Strategic management in the era of cooperation:Toward a theory of Scandinavian cooperative advantage

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Published by:
CBS Centre for Corporate Social Responsibility
CBS Working Paper Series
Porcelaenshaven 18
DK – 2000 Frederiksberg

ISBN 978-87-999720-0-5

Working Paper No. 1 2017

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Toward a theory of Scandinavian cooperative advantage

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Abstract

Whereas strategic management in the U.S. has traditionally focused on competition and a competitive advantage, Scandinavian strategic management has long centered on effective cooperation. In light of recent calls in the U.S. to shift toward cooperation to realize opportunities for shared value creation and address sustainability challenges, the Scandinavian context can effectively serve as an inspiration for this shift. We conduct our exploration with two interrelated objectives: to increase awareness of the Scandinavian cooperative approach and encourage practitioner and researcher inquiry, and to provide a stepping stone to a more thorough research agenda on cooperation in the Scandinavian context.

Introduction

Whereas strategic management in the U.S. has traditionally focused on competition and a competitive advantage, Scandinavian strategic management has long centered on effective cooperation. Hence, in contrast to a U.S. business context characterized by a ‘romance’ with competition (Rosenau, 2003), Scandinavia based firms demonstrate a heightened willingness and ability to cooperate with their stakeholders (Strand & Freeman, 2015). In recent years, however, even U.S. business has begun embracing a shift toward cooperation, as evidenced by the widespread popularity of Porter and Kramer’s (2011) ’Creating Shared Value’, which calls for ‘new and heightened forms of collaboration’ (p. 76) to address society’s greatest sustainability challenges while realizing business opportunities along the way.

The U.S. focus on competition and competitive advantage was initially popularized by strategic management guru Michael Porter (1980, 1985) whose competition-fueled prescriptions reflect the U.S. business context’s love affair with competition in commerce. The proliferation in this context of military and sports metaphors bolsters a self-interest-fueled zero-sum ‘survival of the fittest’ narrative that paints business, and thus business people, as predominately competition driven (Audebrand, 2010; Bracker, 1980; Ghoshal, 2005).

Scandinavian strategic management and managerial teachings, in contrast, are heavily influenced by Rhenman’s *Industrial Democracy and Industrial Management* (Swedish, 1964; English 1968), which served as a primary textbook for management curricula across Scandinavia well into the 1980s (Nasi, 1995a, 1995b). This book, and many related offerings by Rhenman and colleagues (e g. Rhenman et al., 1970), promotes a Scandinavian model of cooperation characterized by firm willingness and ability to cooperate with stakeholders (Grennes, 2003; Morsing et al., 2007; Strand & Freeman, 2015). The recent cooperative shift in U.S. strategic management, in contrast, is embodied in Porter and Kramer’s (2011) notion of increased collaboration through the creation of shared value (CSV). Given Porter's past successful inculcation of an almost rote allegiance to competitive advantage in the American business mind, however, redirecting the focus to cooperation will require a concerted effort.

In this paper, we contribute to this effort by exploring how the Scandinavian context could effectively serve as an inspiration in the U.S. for this cooperative shift. To do so, we first construct the framework shown in Figure 1, in which the middle bolded elements represent our three primary tenets: Scandinavian management teachings encourage cooperation (d), Scandinavian firms demonstrate strong cooperation (e), and Scandinavian firms demonstrate strong sustainability performances (f). We situate these bolded elements within a broader Scandinavian context of historical (a), cultural (b), and institutional(c) elements, between which we also examine linkages. The framework also includes a financial element (g) to allow consideration of the link between it and sustainability performance (f). Given the entire field of global scholarship now focused on linking these two variables (Khan et al., 2016; Margolis & Walsh, 2003), we position them within corresponding global elements (F) and (G) to facilitate exploration beyond the confines of Scandinavia.

