



ANALYSIS NO. 02/2018

NORDIC LEADERSHIP

In the decades following World War II, a more specific Nordic style of leadership emerged. This report summarises studies of Nordic leadership style in the interface between leadership, culture, and values. What distinguishes it from leadership styles in the rest of the world? In addition, the report offers a perspective on how this leadership style emerged as a result of specific factors in Nordic societies.

Nordic leadership

Ulf Andreasson and Mikael Lundqvist

ANP 2018:835

ISBN 978-92-893-5895-8 (PRINT)

ISBN 978-92-893-5896-5 (PDF)

ISBN 978-92-893-5897-2 (EPUB)

<http://dx.doi.org/10.6027/ANP2018-835>

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Layout: Jette Koefoed

Print: Rosendahls

Printed in Denmark



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Nordic Council of Ministers

Nordens Hus

Ved Stranden 18

DK-1061 Copenhagen

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Leadership is also always exercised through interaction with the surrounding society. This means that leadership tends to vary around the world, quite simply because of the differences between societies and the values on which they are based.

Preface

Leadership is difficult to capture and define, but on a basic level, leadership is something that happens in relation to other individuals and functions as a tool for achieving goals and resolving tasks, or in other words, it is a way of producing results.

Leadership is also always exercised through interaction with the surrounding society. This means that leadership tends to vary around the world, quite simply because of the differences between societies and the values on which they are based. This is something that many people who have tried to work in other countries or international environments would recognise.

This report discusses leadership in the way it is exercised in the Nordic region. The authors have tried to find the qualities that separate Nordic leadership from other leadership styles around the world. The report also considers questions such as: How did the Nordic leadership style emerge? Is it possible to identify differences between the Nordic countries?

The report is based on previous research on the Nordic leadership style. The subject seems to have been given most attention in the years 1990–2010. It appears, however, that the subject has attracted renewed interest recently, with several studies already published and a few more planned. This report can be seen as a standalone interpretation of the results from the previous studies. The text is therefore a knowledge review in many ways. The hope is that it can act as a starting point for discussions regarding leadership issues in the Nordic region. This is a relevant question based on the changes we can expect in the future, and particularly in relation to changes in conjunction with what is often referred to as the fourth industrial revolution.

It must be observed that identifying and discussing a distinct Nordic leadership style, or other cultural phenomena for that matter, while avoiding falling into the trap of stereotypical descriptions of national identities is no simple balancing act.

The report was written by Ulf Andreasson, with help from Mikael Lundqvist in the analysis and statistics unit for the Secretariat to the Nordic Council of Ministers. The report is part of the unit's series of reports that highlight the relevant subjects considered to be essential in a pan-Nordic perspective.

Copenhagen, November 2018

Dagfinn Høybråten

Secretary General

Nordic Council of Ministers

Summary

A number of studies have focused on the interaction between leadership, culture and values. On the basis of these studies, it has been claimed that there is a specific Nordic leadership style. Features of this include delegation of power and responsibility to employees, as well as a high degree of consensus seeking where every employee's voice is important. A Nordic leader also stresses the necessity of co-operation. In addition, he or she plays down their authority and often functions more as a coach for their employees. It is also important that the leader is able to inspire their employees and be visionary yet realistic at the same time.

Nordic companies have a leadership culture that generally gives rise to more engaged and hard-working employees. It represents a co-operative model that generates a good breeding ground for creativity. It has also created a symbiosis between employees and companies, where both sides have an instinctive awareness of each other's importance and take responsibility for the whole.

Studies have identified the Middle East and Sub-Saharan Africa as most different from the Nordic leadership style. Yet, according to the same studies, Eastern Europe is the most different, while Latin America and the Anglo-Saxon world are identified as having leadership styles that lie fairly close to the Nordic one.

How did the Nordic leadership style emerge? If you take a closer look at the development of societies in the Nordic region during the early 20th century, compromises and a desire to balance various interests within society stand out as a common thread across the Nordic countries. It can be said that the Nordic societies aimed to reach pivot points between actors with almost opposing interests, especially in the labour market. The probable consequences of this are that the leadership role does not have the same status as in many other countries, and that the leader functions as a coach for their employees, rather than an authoritative autocrat. Even aspects such as consensus and co-operation, which have been identified as important features for Nordic leadership, can be connected to this. In all probability, it is these aspects that allow the high levels of accountability we can see within the organisations.

The Nordic leadership style also has a background in the Nordic welfare state. The early industrial paternalistic relationship between employers and workers in the Nordic countries started to relax a bit into the 20th century, and was essentially replaced with a relationship between the employee and the welfare state. It has been noted that the Nordic welfare model has a strong dimension of individuality. On a deeper level, individuality in this context means that the individual (employee) is not heavily dependent on the employer. A Nordic leader must therefore not expect their employees to consider themselves as strongly dependent on either the employer or workplace. This is probably a driving force behind aspects such as the flat organisational structure.

The Nordic countries also have small and open economies. They are also knowledge-intensive, and exporting economies with a position at the forefront of technological development. This has created a need for adaptability. It also

means that employees have a high level of education and strong identity in the work they perform. One consequence of this is flexibility in the face of change, where the leader is responsible for providing a long-term direction for the almost autonomous employees.

It is not difficult to recognize that the Nordic leadership style has significant value due to its ability to create conditions for high productivity, innovation and growth, while also providing high levels of satisfaction for employees and a good working environment. One researcher believes that discussing a specific Nordic leadership model is significant because of its aim to combine economic growth with democratic stability. This is a description that appears to make good sense.

Criticism against the Nordic leadership style also exists, including that it is perceived as being close to the concept of 'leaderless democracy', where decisions are made in other locations within the organisation or are perceived as 'given'. Instead, leadership almost exclusively concerns administration and HR issues.

We are currently experiencing a technological shift that could essentially change society, the economy, the conditions for business activities, work organisation and leadership. Finally, the report discusses some themes that are significant for the future of the Nordic leadership style – stakeholder perspective, ethics and education.

In the Nordic region, companies have a closer and more symbiotic relationship with the surrounding society, particularly compared with American companies. This includes a different approach to accountability, not least in relation to maintaining relationships with stakeholders. These stakeholders can comprise different types. They could include, for example, employees, customers and suppliers, as well as trade unions, volunteer organisations and individuals who may live near the company. You could say that Nordic companies do not limit their corporate social responsibility to financial profit, but consider a much wider perspective.

The core of the Nordic leadership style consists of several different ethical considerations, such as how democracy, human dignity, responsibility, obligations, rights and the individual's role in relation to the community are viewed for example. Promoting a long-term ethical dimension in the Nordic leadership style can be equated to supporting the central core values in our society. The values that have guided leadership issues in the Nordic region to date relate specifically to openness, integrity and trust.

Education is the key to the Nordic leadership style in many ways. Employees can be flexible thanks to further education, enabling them to take a lot of responsibility within the organisations. Education is also crucial from another perspective, namely that future leaders at universities and colleges study leadership issues from a broad perspective and not just an American perspective of leadership and work organisation, which tends to prioritise a short-term approach.

