Cultural factors behind the different business cultures of Iceland and Norway, a comparison

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The myth about how Norwegians populated Iceland can be described like this:

“A bunch of hardy people from the west coast of Norway escaped the terror – and high taxes – of a king called Harald Fairhared. Along the way, they picked up some slaves of Celtic origin – and thus Icelanders became a poetic race and were saved from the fate of being dull like the Norwegians.”

(Helgason, 2010)
Executive Summary

Even though Iceland and Norway are both Nordic countries originating from the same culture, the countries’ business cultures have developed different characteristics over the years. In light of the increasing emigration from Iceland to Norway following the financial crisis in 2008, this study will establish the difference between Norwegian and Icelandic business cultures so that Icelanders can prepare themselves for the different national culture and business culture in Norway. Moreover the thesis is informational for Norwegian managers in knowing what to expect when employing or doing business with Icelanders.

The thesis contains two research questions; firstly: *What is the difference between the business cultures of Norway and Iceland today?* and secondly: *What likely factors could have influenced Norway and Iceland to develop different business cultures?*

Historical and cultural information of both Iceland and Norway was described in detail as these are important aspects to understanding the business culture of the two countries. To categorise the cultures, a clearer picture was established with the help of Hofstede’s cultural dimensions.

The most important factors separating the Icelandic and Norwegian business cultures is that Iceland’s business culture features optimism, encouragement, informality, quick decisions, an entrepreneurial spirit, young managers, quick reactions and a high level of initiative. What characterises the Norwegian business culture on the other hand is thorough planning, analysis before making decisions, middle-aged managers, reliability, formality and equality.

Further to these findings, it was decided that the most likely cultural factor responsible for the difference in business cultures was the Scandinavian cultural phenomenon “The Law of Jante”, which is strong in Norway.

The thesis concludes with practical recommendations for Icelanders and Norwegians on how best to prepare for the managerial differences of Iceland and Norway when doing business with the other country.
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1 Introduction

Icelandic companies have been appearing in the European but also world-wide media with increased frequency lately. Their particular business culture is not only baffling the neighbouring countries but has also been noticed by nations worldwide. Icelandic companies operate very differently from the Scandinavian norm (Davíðsdóttir, 2006). During the 9th century Iceland was settled mainly by Norwegians (Brøndsted & Skov, 1965). Iceland and Norway once had identical cultures and developed similar domestic institutions, but diverged in the post-war period (Grendstad, 2001). Today, the national cultures in these two countries are dissimilar and the business cultures have also developed differently. Getting a better understanding of why the business cultures in these two countries are different leads us to the first research question:

What is the difference between the business cultures of Norway and Iceland today?

And to understand the cultural, historical and social background behind such a difference leads us to the second research question:

What likely factors could have influenced Norway and Iceland to develop different business cultures?

The study is based on reviewing the research literature in this area and is organised by first defining terms commonly used in this thesis. This is followed by a short historical summary of both countries, a look into the national identity and how the culture has been constructed as well as the national culture of each country.

The Icelandic and Norwegian national cultures and business cultures will then be compared and the outcome of the comparison will be discussed. The first research question will be answered. These observations and conclusions will then be processed, enabling an answer to the second research question and a thereafter a discussion on the likely factors responsible for the cultural difference.

Finally, the thesis will come to an end with recommendations and examples on how Icelanders can prepare for business dealings with Norwegian companies and vice versa. This recommendation is of current interest to Icelanders who are in growing numbers searching to move and find employment in Norway.
2 Theories on culture and management

2.1 Concept definitions

The main concepts employed in this thesis will be defined in this section; culture, national cultures, organisational culture, management and leadership, Janteloven and compulsory military service.

2.1.1 Culture

To define the concept of culture, Hofstede (2001) refers to it as “the collective programming of the mind which distinguishes the members of one human group from another” (p. 9) and he adds: “culture in this sense includes values; system of values are a core element of culture” (p. 10).

Hofstede has illustrated human mental programming as a three-level pyramid, seen below. The personality level is special to the individual, the cultural level is specific to a group and the lower level is what is inherited. This thesis will focus on the middle level of culture.

Figure 1: Three levels of uniqueness in human mental programming (Hofstede, 1997).
There are many comparative models available to study and analyse cultural diversity; Dr. Daniel Denison (1990) divides culture into 4 traits and then each trait into three indices, the Dutchman Fons Trompenaars (1997) developed a cultural model with 7 dimensions involving 30 companies in 50 countries. However, the author of this report has decided to use Gert Hofstede’s model that identifies 5 dimensions of culture, the reason being that Hofstede’s research on cultural dimensions was very extensive, covered 50 countries and examined how the values of these cultural dimensions differ from one country to the other. Hofstede’s model is widely acknowledged and is the most commonly used method to compare cultures (Smith & Bond, 1999). From his studies he initially developed a model that described four dimensions to differentiate cultures. These are: Power distance, uncertainty avoidance, individualism—collectivism and masculinity—femininity. Later he added a 5th dimension called long-term orientation. Only the initial four cultural dimensions will be used in this study because the majority of researches and studies read in preparation for this thesis, which used Hofstede’s dimensions as a means to measure culture, omitted this 5th dimension.

Power Distance (PDI) is the extent to which the less powerful members of organisations, institutions and families are expecting the power to be distributed unequally; representing an equality defined from below (Hofstede, 2001).

Individualism (IDV) is a scale which indicates whether a society is individualistic or collectivistic. Collectivism is to which degree individuals are integrated into groups. Individualistic countries are where there are loose ties between individuals; people are expected to look after themselves (Hofstede, 2001).

Masculinity (MAS) describes societies that hold values that are normally associated with a stereotypical male; competitive, assertive and tough. Feminine values on the other hand would describe modest and caring values and concern for quality of life. (Hofstede, 2001).

Uncertainty avoidance (UAI) describes a culture’s way of dealing with uncertainties in life, the willingness to take risks and to which extent people prefer formal rules and structure (Hofstede, 2001).
These days it is common to talk about the construction of cultural heritage, and how one can selectively make a proper past for a future use. Therefore, cultures being natural entities are rare; they are more often shaped through a nation building process (Berggreen, 1993).

2.1.2 National cultures

When describing something as “Typical of that country” or a “national character” the description tends to be stereotypical and oversimplified because there are often large regional and individual variations to the cultural traits. Stereotypical national identities can be grossly misleading (Eriksen, 1996). Using national borders is not an accurate way of defining cultures because often, many cultures exist within the same country and cultures do not always follow national borders. An example of this is the Sami community, the indigenous people in the northern parts of the Scandinavian Peninsula. Their culture do not follow a national border, the Sami identity is to be found in the northern parts of Norway, Sweden, Finland and even Russia. The Sami’s cultural values differ greatly from the national cultures of these countries (Skotvedt, 1993).

There are great diversities within most nations even though they are described as one nation because they are bound by the same laws, government, taxation, media, education and often language. To say that two individuals from a certain nation have the same cultural values is therefore quite inaccurate. Using the example mentioned above; take two Norwegians, a person born and bred in Oslo in Norway and a person from the indigenous Sami population in Northern Norway. The cultural diversity between them is vast but they are still classified as belonging to the same national culture (Skotvedt, 1993). In spite of this obvious inaccuracy, most researches and studies regarding culture are actually based on national cultures as a measuring unit because this is the most common and easiest way of describing cultures by limiting them to a national border (Smith & Bond, 1999).

