Sweden’s research and development is considered years more advanced than other European countries (Eriksen, Kruse, Larsen 4). Free education enables students to pursue their passion and excel in their area creating competitive advantages for the community as a whole. The welfare state creates a safe haven for the people to freely explore career options of their interest.

### **Active Labor Markets**

The Nordic regions have highly active labor markets with flexible labor policies to help the unemployed to find work (Einhorn, Logue 18). Statistics show that there is approximately 75% of activity in the labor markets compared to the less than 70% achieved by Western Europe (Haagensen 82). As of 2011, the unemployment rates are within 7% for the entire Nordic region. Norway scores significant lower with only 3.3% unemployment rate (Haagensen 84). In the active labor market, the unemployed are offered generous unemployment

compensation systems and heavy expenditures for employment training to prepare people for work (Einhorn, Logue 20). There is equal protection to the employee and employer in terms of firing or laying off people. Unemployed workers received government funding a long period of time as long as they are actively seeking work. In Denmark, the unemployed are provided with up to five years of unemployment compensation (Einhorn, Logue 19). The United States, on the other hand, provides citizens with a maximum of 26 weeks of assistance (“State Unemployment Insurance Benefits”). Social services with job search and skills training are provided to further assistance those having trouble with employment (Einhorn, Logue 19).

The majority of the Nordic employees are protected by trade unions. Employee associates and unions dominate roughly 70% to 85% of the work force in Denmark, Finland, and Sweden (Sippola 358). In this respect, Norway is the outlier with only 55% union density. Nordic labor markets are self-regulated where regulations are passed under consensus policymaking of collective union agreements (Sippola 358). A committee is elected by each union to delegate consultation services to employees and other activities (Sippla 359). The Danish pioneered the flexicurity scheme that combines economic flexibility with security by allowing employers to easily hire and fire (Einhorn, Logue 4). The practice generates a positive and safe work environment where only the most qualified and motivated stay in the company. Displaced employees would receive aid from the government and job placement assistance (“Northern Lights” 6). Stein Kuhnle

described flexicurity as “promoting employment security rather than job security” (Einhorn, Logue 20).

The sense of job security allows for people to leave jobs they are unhappy with or companies to let go of unsuitable employees. Working conditions are much more favorable in comparison to the United States. Typically, Americans work approximately 41 hours a week whereas the Nordics work between 35 and 38 hours weekly (Mitchell 8). Nordic companies also give more paid vacation days of up to 6 weeks annually. Such work conditions fosters a better work-life balance, more family time, general wellness, and in other words, happy employees.

### **High Income Tax**

In order to provide the exceptional social and health benefits along with job security, the citizens have to pay high income taxes. Income tax is roughly around 40% and 60% depending on the Nordic country and income level (Buitleir 215). In the welfare states, families are taxed independently (Alestalo 27). The social class determined by wealth is often a key divider between people. The egalitarian environment is well fostered with a small disparity in household income due to equalizing high tax brackets. According to Midttun and Witoszek, “the tax system is broadly based, everybody pays, and no segment of the population overpays thus thinking they have a bigger right to a bigger say in running the country” (8). In the end, people earn a similar amount after tax and receive similar benefits. This further empowers employees to pursue their interest

when job searching. The motivation is in finding a self-fulfilling job not something that gives you a large check at the end of the month.

### **Parental Leave**

Parental leave is shared between the mother and father in Nordic welfare states (Öun 170). The small gender gap can be credited towards the compensating factors for female employees in the welfare model. One career-restricting challenge for women is when they have children. The Nordic nations are generous in accommodating for when parents need to go on a maternity leave or search for child care (“About”). Depending on the nation, parents are eligible up to 16 months of paid absence split between the mother and father. The rate of men going on maternity leave is on the rise (“About”). The traditional views of stay at home mothers instead of fathers are slowly diminishing. The disparity of income between women and men is small; this eliminates the excuse of having the women giving up her career instead of the husband because of men’s higher earning power. The welfare state offer options where potentially neither parents have to quit their job. The state offers a number of child care options and cash benefits (Öun 169). Most children between the age of 3 and 5 are placed in state-run child care institutions (Haagensen 63). With flexibility and social assistance when it comes to having children, more Nordic women are able to work and earn leadership roles. Father childcare involvement is greatly encouraged by public policies and societal debates in Scandinavia (Öun 170).

### 3.2 Egalitarianism

The egalitarian social construct fosters the ideal environment for welfare states to be established and sustained. Political shifts in the 1930s resulted in the expansion of the public sector in many countries including Denmark, Sweden, Finland, and Norway (Listhaug 221). The blurring definition of social classes began with the individualization of agriculture. The development of family farms weakened the power of the nobility (Alestalo 5). Eventually with the rapid economic growth after World War II, the population of farmers declined while the class of educated workers emerged (Alestalo 23). The Nordic workforce constitutes mainly of white-collar workers from well-educated backgrounds living in the middle class. The income disparity in Scandinavia is notably flat.

Equal opportunity to medical assistance, education, and the social mobility are offered to Nordic citizens cultivate an egalitarian society. Nobilities and commoners alike live modestly and harmoniously together. Tracing the history of the Nordic region, monarchs have all lived in relatively modest homes and granted peasants a lot of independence (“Northern Lights” 16). The Jante Laws derived in Danish culture taught to believe that people are not and should not be better than one another (Smith et al. 494). Aksel Sandemose, a Danish-Norwegian writer who wrote the fiction novel *A Fugitive Crosses his Tracks* with 10 commandments, which highlighted the characteristics of Nordic values,

“You must not believe you are anybody. You must not deceive yourself into thinking you are better than us. You must not believe you are more than us” (Carlsen 7).

Although the book was based on the observations on the Danes, the same mentality applies across the Nordic region. The Norwegian definition of equality

deviates slightly believing that “equality [is] based on conformity” (Smith et al. 494). The ideology behind equality is transferred into business practices as well. Nordic companies mainly operate in very flat organizational work structure. Subordinates are very involved in the decision making process and are encouraged to share ideas and point out flaws. The relationship between manager and subordinate is not very authoritative. Managers are described as coaches and not authoritative figures that send uncommunicative commands to employees in the lower levels. Decisions and conflicts are resolved in the form of consensus and compromise after getting everyone’s involvement.