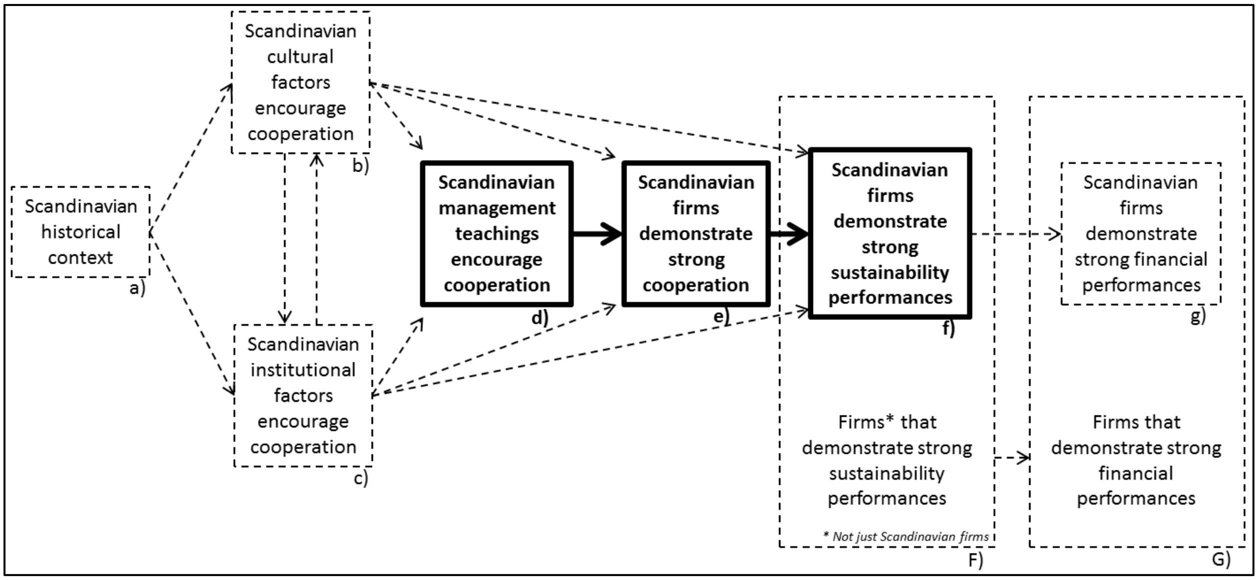


Figure 1: Scandinavian cooperative advantage framework

We conduct this exploration with two interrelated objectives: to increase awareness of the Scandinavian cooperative approach and encourage practitioner and researcher inquiry, and to provide a stepping stone to a more thorough research agenda on cooperation in the Scandinavian context. Such inquiries are merited by both the increased attention to cooperation in strategic management and the fact that sustainability challenges are too large and urgent for any single actor to effectively address alone. Integrating the various elements into a framework not only provides a convenient starting point for inquiry that might entice researchers into further engagement but also a useful research-based reference tool for practitioners. We hope, for example, that academic colleagues will not only fill gaps in the extant literature by supporting or refuting assertions but also by challenging, expanding, or modifying the framework itself. In particular, we recognize that our attempt to paint an overall picture of the Scandinavian context undoubtedly overlooks relevant literature streams.

Our detailed framework is important because, given the deep contextuality of any deliberate effort to shift strategic focus from competition to cooperation, failure to thoroughly understand and engage with the contextual elements of the Scandinavian cooperative approach may well result in failure to make this shift elsewhere. It also has great potential to contribute to a new research agenda in that each framework element constitutes a descriptive summary whose potential linkages with other elements offer a valuable opportunity for theory development. We thus leverage the framework to highlight potential avenues for fruitful research.

Because of U.S. business practices' global influence and the nation's hegemonic status on management instruction, we begin our discussion with an overview of strategic management teachings in the U.S. and the traditional focus on competition and competitive advantage. We then demonstrate this field's recent shift to a new emphasis on cooperation, a shift that will require concerted effort in a competition-based context overrun by military and sports metaphors, in which the zero-sum game narrative is inculcated as the business norm.

U.S. strategic management: traditional focus on competition

In essence, the job of the strategist is to understand and cope with competition.

(Porter, 1979/2008: 3)

As documented by Bracker (1980), the competitive roots of U.S. strategic management are military and war traditions subsequently coupled with intellectual complements from economics. In fact, even the word strategy is derived from Greek *strategos*, meaning 'a general', which in turn has roots meaning 'army' and 'lead'. As already discussed, the most influential individual in the competitive view of strategic management has been Michael Porter, an economist by training, who has influenced millions of business students and practitioners in the U.S. and far beyond (Magretta, 2012). Porter's offerings are rooted in the neoclassical economics tradition exemplified by Milton Friedman (1962/2002; 1970) in which the firm's sole purpose is to maximize profits. It was this heavy influence by Porter (1979/2008, 1980, 1985) that produced the long-standing focus on competition with a firm-level objective of *competitive advantage.*

Indeed, one mainstay of strategic management textbooks is Porter's (1979/2008) five forces model (see Figure 2), which represents a self-interested view of the firm couched in such militaristic rhetoric as '*rivalry* among existing *competitors*', '*threat* of a new entrant', and 'bargaining *power* of suppliers' (emphasis added). This model and its associated metaphors imply that business predominately involves competition, meaning that business people should concentrate primarily on competition in a zero-sum game in which for one entity to win another must lose.

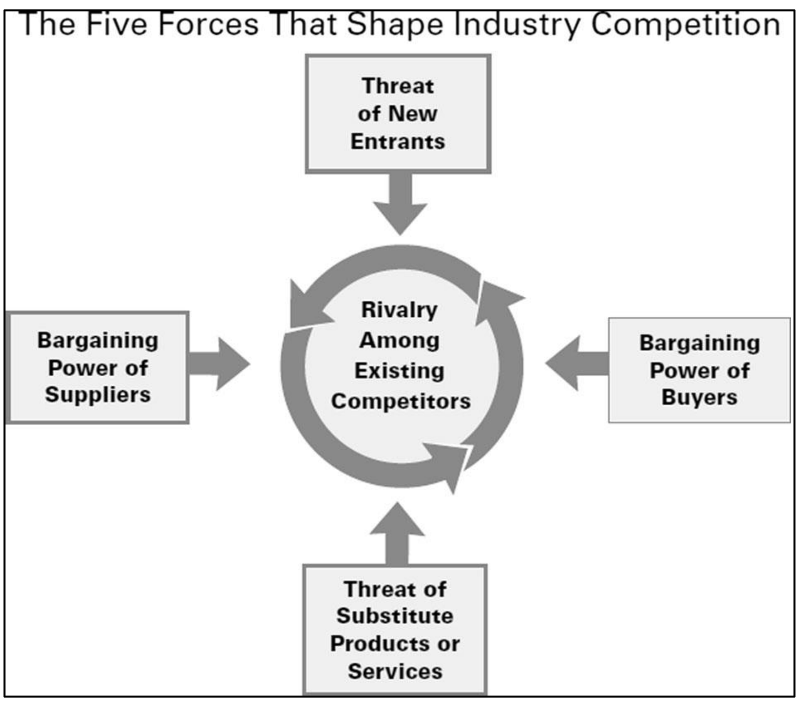


Figure 2: Porter's five forces model

U.S. strategic management: the recent shift toward cooperation

The purpose of the corporation must be redefined as creating shared value, not just profit per se…. Shared value creation will involve new and heightened forms of collaboration.