Introduction

Leadership is required in all types of organisations and groups. It calls for a definition and demarcation of responsibilities, as well as the interests of clients, employees, customers and other groups. A leader also needs to further develop the art of balancing often opposing forces. Also, leadership is not a constant entity – it changes over time and between different cultures. This report discusses the specific configuration of modern leadership in the Nordic region. To understand this, it is necessary to take a brief look back at history and make a comparison with the different ways leadership is configured around the rest of the world.¹

¹ There is a tendency to consider leadership in the public sector to lag behind the private sector. However, a study based on a Nordic horizon has not been able to find any major differences between the two sectors. Andersen, "Public versus Private Managers: How Public and Private Managers differ in Leadership Behaviour", in *Public Administration Review* (unknown date). It also provides the starting point for this report.

History

It is probable that no specifically Nordic variant of leadership existed during the early industrialisation in the Nordic countries.² In practice, leadership developed during the early industrialisation in the Nordic countries – as in many other European countries – on the basis of paternalism. This means that the relationship between the employee and the owner of the factory or company was personal and comprised more than just work. In exchange for loyalty to factory owners, the employee (generally including their family) received lifelong security, which could include accommodation, healthcare, child care and more. This created a kind of paternal relationship between the employee and leadership. The flip side of this was high dependency on the owners, which was often accompanied by low wages. The driving force of the system was primarily the dependency of factory owners on their employees.³

The period around the turn of the century up until the First World War is often incorporated into what is called the second industrial revolution. It is usually characterised by the breakthrough in electricity and internal combustion engines. But other changes were also important, such as the impact of mass consumption and new principles for production modelled on Henry Ford's automobile assembly line. Even if the development differs between countries, industry in the Nordic countries came to be concentrated in larger entities, which led to the bureaucratisation of companies. One effect of this was that managers were no longer necessarily owners of the company, but employees, resulting in leadership becoming more systematic. Inspiration was taken from the early theorists in the area from the USA and Germany, and Taylorism in particular came to be important.⁴ A more specific Nordic leadership style emerged after World War II.⁵

A good starting point for understanding leadership styles in a global context, is based on the research tradition that looks more closely at the relationship between leadership, values and culture.⁶

During the period leading up to the First World War many Nordic companies were bureaucratised. One effect of this was that managers were no longer necessarily owners of the company, but employees, resulting in leadership becoming more systematic. Inspiration was taken from Taylorism in particular. A more specific Nordic leadership style emerged after World War II.

² Byrkjeflot et al. (ed.), *The Democratic Challenge to Capitalism. Management and Democracy in the Nordic Countries* (2001).

³ Jul Nielsen, "Lifelong Care and Control. Paternalism in Nineteenth-Century Factory Communities", in *Ethnologia Scandinavica*, 24 (1990); Jul Nielsen, "Industrial paternalism in the 19th Century. Old or New?", in *Ethnologia Europaea* (2000); Magnusson, *Arbetet vid en svensk verkstad: Munktelles 1900–1920* (1987).

⁴ See several chapters in Byrkjeflot et al. (Edit., 2001).

⁵ Myklebust (2001); Grenness, "Scandinavian Managers on Scandinavian Management", in *International Journal of Value-Based Management* 16 (2003). Selnes, "Market orientation in the United States and Scandinavian companies: A cross cultural study", in *Journal of Scandinavian Management* 12 (1996).

⁶ The concept of culture and theories concerning culture are notoriously difficult. There is a division in research where some researchers believe culture is based on common conceptions, contrary to other researchers who prefer to emphasise norms and values. Alvesson, *Organisationskultur och ledning* (2009, 2nd ed.). In this context, the concept of culture aims to identify similarities and differences between cultures and to categorise them. Guirdham, *Communicating Across Cultures at Work* (2005).



Leadership, values and culture

Perhaps the best known research in the field is that carried out by the Dutchman Geert Hofstede. It started with Hofstede being given access to a database of values from a large number of individuals in over 50 countries around the world. What they had in common was that they worked in the local subsidiaries of a large multinational company: IBM. Most parts of the organisation had even been investigated twice over a four-year interval, resulting in a database containing more than 100,000 questionnaires.

Hofstede's book *Culture's consequences*⁷, which was first published in 1980, has become a classic and one of the most quoted books within social science.⁸ The attention is largely due to Hofstede being the first to create a cultural framework at a national level which contained several different cultural dimensions. The research has been continually updated over the decades since he published the first book.

Others have taken over from Hofstede. In the so-called Globe study, researchers collected data from no less than 17,300 middle-level leaders from over 60 countries around the world, representing close to 1,000 organisations.⁹ The study is constructed around six global leadership dimensions, otherwise expressed as 'culturally endorsed implicit leadership theory'. A central issue is determining what is perceived as a good, effective leadership.¹⁰

The studies break down leadership into different dimensions in order to get deep into the leadership structure.¹¹ They provide a kind of language for interpreting cultural phenomena. It is important to point out that these should not be seen as given, determined results, but rather as possibilities. The studies often start at a national level and then create cultural clusters – where the Nordic countries are a regularly occurring such clusters. The appendices to the report give more detail on the studies.

Studies of the relationship between leadership, values, and culture is a good starting point for understanding leadership styles around the world.

⁷ Hofstede, *Culture's Consequences: International differences in work related values* (1980).

⁸ <http://blogs.lse.ac.uk/impactofsocialsciences/2016/05/12/what-are-the-most-cited-publications-in-the-social-sciences-according-to-google-scholar/>

⁹ Finland, Denmark and Sweden are included in the study.

¹⁰ House et al. (ed.), *Culture, Leadership, and Organizations. The GLOBE Study of 62 Societies* (2004); Lindell & Arvonen, "The Nordic Management Style in a European Context", in *International Studies of Management & Organization* 26 (1996).

¹¹ The research has also met with a fair amount of criticism, e.g., regarding the subjective elements in the models. To be able to balance the criticism to any degree, it is important not to look exclusively at one study.

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In a Nordic context, it is crucial that a leader listens to all employees in connection with making and implementing decisions, rather than emphasising their own personal authority. The leader functions primarily as a kind of coach who inspires and motivates their employees.

