

The Nordic region as a
Global Winner Region **Tracing** the
Nordic Competitiveness model

SUMMARY

The 27 thought leaders

Eydun Andreassen

Professor of Oral Literature at the Faculty of Faroese Language and Literature, University of the Faroe Islands, Faroe Islands

Göran Bexell

Vice-Chancellor of Lund University, Sweden

Stine Bosse

Group CEO, Tryg Vesta, Denmark

Anne Brunila

Director General of Economics Department, Ministry of Finance, Finland

Jan Carlzon

Chairman of the Board at Ledstiernan, Sweden

Annika Falkengren

Executive Vice President and Deputy Group Chief Executive, Skandinaviska Enskilda Banken, Sweden

Grete Faremo

Director for Law and Government Affairs, Western Europe, Microsoft, Norway

Cathrine Holst

Fellow at the Center for the Study of the Sciences and the Humanities, University of Bergen, Norway

Ulrica Hydman-Vallien

Glass artist, Sweden

Anders Ingves

From 1.9.2005 Managing Director of Birka Line, Åland

Lise Kingo

Executive Vice President with responsibility for People, Reputation and Relations, Novo Nordisk, Denmark

Lars Kolind

Adjunct Professor at the Aarhus School of Business, Chairman of the Grundfos Foundation and Chairman of the Board at PreVenture

Jørgen Lindegaard

CEO at SAS, Sweden

Ebbe Lundgaard

Chairman of the Board at Co-op Denmark, Denmark

Finn Lynge

Retired Senior Adviser and former Chairman of the Working Group on Foreign and Security Policy, Greenland Home Rule, Greenland

Gylfi Magnússon

Senior Lecturer, University of Iceland, Iceland

Torbjörn Magnusson

CEO and President of If Skadeförsäkring, Sweden

Claus Meyer

Gastronomic entrepreneur, Meyers Madhus, Denmark

Siri Meyer

Professor of Art History and Director of the Center for Cultural Research, University of Bergen, Norway

Ingvild Myhre

CEO of ID Gruppen, Norway

Tor Nørretranders

Writer, Denmark

Ove Kaj Pedersen

Director of the International Center for Business and Politics, Copenhagen Business School, Denmark

Jaakko Rauramo

CEO and Chairman of the Board at Sanoma wsoy, Finland

Harry Salonaho

CEO at Valio, Finland

Nina Smith

Professor at the Department of Economics, Aarhus School of Business, Denmark

Henrik Stenius

Research Director, Renvall Institute, University of Helsinki, Finland

Janne Teller

Writer, Denmark

Forword **What will the Nordic Region live by?**

THE GLOBAL ECONOMY represents a historic challenge – and opportunity – for the Nordic countries. China and the other new market economies are competing not just on price, but also increasingly on knowledge. A growth source that we thought was unique to us. This raises the question of what the Nordic Region will live by in future. How are we going to be successful in a world where China sets the price of everything? The sort of development we are talking about will require a complete rethink of growth strategy if we are not to be outmanoeuvred by new market economies that are moving much faster than we are and combine the best with the cheapest.

In this discussion paper on the Nordic winning model of the future 27 key Nordic thought leaders from the business community, research and culture present their view of the opportunities open to the Nordic countries in the global economy of the future. They urge the Nordic governments to join forces in an ambitious joint winning strategy that exploits both Nordic strengths and the opportunities offered by globalisation.

The Nordic Region has a great deal to build on in the competitive world of the future. This is apparent from all sorts of international league tables in which the Nordic countries score highly year after year, beating countries like the USA. But at present we are not sufficiently aware of the strengths we use to achieve results. This means that we risk defaulting on those strengths and failing to develop the growth sources that we might live by in the future. Hence this discussion paper.

This discussion paper is the result of cooperation between the House of Monday Morning think tank and the secretariat of the Nordic Council of Ministers. The interviews with Nordic thought leaders took place in June 2005. The thought leaders' attitudes are theirs alone, while House of Monday Morning bears full responsibility for this document.