(Porter & Kramer, 2011, pp. 64, 69)

Having heavily influenced the old competitive model, Porter, together with Kramer (2011), now strongly champions the recent U.S. strategic management shift toward cooperation, proposing a CSV model in which firms are more likely to realize greater profits – and hence, sustained long-run competitive advantage – by turning global sustainability challenges into major business opportunities. Because one entity alone cannot handle the complexity of these issues, however, to be successful, firms must become adept at cooperating with other entities- even competitors.

A forerunner of this CVS notion was Brandenburger and Nalebuff's (1997) highly popular notion of co-opetition, which, rather than focusing solely on competition, promoted business as a mix of cooperation and competition. These authors critique the traditional narrative of a zero-sum competitive game in favor of heightened levels of value creation achieved through a more cooperative focus. Neither CVS nor co-opetition, however, is an independent offering; rather, both are conspicuous indicators of growing evidence that superior value creation, and ultimately competitive advantage, is more likely achieved through greater emphasis on cooperation[1] (e.g. Austin, 2010; Child et al., 2005; Haahti, 2005; Laszlo et al., 2014; Nielsen, 1988). Thus, Dyer and Singh (1998), in a highly cited article, argue that 'collaborating firms can generate relational rents through relation-specific assets, knowledge-sharing routines, complementary resource endowments, and 'effective governance' (p. 676), which can all ultimately lead to sustained competitive advantage for the firm. In other much cited work, Ring and Van de Ven (1992) describe the important role that trust plays in structuring effective cooperative relationships between organizations, and the firm-level benefits that follow.

All the above ideas could serve to motivate firm adoption of a more 'cooperative strategic posture' than traditionally prescribed. The concept of 'strategic posture' was first introduced by Covin and Slevin (1989) in reference to companies' tendency to embrace strategies along a

[1] Others, like McGrath (2013), are calling for an 'end of competitive advantage' altogether.

particular dimension; for example,one with entrepreneurial versus conservative strategic postures at it extremes. This construct, although a deliberate oversimplification, is useful for assessing and articulating general tendencies. It was then extended by both Haahti et al. (2005) and Arikan (2009) to describe a cooperative strategic posture, which Strand and Freeman (2015) more recently develop into a competitive-cooperative dimension in which the cooperative versus competitive strategic postures manifest as companies tending to consider their stakeholders as potential partners in cooperation versus adversaries in competition.

Whereas Porter originally used lexicon aligned with a competitive strategic posture in his five forces model, Porter and Kramer's (2011) more recent work clearly advocates a more cooperative strategic posture. This cooperative shift is most conspicuous in prescribed interactions between a company and those that could be its competitors:

> Shared value creation will involve new and heightened forms of collaboration. While some shared value opportunities are possible for a company to seize on its own, others will benefit from insights, skills, and resources that cut across profit/nonprofit and private/public boundaries. Here, companies will be less successful if they attempt to tackle societal problems on their own…. (p. 76)

In such a context, ʽmajor competitors may also need to work together on precompetitive framework conditions…. [and] successful collaboration will be… well connected to the goals of all stakeholders' (p. 76). Nonetheless, as previously emphasized, because metaphors shape our view of the world and subsequent behavior (Lakeoff & Johnson, 1980), a redirected focus will require concerted effort to overcome the almost rote allegiance to competitive advantage and the competition-related metaphors that dominate strategic management in the U.S. For example, companies within the same industry are invariably referred to as 'competitors' rather than by a more neutral term such as 'industry peers' (Strand & Freeman, 2015). The reality that this armory of competitive metaphors is unlikely to be supplanted without deliberate effort represents only one challenge of a cooperative shift (Audebrand, 2010; Bracker, 1980; Ghoshal, 2005).

A major reason that the mainstream strategic management shift to CSV is so significant is that it reflects a corresponding shift in the thinking and articulation of its chief spokesperson, Michael Porter. This refocusing is not, however, without its critics. For instance, a systematic critique by Crane et al. (2014) challenges the efficacy of simply telling managers to achieve win-win scenarios by turning sustainability and social challenges into business opportunities in a business world made so effectively competitive by Porter himself. Given our chief claim of CSV's popularity being strong evidence of this cooperative shift in mainstream strategic management[2], Crane et al.'s (2014) critique is only relevant to our discussion as it relates to Scandinavia. That is, Crane et al. (2014) based their criticism that CSV is 'unoriginal' (p. 135) on its remarkable similarities to stakeholder theory, a paradigm whose first development and implementation are well documented to have occurred in Scandinavia (Freeman, 1984/2010; Freeman et al., 2010; Nasi, 1995a, 1995b; Strand & Freeman, 2015; Strand et al., 2015). Creating shared value may thus arguably be considered 'a concept of Scandinavian origins' (Strand & Freeman, 2015).