The character of the Nordic leadership style

What is the outcome for the Nordic countries? The first thing you can note is that the results are relatively well correlated in the different studies.¹² This lends strength to there being reason to claim that there is a specific Nordic leadership culture. The studies identify Nordic leadership as being characterised by the following factors to a greater extent than other countries:

- The organisation structure of Nordic leadership can be described as flat organisations, with a high degree of delegation of power and responsibility. At the same time, high demands are placed on employee performance. The employee's efforts are also primarily assessed based on the individual rather than the group. Above all else, there is a strong individualistic perspective in the Nordic leadership structure.
- The Nordic region has a smaller degree of formality within its organisations than most other clusters, yet still has a high degree of informal rules and procedures, and the attitude of 'this is how we do it here' is often present. Nordic ideas can also be seen as universal and can be applied anywhere in the world. It can also be difficult to deviate from these ideas, even when the organisation is outside the Nordic countries.
- In a Nordic context, it is crucial that a leader listens to all employees in connection with making and implementing decisions, rather than emphasising their own personal authority. The leader functions primarily as a kind of coach who inspires and motivates their employees. Leadership is exercised based on visions, although these need to be realistic. The employees follow the leader of their own accord (and because they think the visions make good sense) rather than being forced. The leader also stresses the organisation's dependency on the employees' expertise.
- There are also limits on the leader's responsibility towards the employee. In other words, it is not a comprehensive paternalistic responsibility in the same way as during the early industrial period, which still persists in certain parts of the world.
- It is important that a leader has the courage to take risks but also takes responsibility if things go wrong. In other words, they should not be worried about 'losing face'. The leader should not be self-centred or strive for status (either personally or for the group). Instead, he or she should demonstrate a high degree of integrity.
- The leader encourages co-operation within the organisation. The emphasis is on consensus rather than competition and determination.

Nordic organisations often have a flat organisational structure where leadership is characterised by a high degree of delegation of power and responsibility. The organisations are often marked by a low degree of formality at the same time as having a high degree of informal rules and procedures. The leader functions as a kind of coach who inspires and motivates employees rather than emphasises personal authority. He or she is expected to listen to all employees in connection with decision-making and implementation.

Some of the characterising traits of Nordic leadership may appear slightly paradoxical and ambiguous. One of these is the relationship between *formality* and *flexibility*, which can, in some respects, be perceived as opposites. Even though Nordic leadership is not very formal, it still builds on unspoken rules and common assumptions that, without reflection, can be perceived to counteract flexibility within the organisations. Flexibility in a Nordic perspective is based

¹² The report discusses Nordic leadership. This is not without its problems as some of the studies refer to the Scandinavian countries, while others refer to the Nordic region. In this report, they have been collated under the term 'Nordic' as in most cases, the differences are small.

on a high degree of autonomy. This means that the individual employee has significant power, influence and responsibility for their own work, and that the organisation is decentralised and flat. Flexibility also assumes a set of rules that are neither restrictive nor binding.

Another relationship that requires reflection is that between *individualism* and *collectivism*. Research identifying the Nordic region as individualistic may be unexpected based on a common understanding of people in the Nordic countries as collectivist. In a study on Swedish leadership, it was noted that if you separate the two parameters (individualism vs collectivism) between a family and a more social dimension, high levels of familial individualism occur, while a highly collectivist perspective is achieved in relation to the social dimension.¹³ In an individualistic culture (in this context), the individual is expected to take care of themselves, whereas a collectivist culture expects a stronger loyalty to family, relatives, employers or the rest of the close network. In many ways, an individual's most important relationship, in terms of livelihood security, in the Nordic communities, is the one with the welfare society. This means that the type of relationships that many people depend on in other parts of the world (family, employer, network, etc) are less important in a Nordic context.

It is also important that the Nordic individualism should not be perceived in the same way as American individualism, which occurs in competition with others to a greater extent (for example, look at the bar for masculinity for the USA in Figure 1), but co-operation in the workplace forms a greater basis for the Nordic leadership style and organisation of work.

A concluding uncertainty applies concerning the extent to which Nordic leadership is *caring* towards its employees. On the one hand, several related studies point to leaders in the Nordic countries only having responsibility for what is agreed in the contract. On the other hand, studies point to the fact that Nordic leadership is more caring to its employees.¹⁴ This should probably be interpreted as the employer, in return for significant responsibility, giving its employees significantly more power in terms of working hours, where you work (e.g. from home), etc. compared with other countries.¹⁵ This provides the ability to manage things like picking up children, dentists appointments, etc.

Global comparison

According to the Globe study, the leadership style in Latin America and the Anglo-Saxon world are closest to the Nordic style. Eastern Europe is most different.

As mentioned, there is a research tradition which looks at leadership, values and culture. Within this research, there is often an ambition to create cultural clusters that can be compared with one another. It is therefore also interesting to see how Nordic leadership ranks in relation to other cultural clusters around the world. One of the studies – the Globe study – identifies, for example, ten of these in the world.¹⁶ The following chart illustrates how the Nordic countries rank in relation to other global cultural clusters.

¹³ Holmberg & Åkerblom, "*Primus inter pares*": leadership and culture in Sweden (1998).

¹⁴ Lindell & Arvonen, "The Nordic Management Style in a European Context", in *International Studies of Management and Organization* 26:2 (1996).

¹⁵ Nordic Council of Ministers, *Flexible work arrangements: The Nordic Gender Effect at Work* (2018).

¹⁶ <http://globeproject.com/results/clusters/nordic-europe? menu = cluster>

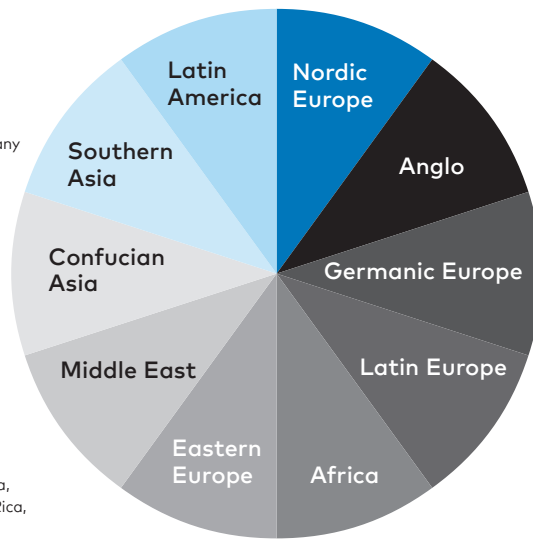
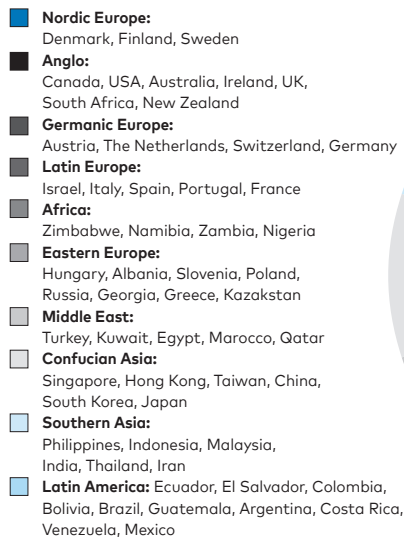


Figure 1:
Country clusters according to GLOBE
Source: House et al. (ed.), *Culture, Leadership, and Organizations: The GLOBE Study of 62 Societies*. (2004)