The egalitarian enforcement suggests that Nordic nations are models of what current social norms regard as “the good society” (Listhaug 222). According to the worldwide surveys and rankings on standard of living and general welfare, egalitarianism seem to be the key ingredient for nations to achieve higher quality education, health, gender equality, income, political involvement, and social welfare (Listhaug 222). The Nordic nations’ consistent high ranks on these indexes support the claim. The general overall life satisfaction alleviates potential pressures that can hinder employee productivity.

### **Secular Societies**

The Nordic countries are mostly secular societies with minimal practices of religious rituals. Religion places a huge role in a society’s value system and can impact the political movements of the country (Listhaug 225). A possible explanation for the weak religious practices is because Christianity arrived in Northern Europe much later than the rest of Europe so the influence was not as

strong (Listhaug 223). The Nordics put their trust in the government and trade unions for support. Secular values avoid potential conflicts in religious differences. Nordic citizens support the state and strongly believe in the need to help each other and giving back to society (Listhaug 223). This mentality makes it possible for the welfare system to be sustained with high income taxation used to fund for universal healthcare, education, and social services for those in need. Studies suggest that religion suppresses radicalism (Listhaug 225). The absence of strong religious backgrounds creates a more open-minded environment for new ideas and innovation to be born.

### **Gender Equality**

According to the rankings on the World Economic Forum, the four nations are placed consistently in the top 7 places of the Global Gender Gap Index. With the exception of Denmark, the rest of the Nordic nations have closed over 80% of the gender gap (Hausmann et al. 18). Starting with Finland in 1906, Nordic countries had provided women with the right to vote (Hausmann et al. 22). Nordic nations have a high number of women political representatives working in the parliament and in the ministerial level positions. In Sweden, 44.7% of the parliament is women, making it the highest percentage in the world (Hausmann et al. 22).

Gender differences are minuscule in Nordic societies. Common societal norms worldwide consider domestic activities such as child care and home maintenance to be the responsibilities of females whereas males should perform more work outside the family boundaries (Gibson 257). Many distinguishing



responsibilities of women are shared with men in Scandinavia. People see childcare and elderly care as duties for both genders. In Nordic societies, women have more time to focus on their career because welfare system provides public services for family care (Öun 167). Local municipalities provide a lot of assistance for looking after children, the disabled, and the elderly so women can focus on work. Although the opportunity to find jobs is numerous, most female workers are employed in the public welfare sector, creating to an occupational segregation (Alestalo 27).

### **3.3 Strong Family-Orientation**

The Nordic culture is strongly family-oriented. Nordics value the time and effort devoted to forming a family. Results from Hofstede's research indicated that "smaller percentages of Nordic business executives were found to agree that they would aspire to be chief executive or that they would be willing to uproot their family to further their career" (Smith et al. 493). Nordic social policies make it possible for families to spend more time together while having two full-time workers in the household. Nordic employees typically work between 37 and 38 hours a week as opposed to the 40-hour work week in the United States (Einhorn, Logue 10). Nordic employees benefit from social policies that provide flexible solutions for families, for employees, and for firms (Alestalo 27). The Nordic welfare system is designed to promote 'work-friendliness' as well as 'women, family, and child-friendliness' (Alestalo 27).

### 3.4 Skilled Work Force

Nordic countries are knowledge-based economies that leverage intellectual capital to improve production (Anderson 45). The state's heavy focus on education built a skilled workforce for the Nordic market. Goran Hultin from the International Labor Organizations had concluded that,

“the Nordic countries' long term investment in education and workers' training had allowed the Nordic societies to adapt quickly to rapid technological changes, and become world leaders in fields such as information and communications technology (ICT)” (Jieru 4).

An educated workforce is able to discover new techniques to expedite production and cost-saving measures. Scandinavia has been classified to have world class research and development facilities. Sweden is considered to have research that sets the nation decades ahead of other European countries (Eriksen, Kruse, Larsen 4). Strength in intellectual capital enables Northern Europe to offer leading technologies and innovative solutions.

### 3.5 High Trust Society

Trust was previously described as a critical element to the Nordic business environment; the same applies with the relationship between the state and the people. High level of trusts in the states can be observed in the four nations. Nordic governments are considered ‘good governments’ where the state emphasizes honesty, transparency, consensus, and compromise (“Northern Lights” 5). The geography location and history of the Nordic region shaped the culture to “trust in strangers and [believe] in individual rights” (“Northern Lights” 16). These characteristics are also very apparent in the corporate level as managers and

subordinate relationships are sustained by trust. Professor Karl Ove Moene at the University of Oslo commented,

“Unlike the majority of Southern European countries, Norway has a long tradition of honest state management. Small differences between people and large organisations in the labour market also mean that there is a collective awareness of the importance of public service production. The compressed pay structure means that the public sector, which uses a lot of highly qualified labour, is cheaper. The high level of work participation means a broader tax base” (Vidje 13).

Global indexes having the Nordic nations ranking highly in low transaction costs and low corruption are results of high trust in the government (Leach 25).

### **Solidarity**

In terms of ethnicity and religious backgrounds, Nordic countries are mainly homogenous. Humans have a tendency to put trust in those who are similar to them. The demographic homogeneity is a key component to building trust within the society. Trust is built over a period interpersonal interaction.

Uniformity that used to exist in these nations aided the trust building between people. Everyone is equal and share similar cultural backgrounds.