Toward a theory of Scandinavian cooperative advantage: a framework

We explore cooperation in the Scandinavian context by elaborating on the framework graphed in Figure 1, which centers on the observations that Scandinavian management teachings encourage cooperation (d) and that Scandinavian firms demonstrate strong cooperation (e) and strong sustainability performances (f). We situate these claims in broader historical (a), cultural (b),

[2] By their own account, CSV 'has succeeded in gaining a substantial and positive practitioner audience …. has since been enshrined in the official EU strategy for CSR…. [and] has also made great headway into the academic management literature' (Crane et al., 2014).

institutional (c), and financial contexts (g) to explore possible linkages that shape national and regional business environments (House et al., 2004; Ronen & Shenkar, 1985; Whitley, 1992). We consider any possible link between a firm's financial performance and its sustainability performance as this is an association likely to garner major attention, especially from those in the U.S. context who are concerned with its effect on the bottom line.

In its totality, we consider this framework, with its separate descriptive summaries, to be an important step toward developing a theory of Scandinavian cooperative advantage. Cooperative advantage is a term that, although employed by several scholars (Cooke 2002; Dagnino & Padula 2002; Ketelhohn 1993; Laszlo et al., 2014; Lei et al. 1997; Skrabec 1999; Strand 2009; Strand & Freeman, 2015), has received nowhere near the recognition of 'competitive advantage'. Leveraging the expression may prove particularly useful given our discussion's positioning within the field of strategic management. Here, therefore, we define cooperative advantage as 'a company implementing a value creation strategy based on cooperation with its stakeholders (e.g. suppliers and customers) that results in superior value creation for the company and its stakeholders" (cf. Strand & Freeman, 2015). Thus, 'Scandinavian cooperative advantage' refers to the general tendency of Scandinavia-based companies to adopt a cooperative strategic posture. As our article title suggests, we intend this discussion as a functional step toward a more comprehensive theory of how business actually does and can work in a Scandinavian context characterized by heightened firm willingness and ability to cooperate with stakeholders. Implicit in this exercise is the assumption that all such considerations may prove useful beyond Scandinavia.

Definitions

Prior to our main analysis, we need to briefly clarify our use of the term ‘Scandinavia’ and define what we mean by ‘sustainability’. Historically, ‘Scandinavia[n]’ refers to the three countries of Denmark, Norway, and Sweden, which share a strong historical heritage, similar languages and religious traditions, and a shared political ideology (Bondeson, 2003; Nordstrom, 2000). Not only do these countries tend to form a more compact cluster than other nations or regions, but the people tend to be rather similar (Morsing et al., 2007, pp. 88–89). Today, the term is often extended to Finland (Bondeson, 2003, p. 3) and may be used interchangeably with ‘Nordic’ (Bondeson 2003, p. 3; Derry 1979)[3]. This latter term refers specifically to a suite of countries established in 1971 by the Nordic Council of Ministers to encourage intergovernmental cooperation, originally between Denmark, Finland, Iceland, Norway, and Sweden and, more recently, also Greenland, the Faroe Islands, and Åland (Norden.org, 2016). An alternative to defining these terms based strictly on geographic boundaries is to link the concept to an identity, approach, or even ‘state of mind’ (*Scandinavian Journal of Management*, 2016).

Sustainability is most broadly defined as ‘development that meets the needs of the present without compromising the ability of future generations to meet their own needs’ (Brundtland, 1987). Because in this paper, we treat sustainability as an umbrella construct, we do not strictly distinguish between it and associated concepts like corporate social responsibility (CSR), corporate citizenship, or triple bottom line. Rather, we refer to it in terms of companies taking responsibility for the well-being of both their stakeholders and future generations by considering the long-term ramifications of their activities as they pursue profits.

[3] Not all would agree with this broadening.

Historical context (a)

The Scandinavian tradition of promoting cooperation extends far back into its history as a predominantly agrarian society with relatively low population densities, one that in the 1800s and early 1900s could not be considered wealthy. Norway, for example, whose inhabitants lived chiefly in small farming communities and depended on resource sharing for survival, was the poorest country in all of Europe (Moses, 2005). Culturally, Scandinavians tend to embrace common traditions, including similar languages and shared religion (Derry, 1979; Nordstrom, 2000), and are racially and culturally homogeneous enough to warrant the descriptor 'Scandinavian tribe' (Svalastoga, 1954). Politically, Scandinavians have strongly embraced democratic ideals and practices rooted in an egalitarian social structure, expecting members of their society to cooperate and make decisions through discussion and consensus building (Andersen & Hoff, 2001). This cooperative movement has been notably strong across Scandinavia from the dawn of the 20th century to today. Cooperatives of many types, all based on trust and regular face-to-face consensus-building around common goals (Michelsen, 1994), are commonplace, including those for farmers, schools, and housing (Chloupkova et al., 2003; Nordstrom, 2000).

Cultural factors (b)

In discussing cultural factors that facilitate cooperation among modern-day Scandinavians, we avoid stereotyping by adopting Osland and Bird's (2000) definition of cultural generalizations; that is tendencies and social norms common to a particular social context but not necessarily observable at all times in all circumstances. From a cultural perspective, beginning at an early age, contemporary Scandinavian society promotes cooperation. For example, Kingsley (2012, pp. 19) offers:

> Only in Denmark could there be a board game – Konsensus [English: Consensus] – based around the concept of collaboration. It's no coincidence that the name of the Danes' most famous export – Lego toys – is derived from the Danish words "leg godt." Play well.