The clusters considered to be closest to Nordic Europe are the Anglo-Saxon and Latin American clusters. The study has classified the Middle East and Sub-Saharan Africa as markedly different from the Nordic leadership style. Yet, Eastern Europe is the most different from the Nordic leadership style.¹⁷ The GLOBE study summarises an outstanding Eastern European leader as a person who is reasonably charismatic and team-oriented, but who prefers to be independent and only wants to involve employees to a limited extent. He or she also displays self-protective behaviour, if this is seen to be necessary.¹⁸

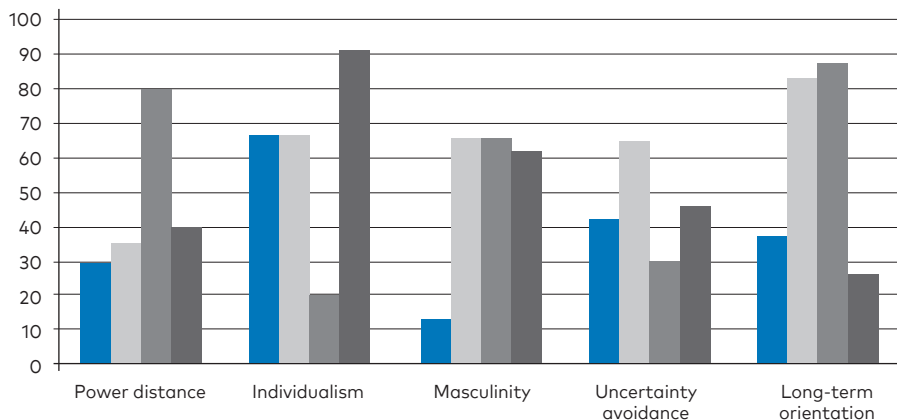


Figure 2: Hofstede's cultural dimensions
Source: <https://www.hofstede-insights.com/country-comparison>.

The graph in figure 2 is derived from Hofstede's research, which is similar to the GLOBE study but with different but not completely essentially different dimensions. For example, there are points of contact between what is referred to as 'team-oriented' in the GLOBE study and two of the dimensions in Hofstede: individualism vs collectivism and masculinity vs femininity.

¹⁷ Based on House et al., (2004).

¹⁸ <http://globeproject.com/results/clusters/eastern-europe?menu=cluster>

The graph gives a mean value for the Nordic region calculated in the different dimensions. This has then been set in relation to the outcome for a few other randomly selected countries. The aim is to show how the Nordic region appears in an international comparison, in this case in comparison with Germany, China and the United States.

Power distance refers to the extent that less influential members within an organisation accept that power is distributed unevenly and that their voice carries less importance. Uncertainty avoidance refers to the extent that an organisation establishes rules and procedures which minimise the unpredictability of future events. Masculinity (masculinity) represents a preference in society for performance, heroism, determination and materialistic rewards for success. Its opposite, femininity, stands for a preference for collaboration, modesty, care of the weak and quality of life. These opposites can also be described as the society, in the first case, being more inclined to competition or, in the second case, being more oriented towards consensus.

As shown in figure 2, the Nordic region stands out in comparison with Germany, China and the United States by having a low power distance and low masculinity (or high femininity, if you prefer).

In comparison with China, the USA and Germany, the Nordic region stands out by having a low power distance and low masculinity.

There are differences between leadership styles in the Nordic countries.

Differences between the Nordic countries

It should be noted that what has been called a Nordic leadership style naturally includes national variations between the Nordic countries, which can be noted in the outcomes from the different studies. Two of the most distinctive Danish characteristics, for example, are an extremely small power distance, i.e. an aim to even out the distribution of power, and an emphasis on being dependent on employees. Finnish leadership culture appears more focused on competition, performance and material rewards, but has a lower degree of formality. The Swedish leadership style can be described as slightly more open to change, but also more formal in relation to rules and procedures than others in the Nordic region. Norway emphasises a stronger dependency on employees. Norway stands out even more for its promotion of teamwork. Levels of individualism are not as high in Iceland as in other Nordic countries, but there is a higher degree of dependency between leadership, employees and other peripheral actors.¹⁹

¹⁹ <https://www.hofstede-insights.com/country-comparison>. For further studies of differences, see Smith et al., "In search of Nordic management styles", in *Scandinavian Journal of Management* 19 (2003); Warner-Söderholm, "But we're not all Vikings! Intercultural Identity within a Nordic Context", in *Journal of Intercultural Communication* 29 (2012); Warner-Söderholm & Cooper, "Be Careful What You Wish for: Mapping Nordic Cultural Communication Practices & Values in the Management Game of Communication", in *International Journal of Business and Management* 11 (2016).



Roots and growth of Nordic leadership

Individuals are unconsciously primed on how leaders should behave. In this way, leadership becomes a manifestation of the values in society.

So, why is Nordic leadership still so homogeneous? This can in part be explained through an active transfer of intellectual models on leadership between the Nordic countries.²⁰ A more significant transfer probably occurred through Nordic companies making the decision to become international, and usually become Nordic first.²¹ These explanations probably only represent a small part of the answer. Instead, it is all about envisaging leadership as a manifestation of values which are being developed in relation to the surrounding society.

There is a research tradition surrounding leadership, which is based on individuals being gradually and unconsciously imprinted with values and beliefs on how leaders should behave and what characteristics a leader candidate must possess. In a larger group – company, organisation, society etc. – we share implicit values and beliefs about what leadership should be.²² This report identifies two factors: the creation of the Nordic welfare state and the tradition of balancing different interests in society. This is supplemented with a perspective that points to the industrial structure in a country or region.

Structure of the Nordic welfare state

After 1900, the paternalistic system in the Nordic region gradually started to lose significance. Instead, it is possible to see a gradual transfer of tasks from companies to the public authorities, initially to the municipalities.²³ Starting after World War II, most of the Nordic countries developed an administration with elements of industrial planning and redistribution through a welfare state.²⁴ Leading Nordic politicians – particularly social democrats – understood this to mean there was no need for nationalisation of companies, which had been a previous ambition of many social democratic parties. Employees could become less dependent on the company and transfer their greatest dependency to the welfare state.²⁵

²⁰ See, for example Fellman, "Finska företagsledare möter svensk modernitet. Modeller för arbetets modernisering och ledning 1930-60.", in Houlitz et al. (ed.), *Arbete pågår – i tankens mönster och kroppens miljöer* (2008). Examples of leadership transfer can also be found in Byrkjeflot et al. (ed.) (2001).

²¹ This often takes place through direct investments (FDI) in companies in one of the other Nordic countries. Fellman et al. (ed.) (2008).

²² Uniting this research is the wish to capture a society's 'authority structure' by studying leadership from a broad social perspective. There is also another term used in research, namely 'implicit leadership theory'.

²³ It often appears to have been the elite, the drivers of industry, who were now involved in the local political decision-making and creation of public institutions. Christiansen et al. (ed.), *The Nordic Model of Welfare. A Historical Reappraisal* (2006). See also Berggren, "Management Strategies among Industrial Leaders in Southern Sweden 1850-1930", in Byrkjeflot et al. (Edit, 2001).