The discussion paper has been written by Mikael R. Lindholm, Anette Prehn and Anette Højgaard Jønson for House of Monday Morning.

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Per Unckel
Secretary General
Nordic Council of Ministers

Erik Rasmussen
Editor-in-Chief
House of Monday Morning

Summary

The Nordic Region can become a winner in the global innovation economy. The Nordic countries have developed social systems and business models that have proved so competitive that the Nordic countries, with their 25 million inhabitants, not only represent one of the world's most affluent regions, but also come top in a large number of league tables of the world's most competitive nations.

But if we do not become conscious of the sources of Nordic success, and fail to develop the strengths and exploit the potential of the Nordic competitive model, we risk squandering the future instead of winning it.

That is how 27 key Nordic thought leaders from the business community, research and culture see the opportunities for the Nordic countries in the global economy of the future. At the same time they urge the Nordic governments to join forces in an ambitious joint winning strategy that exploits both Nordic strengths and the opportunities offered by globalisation.

Nordic countries in top 10

COMPETITIVENESS	TECHNOLOGY	CREATIVITY
1. Finland	1. Singapore	1. Finland
2. USA	2. Iceland	2. Norway
3. Sweden	3. Finland	3. Sweden
4. Denmark	4. Denmark	4. Denmark
5. Taiwan	5. USA	5. Holland
6. Singapore	6. Sweden	6. Switzerland
7. Switzerland	7. Hong Kong	7. Germany
8. Iceland	8. Japan	8. France
9. Norway	9. Switzerland	9. United Kingdom
10. Australia	10. Canada	10. Luxembourg

Sources: *World Competitiveness Index 2004* & *Networked Readiness Index, 2005*.
The criteria measured include framework conditions and use of IT.

Competition in the future

It may appear paradoxical that small countries with high taxation, large public sectors and comprehensive welfare systems can achieve Europe's highest growth rates and come top in so many competitive league tables of one sort or another, beating market economy powerhouses like the USA and Singapore, not to mention the big European nations like Germany, France and the United Kingdom.

Such achievements illustrate the fact that the criteria for success when it comes to global competitiveness are changing – and that the Nordic social model is able to satisfy them to a high degree.

Competition in the future will be increasingly about the ability to innovate and produce value-creating solutions that are difficult for others to copy. This will require the establishment of a strong innovation culture and the ability to use one's own unique core skills.

Globalisation is therefore not just about looking outwards and understanding the changes, but also about looking inwards and understanding one's own strengths and skills.

Skills that are rooted in culture often deliver the strongest competitive advantages because they are unique and difficult to imitate. The Nordic Region inevitably uses such culturally based strengths in competition – otherwise the countries would not do so well. But despite their increasing importance in terms of growth strategy, we are not very aware of the strengths and culture traits on which we actually base our affluence.

Working in cooperation with the Nordic Council of Ministers, House of Monday Morning has therefore identified a number of key Nordic thought leaders from the business community, culture and research, and asked them in the course of in-depth interviews to assess the potential of the Nordic countries in the global economy, including whether there are particular Nordic values, the extent to which Nordic business strengths and skills can be attributed to them, and how the governments of the Nordic countries can promote and use them if the need arises.

This discussion document is therefore a first attempt at outlining the Nordic competitive model and delineating the shared competitive vigour of the Nordic Region.

Nordic values

Between them, the Nordic thought leaders point to four fundamental conditions and eight values that the Nordic countries have in common in the global economy.

- The four fundamental conditions are that we share a *social system*, understand each other's *languages* and are at the same level of *self-realisation* in terms of lifestyle. It is also of great importance for Nordic solidarity that we have used each other as the *primary frame of reference* for many years.