Scandinavian cultural studies are also characterized by various manifestations of cooperation and consensus building, with perhaps the most conspicuous being the expectation that leaders practice a participatory leadership style that facilitates consensus building among stakeholders to enable cooperation. This focus stands in stark contrast to the more authoritarian, commander style leadership approaches embraced in other world regions, including the U.S. (Bjerke, 1999; Dorfman et al., 2004; Grenne, 2003; Lorange et al., 2003; Vallentin & Murillo, 2010). The Scandinavian business context also strongly rejects self-protective (or "face-saving") leadership, expecting CEOs and other leaders to show self-deprecation and be willing to look bad occasionally rather than always attempting to save face. As this suggests, humility is a cherished quality in the Scandinavian cultural context (Dorfman et al, 2004).

The Scandinavian context also embraces and promotes egalitarianism (Bondeson, 2003) with low power distance (Hofstede, 1980; Hofstede et al., 1991). The result is flatter organizational hierarchies in which individuals, independent of rank, are more likely to engage directly with one another (Morsing et al. 2007). Because of high levels of trust (Bondeson, 2003), Scandinavian countries are also globally recognized as promoters of peace and trustworthy brokers for peace efforts in conflict-ridden arenas (Archer & Joenniemi, 2003). Not surprisingly, then, the Scandinavian cultural context has long embraced democratic ideals that give each individual a voice independent of social position (Andersen & Hoff, 2001; the *Economist*, 2013).

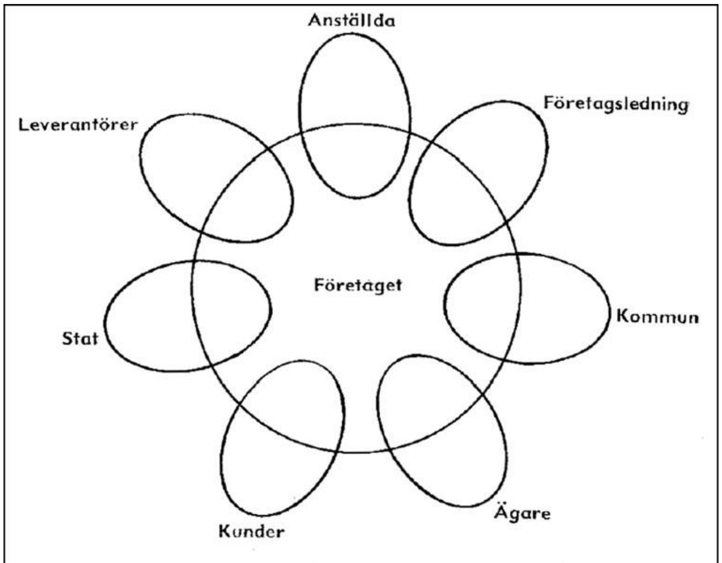
Institutional factors (c)

Institutional structures throughout Scandinavia encourage cooperation between institutions and stakeholders, frequently by considering the long-term embedding of economic interests within broader societal interests (Maccoby, 1991; Midttun et al., 2006). At the same time, Scandinavian regulatory bodies tend to be strong, with a comparatively high level of regulation across the region (Campbell, 2007) and a significantly greater level of governmental involvement than in the U.S. (Selnes et al., 1996). A considerable degree of this regulation focuses on encouraging firms to cooperate with, and consider the interests of, their stakeholders. For instance, employees have mandatory representation on Scandinavian firms' directorial boards that effectively institutionalizes the granting of a seat at the table to labor on all corporate governance matters (Randøy et al., 2006; Sinani et al., 2008).

The realm of corporate governance, particularly, is one in which institutional structures are strong enough to encourage longer term considerations and cooperation between the firm and its stakeholders. According to Thomsen and Conyon (2012), for instance, a major characteristic of the cooperative and general stakeholder orientation to corporate governance in a Scandinavian context is comparatively concentrated company ownership (Carlsson, 2002; *Financial Times*, 2013) with relatively high rates of public company ownership by the state (Norsk Hydro, 2012; Porta et al., 1999; Statoil, 2011), foundations (Herlin & Pedersen, 2013; Thomsen & Hansmann, 2009), and families (Carlsson, 2007). In comparison to the U.S. context, shareholders in the Scandinavian context are therefore less likely than to behave as a disparate assemblage of faceless entities with a lone objective of short-term share price maximization.

Scandinavian management teaching encourages cooperation (d)

Among the most conspicuous evidence of Scandinavia's encouragement of cooperation is its longstanding tradition of management teachings, epitomized by Rhenman's *Industrial Democracy*, a primary management text across Scandinavia well into the 1980s (Nasi, 1995a, 1995b). This work, published first in Swedish (1964) and later in English (1968), prescribes a cooperative firm view (Figure 3) that contrasts starkly with the competitive one depicted by Porter's five forces framework (Figure 2). In particular, rather than depicting the firm as in direct competition with its stakeholders, Rhenman (1968) represents the two as a series of overlapping ellipses that depicts a shared jointness of interests (Figures 3 & 4). His stakeholder map (Figure 4) is not only the first of its kind in the global management literature but also the first to introduce the term 'stakeholder'. Scandinavian management teachings are thus the foundation for what has become known as 'stakeholder theory' (Freeman, 1984/2010; Freeman et al., 2010).