²⁴ Byrkjeflot in Byrkjeflot et al. (ed.) (2001).

²⁵ Byrkjeflot, "Nordic Management: from Functional Socialism to Shareholder Value", in Czarniawska & Guje (ed.), *The Northern Lights: Organisation theory in Scandinavia* (2003). An exception was possibly Sweden, where its large companies also retained a wider social responsibility for employees and their families. However, the development in Sweden was also essentially the same as in other Nordic countries.

Nonetheless, it is a simplification to simply connect the Nordic welfare model with the labour movement on the basis that, among other things, the model is traditionally viewed as something that united both socio-economic groups and political parties. During the early 20th century, Nordic societies have often been considered to have achieved a balance between traditional values and modern visions, as well as between various political positions, which were not necessarily opposites. An often used – and possibly somewhat clichéd – description has been a mixture of capitalist and socialist organisations²⁶, where the governments in the Nordic countries assumed a greater role than was the case in most other comparable countries.

An important feature in the Nordic welfare societies has been the view of the individual. Few welfare states have subsequently been constructed around individual autonomy in the same way as in the Nordic region. Most social welfare systems are connected to the individual, rather than to family or work, which is common in other similar countries. 'State individualism' has been used as the theoretical term capturing a Nordic welfare regime that is not constructed "on interdependencies but on the solid foundation of autonomy".²⁷

This also influenced the leadership style. On a deeper level, individuality is about the individual not having a strong dependency on the employer for their livelihood, and thus having less (material) need for social networks than in other parts of the world.²⁸ This has reduced the status of the leader in the Nordic countries and forced him or her to function as a coach, rather than an autocratic leader.

A Nordic leader must therefore not expect their employees to see themselves as strongly dependent on either the employer or workplace. This is probably a driving force behind the flat organisational structure.

Balancing interests

Another important feature of development in the Nordic countries, which takes us a bit further into the 20th century, is peaceful conflict resolution, particularly in the labour market. This has also set its mark on modern legislation (labour law, arbitration courts). The balancing of the various interests is most clearly shown in the way the Nordic labour market is organised, with free unbound parties (unions and employers) and the government – sometimes referred to as a tripartite system. Recurring negotiations and conflict resolution have established a lot of trust between central players in the Nordic societies.²⁹ Among other things, the aim to find balance has resulted in employee representatives also having a place on the board of directors in Nordic companies.³⁰

The Nordic version of the welfare state has contributed to employees having a lower dependency on the employer. This has reduced the status of the leader and created the necessity for the leader to function more as a coach. It is probably also a driving force behind the flat organisational structure.

²⁶ Fellman et.al (ed.), *Creating Nordic Capitalism. The Business History of a Competitive Periphery* (2008), 559.

²⁷ Swedish quote taken from Berggren & Trägårdh, *Är svensken människa? Gemenskap och oberoende i det moderna Sverige*, p. 10 (2006). This book makes many references to the Nordic development (which also identifies some historical differences between countries).

²⁸ For an example of a more paternalist approach to leadership, taken from India, please refer to Sharma, "Corporate Rishi Leadership Model: An Indian Model for Corporate Development & Ethical Leadership", in Pareek et al. (ed.), *Human Resources Development in Asia* (2002).

²⁹ Fellman et al. (2008), 560. För en diskussion om tillitens roll i de nordiska samhällena, se Andreasson, *Tillit – det nordiska guldet* (2017).

³⁰ Sianani et al., "Corporate Governance in Scandinavia: Comparing networks and formal institutions", i *European Management Review* 5(1) (2008).

The aim to find balance between different interests in the Nordic countries is likely to have resulted in the leadership role not having the same status as in other countries. It also reinforces the role as a coach, rather than authoritative leader. Especially the aim to achieve consensus and cooperation comes likely from the the efforts to find balance between interests.

The balancing of interests has also been a theme in the Nordic corporate governance models. A fundamental principle for modern Nordic corporate governance of publicly listed companies has – to distinguish it from other parts of the world – been the policy to provide majority shareholders with the option to govern the company. One of the consequences of this is that the owners take a more active role – resulting in a more active governance of the company. At the same time, minority shareholders are protected against misuse of the majority's power through a highly developed system for the protection of minority shareholders.³¹

The effects of the aim to balance interests have probably meant that the leader role does not have the same status as in many other countries, and that the leader functions as a coach for their employees, who are essentially autonomous. Individualism in the welfare state and balancing interests thereby strengthen one another in this respect.

The high levels of consensus and co-operation, which are identified as important characteristics of Nordic leadership, also probably originate from efforts to balance interests. In all probability, it is these aspects that allow the high levels of accountability and trust we can see within the organisations.

Advanced production close to the global markets

The Nordic region was industrialised relatively late. The period from its breakthrough in around 1870 up to the First World War is characterised by – both in the Nordic countries and large parts of the world that had also started industrialisation – expansion of the export industry. In Finland, Norway and Sweden, forest and forestry industries were most important, while in Denmark, agricultural products assumed the most important position. The fishing industry, which was developed at the end of the 19th century, was most important in Iceland, and became even more prominent after the start of the 20th century. The export industry, which had been prioritised politically already in the early phases of industrialization in the Nordic countries, also succeeded in moving up the value chain and also exported more advanced products over time.³²

For countries such as those in the Nordic region, where growth is dependent on export, it is not just the development of the national economy, but also changes in the global economy that are particularly important – this was the case in the 1890s and still is today.

The development in the 20th century was characterised by, on the one hand, a number of crises such as the deep depression between the wars, the oil crisis in the early 1970s and the high unemployment towards the end of the century. These had a comprehensively negative impact on many individuals and companies as well as the Nordic societies in general. On the other hand, the entire period was punctuated by really good economic results for Denmark,

³¹ Lekvall (2014). The study argues that protection of the minority may not be unique to the Nordic countries, but also exists in the rest of Europe. However, the various parts of the system come together to create something unique that is an effective counterpart to the concentration of powers that the corporate governance model gives majority shareholders.

³² Myklebust, "The Politics of Organisation and Management", in Byrkjeflot et al., *The Democratic Challenge to Capitalism. Management and Democracy in the Nordic Countries* (2001), 356.

Finland, Iceland, Norway and Sweden. Not least, the export industry has been particularly successful. It has also been subject to extensive political attention within the countries.

Nordic commerce and industry has shown a strong ability to adjust and reinvent itself. Commerce and industry has also survived the switch to a stronger element of service production. This took place during the second half of the 20th century, in parallel with the breakthrough of more specialised and knowledge-intensive production in smaller entities. From a Nordic leadership perspective, SAS CEO Jan Carlzon's book *Riv pyramiderna* published in the mid 1980s stands out as a milestone.³³ In many ways the book, or rather, the manifesto, was an attempt to make SAS a more customer-oriented company. Instead of the hierarchical structures that Carlzon believed had permeated society since feudal times, it was time for a more horizontal perspective in which power was given to those who met customers first hand. It was a lot more efficient for the person furthest out in the subdivision to have greater freedom to make decisions on the basis of knowledge and experience.