“Countries are divided into regions each of which often have strong identities, dialects and customs that differentiate them from other regions and provide the inhabitants with no less of an identity than their nationality” (Davíðsdóttir, 2006, p. 11). On the other hand, a nation’s idea of a national uniqueness of their country contributes to
strengthen the boundaries and the national identity. If one is taught consistently that the culture of one’s country is egalitarian, then in the end the people in that area will define their culture as egalitarian (Eriksen, 1996).

Ethnocentrism is a cultural and psychological phenomenon relevant to this thesis. The definition of this phenomenon is that a perception being made of another culture through a barrier made up of a person’s own values, basing one’s own cultural values as a reference (Browaeys & Price, 2008).

2.1.3 Business/Organizational culture

The relationship between culture and business culture has been a continuing topic in social science. How does one characterise business culture? A culture emerges when ideas, symbols, values, norms, activities and forms of behaviour are shared by individuals. Cultures can exist in groups, in societies, even across societies and they can also exist in businesses and industries. The awareness of certain business culture exists in all companies, it is a fundamental characteristic to any organisation but to try to define it, people often have different ideas of what it is. A way to recognize this culture may be in how a certain meaning is attached with shared practices, forms of communication and physical symbols. These cultural meanings are rooted in the minds of its participants. Attempts to impose culture will only be superficial and therefore not create culture. Culture helps organisational efficiency in that the organisation’s culture provides identity and secure recognition in fulfilling organisational tasks. Business cultures can also ease communication and enable free flow of information, enable good co-operation, generate confidence and understanding. This organisational business can actually work better than the officially externally imposed structure of management. On the other hand, cultures can also work against such external structures. For example a strong business culture can limit the organisation’s possibility for change. This battle can lead to less efficiency and even to an organisation’s collapse (Godley & Westall, 1996).

Business culture it is generally used to define the characteristic of business practices of a national culture. In addition, these values are often communicated through stories and other symbolic means in the organisation (Griffin & Moorhead, 2004). Societal factors have a profound effect on business culture (Browaeys & Price, 2008) and
within certain occupations there are often a shared learning of values, norms and attitudes influenced by the national culture, (Schein, 2004) These common values shared by the individuals in the firm are often taken for granted by the firm’s employees.

According to Schein (2004), organisational culture basically comes from three sources:

- Basic beliefs, values and assumptions in the organization.
- Experience that the organization will get as it develops.
- New assumptions, values and beliefs that come from new members and leaders in the organization.

In addition to this there is of course the influence of the national culture of the business members.

Schein also states that organisational culture is:

“A pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way you perceive, think, and feel in relation to those problems.” (Schein, 2004).

But to generalise the way business is conducted in Iceland and Norway, mainly Hofstede’s cultural dimensions in the business context will be used. These dimensions help form a general model of a business culture in this thesis.

2.1.4 Leadership and Management

Leadership exists in all societies and is important for the functioning of organisations within those societies. Leadership does not automatically create culture, it only makes the followers do a certain task (Schein, 2004). The two functions of leadership and management are complimentary. A person can be a manager, a leader, both or none. An effective organisation needs both management and leadership (Griffin & Moorhead, 2004). The proportions needed for an organisation to undergo a change are 70-90% leadership and only 10-30% management. The essential function of leadership is to produce a useful change. Management, on the other hand, is seen as making an organisation operate smoothly. Leadership includes providing structure
and change and getting people to understand, accept and inspire them to venture into that change. A manager is seen to be the shape of stability within an organisation and management is described as a set processes making the business run smoothly by planning, making steps for how to achieve a target, problem solving, controlling and organising. (Kotter, 1996).

The secret of successful leadership is one of the most studied, debated and researched topics in later years. Scientists have studied leadership for decades but have been unable to answer many questions regarding this concept (Griffin & Moorhead, 2004).

There are two cultural factors that can have a great effect on leadership style; these are firstly how power is distributed in a country and secondly the way in which cultures handle uncertainty (Browaeys & Price, 2008).

2.1.5 Janteloven ("The law of Jante")

To begin to comprehend the egalitarian precept of Scandinavia, it is necessary to understand the “Law of Jante” (Janteloven). “The law of Jante” is not a real law; it is rather a list of codes of conduct or social norms described in the book ‘A fugitive crosses his track’ written by the Norwegian/Danish author Axel Sandemose in 1933. The novel is about small village prejudice and jealousy where successful people become victims of bad gossip and people stamp out each other’s chances in life. Pride is looked upon as a deadly sin (Pepinsky, 1994). The novel was written as an ironic philosophical idea of how the villages of the fictitious Danish town Jante behave. Sandemose did not create Janteloven, but rather gave the social philosophy a name. Janteloven is an unspoken code of behaviour which has been thoroughly ingrained in Scandinavian culture for centuries and is now considered to have real impact on the behaviour of the Scandinavian population. The law consists of ten commandments included below:

1. You shall not believe that you are something.
2. You shall not believe that you are as worthy as us.
3. You shall not believe that you are any smarter than us.
4. You shall not imagine that you are any better than us.
5. You shall not believe that you know more than us.
6. You shall not believe that you are more important than *us*.
7. You shall not believe that *you* are good at anything.
8. You shall not laugh at *us*.
9. You shall not believe that anyone cares about *you*.
10. You shall not believe that you can teach *us* anything.

One author changed the first commandment to: “you shall not let others see that you believe you are something” (Berggreen 1989). The law is often referred to as a barrier for people who would like to do things outside the norm, like entrepreneurship. (Fuglsang, 2009). The book’s author, Aksel Sandemose, states in his book that “under Janteloven, people kill their chances, meaning all chance for love and peace” (Sandemose, 1933). These laws describe the Scandinavian attitude that emphasises modesty, not flaunting, and not drawing attention to oneself and the result is that the population is kept at a modest average. The outcome is a lowered self-esteem. Because of the Jante Law, it is typical for a person to respond in a modest manner if one receives a compliment; answering “No, I really did not do anything special” (Möller, 1998).

The Jante Law varies within cultures, it is not only apparent in the Scandinavian countries but other varieties of the Jante Law can be found in countries across the world. The term “tall poppy syndrome” has been used in the UK, Australia, Canada and New Zealand to describe the denigration of a person who stands out of the crowd by being wealthy, successful or famous (Deb, King, & Arye, 2006).

Having discussed the social conformity effect of the Jante Law, a further look into conformity; the military's effect on national culture and cultural values follows this section.

### 2.1.6 Compulsory military service (conscription)

**Red:** conscription,

**Blue:** No conscription,

**Green:** No armed services,

**Orange:** plan for conscription to be abolished within 3 years,

**Grey:** No information
As is evident from studying the picture above, Iceland is one of very few countries without armed services. Also, in comparison with the other Nordic countries, Iceland stands out by not having armed services and thereby no compulsory military service.