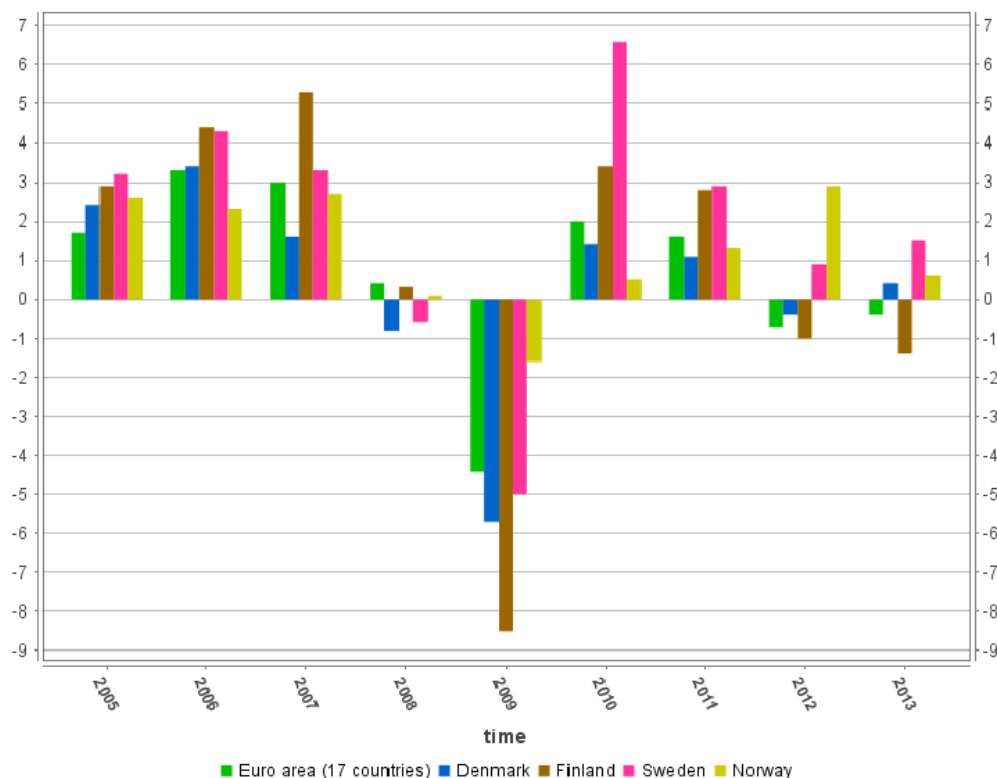
Communication facilitates relationships to allow people to understand each other better. Learning about other's dreams and values leads to the feeling of security.

You feel safe with someone you know because you are aware of their intentions and motives. People would trust people they feel safe with because giving trust is the equivalent of letting your guards down and allowing someone else into your safety bubble. The familiarity in one's behavior increases the predictability of their actions including realizing potential threats.

### 3.6 Social Safety Net

#### Universal welfare

According to the neo-classical economic theory, a society with universal welfare protection and high taxation schemes will induce inefficiency and demotivation of economic growth (Jieru 10). The neo-classic philosophy suggests that education divides the workforce into low-skilled and high-skilled laborers. Educating the workforce with more efficient methods of production and cost saving measures increases the economic growth (Dutt 158). However, a proper reward system to compensate the more skilled workers is necessary to motivate people to seek higher education (Jieru 10). The Nordic welfare states emphasize the importance of education, but do not provide attractive monetary incentives. Living in a safety net may promote laziness because people are entitled to social benefits despite their level of productivity contributions. High wages lead to higher income taxes to equalize the income distribution. In lieu of all the potential backlashes to universalism, the demotivating effect did not seem to hinder the growth rate in Nordic economies. Evaluations of national growth, wellness, and competitiveness conducted by OECD and other statistics disproves the claims of counter-productivity in the Nordic welfare states. The graph below illustrates the gross domestic product, real annual growth from 2005 to 2013 for the 17 Euro area nations (EA17), Denmark, Finland, Sweden, and Norway respectively.

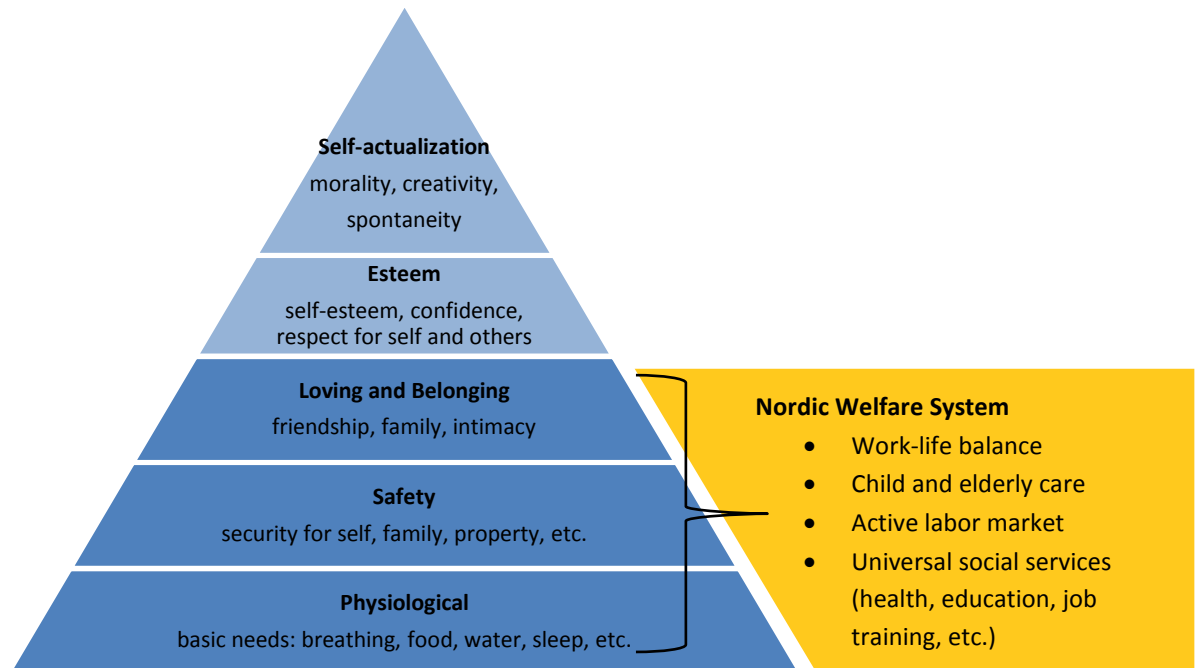
**Graph 3.4 Growth Domestic Product, Real Annual Growth**

(Source: Eurostat)

According to the graph, the Nordic region is generally experiencing higher GDP growth than the other European countries. Taking away the monetary incentive, what would be the motivator of growth? A possible explanation would be to look at the Nordic societies holistically taking into the account of the level of personal freedom, equality, strong state protection, and social trust that may stimulate a positive attitude towards improving the national competitiveness and achieving economic efficiency (Vidje 15).