FIGUR 5 *Intressenterna i organisationen är de individer eller grupper som är beroende av företaget för att förverkliga sina egna personliga mål och av vilka företaget är beroende för sin existens.*

Figure 3: Rhenman's view of the firm (Swedish, 1964)

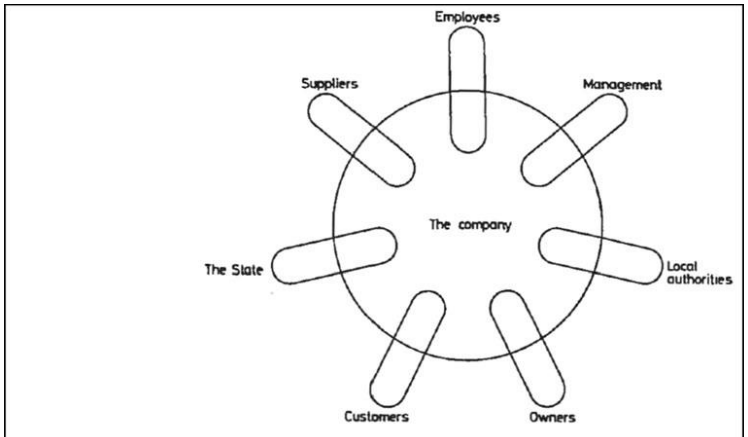


Figure 5. The stakeholders in an organization are the individuals or groups dependent on the company for the realization of their personal goals and on whom the company is dependent for its existence.

Figure 4: Rhenman's view of the firm (English translation, 1968)

In addition to assuming that effective management rests on the ability to build consensus and engender cooperation, this paradigm promotes the adoption of a cooperative strategic posture (Arikan, 2009; Haahti et al., 2005; Strand & Freeman, 2015), albeit without explicitly using this more recently coined term. This posture is advocated not only throughout *Industrial Democracy* but in many other Scandinavian offerings by Rhenman and colleagues published during the 1960s and subsequent decades (e.g. Rhenman et al., 1970; Rhenman & Stymne, 1965). The Scandinavian Institute for Academic Research (SIAR) at the Stockholm School of Economics was a hub for these activities (Lind & Rhenman, 1989), attracting such renowned strategic management figures as (a young) Henry Mintzberg (Mintzberg et al., 2009, pp. 286–288).

As evidenced by the well-documented tight connections between Scandinavian academics and industry, the work of Rhenman and colleagues both greatly affected and was affected by industrial practices, with prominent Scandinavia-based firms like Volvo being key partners in conceptual development and application (Engwall et al., 2002; Lind & Rhenman, 1989; Mintzberg et al., 2009, pp. 286–288; Stymne, 2004). Such interactions clearly illustrate that strategic management practice in Scandinavia did not develop in an academic ivory tower with little relation to practice. On the contrary, Lorange et al. (2003) primarily attributes the development of 'strategic issues and thoughts … long before such topics entered the [international academic] mainstream…. [to] the close connection between theory and practice', which ensures research relevance and timeliness through ready access to empirical cases and data (p. 148).

Links from (a), (b), and (c) to (d)

The Scandinavian historical (a), cultural (b), and institutional (c) elements offer clear evidence of the regions' strong embrace and encouragement of cooperation. With respect to democratic ideals, even the title of Rhenman's (1964, 1968) widely used textbook, *Industrial Democracy and Industrial Management*, gives ample evidence of management teaching's efforts to integrate democratic ideals into the business setting.

Scandinavian firms demonstrate strong cooperation (e)

To support the contention that Scandinavia-based firms show a heightened willingness and ability to cooperate, Strand and Freeman (2015) list numerous examples of their adoption of a cooperative strategic posture and related activities. Especially noteworthy is the partnership formed by H&M and IKEA, both founded in Sweden, with the nongovernmental organization (NGO) Save the Children and the UN organization UNICEF to cooperatively and effectively address the challenges of potential child labor exploitation in the supply chain. Other examples include the long records of cooperative stakeholder engagement by such Scandinavian sustainability leaders as the Danish firms Novo Nordisk and Novozymes and Norway-based

Norsk Hydro. The latter, for example, has embraced Amnesty International's plan to build a robust human rights program for its managers (Morsing et al., 2007), not a usual in-house competency but rather a major challenge for the company given the regions in which it operates.

The cooperative strategic posture espoused by Scandinavian firms is evidenced by their cooperative language, such as H&M's wide use of 'industry peers' rather than 'competitors' or Norsk Hydro's adoption of 'How we cooperate' as a central pillar of the Norsk Hydro Way framework used in its strategy development (Strand & Freeman, 2015). One phrase that cuts across industries is 'constructive cooperation', observed in the lexicon of Lego, Grundfos, Danfoss, SparNord, Norske Skog, and Volvo, to name a few (Morsing et al., 2007). These firms' cooperation with their various stakeholders makes a contribution to better run businesses and more positive social outcomes in the spirit of shared value creation.

Yet despite this evidence of strong cooperation by Scandinavian firms, we are unaware of any rigorous efforts to systematically compare their cooperative levels with those of firms operating in other contexts. This research void represents a valuable research opportunity. For example, researchers might conduct small case studies within particular industries to identify the degree to which cooperative behavior is more likely in Scandinavia-based firms. Alternatively, they might administer large scale surveys or perform text analyses to identify whether cooperative or competitive language and rhetoric is more common in this context. Such research would test the observations and assumptions discussed in this paper and provide researchers with the opportunity to verify or correct them.