In Norway, all males are obliged to attend a 9-12 month initial service in the Norwegian Armed Forces, subject to passing certain medical tests. Only around 2-3% opts for a civilian service for medical or ideological reasons. Women can also attend, but on a voluntary basis. Males are generally enrolled when they are 17-18 years old. The further conscription is limited in a way that only those required by the military are actually drafted for future sessions. The initial conscription is necessary so that the military can train the young generation and later on possibly recruit them, furthermore the Norwegian government also see the conscription as an effective nation-building operation, being able to shape such a young generation (Joenniemi, 2006).

The purpose of military indoctrination is to break down concepts of individuals. This is necessary when the behaviour of members of a group will entail a radical departure of the individual’s current identity. New recruits face immense pressure to conform to group values or they can risk group exclusion or even physical consequences. Individuals often have a basic need to belong to a group. An obvious way to avoid negative consequences is to conform and accept the new values. During the military
training the soldiers spend a lot of time being disciplined and following orders is the basis for the soldiers’ actions (Adler, Castro, & Britt, 2006).

3 Norway and Iceland; history, culture and management

It is implied that the origins of cultural difference cannot be understood without an explanation of an historical background (Hofstede, 2001). Therefore a historical summary of both Iceland and Norway is included in this thesis as well as a look into a possible mental programming of culture: the construction of national identity. Then the national cultures will be analysed and the typical business culture in each country described.

3.1 Iceland

In this chapter the history of Iceland will be discussed, then the island’s culture and construction of identity will be explained and finally an analysis of the Icelandic business culture will be presented.

3.1.1 A short history of Iceland

Iceland is a small scarcely populated island situated between Europe and North America. It was mainly populated by Scandinavians, predominantly Norwegians, who travelled via Britain and Ireland on their way to Iceland around year 800 (Ólafsson, 2003). From the 11th century until the 20th century Iceland was first annexed to Norway and when Norway entered into a union with Denmark, Iceland was included by default (Grendstad, 2001). The living conditions for Icelanders during some parts of this period were gruelling as Iceland lost large parts of the population following a pneumonic plague during the 15th century and a smallpox epidemic, famine and a devastating volcanic eruption during the 18th century where the standard of living fell considerably and poverty reached a level unheard of in other Nordic countries. It did not help the Icelandic economy that the Danish king imposed a trade monopoly from 1602 until 1787. After the outbreak of sheep scab in the middle of the 19th century and a subsequent rural crisis, around 15% of the Icelandic population emigrated to North-America in the end of the 19th century. Icelandic merchants were nonexistent until the 19th century and therefore Iceland remained a farming society (Eyjólfsdóttir & Smith, 1997). In fact in 1880, just like the previous
thousand years, almost the entire population was involved in farming (Tomasson, 1980).

After a century of active struggle for independence, with the help of Jón Sigurðsson, Iceland finally became a republic in 1944 (Karlsson, 2000). The proclamation of the republic was a distinct turning point for Iceland’s history. There had been partial victories over a long period: “the restoration of the Althing in 1845, the constitution of 1874, the granting of limited home rule in 1904 and the act of union with Denmark in 1918” (Rosenblad & Sigurðardóttir-Rosenblad, 1993).

By the start of the 20th century Iceland was one of Europe’s poorest regions (Ólafsson, 2003). The island’s first permanent contact with Europe was when the telegraphic line was installed in 1906. Iceland’s economy was boosted by mechanisation of fishing ships as trawling was introduced in the start of the 20th century. However, the greatest change to the Icelandic economy and modernisation was the occupation by foreign military forces on Iceland. First the British arrived in 1940 and then the US Army took over from 1941. The benefits were huge; airports and proper roads were built, the national economy was boosted and chances are that Iceland would not have developed and modernised so fast had it not been for the American base in Iceland. By the 1960s Iceland was among the top ten most affluent nations in the word which shows the incredible change since the start of the century. (Ólafsson, 2003).

3.1.2 The construction of Icelandic identity

Iceland’s history is in many ways similar to the history of the white settlers of America, since both countries are first new societies (Tomasson, 1980). Because of Iceland’s geographical location, the country had more or less been isolated for 11 centuries since the island was populated (Aðalsteinsson & Guðlaugsson, 2007). The idea of a specific Icelandic identity was vague before the 12th century. The Icelandic literature, Íslendingabók, written around 1130, and books describing Icelandic language and laws were among the first things written down and something that the Icelanders could later identify with. There are not many archaeological remains in Iceland prior to the years of settlement (Durrenberger & Pálsson, 1989), so the only thing that the Icelanders had to define their distinctiveness with was the literature. The arduous centuries leading up to the 18th century and a lack of literature from that...
period, made it difficult to determine a specific Icelandic culture, much because Icelanders had little to compare themselves with. The isolated island with its poor state of society had only its own distant past for comparison.

An awareness of the outside world in the 17th century was created when the Danish strengthened their interest in Iceland. This contact with an “other” culture helped Icelanders gather a better self-understanding. Danish efforts to later civilize Iceland only made Icelanders’ culture stronger. New nationalist ideas sprouted in Iceland in the 19th century and during this period of romanticism, an effort was made to purify the Icelandic language from Danish influence and the creation of an Icelandic culture became an issue (Hastrup, 1990). Until the 19th century there were virtually no towns of any kind in Iceland and therefore no centres of culture; Iceland’s centre of culture was found in a different country: Copenhagen in Denmark (Hannesson, 1964). A romanticist movement that praised Icelandic heritage was introduced in the 1830 mainly driven by Icelanders who had been or were in Copenhagen to study. This movement sought to revive Icelandic pride and reconstruct the Icelandic language on the basis of the old sagas. The Icelandic author Halldór Laxness has written about how Icelanders view on Icelandic nature and culture changed in the 19th and 20th century. Until then, he says, the Icelanders had thought the mountains ugly and Mývatn (currently described as a beautiful place) as a hideous place (Júlíusson, 1978). With the increase of foreign artists visiting the island, the artists’ paintings and photos of Icelandic nature had a big impact on Icelanders. They changed Icelanders’ view on their own country to a positive note and were seen as a symbol for Icelandic culture and nature (Ísleifsson, 1997).

In the start of the 20th century the island was increasingly disposed to international influence; Iceland was forcibly occupied by British troops in 1940 that were the year after replaced by the US Army. The US Army had at the most 40,000 soldiers on the island (1943) and US troops were present from 1941 until 2006 (only with a break between 1947 and 1951). The number of soldiers present in Iceland from 1947 until 2006 averaged 1000. (Hunt, 2003)
3.1.3 Icelandic culture

Core values in Iceland are: resourcefulness, independency, literacy, sense of history, reserved people (Alexander, 2006)

Not many published studies on Icelandic culture can be found. Hofstede’s study does not include Iceland in the research and therefore other studies and researches will be used to determine the country’s culture. In 1997, Eyjólfsdóttir and Smith performed a study on Icelandic culture which explored Icelandic cultural characteristics drawn upon Hofstede’s cultural dimensions. They analysed that egalitarianism is rooted deeply in Icelandic culture (Eyjólfsdóttir & Smith, 1997).

Low power distance is apparent in Iceland; the country has hardly experienced any class difference in its history. The “middle class” is the largest social group. There is no constant power struggle in the society or in organisations; the social order is relaxed and informal. Also because of the small population of Iceland, and therefore people more or less know each other, superiors and bosses are less likely to be overbearing (Eyjólfsdóttir & Smith, 1997).