- The shared Nordic values are equality, trust, proximity to power, inclusion, flexibility, respect for nature, the protestant work ethic and aesthetics. These values are connected with our social system and contribute to many fundamental institutional similarities between the countries, with the balance between the community and the individual being of central importance.

As regards the fundamental conditions, the latest research shows that the Nordic social system represents an unrecognised strength when it comes to business economics. Both the thought leaders and research indicate that the inhabitants of the Nordic countries dare to take the initiative, run risks and commit themselves without fearing the consequences. These are ideal conditions for innovation. According to the thought leaders, the Nordic welfare model therefore holds partially untapped competitive potential.

Although it is impossible to establish a direct causal link between Nordic values and the business strengths of the Nordic countries by empirical means, the thought leaders are of the opinion that a number of links are crystallising between the complex of values and the strengths:

- Welfare products (linked to equality)
- Innovation (linked to trust)
- Management based on procedural strengths (linked to proximity to power)
- Broad, strong skills base (linked to inclusion)
- Adaptability (linked to flexibility)
- Sustainability and a holistic approach (linked to respect for nature)
- Industry, personal responsibility and efficiency (linked to the protestant work ethic)
- Design and functionality (linked to aesthetics)

These business strengths already exist as global Nordic core skills that are rooted in Nordic culture and therefore difficult for others to copy directly. But, according to the thought leaders, their full economic potential has not been sufficiently understood or exploited in the light of globalisation.

Need for joint Nordic leadership

According to the Nordic thought leaders, new, visionary leadership, an element of mental readjustment and a break with certain time-honoured

dogmas will be required if we are to tap into the competitive potential of Nordic core skills.

The most important strategic element in such joint Nordic action will be redefining the Nordic vision itself. There is a need for a new, aggressive social vision with new goals and a new level of ambition in view of the global challenge facing the Nordic countries. The old vision of the welfare society has now been realised in all the Nordic countries and therefore no longer holds the power of a vision, although, as a social system, it has unique – and in some ways as yet uncomprehended – strengths, which can be used as a foundation and basis for a new vision. If the Nordic Region is to be a global winner, a new vision will be required of the Nordic Region as the world's leading value region and most advanced innovation society.

The following are concrete recommendations from the thought leaders regarding how the Nordic ministers on the Nordic Council of Ministers can enhance the competitiveness of the Nordic Region:

- **The Nordic Region as a global winner region.** The Nordic countries have obvious shared strengths that can be best exploited in the global marketplace by means of joint strategic action. According to the thought leaders, the time for purely national strategies is past. There is a need to formulate an ambitious regional vision based on shared Nordic values and complementary strengths. This could create a global image of the Nordic Region as a strong value region that is committed to its core values and skills. In this context the Nordic Council of Ministers could play a key role as a coordinating body for the Nordic governments.
- **The Nordic Region must coordinate its efforts.** A shared Nordic vision is dependent on collective drive. According to the thought leaders, the Nordic countries have an obvious interest in establishing more ambitious win-win cooperative relations with each other. In a global economy it is about combining Nordic resources and forgetting any competition between the Nordic countries. The Nordic Region will only become a global winner if the countries have the ability and understanding to create synergy between their complementary skills. In practice this might mean coordinating efforts in the form of a trade drive on world markets and in other forums where market terms are on the agenda.
- **The Nordic Region's strengths must be understood.** If the region is to harbour a Nordic vision and create a strong Nordic brand, shared Nordic competitive vigour in the form of Nordic values and strengths must be better understood and continuously analysed. There is a general need for

more research into the importance of culture to the economy. This need could be met with an ambitious joint Nordic research project with the aim of understanding the culturally based strengths of the Nordic Region in depth.