As a means of triangulating these investigations, we point to research on Scandinavian managers, a topic that necessarily straddles two units of analysis: the firm level (companies) and the individual level (managers within the companies). Such research, while scarce, does provide some knowledge on Scandinavian management, although its lack of systematization calls for much ongoing investigation (Grennes, 2003, pp. 12–13). A useful framework in which to summarize our conclusions would be the Scandinavian Model of Cooperation between not only employers and employees but also among politicians, a collaboration 'enhanced by a noncompetitive school system, a high degree of unionism, and a universal military service' (Grennes, 2003, p. 13). In particular, the organizational behavior captured by this model is characterized by a 'desire to achieve consensus, to make decisions through democratic processes and cooperation' (Lindkvist, as cited in Grennes, 2003).

Links from (b) to (e)

The links between culture and the strong cooperative bent of Scandinavian firms are intuitive: organizations comprised mostly of individuals who embrace stakeholder consensus building as a leadership quality (Bjerke, 1999; Dorfman et al., 2004; Grennes, 2003; Lorange et al., 2003; Vallentin & Murillo, 2010) are more likely to adopt a cooperative strategic posture and cooperate with stakeholders. Their rejection of self-protective, face-saving leadership (Dorfman et al., 2004) is also more likely to ensure that stakeholders who may be critical of the firm are embraced as part of the consensus building process. That is, a CEO (or any other authority figure) who is unlikely to try and save face is equally likely to embrace efforts to cooperate with stakeholders even in the face of criticism or challenges. This point is particularly relevant for firms facing sustainability challenges – for example, climate change – to which they may also be contributing. Zemke (1988) links the historical and cultural contexts to the outcomes of Scandinavian firms' strong commitment to cooperation as follows:

> The cooperation that characterizes Scandinavian management style grew out of the region's postwar era. A tradition of hardy individualism is tempered by close-knit families and

> communities. These values ushered into the workplace and led to practical applications of a humanized brand of democratic socialism. A whole generation raised on these values has now taken the reins of management in Scandinavian businesses.

Scandinavian firms demonstrate strong sustainability performances (f)

Scandinavia-based firms, being disproportionately well represented in the leading global sustainability performance indices, are widely considered global sustainability leaders (Gjølberg, 2009; Midttun et al., 2006; Morsing et al., 2007; Strand et al., 2015). According to McCallin and Webb (2004),

> Few can contest Scandinavia's place at the forefront of the corporate responsibility (CR) movement. The evidence is indisputable: companies from Denmark, Sweden, Norway, Finland and Iceland consistently top CR league tables and win sustainability awards, and their governments are often the first to pass progressive legislation.

That said, efforts to measure sustainability performance are not without critics (Chatterji & Levine 2006; Chatterji et al. 2009; Porter & Kramer, 2006), which has led to a proliferation of thoughtful efforts to systematically assess the validity of a variety of sustainability performance measures (e.g. Semenova & Hassel, 2015). We do not contend that such efforts are without flaws but rather that when they and their various associated methods are considered as a collection, they may serve to identify the sustainability performances worthy of further attention.

One landmark attempt is Gjølberg's (2009) use of a set of widely used sustainability performance indices (including the Dow Jones Sustainability Index, FTSE4Good, and the Corporate Knights Global 100) to compare particular firms in 20 countries. Gjølberg (2009) finds that the Scandinavian (Nordic) countries perform particularly well, with Finland, Sweden, Norway, and Denmark ranking second, third, fourth, and fifth, respectively. The U.S., in contrast, ranks last at number 20. Scandinavia-based firms also perform comparatively well compared to companies elsewhere in aggregated studies on measured sustainability performance

(Midttun et al., 2006; Morsing et al., 2007). Consistent with these findings, Strand (2013, 2015) demonstrates that Scandinavia-based firms are 3 times more likely than U.S.-based firms to be selected for the Dow Jones Sustainability Index and 19 times more likely selected to the Corporate Knights Global 100.

At a more macro level, the Scandinavian countries consistently demonstrate strong sustainability performance in comparison to other countries. For instance, Manzhynski et al. (2015), in their analysis of sustainability performance in nine Baltic region countries, identify Sweden as among the leaders, while Strand (2011) finds that the Nordic region as a whole has the strongest country-level 'triple bottom line' performance in the world, indicating strong, well-balanced economic, social, and environmental macro performances. Overall, therefore, according to the most commonly used measures of sustainability performance, Scandinavia-based firms, like Scandinavian countries, perform disproportionately better than non-Nordic countries.

Links to (f)

To identify what leads to strong firm-level sustainability performances (cf. Ioannou & Serafeim, 2012), we measure the role of cultural (B) and country-level institutional factors (C) in firm-level sustainability performance (F). The capitalized letters indicate that the results are based on studies from around the world[4] not simply Scandinavia. The (e→f) link between Scandinavian firms' strong cooperation and their strong sustainability performances is again intuitive. Even though, as previously emphasized, sustainability challenges are complex for any single actor to address effectively, this link between cooperation and sustainability performance opens up several interesting avenues for further research. Two possibilities are case studies or large-scale

[4] In an effort to simplify Figure 1, our representations of (F) and (G) encapsulate (f) and (g). We use no such enclosure for the other elements for fear of unnecessary over-complication.

surveys assessing whether firms of Scandinavian origin are more likely to employ cooperative language and exhibit a cooperative strategic approach than firms elsewhere. The results would have major implications for sustainability policies, practices, and performance.