Even if there are still links to the industries that characterised the first phase of industrialisation, the Nordic countries have diversified their economies today. Nordic successes are particularly notable in some of the most value-creating segments in the global value chains: ICT, the energy sector and life sciences, to name a few. Today, the Nordic countries belong to the pack of global leaders in terms of growth, productivity and innovation.

Development has also led to significant differences between the structures of industry and business in the different countries within the Nordic region. For example, Swedish commerce and industry is characterised by, given the size of the country, very large companies. Denmark lies at the other end of the scale with many small and medium-sized companies. The Nordic countries, however, are united in the fact that they can be characterised by small, open economies with a focus on international trade close to the international markets.

Among other things, this has created a need for adaptability. It also means that the people under the leaders have a high level of education and strong identity in the work they perform. A consequence of this is the flexibility to adapt to changes, which is based on the leader's responsibility to identify a long-term direction for the, in many ways, autonomous employees. (In certain research, this has been described as the Nordic leaders needing to be charismatic.) Employees have thereby given significant responsibility and power.

The fact that the Nordic countries have small, open economies with a focus on international trade has resulted in a need for adaptability and for organisations to be characterised by flexibility. The leader must also be visionary and be able to point their, relatively autonomous, employees in the right direction.

³³ Carlzon, *Riv pyramiderna! en bok om den nya människan, chefen och ledaren* (1985).



Summary, outcomes and criticism

In brief, the Nordic leadership style can be described as having a high degree of delegation of power and responsibility in flat organisations where the leader encourages co-operation. In addition, the Nordic region has less formality, accompanied by a high degree of informal rules and procedures. The leader functions as a kind of coach, and inspires and motivates employees rather than stressing their authority. He or she must listen to all employees in connection with making and implementing decisions. It is also important to have the courage to take risks and also take responsibility if things go wrong, i.e. not be worried about 'losing face' in a professional context.

If you take a closer look at the development of societies in the Nordic region during the early 20th century, the compromises and desire to balance various interests of society stand out as a prevalent feature. The Nordic societies can be considered to have aimed to find pivot points between players with almost opposing interests, especially on the labour market, where the parties involved are given a central responsibility. The text also identifies corporate governance of companies as another area where the Nordic region has achieved a somewhat different balance of interests compared with the rest of the world. The CEO and other leadership for companies in the Nordic region, for example, have been given a role that focuses more on internal relationships – with more limited power than in other countries. The total consequences of this are likely to be that the leader's role does not have the same status as in many other countries, and that the leader functions as a coach for their employees, who are essentially autonomous.

The aim to find a balance can also be connected to concepts such as consensus and co-operation, which have been identified as important features of Nordic leadership. In all probability, it is from these aspects we can derive the high levels of accountability and trust that we can see within the organisations.

Another aspect is the creation of the welfare state in the Nordic region. The early paternalistic relationship between employers and employees started to relax a bit into the 20th century and was replaced with a relationship between the employee and the welfare state. It has been noted that the Nordic welfare model has a strong dimension of individuality. (In some of the reported studies, we could also see a complex relationship between individualism and collectivism in the Nordic countries.) This probably also had an influence on the leadership style. The fact that employees do not consider themselves dependent on the employer, in the same way as in the rest of the world, is a driving force behind the 'flat' organisation structure. It also strengthens the image of the leader as non-authoritarian.

A third aspect concerns the industrial structure. If you place the initial industrial breakthrough in the Nordic countries at around the end of the 19th century, it is already possible to note some of the elements in this early phase that subsequently came to distinguish the industrial structure in the Nordic countries right up to the present day. The Nordic region consists of relatively small and open economies close to the global markets. They are also knowledge-intensive economies at the forefront of technological development. The consequence of this is that leaders need to ensure that there is good adaptability within the organisations, particularly through identifying long-term goals.

The Nordic leadership style can be described as a way of combining a economic growth with democratic stability.

One researcher believes that discussing a specific Nordic leadership style is significant because of its aim to combine economic growth with democratic stability.³⁴ Based on the review in this report, this is a description that makes good sense.

You can imagine that it would be easy to be a leader in the Nordic countries, with regard to autonomous, flexible and knowledgeable employees who do not need to be micro-managed. But such a description underestimates the complexity in the Nordic leadership style. It is likely to be much more difficult to lead such an organisation, with advanced production and with strong, autonomous employees who do not want to be ordered around, but are driven by motivation.

It is not difficult to ascribe significant value to the Nordic leadership style for its ability to, on the one hand, create the conditions for productivity and growth, especially in organisations with high knowledge levels, and on the other, have a high level of satisfaction and a good working environment.³⁵ Nordic companies also receive high points in terms of innovation.³⁶ Another positive outcome is that around 60 Nordic companies can be found on Forbes' list of the world's 2,000 largest companies, which is more than Germany, whose economy is bigger than all the Nordic economies combined.³⁷ The examples can be expanded, but show the same thing, namely the successes experienced by Nordic companies. This is not just to do with leadership, but the leadership probably has played an important role in this positive trend.³⁸

A certain degree of criticism has been directed against the Nordic leadership style. Part of this criticism is that it almost only concerns HR issues and administration. Decisions are made within other parts of the organisation.

Criticism has also been directed against the Nordic leadership style, which, among other things, is perceived by some as being close to the concept of 'leaderless democracy'. Many of the decisions are taken in other locations within the organisation or are perceived as 'given', and leadership primarily concerns administration and HR issues. Determining what should be done and how is an example of the considerations that many employees are expected to be able to take responsibility for themselves. Experience, professional judgment or a colleague's opinion thus constitute a large part of traditional work leadership, more or less superfluously. Norwegian researcher Torger Reve has argued that the Nordic leadership style has become too internally focused and is primarily occupied with creating a fair distribution. This can in turn create passiveness, particularly in a global business environment which demands constant changes. There is also a tendency for such leadership to escape responsibility.³⁹ Another area of criticism relates to the lack of clear hierarchies in Nordic companies, which can be problematic in other countries. Some of those mentioned are France, China, and countries in Central and Eastern Europe.⁴⁰

³⁴ Kallenberg, "Nordisk ledelse og økonomisk kultur i et internasjonalt perspektiv", in *Institutt for Sosiologi* (Report 30, 1993); Katzenstein, *Small States in World Markets* (1985).

³⁵ Larsen & de Neergard, *Nordic Lights. A research project on Nordic leadership and leadership in the Nordic countries*, 34–37 (2007).

³⁶ See, for example, Bloomberg 2018 Innovation Index.

³⁷ Lekvall (2014).

³⁸ For example, the Harvard Business Review named Chief Executive Officer of Novo Nordisk, Lars Rebien Sørensen, as Best Performing CEO in the World for 2016. <https://hbr.org/2016/11/the-best-performing-ceos-in-the-world>. A specific area in which you can see an influence from the Nordic leadership style is quality. Høie, *Ethical Management. Creativity, Sustainability, Governance* (2018).