Individualistic characteristics are very strong in Icelandic mentality. It is seen as a positive thing to do something original and to have the courage to do something out of ordinary. Professor Stefán Ólafsson (2003) writes that Icelandic people seem to be strong individualists and furthermore they view competition positively and believe in innovation and entrepreneurship. The afore-mentioned survey showed that Iceland scored similarly to America when it comes to Individualism. Iceland and America share many cultural values such as “egalitarianism, individualism, freedom, scepticism towards authority”. “In Iceland talent and ambition is vigorously encouraged“ (Magnússon, 2001).

The uncertainty avoidance in Iceland is reasonably low. This might have to do with the natural environment of the country; earthquakes, weather, volcanic eruptions which make it difficult to plan a long way ahead. This makes it natural for the Icelanders to take risks, live in uncertainty and make quick changes. Furthermore, Icelanders’ attitude to life is generally positive and happy and if they experience
problems, they generally believe that “it will sort itself out”. This view on life can explain their little reliance on formal rules and structures (Eyjólfsdóttir & Smith, 1997). Another survey on Nordic values measured the agreement with fatalism (whether one believes that things happen for a reason) in the Nordic countries. Iceland got the lowest score of all Nordic countries which strengthens argument for the Icelanders’ view: “it will sort itself out” (Grendstad, 2001).

Another value in the Icelandic culture is the strong optimism that is prevalent in the society. This is possibly an adaptation to high uncertainty (Eyjólfsdóttir & Smith, 1997). “Icelanders tend to give free reigns to their desires” (Magnússon S. A., 1977).

Although Icelanders have been influenced by foreign cultures, it is the native cultural heritage that will always be the permanent foundation for Icelandic culture; a praise of the nature, to the excellence of Iceland and to the heroes of the sagas (Rosenblad & Sigurðardóttir-Rosenblad, 1993).

3.1.4 Icelandic business culture

This section will firstly discuss business culture in terms of Hofstedes dimensions followed by other angles of establishing the definition of Icelandic business culture.

Icelandic business culture follows low-power distance and there is not much hierarchy in Icelandic organisations. With regards to communication, Icelandic managers can be regarded as informal, direct and even arrogant when doing business with non-Icelanders. The Icelandic managers are used to direct communication because of the low power-distance that is typical in the Icelandic culture (Daviðsdóttir, 2006). Icelandic companies are often small and informal (Eðvarðsson & Óskarsson, 2009).

With regards to uncertainty avoidance, Icelandic managers are not afraid of taking risks, are thought to improvise and are unpredictable which is confusing for the Scandinavian countries. They also do not tend to follow formal rules, they do not rely on their subordinates but on the other hand they highly rely on unwritten rules, their co-workers and their own experience (Smith, Andersen, Ekelund, Gravesen, & Ropo, 2003). This is typical for management with low uncertainty avoidance. According to some non-Icelanders in Daviðsdóttir’s survey, managing a company the
Icelandic way is all to do with speedy operations and fast decision-making. This leadership style is often claimed by foreigners to be reminiscent of an American business culture.

Icelanders have a reputation for using different methods of doing business than other countries. The quotes: “Icelanders are intense and good at catching opportunities” and “Icelanders are unafraid go-getters and want to conquer the world” and “Icelandic managers are straightforward – we’re not at all used to that. It’s also positive that they don’t speak in clichés – it’s easy to understand what they mean, it needs no interpretations” (Davíðsdóttir, 2006, p. 35) gives an insight into how others view Icelandic business culture. In the survey, Davíðsdóttir also finds that Icelandic management culture and business methods in many ways contrasts the way business is managed in the Scandinavian countries of Norway, Sweden and Denmark.

The Icelandic managers are relatively young compared to the Norwegian managers (Davíðsdóttir, 2006). An example is taken from Tony Shearer, the former chief execute of the British bank, Singer & Friedlander, describing the management in the Icelandic bank, Kaupþing, as: “extremely young, very inexperienced” (Burridge & Churcher, 2009, p. 1). This could stem from the strong optimism in the Icelandic society and the view that anything is possible.

Since most Icelandic companies are reasonably small compared to their foreign counterparts, the Icelandic managers often rely on informality and direct communication regardless of hierarchy. However, Norwegian managers describe Icelandic managers as “humble” and “very willing to learn” (Davíðsdóttir, 2006, p. 18). Another Danish Manager says that Icelandic managers certainly listen, but then they go and make their own decisions. When Icelandic managers were asked what they had learnt from operating abroad, the answer was: more disciplined work processes and better follow-up procedures (Davíðsdóttir, 2006).

In some countries managers are concerned to be managing their companies in a ways that is viewed as correct by the broader community, an equality based on conformity. Icelandic managers, however, contrast by letting a managerial decision be understood
by their immediate work group (Smith, Andersen, Ekelund, Gravesen, & Ropo, 2003).

3.2 Norway

In this chapter the history of Norway will be discussed, then the culture of Norway will be explained and finally an analysis of the Norwegian business culture will be presented.

3.2.1 A short history of Norway

Norway has been inhabited for much longer period than Iceland. Records of settlement have been found in Norway from as far back as 9200 B.C. Remains have been found that confirm an agriculture way of living that dominated the society from 2-3000 BC and onwards. During the Viking-age (ca. 800 – 1050) Norwegian Vikings travelled and settled in the British Isles, Iceland, Ireland, Greenland and other European countries (Dyrvik, Gronlie, Helle, & Hovland, 1995). The emigration was mostly due to disputes with local rulers and overpopulation on the south-west coast of Norway (Ólafur R. Einarsson, 1975). In 1397 Norway became a part of the Kalmar Union along with Sweden and Denmark. This union lasted more than 4 centuries with Denmark as the dominant power. In the wake of the break up, Norway formed its own constitution in 1814, but was forced into a union with Sweden. However, rising nationalism in the 19th century led to dissolution of the union with Sweden in 1905 when Norway finally gained its independence. Norway has therefore, similarly to Iceland, a short history as an independent nation-state. The independence created a wave of nationalistic patriotism (Joenniemi, 2006). For centuries, the only considerable town with links to Europe was Bergen. With the lack of military and urban splendour, Norwegians took pride in nature and the simple way of life which is very apparent today on the Norwegian constitution day when children parade every town and village carrying Norwegian flags (Eriksen, 1996). Modernity came to Norway after the Second World War and with it came national identity, industry, the strong state, the infrastructure and the solidarity (Joenniemi, 2006)

An important milestone in Norwegian history was when oil was discovered in the North Sea in the 1970s. This has led to Norway becoming the world’s 3rd biggest
exporter of oil and gas. Norway saves the majority of state revenue from petroleum in a fond which has been growing due to favourable GDP growth. Norway rejected membership in the EU in 1974 and 1994 in two referendae.

3.2.2 The construction of Norwegian identity

For many centuries Norway has strong connections to Holland and England through shipping and timber trade and to the countries in southern Europe through fishing trade. There was also a strong tie with German culture among the educated classes, although this association with the Germanic tribe has been muted after the Second World War.