The welfare state secures the fulfillment of people's physiological, safety, and love needs based on Maslow's hierarchy of needs (Snell 35).

**Figure 3.5: Hierarchy of Needs Pyramid**



The Nordic welfare structure helps satisfies the bottom three levels of the hierarchy of needs as depicted in Figure 3.5. With the safety net crafted by the government, Nordic citizens can focus on satisfying their esteem and self-actualization needs. Combining with the passion-driven culture for a career, Nordic workers are in the ideal environment to work creativity to design innovative solutions.

### **Motivated by Passion**

Due to the small gap in distribution of income and strong belief for equality, Nordics generally do not apply to a job because of the pay since the high income tax will even out the extra income. Instead, workers commit to positions in companies that they are passionate about. The conditions of having a job that you enjoy and are alleviated from pressures of trying to make ends meet (since

Nordics are secured by the welfare system) puts the brain at ease. This state of mind is best for allowing creativity to flow. With job security, employees are more confident in raising unconventional ideas and be experimental. Although easily firing employees is not a common practice in the Nordic workplace, employees are still secured by the government with generous unemployment compensation and job search services if they do get laid off. The Nordics are less risk adverse and are less likely to be bounded by strict company rules and regulation. The security net safeguards employees' lower-order needs while permitting them to take risks individually or collectively as business. Former CEO of Novo Nordisk, Mads Øvlisen, was shocked by the American model saying that,

“Already in my time in the USA, the terrifying thing for me was that the people, who are a company, did only what was expected of them and not what they were capable of. I did not want to work in an American company. It was a type of military organization that was completely hopeless. One that decide how much time you used, when you were promoted, what you said to whom and whom you addressed. A hierarchy I simply could not use” (Eriksen, Kruse, Larsen 2).

High pressure and undesirable working conditions hinders creativity because the focus would gear towards getting the work done as soon as possible. With the support of the welfare system, Nordic businesses operate in the optimal condition for innovation to be born.

### 3.9 Challenges

The Nordic Model has shown its success in these highly ethnically homogeneous societies. However, the demographic landscape has taken a shift from its homogeneity. Country by country, with the exception of Norway, they joined the European Union (EU) beginning in the 1970s (Einhorn, Logue 517).

Prior to the migration trends to northern Europe, these welfare states were culturally isolated despite the international economic participation. A movement of heavy international migration consisting of mainly immigrants from Southern and Eastern Europe settled in the Nordic region. Over the years, the Nordic population diversified as a result of the free movement of EU nationals and people fleeing war-torn societies.

One of the enabling elements of the Nordic Model is trust (Eriksen, Kruse, Larsen 1). The ingredients to developing trust are challenged in a culturally diversified society. People need to share a common language before they can proceed onto any steps of trust building. Many immigrants are not fluent in English or any of the Nordic nations' national language. The lack of mutual understanding may induce fear since people do not know what others are thinking or how they would respond to different situations. Operating in homogenous societies for so long, creating social integration programs is a challenge.

The Nordic welfare system is not perfect. The northern European nations are facing impending challenges to their welfare structure. Changing landscapes in demographics with immigrant poses many threats on the sustainability of the welfare system and shifting into a more heterogeneous society (Einhorn, Logue 511). The formation and evolution of the welfare system in the northern was established to secure the living standards of the struggling inhabitants during the turbulent period decades ago. The older generations appreciate and apply for the social benefits on a need basis. However, the younger generations may not have the same value system as the elderly. They do not have the level of empathy for



how their society would be without the current services that are offered. Nordic countries offer generous amount of paid sick days. The Nordic nations have noticeably more workers going on sick leave than other European countries even if they are not severely ill (Einhorn, Logue 512). The Nordic welfare system is experiencing increased spending in healthcare due to disproportionate demographics. The aging population of retirees is larger than the active working population (Einhorn, Logue 514). There is also a decline in birth rates that adds on to the disparity in ages. The total fertility rates of 2014 for Denmark, Finland, Norway, and Sweden are 1.73, 1.73, 1.86, and 1.88 respectively (“The World Factbook”). The fertility rates of all four countries fall below the ideal replacement rate of 2.1. There are fewer people producing and being taxed than there are people claiming retirement benefits. Other than internal issues, the influx of immigrants is also causing problems for the welfare take place to tighten the immigrations policies. The prosperous northern European economies are also being challenged by new industrial societies. The Asian nations are slowly rising in power making them very attractive to conduct business with than the Nordics.

Despite the loop holes, the Nordic states demonstrated their ability to adjust to changes. The Nordic leaders are agile, flexible, and innovative. Those qualities allow them to pragmatically combat the dangers to their welfare model and sustain their original beliefs and value system. The actual makeup of the Nordic welfare model is of course not flawless, but the attitudes and principles embedded in the society is the key ingredient to making what critics call a contradictory combination to running an economy possible.

### 3.8 Summary

Individual Nordic nations may have a stronger focus on different parts of the welfare system; collectively they drive towards a similar goal of providing security for their citizens. Nordic states all have a large public sector with generous government aid. The mappings the Nordic framework is questionably sustainable in smaller economies. Nonetheless, the Nordic model influenced Nordic companies to have a unique set of business practices that competitively positioned these economies above many developed markets. Some of the Nordic value systems originated from historic figures whose philosophies carried through to the welfare system and business environment. The underpinnings of the Nordic societies suggest that a strong safety net, social trust, and room for individualism and empowerment are the basis for their leadership principles to be executed properly.