³⁹ Reve, "Scandinavian Management – from competitive advantage to competitive disadvantage" in *Tidsskrift for Samfunnsforskning* 35:4 (1994)

⁴⁰ Smith et al. (2003).

Nordic leadership for the future

We are currently experiencing a technological shift that could essentially change society, the economy, the conditions for business activities, work organisation and leadership. The amount of information available, the speed of breakdown of old models and acceleration of innovation is difficult to predict. The term 'the fourth industrial revolution' is already well established. Ongoing digitalisation has led to more and more so-called smart factories operating with intelligent machines. These handle both mass production and customised orders with limited runs. Undeniably, this will result in a need to develop the role of leadership, both in the Nordic countries as well as many other places.

Most of the structural elements that were important for the development of a specific leadership style are still present in the Nordic societies: industrial relations in the labour market, the structure of the welfare state and of export-oriented knowledge-intensive industries. From this perspective, the changes will probably be balanced by Nordic traditions. However, it would still be appropriate to capture a few of the aspects that can be said to lie alongside the arguments presented, but are crucial to the future of Nordic leadership.

Firstly, companies in the Nordic societies play a different role in comparison to large parts of the world, especially in comparison with American companies. In the Nordic countries, companies have a closer and more symbiotic relationship to the surrounding society than their American counterparts. This essentially includes a different view of responsibility. The company's responsibility can be described in different ways, but a common thread is maintaining good relationships with stakeholders. These stakeholders can comprise different types. Some have a strong influence, and can even be crucial to the company's survival. These include, for example, employees, customers and suppliers. Others may have more general influence and are found amongst the media, authorities, trade unions and local residents. For Nordic companies, it is important to create trusting relationships with stakeholders. If these relationships deteriorate or are weakened, continued development of the company is compromised. In this context, you can compare the American and Nordic perspectives by referring to the American economist Milton Friedman's famous statement that "the business of business is business". For an American company, its most important corporate and social responsibility is to make a profit.

In the Nordic region, we emphasise the importance of companies having responsible relationships with peripheral actors and society more than in other parts of the world.

Secondly, there is an ethical dimension at the core of the Nordic leadership style. This is due to the in-depth considerations on how we look at, for example, democracy, human dignity, responsibility, obligations, rights, the individual's role in relation to the community, etc. Promoting a long-term ethical dimension in the Nordic leadership style can be equated to supporting the central core values in our society. The values that have guided leadership issues to date relate specifically to openness, integrity and trust.⁴¹ If an organisation fails to live up to these values, the consequences are of much greater magnitude in the Nordic countries than in other parts of the world (where other values may be significant).

The values that have particularly guided Nordic leadership are openness, integrity and trust.

⁴¹ For an extended discussion, see Høie (2018).

Education is the key to the Nordic leadership style in many ways.

Thirdly, education is the key to the Nordic leadership style in many ways, both in the understanding that employees can be flexible thanks to further education, which gives them the ability to take on a lot of responsibility within the organisations. Education is also crucial from another perspective, namely that future leaders at universities and colleges study leadership issues from a broad perspective and not only – which is often the case – from an American perspective of leadership and work organisation, which, as mentioned, tends to prioritise the short-term perspective in comparison with Nordic leadership.

It is in this interaction between values and practical considerations that leadership in the Nordic countries is likely to evolve in the future. It is therefore important to conduct a continuous discussion on leadership's conditions, expressions and consequences.

Appendices: Some studies of leadership, values and culture

Two of the most noteworthy studies within the area of 'culture, leadership and values' are reviewed below. These are the study performed by Geert Hofstede and the so-called Globe study. The studies performed by Fons Trompenaars, concerning cross-cultural communication, can also be added here. What they have in common is that the studies begin at a national level and then create country or community clusters, where the Nordic region is a regularly occurring cluster.

Hofstede

Below is an attempt to provide a general outline of the different dimensions in Hofstede's analysis:

Dimension ⁴²	Definition
Power distance	The degree to which less influential members within an organisation accept that the power is distributed unevenly and that their voice carries less importance.
Uncertainty avoidance	The extent to which an organisation establishes rules and procedures to minimise the unpredictability of future events.
Masculinity vs femininity	Masculinity represents a preference in society for performance, heroism, determination and materialistic rewards for success. Femininity stands for a preference for co-operation, modesty, care of the weak and quality of life. These opposing pairs can also be described such that society, in the first case, is more inclined to competition or, in the second case, is more oriented to consensus.
Individualism vs collectivism	Individualism can be defined as a preference for a social framework within which individuals are only expected to take care of themselves and their immediate family. In contrast to this definition of individualism, collectivism represents a preference for a strong sense of solidarity among families or another social group. It is expected that those within this network look after one another, and are unconditionally loyal to the members of the group. In addition, this dimension specifies whether or not individuals act on their own initiative or are collectivist. In an individualistic culture, high emphasis is placed on individual expertise regarding employment, promotion, wages, etc. In a more collectivist culture the emphasis is placed on the individual's contribution to the community instead.
Long-term orientation	The dimension describes the time horizon in a society, the significance that is placed on the future in comparison with the present and the past.

⁴² A sixth dimension has subsequently been added: *Indulgence vs Restraint*. This has been omitted from this report.

The Nordic region in particular stands out in some of these dimensions. When it comes to power distance, the Nordic region displays low figures, which indicates that there is an expectation that even those in lower positions within a hierarchy have influence in the Nordic region. (Denmark has a particularly low figure for power distance.) It also means that Nordic organisations are expected to be flat and decentralised with a leadership that primarily strives for co-operation.⁴³

Organisations in the Nordic countries are also characterised by high levels of femininity or low levels of masculinity. In such countries, leadership tends to be characterised by consensus seeking and sympathy for 'the weak' rather than competition.

Hofstede also depicts the Nordic region as a relatively individualistic region (medium level). This means that there is a focus on areas such as individual expertise in connection with salary, employment, etc. At the same time, the benefit the individual gives the group is not seen as immaterial, which would be the case if the levels had been even lower.

In the following dimensions, the Nordic countries display rather more mixed results: In a long-term-oriented culture the basic concept is that the world is changing, and preparations for the future are always necessary. The Nordic region displays relatively low levels of long-term orientation – with the exception of Sweden, which has higher levels, although these are still not high. Societies displaying low values for this dimension prefer to maintain traditions and standards, while looking at social changes with a certain suspicion. They do not often show the same need to save for the future and want fast results. These societies also have a normative attitude. Countries such as Sweden display more pragmatism.

In the case of uncertainty avoidance, Sweden and Denmark have low levels compared with the global average, while the other Nordic countries lie close to the middle of the scale, which should be seen as that they do not have a clear preference. This means that leaders in Sweden and Denmark operate in a less formal environment than leaders in most other countries, with less need for strict regulations.