During the 1800s and in the heyday of national romanticism Norwegian national image of the rural national was created. The majority of Norwegians were not hunters, herdsmen or farmers when this archetypical image of a rural national was created. The priest and teacher, Christopher Bruun, was determined to build a national dominant ideology for Norwegians and therefore modernizing Norway for the future generations. He had series of lectures in 1879 that manifested a high morale, patriotic spirit and Norwegianness. His lectures were simple; Norway is best. He also believed that peasantry would be the building platform for Norway and therefore he believed that educated Norwegians should borrow the lore and folkways from the farmer to be able to become part of the Norwegian national culture. Additionally he wanted Old Norse language to substitute Latin, because he saw Latin as a great hindrance in unionizing farmers and the educated classes. Bruun prescribed fresh air and physical work as the typical national symbol.

Norway ended up in a unique way in that almost the whole population was convinced that Norway was in the frontline and was a forerunner to all other countries. School books were also responsible for creating this sense of superiority; as Norwegians being pure breed and true descendants of the Vikings, with a national culture not having been inherited from anyone else. Norway being a poor country but the most beautiful in the world, had the best agriculture for its climate, had the best public schools, the countryside was good and the cities were places of wretchedness and so on. A generation later, these views were still in effect (Berggreen, 1993). After the Second World War, the government initiated a nation-building programme and re-
building what the war had destroyed. The goal was to unite the people and therefore the state promoted a people who shared the same values and societal goals. This promotion of uniting was helped along by the presence of an “other” which was the USSR (Joenniemi, 2006).

Today it is confirmed that the image of Norwegian identity is essentially a rural identity. Even language is decentralised in that almost every valley has its own dialect much to the pride of the inhabitants. Tourists travelling in Norway today will have no problem finding the wholesome Norway of mountains and fjords, fiddle music and folklore, and if they visit urban centres they will also have no problem finding evidence of a very metropolitan European culture (Sabo, 2004).

However, it is beyond doubt that Norwegian identity will continue to be imagined for the foreseeable future and that it will remain just like it is today: proudly Norwegian (Eriksen, 1996).

### 3.2.3 Norwegian culture

The core values in Norwegian culture are: Nationalism, Spontaneity, Modesty, Individual freedom and Honesty (Alexander, 2006).

In many ways, Norway’s culture is similar to the American culture, but in striking contrast in other ways. When it comes to social conformity, Norwegians have a unique culture of humility and modesty. There is a principle of cultural equality in Norway and the egalitarian commitment is strong (Eyjólfsdóttir & Smith, 1997). The preference is for people to be average and there is a dislike for the out of ordinary. This social phenomenon of egalitarian belief can be drawn from the Jante Law as previously described in this study. This egalitarianism does not promote talents and for example there is little competition amongst students (Tixier, 1996). One should not be better than ones neighbour and one should avoid attracting attention to oneself, which is close to the commandments of the Jante Law.

Norway is an individualistic country, but comparatively, in the Nordic countries, individualism is strongest in Iceland and weakest in Norway and Finland (Grendstad, 2001).
It is evident from Hofstede’s research where medium uncertainty avoidance in the Norwegian culture indicates that Norway is a somewhat rule-oriented society. Norwegians have great respect for the law, almost bordering to a submissive nature. Equality is strong, almost as far as being boring when it comes to the way people’s lives are structured and regulated, The needs are few and needs are easily satisfied. Not appearing rich is an important characteristic to the Norwegians; equality is the foundation of educational principles.

First and foremost Norway is a reserved nation. The people’s determination can often result in stubbornness and an unwillingness or inability of seeing other people’s point of view. Norwegians are punctual people, being late is upsetting for them because they are generally always early (Erickson, 2005).

Nature is an important part of any Norwegian’s social values, outdoors activities are generally shared with their families. Also, nationalism is strong in Norway stemming from the Nationalism movement in the 17th and 18th century but also from how Norway was occupied and treated by the Germans during the Second World War and this affected how Norwegians view their own nations, promoting solidarity and a sense of belonging (Gellner, 1983).

It has been argued that it was not before the 1960s that Norway became one integrated nation. This was when national TV was introduced and practically everyone in Norway began watching the same TV program every day (Eriksen, 1996).

3.2.4 Norwegian business culture

An interviewee in Davíðsdóttir’s report stated “The Norwegians are sensible and organised” (Davíðsdóttir, 2006, p. 10). Norway’s business culture follows a low power distance and there is little hierarchy in Norwegian companies, therefore managers are close to their co-workers and tend to integrate them in decision making.

When it comes to uncertainty avoidance, Norwegian managers have a generally high reliance regarding formal rules and a generally high reliance on subordinates and co-workers (Smith, Andersen, Ekelund, Gravesen, & Ropo, 2003). Norwegian managers are cautious and do not take any unnecessary risks, they research thoroughly and
much time is spent before making a decision. There is also a lot of dialogue before reaching an important decision. This gives them a reputation of being slow in decision-making. In discussions or meetings, Norwegians tend to stick to the facts, avoid small talk including personal and irrelevant aspects. They try to avoid disagreements and will accept a poor compromise rather than embarking on a violent quarrel because they strongly wish to agree (Eriksen, 1996).

Norwegians are reliable; they generally keep their word and are punctual. However, they try their best to avoid conflicts and will attempt to arrange things before a conflict arises. Therefore, a highly sought after quality in a Norwegian manager is the knowledge and skill to recognise how to face and solve oncoming conflicts.

Managers of Norwegian companies are overall men in their 60s who never say anything in particular to journalists because they are afraid of doing a mistake, therefore everything they say is pretty bland. Journalists are on the other hand fond of interpreting and guessing what the manager’s statement really means (Davíðsdóttir, 2006).

Because of the social conformity in Norway, managers are concerned about behaving and managing a company in a way which seems appropriate and decent, as judged by the community (Smith, Andersen, Ekelund, Gravesen, & Ropo, 2003). Norway is not an innovative country, creativity is judged as dangerous and an innovative manager would be seen as gambling with his/her career (Tixier, 1996). “The law of Jante” has frequently been mentioned as an obstacle to organizational growth and prosperity in Norway. The Norwegian egalitarian individualism is seen to deprecate the unusual and the original as well as discouraging high achievements and brilliance. The same egalitarianism has also frequently been blamed for the high resistance to EU membership which Norway refused in two referendums (Eriksen, 1996).

### 4 Limitations

People’s idea of “an Icelandic business culture” has in the later years been dominated by the few Icelandic companies that invested heavily abroad, took risks and were to some extent responsible for the financial crash in the autumn of 2008. Because these
Icelandic companies behaved in this unusual fashion, this dominates people’s view on Icelandic business culture. When asked to determine Icelandic Business culture, the first that springs to mind is these few infamous Icelandic business “Vikings”. The media coverage of these few infamous companies rubs off on other unrelated Icelandic companies (Davíðsdóttir, 2006). This business culture might not give a true vision of the way of Icelandic companies operate and the financial crisis has more than likely had a certain impact on the Icelandic business culture. The author of this thesis has decided to focus on the Icelandic business culture that was evident before the economic crisis started in 2008, because there is currently limited information on what effect the crisis has had on Icelandic business culture.

Research is often commissioned for purposes of advocacy and policy making so researcher customize their data and definitions for a given research agenda. Consequently data and definitions vary widely and there is lack of clear and objective information on the scale and the scope.

No company has the same business culture. In order to be able to write this thesis a generalisation of the varied business cultures in Norway and Iceland has been used.