- **The Nordic Region must be branded.** The Nordic Region can be branded globally as a value region based on the values and distinctive culture of our region. This would allow the Nordic Region to differentiate itself in the global marketplace – not on the basis of price, but on the basis of a “higher meaning” that we attach to our products, services and perceptions. According to the thought leaders, this could transform “the Nordic Region” into a brand and give Nordic values a much higher profile than is the case today. The first international study of countries as brands put Sweden in first place – because the country is associated almost exclusively with positive values. In this scenario the Nordic *brand* should be linked in particular to the Nordic Region’s strengths with regard to gastronomy, tourism, sustainable energy generation, functionality and design with the focus on values such as *respect for nature* and *aesthetics*.
- **Nordic adaptability must be exploited.** Nordic values such as flexibility and adaptability could be used more aggressively than is currently the case. It is scarcely enough for us to adapt to outside pressure. According to the thought leaders, the Nordic countries should become better at identifying new needs and demand, and being the first to come up with solutions and concepts to meet them. This is particularly relevant with regard to needs that arise in the wake of socio-economic and demographic development in the new market economies. It would be natural to establish a joint Nordic global market network that would be quick to identify needs and translate them into Nordic opportunities.
- **Nordic welfare production must be marketed.** The Nordic Region has a long tradition of strong and comprehensive welfare production, but does not currently exploit the marketing potential it offers to the full. The thought leaders mention elderly care, hospitals, health services, insurance and environmental protection, for examples, as areas that hold great untapped potential for the Nordic Region. If we as a region are to offer our services, a certain amount of liberalisation of welfare production will be required combined with ambitious public-private partnerships – particularly across national frontiers. Tapping into the great

potential of the Nordic Region in terms of business economics will depend on more global access to welfare skills.

- **The Nordic Region must have the world's best education system.** Our most important raw material in the Nordic Region takes the form of our people, and our strength in breadth – which can be attributed to the Nordic value of inclusion – must continue to be ensured for everyone. The thought leaders really ram this home. We need to be far better – and the best in the world – at cultivating and developing our talents and unique skills. In practice this means, on the one hand, ensuring sound professional standards while, on the other hand, doing a great deal more to cultivate the skills where we already have clear global strengths: an interdisciplinary approach, cooperation, innovation, entrepreneurship and value creation. The Nordic ambition might be to become state of the art in competence development with the greatest understanding of the nature of competence and the best institutions to disseminate it. Not least with regard to talented people with a non-Nordic ethnic background. While the breadth of competence development is important, it is also vital to exploit the brightest talents, who deliver radical ideas with great innovation potential. This might, for example, be promoted by investing more heavily in high-level research than is currently the case.
- **The Nordic countries must learn from each other.** The homogeneous Nordic social systems make it relatively easy to keep an eye on each other and take inspiration from the best in neighbouring countries. According to the thought leaders, the Nordic countries should do this in a more focused and systematic way in order to tap into the potential of the Nordic Region's shared competitive vigour. The Nordic Region has time-honoured procedural strengths – linked to Nordic values such as trust, inclusion and proximity to power – and they must be tapped into in new and productive ways. By using each other as benchmarks, for example, the Nordic countries could enhance their shared cultural core skills. This could be done by establishing a Nordic value and competence centre, but also by setting up forums and systems for knowledge sharing across national frontiers in the Nordic Region. According to the thought leaders, the point is to use Nordic strengths within interdisciplinary cooperation in order to bring people and talent together in ways that generate inspiration and innovation across professional groups, industries, generations, etc.

An aggressive new joint Nordic agenda for the global economy will be dependent on the general public becoming much more aware of the positive consequences of globalisation. According to the thought leaders, it is vital for the Nordic Region's opportunities in the global economy that the Nordic Council of Ministers and the Nordic ministers should be able in the next few years to communicate and exploit the positive implications that globalisation has for the Nordic countries and Nordic enterprise. Negative images of globalisation are currently far too prevalent in the Nordic countries and foster a defensive, reactive mental state. Positive images need to come to the fore and receive strong nourishment from a visionary political leadership. Otherwise the Nordic Region risks losing its footing and the opportunity to become a global winner.