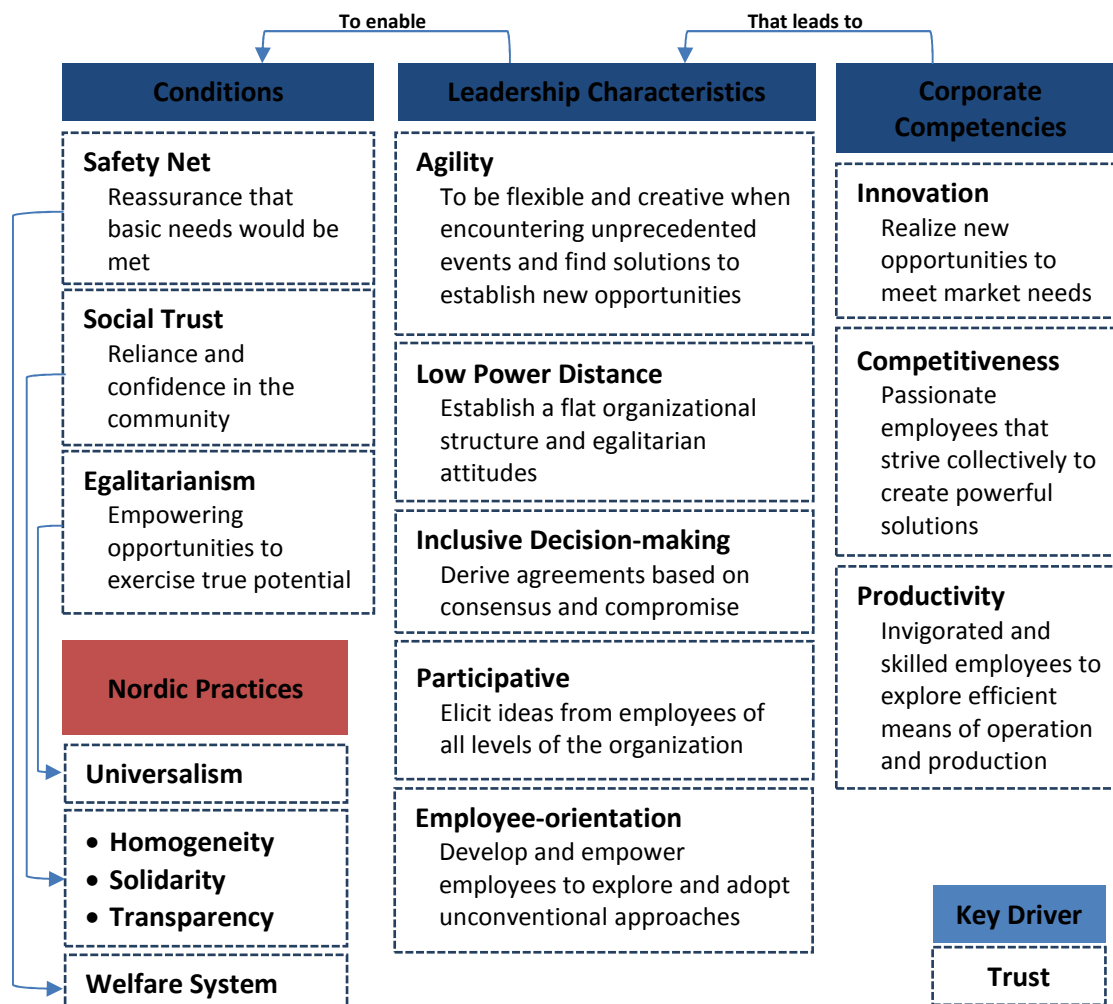
## **4 Leadership Framework Transferability**

The Nordic way of leading worked well for them in their home countries in which the Nordic leadership framework is supported by the Nordic social and economic structures. Now that we understand the relationship between the Nordic state, the business, and the people, we will now examine the potential uses and application of the Nordic leadership framework. Learning about other leadership philosophies is only beneficial if it is partially or fully transferable. Can this leadership model be replicated and will it be as effective in other countries?

### **4.1 Leadership Framework Formation and Outcomes**

The relationship between Nordic leaders and followers are sustained by trust and driven by passion as summarized into the Nordic Leadership Framework. Concluding from the discussions in the previous chapters the prominent aspects of Nordic leadership include: agility, low power distance, inclusive decision-making, participative leadership and strong employee-orientation. These characteristics work effectively due to external support from the societal construct. Nordic societies developed three key conditions necessary to facilitate the leadership practices: a social safety net, social trust, and egalitarianism. As a result, Nordic companies are recognized for their innovativeness, competitiveness, and productiveness. Based on my research, I created Figure 4.1 to illustrate the relationship of the different components that reprise the Nordic leadership framework.

**Figure 4.3 Nordic Leadership Framework**



### Conditions To Be Met

The foundation of the Nordic leadership framework is built upon security and equality. The strong government support and generous welfare benefits gave the people reassurance that their basic needs would be met and are secured by the state. This creates a safety net that enables people to shift their focus on achieving other higher-level needs or build a career based on interest, not compensation. Egalitarianism must exist so that equal non-discriminatory opportunities are given to all individuals to pursue their passion while being provided with universal

support. Opportunities empower people to full their fullest potential. The relatively homogenous demographics and weak religious influences in the Nordic nations promote solidarity, the development of social trust of these people that are seemingly similar to each other. Government transparency and low corruption perception not only garners trust between people, but also trust between the state and the people.

### **Leadership Characteristics**

Nordic leadership practices require a high level of trust between employees as power is relatively equally distributed in the organization. Egalitarianism is practiced by the society and in the corporate environment where leaders establish low power distances. Employees are empowered to take risks and explore unconventional approaches. The inclusive decision making environment solidifies decisions based on consensus and compromise if conflicts arise. Leaders elicit participation from employees from all levels of the organization for feedback. Agile leadership inspires creatively and newfound opportunities as leaders are always pragmatically looking for improvements.