Although the author has tried her best to be objective when researching for this study, some subjectivity might have slipped through because the author represents one of the countries discussed in this assignment. The author’s personal view of might shine through and not show a complete objective result. Additionally „each picture is subject to the individual's perspective on culture“; the study of culture is therefore limited by the cultural background of the researcher. Each perspective is different from the other (Lim & Firkola, 2000).

Because some of the secondary data was written in Icelandic and Norwegian, translating it into English will mostly provide an accurate account of the data. However there are also subtle differences between words in the original language and English that might not be detected by the translator. Additionally, some words in the Icelandic and Norwegian language do not have counterparts in the English language which will also lead to translation difficulties (Lim & Firkola, 2000).
5 Findings

In this section the cultures and business cultures of Iceland and Norway will be compared and the difference described. Furthermore the likely factors responsible for the certain business culture in each country will be discussed.

One of the most useful study for this thesis was the research “in search of Nordic Management styles” written by Smith, Anderson, Ekelund, Graversen and Ropo. The study from 1990 was questionnaire based and included 345 middle managers from a broad range of organisations in the Nordic countries. This study was a part of a more extensive survey which included 47 nations worldwide. The research shows that Iceland and Finland differ from the other Nordic countries in that they have very low reliance to formal rules, high reliance on unwritten rules and personal experience (Smith, Andersen, Ekelund, Gravesen, & Ropo, 2003).

Another study by Eyjólfsdóttir and Smith on Icelandic business and management culture from 1997 was based on the answers from 52 Icelandic managers. It shows that Icelandic and Norwegian management cultures are in many ways similar. They both have emphasis on low power distance, strong feminine values and flat hierarchies. The main difference is found in the countries’ individualism and uncertainty avoidance. Icelandic business leaders’ way of managing is reminiscent of what is seen to be an American style (Eyjólfsdóttir & Smith, 1997).

5.1 The cultural difference between Norway and Iceland

Through applying Hofstede’s cultural dimensions to Iceland and Norway, the countries seem quite similar at first glance. They are both egalitarian countries with low power distance, individualism and feminine values. There has, however, been a larger degree of social stratification in Norway while Iceland has for most of the time been a classless society (Tomasson, 1980). The main area where the cultures differ is in the uncertainty avoidance and social conformity within the society. In Iceland, where uncertainty avoidance is low, people are more likely to take risks than in Norway where uncertainty avoidance is higher. It has been implied that the geography and the instability of the environment in Iceland is responsible for this carefree view
towards risk taking. This reflects itself in the Icelandic optimistic “just do it” attitude (Óladóttir & Jóhannesdóttir, 2008) and also in a certain “it will sort itself out” attitude. The Icelandic positive individualism is a breath of fresh air and is not as evident in Norway (Smith, Andersen, Ekelund, Gravesen, & Ropo, 2003).

The Scandinavian cultural phenomenon “The Law of Jante” is strong in Norway and portrays itself in a fear of being different, conformity, sticking to traditions and “the norm”. Iceland, on the other hand, differs in that this unpleasant Scandinavian social norm is not evident in Icelandic culture which explains why differentiation, innovation and initiative are encouraged as well as entrepreneurship.

These cultural differences have an effect on how businesses are managed in country will be explored in the following section.

5.2 Comparison of business cultures in Iceland and Norway

Further to the cultural difference between the two countries, the national culture also has an impact on the business cultures. As can be read from the previous sections of this thesis, Iceland and Norway have two distinctive business cultures which will be compared in this section.

The main similarities are that the power distance in both countries is low and that the hierarchies within companies are reasonably flat and decentralized. This means that inequalities between people are minimised, employees treat managers almost as equals. When it comes to the inner workings of a company, subordinates expect to be consulted due to this low power distance and an ideal manager is resourceful and democratic. Skills, wealth power and status do not immediately go hand in hand in either country. In both countries feminine rather than masculine values rule, making equality, solidarity and quality of work life an important aspect. Individualism is also found in both business cultures which means that law and rights are supposed to be the same for all, everyone has the right to have a private opinion, everyone has the right to privacy and low context communication is the norm.
The main differences between the countries lie in the uncertainty avoidance. In Iceland, what is different is viewed as curious but in Norway something different can be interpreted as dangerous. Icelandic managers are more likely to improvise and are not afraid of taking risks in comparison to the Norwegians who prefer to plan a good while in advance before reaching a decision. This can be seen from Hofstede’s analysis of the opposites in uncertainty avoidance where cultures from low uncertainty avoidance have tolerance of innovative ideas and behaviour whereas cultures in the opposite end suppress deviant ideas and behaviour. They are resistant to innovation. (Hofstede, 2001). Additionally, Icelandic managers are less likely to follow formal rules than the Norwegians who have a stronger obedience towards authority which is precisely how Hofstede (2001) determines the difference between high and low uncertainty avoidance. Optimism and a positive view to life is predominant in the Icelandic business culture when on the other hand Norwegian managers are also positive but in a more reserved way, cautious and generally afraid of doing a mistake. When it comes to age, Icelandic managers tend to be younger than Norwegian managers. This might also be due to the difference in uncertainty avoidance, because cultures with low uncertainty avoidance have positive attitudes towards young people (Hofstede, 2001). The social norm, The Law of Jante, within the Norwegian society also rubs off on the business cultures which means that managers are concerned with behaving in a way that seems appropriate according to the community/society. This concern is not particularly apparent in Icelandic business culture.

5.3 The likely reasons behind the differing business cultures

There are many factors that can influence culture and business culture in a country. Thorough studies and researches on the countries’ history and culture were necessary to begin to understand the factors behind a certain cultural development.

As far as the author of this thesis has gathered, no other articles or reports have been written exactly on the subject of this section: Cultural factors leading to a certain business culture in Norway and Iceland.

From comparing the two countries and analysing literature available, the main difference between the countries management cultures were explained. From the
conclusion, likely factors that could be responsible for the development of such
different business and business cultures will now be investigated and the second
research question will be answered:

What likely factors have influenced Norway and Iceland to develop different business cultures?

The three factors that the author of this thesis found relevant to the difference between
Icelandic and Norwegian business cultures are:

- The cultural phenomenon Janteloven (“The law of Jante”)
- The compulsory military service in Norway (and the lack of it in Iceland)
- The American influence

5.3.1 The cultural phenomenon “The Law of Jante”

Further to this research on the cultural history of the Nordic countries, it is safe to
establish that “The Law of Jante” is a Scandinavian phenomenon and a part of what characterises Scandinavian culture. Egalitarianism and conformity affects the Norwegian society in a way that an out-of-ordinary and innovative behaviour is looked upon in a negative manner.

The “The Law of Jante” also impacts behaviour in that a person is concerned about what “the other people” think about his/her behaviour/decisions. A comparison of Icelandic and Norwegian managers with regards to a managerial view to the “beliefs which are widespread in the country as to what is right” performed by Smith, Anderson and associates from 2003 shows that there is a noticeable difference between Norway and Iceland. Norway scored highest among the Nordic countries, which indicates that Norwegian managers are generally concerned with making decisions based on what is judged as being appropriate and correct. Iceland on the other hand, had the lowest score among the Nordic countries which indicates that this is not an important issue among Icelandic managers (Smith, Andersen, Ekelund, Gravesen, & Ropo, 2003).