Globe

The six dimensions in the Globe study are:

Dimension	Definition
Charismatic/Value-based	Reflects the ability to inspire, motivate and expect high performance results from others based on core values.
Team-oriented	Emphasises effective team building and implementation of common goals among team members.
Participative	Reflects the extent to which the leader involves others in making and implementing decisions.
Autonomous	Refers to independent and individualistic leadership attributes.
Humane	Reflects supportive and caring leadership and includes empathy and generosity.
Self-protective	Focuses on ensuring the individual's and the group's security by improving status and not 'losing face'.

⁴³ <https://www.hofstede-insights.com/country-comparison>

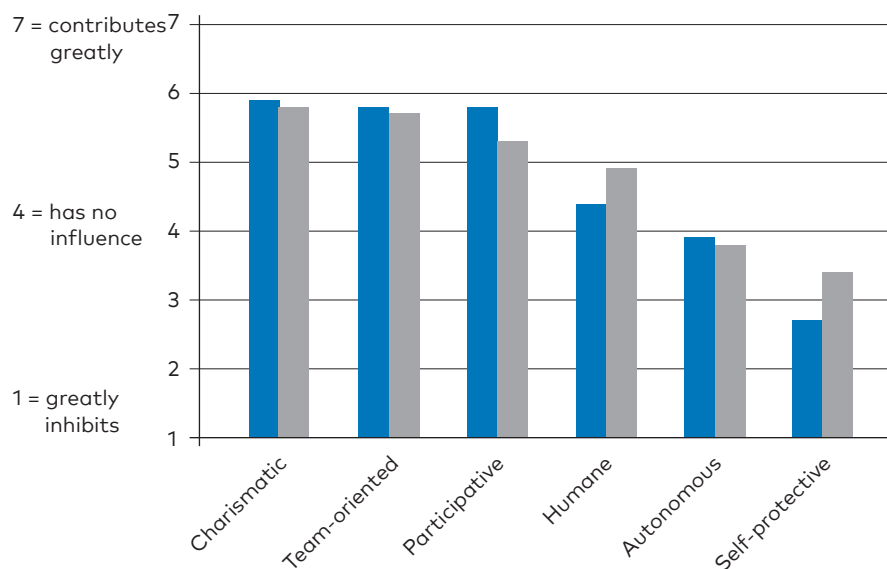


Figure 3:
Outcomes for to the
six dimensions in the
Globe study – the Nordic
Region and the global
averages.

Based on the outcome, the participating countries were then grouped into ten clusters, one of which is the Nordic cluster.⁴⁴ Figure 3 shows how much the different dimensions influence Nordic leadership and its relationship with the rest of the world.

The study shows that the Nordic cluster stands out from the rest of the world in three dimensions in particular. The first relates to participative management. This indicates that Nordic leadership involves others in both making and implementing decisions to a greater degree than the rest of the world.

A significant element of Nordic leadership is that the values for protection of individuals and groups (self-protective) are low. According to the Globe study, this may have most significance in relation to Nordic leadership. It means that a Nordic leader will strongly avoid attributes and behaviours such as being self-centred, status conscious, making an effort not to 'lose face' and displaying conflictive behaviour. Low values, such as those in the Nordic region, are seen as beneficial for the efficiency of an organisation.

The Nordic cluster also displays low values in terms of being humane, that is, in relation to other participating regional clusters. This means that Nordic leadership is less oriented towards being 'supportive' in a global context. This is analysed in more detail in the Globe study. There seems to be a belief that this can be linked to high material welfare (possibly also in combination with a generous welfare state), which means that Scandinavians have less need for social networks than in other parts of the world.⁴⁵ It can probably also be related to the fact that the Nordic countries obtain relatively high levels for Individualism in the Hofstede study.

⁴⁴ House et al. (2004). See also Singh Chokar et al., *Culture and leadership, across the world: The GLOBE Book of In-Depth Studies of 25 Societies* (2007); Morsing, "Corporate Social Responsibility in Scandinavia – a turn towards the business case?", in May & Cheney (ed.), *The Debate over Corporate Social Responsibility* (2007); Tollgerdt-Andersson, *Ledarskapsteorier, företagsklimat och bedömningsmetoder* (1989).

⁴⁵ House et al., 569 (2004).

The dimensions below are those in which the Nordic region did not seem so distinctive compared with other countries:

The Nordic cluster has a high score in relation to being team oriented, which strengthens the image of a high level of involvement and flat organisations. However, the Nordic value does not differ significantly from the global values, which are also high.

The Nordic cluster obtained relatively high points in relation to the idea that leadership should be charismatic and value-based. This means specifically that a Nordic leader is expected to be driven by a realistic vision, high performance expectations and integrity.

A Nordic leader strives to achieve a somewhat higher degree of independence and individualism compared with other countries, yet is not very different from the global average.

Trompenaars

In brief, you can say that the Nordic countries excel within three of the sub-categories in Trompenaars' studies:

- *Universalism vs Particularism*: The Nordic market is highly universalistic, which means that there is a belief that ideas can be applied anywhere in the world and that it is always possible to distinguish between right and wrong. Standards and values are important and can only be deviated from after consultation. It is generally accepted that people from different backgrounds in the same circumstances will receive the same salary.
- *Specific vs Diffuse*: The Nordic countries generally fall within 'specific', which means that they think relationships do not have a significant impact at work, and even if good relationships are important, people should be able to work together without necessarily having a good relationship. Work and leisure are also kept separate.
- *Achievement vs Ascription*: In a performance-oriented culture, as in the Nordic countries, a person's value is determined on the basis of their performance and how well they complete their tasks. Those around you base your value on the concept 'you are what you do', rather than it being possible to derive a person's value from background, family or education.

In addition, Sweden and Finland are noted as markedly 'neutral' countries. This means that people strive to control their emotions and that reasoning affects actions far more than feelings.

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Nordic Council of Ministers
Nordens Hus
Ved Stranden 18
DK-1061 Copenhagen
www.norden.org

Nordic companies and organisations are often distinguished by committed employees and a high degree of creativity. One reason is a specific Nordic leadership style, which sets itself apart through the delegation of power and responsibility to employees and a high degree of consensus seeking, among other things. Nordic leaders also stress the necessity of co-operation. In addition, they play down their authority and often function more as coaches for their employees. It is also important that leaders are able to inspire their employees, and be visionary yet realistic at the same time.

This report describes how various studies on culture, leadership and values characterise the Nordic leadership style. The report also attempts to find factors in Nordic societies that could help explain the leadership style in the Nordic region. Particular attention is given to two of these: the creation of the Nordic welfare state and the tradition of balancing different interests in society, especially within the labour market. The discussion of these factors is also supplemented by examining the role played by the industrial structure.

ANP 2018:835
ISBN 978-92-893-5895-8 (PRINT)
ISBN 978-92-893-5896-5 (PDF)
ISBN 978-92-893-5897-2 (EPUB)