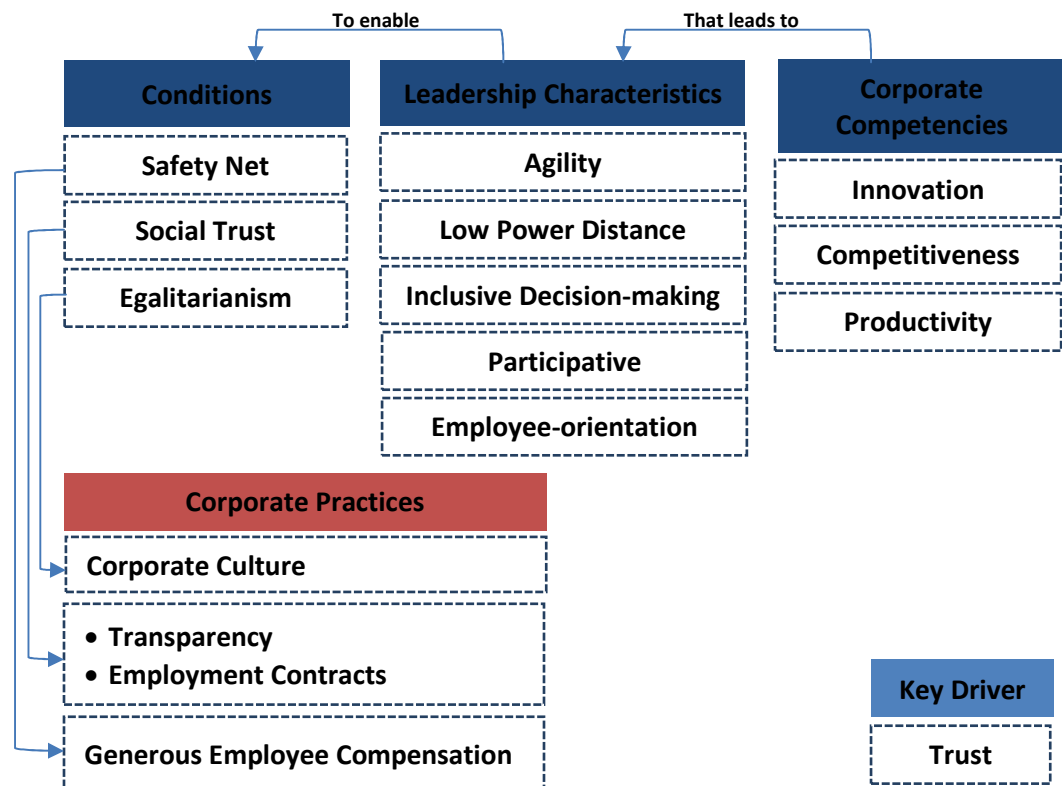
### **Nordic Corporate Competencies**

Ultimately, this style of leading induces innovation and cultivates skilled workers that place Nordic firms competitively in the global market with efficient means of operation and production. The advantage of Nordic leadership cultivates innovation, competitiveness, and productivity which are essential core competencies to achieve in order to sustain in the global market economy.

## 4.2 Leadership Replication

Of the three parts to the model, external conditions are arguably beyond the leader's control. The Nordic safety net, social trust, and egalitarian practice were circumstances supported by the state and environmental factors. Replication for the three to exist conditions in the work environment would be the biggest challenge to successfully adopting and executing Nordic leadership practices. I offer Figure 4.2 with suggestions of corporate practices that can recreate a suitable environment to support the Nordic leadership characteristics. While it would be beneficial if the country of practice can cultivate these conditions, firms can still provide an environment that promotes security, equality, and trust. It is up to the company's discretion to recreate a similar state internally or to experiment with new methods of supporting these leadership principles.

**Figure 4.2 Leadership Framework Replication**



## Corporate Culture

Senior management can foster a culture that is egalitarian and open along with careful implementation of work policies. While national culture cannot be manipulated under the hands of corporate leaders, corporate culture is open to creative construction. Corporate culture is defined as “a cognitive framework consisting of attitudes, values, behavioral norms, and expectations” that is “adopted by a society (corporation, group, or team) as the accepted way of solving problems” (Sadri, Lees 854). It represents the identity of the organization and the beliefs of employees working there. Corporate culture is a “normative control” that can “provide a powerful source of motivation, commitment and loyalty among members to their workplace” (Morsing, Oswald 85). Exerting a strong corporate culture promotes homogeneity and solidarity with goals of the organization aligning with the employees’ aspirations. The corporate culture must also provide transparent and equal opportunity and non-discriminatory hiring process electing the most qualified candidates based on skills matched. In terms of preserving the corporate culture, former IKEA CEO Anders Dahlvig commented that, “emphasis on culture has to be a fair part of the recruitment phase so that when you recruit someone into the company, this is understand and evaluated when choosing a person” (Dahlvig, Kling, Goteman 35). Applying the corporate culture throughout the recruitment process ensures that likeminded individuals are attracted to the position.

Leaders can foster an open culture welcoming feedback from subordinates and distribute power evenly. A *communal* culture of high sociability and high

solidarity where employees work closely together would be the most ideal for replicating the Nordic leadership characteristics. Communal cultures result in a high sense of fairness and equality (Sadri, Lees 856). Open communication can be enhanced by establishing an open door policy to encourage a comfortable environment for employees to speak up. Benefits of an open door policy include increased employee motivation, trust, and employee's sense of importance (Shenhar 9). Strong corporate culture and company affiliation is made possible when leadership figures actively engage with the employees.

### **Employment Contracts**

Employment contracts that work in the interest of employees will provide them with a sense of security and trust. An employment contract

“Creates a close personal relationship, where there is often a disparity of power between the parties. Frequently the employee is vulnerable. The emergence of the implied obligation of mutual of mutual trust and confidence means that the personal element in employment is reflected in the content of the employment contract. The obligation acknowledges the human factor in employment relations by promoting the dignity of the worker” (Brodie 84-85).

The Nordic welfare system is implemented by the state with policies that secures citizens' well-being. Internally, a firm can simulate a safe environment that guarantees employees with the basic rights and benefits to support their needs. To replicate benefits Nordics receive from the welfare system, employers should offer generous employee compensation. Employee compensation should be made clear on the employment contract. Other than salary, employers can incorporate paid parental leave for both genders, child care assistance, paid vacation, and sick leave as do in Nordic nations. Flexible and accommodating work policies can



ease workers' burdens. For example, Lori Schilling working in the Covina, California IKEA negotiated special work arrangements in order to spend some more time with her daughter at home. The company was willing to agree to arrange for her team to work seven days a week every two weeks to give her more time to spend with her daughter (Meisler 28). While legal contracts do not possess the humane factor in trust that is formed without common laws, it is still an alternative to building trust and safety in the organization. Trust is sustained based on transparency of the leader who can clearly communicate his or her vision to all members of the firm.