This means that the way “The Law of Jante” is ingrained in Norway’s culture also has an apparent effect on the way businesses are being managed in the country. Sadly, no researches or studies to the author’s knowledge are able to determine where “The Law
of Jante” originates from and when it started having an effect on the Norwegian culture and how it has developed.

“In Iceland talent and ambition are vigorously encouraged“ (Magnússon, 2001). Icelandic managers are not afraid of speaking their mind and believe that anything is possible (Óladóttir & Jóhannesdóttir, 2008). They are also encouraged and motivated by their co-workers. This type of behaviour is not typical for a culture influenced by “The Law of Jante”.

The author of this thesis is unable find any scientific documents or reports mentioning “The Law of Jante” or evidence of “The Law of Jante” in Iceland nor any social conformity similar to “The Law of Jante”. Therefore the assumption is drawn that “The Law of Jante” is not a characteristic of Icelandic culture. One can only speculate on the reason why “The Law of Jante” is not noticeable in Iceland the same way it is in Scandinavia.

The conclusion is therefore that it is very likely that the cultural phenomenon, “The Law of Jante”, shapes the Norwegian business culture and since this social norm cannot be identified in Iceland, there are low chances that is has an effect on Icelandic business culture.

5.3.2 Compulsory military service’s effect on business culture

In Iceland, as in Norway, there is a majority of males in managerial positions (Eðvarðsson & Óskarsson, 2009) and (Håland & Glad, 2005). Young Icelandic males are not obliged to enter into a 12-month initial service in the military, but on the contrary, Norwegian males are.

The argument is that a 12 month military training in a manager’s youth makes a manager more likely to follow formal rules. The military emphasises on discipline and following rules and it would therefore be interesting to demonstrate a connection.

Looking at the study “In search of Nordic management styles” by Smith, Andersen and associates from 2003, Norwegian managers are much more likely to follow
formal rules than Icelandic managers and Icelandic managers rely more on unwritten rules. However, 56% of the Norwegian managers in the survey were working in state owned companies whereas only 19% of the Icelandic respondents were employed by state owned companies. Therefore the result that shows that Norwegian managers generally follow formal rules is not conclusive enough, because formal rules are more evident in state owned companies and a connection is therefore difficult to establish (Smith, Andersen, Ekelund, Gravesen, & Ropo, 2003).

From the same study, one can see that Finland’s results are similar to Iceland’s results in that managers in both countries do not generally rely on formal rules and they rely more on unwritten rules. Finland has a compulsory military service similar to Norway where all males reaching 18 years of age are required to do their basic military training. In spite of this, Iceland and Finland reach similar results and this indicates therefore that there is no special correlation between managers following formal rules and having been trained in the military.

Another relevant study is an American research regarding the successes of CEO’s and whether they are more successful if they have a military background. The research was conducted on 500 CEOs in 2005. Although one’s personal experience with the US military might not be the same as the experience with the Norwegian Armed Forces, this study gives an overall idea of whether there is a link between military training and being a successful CEO. Significant findings in the research included that CEOs with military background were in a majority compared to the percentage among the US male population. Additionally there were higher average returns on companies with CEOs that had military background and these CEOs also survived longer in their position (Griesedieck & Wardell, 2006).

According to the Norwegian Armed Forces, there are no other Norwegian schools that have the same psychological impact such as the Norwegian Army Forces. The military’s role as a teacher, instructor and role model can not be emphasized enough. Every year the military plants thoughts and attitudes that will affect current and future generations. 18 to 20 year olds are often inexperienced and are therefore very susceptible to influence. New clothes, new location, new friends etc. makes the
recruit maximally open to influence. The main goal of the Norwegian Army is to maintain discipline and professionalism (Forsvaret, 2006).

Although there is no concrete evidence supporting a certain managerial effect by participating in the initial military service in Norway, the author of this thesis believes that it is likely that a whole year service the in military during the early years of a male individual does have an effect on behaviour. However, further studies are needed to be able to determine the effect the military has on male managers in Norway and whether military discipline and structure promotes a certain business culture.

5.3.3 The American influence

“In general, norms shifts will be gradual unless the outside influences are particularly violent (such as in the case of military conquest or deportation)” (Hofstede, 2001, p. 12). The U.S. army has been stationed in Iceland for many decades. The argument is whether the US. Army in Iceland with their American culture is a likely factor that has had an effect on Icelandic culture and influenced the way businesses are managed in Iceland.

The U.S. Army started broadcasting American TV in Iceland as early as 1955, long before The Icelandic State Broadcasting Service (RÚV) had considered the possibility of broadcasting TV in Iceland. Although at first the reception was limited to the nearby villages to Keflavík, the U.S. Army increased their TV transmitter fourfold in 1960 enabling almost the entire Icelandic population owning a television to watch. RÚV did not start broadcasting until 1966 and then only operating for 3 days a week for the first two years. The duration of the Icelandic television transmission time was only around 22 hours per week in 1968 (Ólafsson & Broddasson, 2001). There was a protest in 1965 where 59 Icelander signed a petition to stop the U.S. Army broadcasting in Iceland in order to protect Icelandic culture. The U.S. Army subsequently changed their television transition to cable so that the channel only became available to U.S. Army personnel.

Jóhann S. Hannesson (1964) wrote an article sixteen years after the World War II had ended where stated that “the American influence in Iceland is at present so pervasive
and so profound, so immediate, so direct that it is difficult to describe and almost impossible to analyse or understand” (p. 69). He also identifies the lack of studies on the American impact on Iceland and believes that the reason for this being that the influence is already too much a part of the Icelandic society and therefore difficult to spot. Also, he says that the lack of preconditions of knowing exactly what American society and culture stands for and the lack of opportunities to study American culture and anthropology in Iceland made it difficult from the start to define the impact. Additionally, it is difficult to determine whether Iceland has gone through an American influence (or Americanisation) or just followed the pattern of a normal modernisation of the western world (Hansson, 1964).

There is a materialistic inclination in Iceland that promotes a social pressure to keep up with others (Eyjólsdóttir & Smith, 1997). With the strong individualism in Iceland, on follows a high rate of house-ownership and materialism similar to that of the Americans. In comparison, Norwegians have a much bigger market of rental flats and houses and the car fleet is not dominated by big jeeps. Icelanders have a tendency to live to the material maximum that their income affords which is a value orientation similar to the American culture (Tomasson, 1980). Furthermore, Icelanders also make headway in car-ownership and one of the many things that visitors notice when arriving in Iceland is the amount of large jeeps in the country (Ólafsson, 2003).

In regards to Icelanders’ view on themselves, a survey from 1980, 100 Icelanders were asked which nationality they thought they had most similarities with. Norway came on the top of the list and America was the 6th choice (Tomasson, 1980).

The lack of publications and research on the American impact on Icelandic culture makes it difficult to establish a definite connection. It is quite likely that America has somehow had impact in Iceland similar to most of Europe, but it is difficult to establish exactly what kind of impact and in what period this impact took place. Although it is clear that Icelandic management differs from Norwegian business culture in that it is leaning more towards an American way of managing (Davíðsdóttir, 2006), at present the author of this thesis finds that is not possible to demonstrate that the Keflavík Army base is responsible for this.
6 Recommendations

The final section concluding this thesis will make use of the main cultural differences between the Icelandic and Norwegian managers to recommend ways how Norwegians and Icelanders can prepare prior to cross cultural business dealings. Adjusting to a new culture can be difficult and frustrating and it is therefore important to try to minimise misunderstandings and confusion in cross-cultural communication. The lack of investment in the expertise

Although the Norwegian market is easier to enter for Icelanders than for example the Asian market, there are still subtle differences that are important to be aware of. Cross cultural understanding is essential for successful business.

6.1 Advice to Icelanders starting working in Norway

The flat hierarchy and low power distance in both countries means that communication between managers and workers are open, informal and direct. Icelanders do not generally need to concentrate on changing their communication style when going to Norway, but it would, however, be got to be aware that social stratification within Norway is slightly more than in Iceland.

As Icelandic managers are renowned for being very optimistic and positive, Icelanders travelling to Norway to work or for job interviews should be prepared for a more reserved attitude from a Norwegian manager. This does not mean to say that Norwegian managers are not positive; they just tend to hold back a little.

Norway and Iceland are both feminine societies according to Hofstede’s dimensions (2001) which means that equality solidarity and quality of work life are important aspects in both counties.

As mentioned earlier in this thesis, due to the difference in uncertainty avoidance, Icelanders will probably find Norwegians slow in decision making and not particularly ready to take risks. Because of the small population of Iceland, it is easy to make fast decisions. The majority of companies have a website with direct numbers to members of staff. Communication is quick, via email or phone. In Norwegian
companies, decision-making is generally a collaborative process based on democracy, equality, individualism and flat hierarchy. A debate between workers and managers is often initiated to ensure that everyone has agreed. This can take a lot of time which might be very frustrating for Icelanders. An Icelander should wind down when dealing with Norwegian managers, not trying to push a decision forward. Speedy operations and quick decisions are not always possible within the Norwegian organisation. For example fixing a price for a contract and agreeing on it can take a long time with Norwegian managers (Davíðsdóttir, 2006).

Another side to the difference in uncertainty avoidance is the punctuality which is more important to Norwegians (Berggreen, 1993). An Icelandic manager or employer wishing to make an impression will not do so by turning up late. According to cultures with high uncertainty avoidance, punctuality is not learned, but should come naturally (Hofstede, 2001).

It is a good recommendation for an Icelander to read up on the social conformity effect of “The Law of Jante” before venturing to Norway. The Norwegian society will make much more sense after familiarising oneself with this social norm.

Other than this, Icelanders will not have a difficult time getting accustomed to the Norwegian way of living. The two countries are similar and employment of Icelanders is popular in Norway much because of the Icelanders being hard working, they are less likely to go on sick leave and they can easily learn Norwegian (Schultz, 2008).

6.2 Advice to Norwegians employing Icelanders

Icelandic workers are generally hard working and most of them speak a Scandinavian language or can easily learn one. Even though the Icelandic culture is reasonably similar to Norwegian, there are some points that Norwegian employers should be aware of:

It might be difficult for Norwegian managers get accustomed to the quick decision making that is distinctive to the Icelandic business culture. This stems from the low
uncertainty avoidance in the Icelandic culture. The Icelandic leaders have the characteristics of entrepreneurs, willing to take big risks (Davíðsdóttir, 2006). It is helpful for Norwegian managers to be well informed about the Icelandic cultural characteristics of risk taking and quick decisions in order to be prepared for the business dealings with Icelanders. This does not mean that the Norwegian managers should go with the flow and try to imitate the Icelandic business culture, but knowledge of how Icelanders operate, will lead to an easier transition and less of a culture shock.

Also stemming from the low uncertainty avoidance in Iceland, young people are looked on positively and when it comes to age, Icelandic managers are generally younger than Norwegian managers which also can be a bit surprising at first (Davíðsdóttir, 2006). Chances are that the somewhat older Norwegian managers will be less inclined to take the younger Icelandic managers seriously. But having acquired this knowledge on the cultural differences, the difference in age should be understood and respected by Norwegians.

The author of this thesis believes that Norwegian managers would be pleasantly surprised in the event of employing Icelanders. They are overall renowned for being hard-working, their hourly working week being one of the longest in Europe (Tomasson, 1980). Icelanders are also less inclined to take sick-leave. In comparison to Norway, the sick leave in Iceland is far lower than in Norway. The percentage in 2009 was 1,2% for Iceland (the lowest in the Nordic countries) and 7,7% in Norway (the highest in the Nordic countries). Some say that it is too easy to get sick-leave in Norway and also it is not looked upon as a negative thing. In Iceland the sick-leave benefits are lower than in Norway where one gets 100% of sickness benefit compared to one’s salary (Lindahl, 2010).

Generally, employing Icelandic workers or managers in Norway would not lead to a steep cultural learning curve. The two societies are similar and it will not be difficult for Icelanders to adapt to the Norwegian business culture.
Conclusion

The main topic of this thesis was the comparison of the business cultures of Iceland and Norway. There are many factors that could be responsible for the development of a certain business culture in a country. The author of this thesis explored the historical and cultural background of these two countries in addition to recent studies to get a better understanding of the current culture and business cultures. The apparent differences between Iceland’s and Norway’s cultures and business cultures were explained and were mainly found to stem from the difference in uncertainty avoidance. From this comparison the author of this thesis decided to emphasise on three likely factors responsible for the differing business cultures in Norway and Iceland: “The Law of Jante”, Americanisation and the influence of conscription. These factors were explained and justified to demonstrate a link to the development of the current business cultures. The main factor responsible was found to be the social conformity norm of “The Law of Jante”. Finally, recommendations for Icelandic and Norwegian managers and employees were presented to make it easier for Icelanders to prepare for working in a Norwegian work environment. Additionally, recommendations were also included for Norwegian managers on what qualities and cultural values to expect when employing an Icelandic worker or manager.

Further studies and speculations

Further to the research of this study, the author discovered many areas that would be interesting to explore and continue to research. The similarities between the business cultures in Finland and Iceland and how they differ from the Scandinavian countries captured the author’s attention. The languages in these countries differ from the Scandinavian languages in Norway, Sweden and Denmark where the language is mutually intelligible (Hastrup, 1990). Finland and Iceland do not have royalty unlike the Scandinavian countries and it would be interesting to find out whether this affects the fact that Scandinavians respect the law and authority and generally follow formal rules rather than Icelanders and Finns. Do the monarchies of Sweden, Norway and Denmark contribute to an increased social stratification and does this social stratification make formal rules more respected than in countries without royalty?
Icelandic and Finnish managers score very low on following formal rules and both countries are republics (Eyjólfsdóttir & Smith, 1997).

This assignment has also evoked an interest in researching the Norwegian compulsory military service and its psychological and behavioural effect on young males. Also whether the indoctrination training affects the way Norwegian male managers conduct business and whether the military service has a general effect on the culture of the whole Norwegian population. The author found the limited availability of reports and research on this topic very surprising. One would have thought that such an important part of Norwegian society would have been studied thoroughly and research made public. One can only wonder whether the publishing of such reports is limited and controlled by institutions like for example the Norwegian government.

References