### **4.3 Case Studies**

A number of multi-national corporations are based out of Scandinavia. IKEA, Novo Nordisk, and Nokia are examples of Nordic firms that successfully expanded globally through transferring salient Nordic leadership characteristics to the foreign subsidiaries.

#### **IKEA**

IKEA is a notable example of a Nordic company that successfully established itself globally through exporting the Swedish corporate culture with them to foreign subsidiaries. IKEA is a Swedish global retailing giant that have successfully penetrated into over 24 countries with a mission to "offer a wide range of well designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them" (Strand 179). IKEA's CEO, Waldemar Schmidt, participated in a study that shows that aspects of

Scandinavian management are observed in all of IKEA's foreign subsidiaries (Eriksen, Kruse, Larsen1). The model is indeed exportable.

IKEA, carrying the Nordic characteristic of agility, created flexible replications of the IKEA value chain through its global expansion. The enterprise seized to adopt the benefits for standardization while making in local advantages to good use (Jonsson, Foss 1080). The flexible management scheme enabled the home furnishing corporation to develop solutions to accommodate local traditions while preserving the company's original culture. The company evaluated and determined what the fixed and flexible features are to create a 'flexible replication' (Jonsson, Foss 1080). Replication can take place in several aspects in an organization which are not limited to the culture, value chain and supply chain, economic model, and clientele. IKEA applied the same routines, standard operating procedures, and other intangible assets in foreign subsidiaries through knowledge transfer (Jonsson, Foss 1082).

Anders Dahlvig credited IKEA's success to the firm's ability to understand trends and seek new opportunities through targeting other demographics and appeal to their needs (Dahlvig, Kling, Goteman 32). IKEA follows the combined forward-backward approach (Dahlvig, Kling, Goteman 33) of switching between leasing and owning their stores. Nordic agility and pragmatism is carried out in the firm to switch strategies back and forth to always maintain themselves in the best financial position. In addition to flexible strategies, IKEA also give employees a lot of freedom at work to motivate and energize them to set clear goals and visions (Dahlvig, Kling, Goteman 37). The informal,

humble, and down to earth leadership exercised in IKEA enable the large firm to develop solidarity.

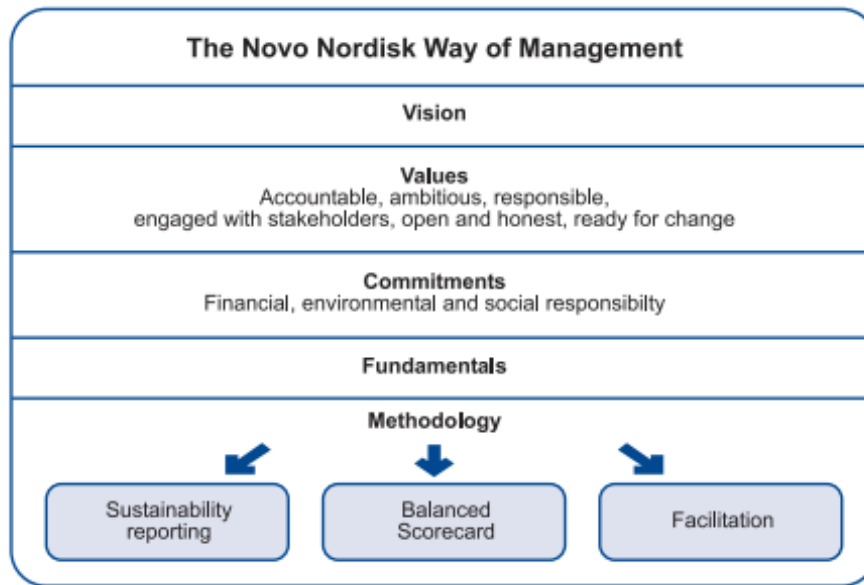
### **Novo Nordisk**

Novo Nordisk is a multinational Danish pharmaceutical corporation competitively positioned in the global diabetes care market extending to 79 countries (Strand 181). Nordic corporate culture can be observed in other Novo entities across the world as well. Chief for Health Care Novo Nordisk India, Anil Kapur, commented,

“Mads’ [Mads Øvlisen, former CEO of Novo Nordisk] greatest contribution to the company is that he has shown trust and confidence in people. Shown trust in their ability to take care of things, and shown them interest. If one person does someone a good deed, then that person will do something similar for others down the chain, and that form of snowball effect will end with something we can call a corporate culture”  
(Eriksen, Kruse, Larsen 2).

Despite operating in a country culturally different from the Nordics, trust was able to form in the subsidiaries in India as well. To enhance transparency within the first, Novo incorporated a checks and balance of facilitators, sustainability reporting, and balanced scorecards.

Novo Nordisk way of management is designed to accommodate its worldwide operations. In response to previous criticisms of not being accommodating for foreign subsidiaries, Novo introduced a set of stands to go into effect for all aspects of operation and locations of the company. Figure 4.3 below illustrates the Novo methodology that was designed to support foreign entities of the firm.

**Figure 4.3 The Novo Nordisk Way of Management**

(Source: Morsing, Oswald 89)

The business aims to maintain the Scandinavian decentralized decision making culture while enforcing a balanced level of control as the business extends to a global scale (Morsing, Oswald 89). Novo encourages innovative ideas to be born and carried out through coherent systematic follow-up methods of feedback from facilitators, sustainability reporting and balanced scorecards (Morsing, Oswald 90). Participative leadership is also exemplified in Novo Nordisk. The company founded the “Take Action” program to encourage employees to contribute ideas for internal improvements (Morsing, Oswald 94). The initiative aims to build a better community together. It empowers individuals to contribute to the collective decisions made for the company. Salient characters of the Nordic leadership framework are carried out in Novo Nordisk internationally.

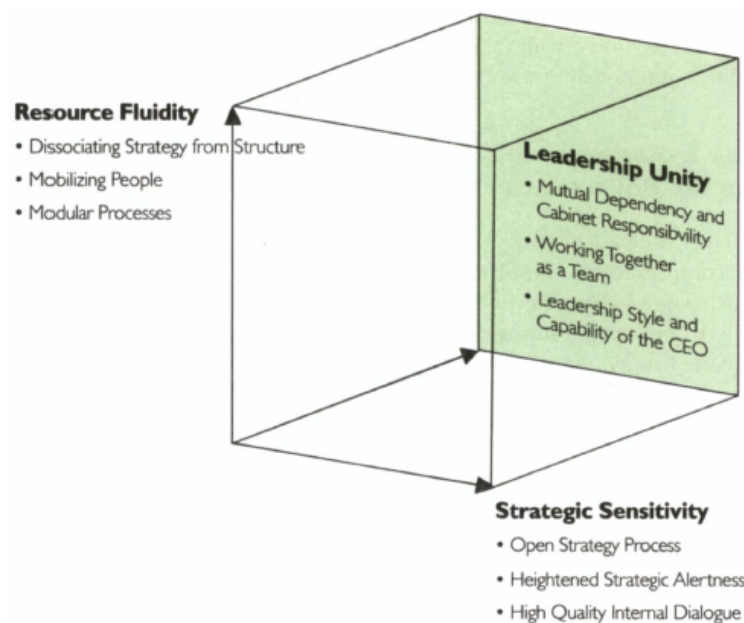
### **Nokia**

Nokia is a Finnish electronic communications multinational company that began its business in 1865 now reaches to 30 countries globally (Strand 182).

Although now acquired by Microsoft, Nokia had successfully infiltrated the international market. During the experimental period of expanding Nokia, the firm “explores new ways of learning while simultaneously exploiting traditional learning methods” (Masalin 68). Nokia labeled their strong sense of organizational culture, strive for continuous learning through providing customer satisfaction, respect for the individual and achievement as the “Nokia Way” (Masalin 68). The Nokia Way operates in a flat organization structure, flexibility, empowerment, employee development, and out-of-the-box thing (Masalin 68-70). The humble attitude and employee oriented approaches transcended throughout the Finnish enterprise.

Internationalization brings upon many unpredicted caveats and dilemmas that require agile leadership to overcome. Nokia approached the plan for global expansion with agility.

**Figure 4.4 The Key Dimension of Strategic Agility**



(Source Doz, Kosonen 97)

Nokia strategizes based on the three principles provided in Figure 4.4. Senior managers of Nokia are aware of strategic sensitivity through remaining constantly alert of any changes and achieve leadership unity to make consensual decisions in a timely fashion, and allow for resource fluidity for flexible allocation of resources (Doz, Kosonsen 96). The company successfully combated the hurdles that appeared along the years with flexible directional changes and creative problem-solving solutions. Preserving agility throughout the experimental process of exporting the Nordic model, Nokia is aware that they must consistently explore ways to improve upon their solutions because developing a model that works at time A does not guarantee its effectiveness in time B.

## 5 Conclusion

Nordic leaders are characterized by their honesty, trustworthiness, egalitarian, participative, and employee empowering practices. The qualities of a Nordic leader guide the organization to achieve innovative solutions that produce competitive results. Exploring the different elements of the Nordic society, I conclude that the national culture has a prominent effect on the leadership style and organizational culture. The societal construct and social norms setup the foundation to building the Nordic leadership framework. The Nordic style of leadership encompasses a flexible and consensus-based approach to bringing the organization to new level of achievements. Nordic leaders are able to manage employees under the basis of mutual trust between the state, the people, and the business. The 1938 Nobel Prize for Literature recipient, Pearl S. Buck, considered that, “Integrity is honesty carried through the fibers of the being and the whole mind, into thought as well as into action so that the person is complete in honesty. That kind of integrity I put above all else as an essential of leadership” (Bower). Trust is the driver to sustaining the leadership framework.

The economic and social structures of Nordic societies create favorable circumstances for the Nordic style of leadership to succeed. While the conditions that support the Nordic leadership principles are naturally embedded into the national culture, I presume similar conditions can be replicated in an organizational context if implemented thoughtfully. Finding the right method of delivering the conditions to recreate the Nordic leadership process for the foreign subsidiaries or companies is an iterative process. As observed in the three cases

mentioned earlier, each company went through a period of modification because deriving the appropriate approach to combining the Nordic principles with local traditions. Modifying corporate culture and employee contracts are only suggestions that may foster a similar environment as the Nordics. Further experimentation is needed by the firm to find the right fit. At the same time, IKEA, Novo Nordisk, and Nokia all preserved key elements to the Nordic model while trying to modify the framework in the foreign entities. The practice of honesty, trust, agility, and pragmatism enabled these multi-national firms to replicate the style of leadership practice globally.

The conditions of the Nordic societal values, economic, and political setup enable them to master the art of resilience. This is an impeccable competency salient to exploring foreign markets. While globalization is attractive to all nations, not all businesses are ready to pursue the movement. The Nordic states possess the qualities to drive towards globalization. The consensus policymaking practice is suitable for Nordic companies looking to expand internationally. The inner workings of the Nordic leadership styles welcome new ideas and engage all responsible parties to develop a consensus for decisions. This attitude can prevent cultural differences from hindering operational flows. It is part of the Nordic corporate culture to be accepting of different opinions and weigh everyone's input fairly. The Nordic work environment establishes a great sense of fair treatment. Nordic collaboration or acquisition of foreign firms would more likely lead to compromising results if problems were to occur. The egalitarian and liberal mindsets set forth are very flexible and accommodating



work environments for global integration. However, future research is needed to explore the applicability of the model in a global context, particularly those lacking the intense welfare state within Nordic countries, and identify what the necessary modifications are in the framework in order to facilitate the worldwide market.

To answer my original question that evolved into this capstone project, why are Scandinavians considered some of the happiest people in the world? I came to the conclusion that the Nordics have a different level of expectation for happiness. Despite cold harsh winters and high taxation, Nordics are content people. Researching for my capstone, I discovered the humble and modest Nordic lifestyle that differs from the American culture. Realistic expectations lead to easier fulfilment of satisfaction. Despite modest expectations, my analysis proves that this mindset does not prevent the Nordics from being unproductive.

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