Scandinavian firms demonstrate strong financial performances (g)

At the most macro level, Scandinavian countries demonstrate remarkably strong economic performances relative to other countries. For example, Strand (2011) identifies stronger and more balanced economic, environmental, and social performances in a Nordic cluster (Denmark, Finland, Norway, Sweden) than in a cluster of other countries (Anglo Saxon, Continental European, Mediterranean European, and Confucian). An analysis of sustainability performance in Baltic countries similarly identifies Sweden (and Germany) as a leader (Manzhynski et al., 2015). Although this comparatively strong macroeconomic performance in Scandinavia raises the question of strong financial performances by Scandinavian firms, we are unaware of firm-level research demonstrating comparatively strong financial performance vis-à-vis the rest of the world.

Links to (g)

Efforts to link firm-level sustainability performances to financial performances are the Holy Grail of sustainability-focused research in management scholarship. Because this phenomenon is not specific to Scandinavia-based firms, we again capitalize the letter symbols. Traditionally conducted under the rubric of corporate social performance (CSP) (Griffin & Mahon, 1997; Waddock & Graves, 1997), efforts to establish either a positive or negative (F)→(G) link have been unsuccessful, a failure that Preston and O'Bannon (1997) attribute to widely varying research methodologies and differing definitions of sustainability (or corporate social responsibility). This problem is exemplified by Margolis and Walsh's (2003) comprehensive catalog of the incredibly wide range of research done in the name of linking CSP with corporate financial performance (CFP). They ultimately conclude that 'a simple compilation of the findings suggests there is a positive association, and certainly very little evidence of a negative association, between a company's social performance and its financial performance' but quickly caution that 'what appears to be a definite link between CSP and CFP may turn out to be more illusory than the body of results suggests' (Margolis & Walsh, 2003, p. 278). To explain why the CSP-CFP link self-perpetuates as 'each successive study promises a definitive conclusion, while also revealing the inevitable inadequacies of empirically tackling the question' (p. 278), they expand on Preston and O'Bannon's (1997) work, laying the blame particularly on sampling problems, reliability and validity concerns, and the omission of controls. Yet, as the burgeoning number of studies suggests, research on the CSP–CFP shows 'no sign of abating' (Margolis & Walsh, 2003, p. 278), with much documentation of the long-standing challenges to establishing the (F)→(G) link.

Nonetheless, a cadre of recent research is seemingly moving toward establishing a positive link between firm-level sustainability performance and firm-level financial performance through both longer termed research horizons and the deployment of more rigorous materiality considerations. For example, Eccles, Ioannou, and Serafeim (2014) demonstrate that firms who had voluntarily adopted sustainability policies by 1993 exhibited more distinct organizational processes by 2009 than a matched sample of companies that adopted none. Of particular relevance here, the companies that adopted the sustainability policies significantly outperformed their counterparts over the long term, both in stock market and accounting performance over this extended period.

In more recent work, Khan, Serafeim, and Yoon (2016) offer what is arguably the most convincing evidence to date of a link between sustainability performance and financial performance by deploying materiality considerations. They show that firms with good performance on *material* sustainability issues significantly outperform those with poor performance on these issues, suggesting that investments in sustainability issues are shareholder-value enhancing. At the same time, firms with good performance on sustainability issues not classified as material do not underperform firms with poor performance on these same issues, suggesting that investments in sustainability issues are at minimum not value destroying. Finally, and perhaps of greatest interest, they show that firms with good performance on material issues and concurrently poor performance on immaterial issues perform the best. This observation indicates that firms can realize the strongest financial performance by focusing their efforts on achieving the strongest sustainability performance on the sustainability issues that are most material to their firm. Hence, although we should remain mindful of the warnings of Margolis and Walsh (2003), these more recent studies, in particular that of Khan et al. (2016), offer great promise for establishing a link between firm sustainability (F) and financial performance (G). The link between such performance in Scandinavian firms, (f)→(g), may also be profitably explored within these research streams at both the global and more localized Scandinavian level.

The desire to link firm-level sustainability performances with financial performance is evidence of the field of economics' dominance in management scholarship. In fact, rather than considering sustainability performance as an end in itself (i.e. as inherently good), both researchers and practitioners appear to see a need to link sustainability performance to financial performance in order to assign worth to the former. In other words, they believe that a business case for sustainability is needed for sustainability to be valued. This latter is fundamentally an argument from economics (Crane et al. 2014; Ghoshal, 2005), one that draws attention to the disciplines underpinning strategic management scholarship and teaching.

Discussion

Although management teaching in the U.S. has been decidedly dominated by the field of economics (Ghoshal, 2005), Marglin (2008) in his *Dismal Science: How Thinking Like an Economist Undermines Community*, underscores the problems resulting from such dependence. In particular, he offers broad evidence that the underlying assumptions of traditional economics, particularly the Friedmanesque neoclassical variety, are faulty in their assumption that humans are reducible to robotic self-interest maximizers in direct competition with everyone else. As Marglin and others like Ghoshal (2005) effectively demonstrate, assumptions made about human behavior often result in a self-fulfilling prophesy. That is, if, as agency theory presupposes, individuals are solely self-interested and eager to do everyone else in for their own gain (Jensen & Meckling, 1976), the result will probably be a world characterized by such behavior. The resulting American management vision of the worker as ‘a lazy, incompetent, untrustworthy malingerer who has to be watched like a hawk’ stands in stark contrast to the Scandinavian assumption of an individual ‘who is both willing and able to do a good job’ (Zemke, 1988, p. 45).

More recently, however, strategic management in the U.S. seems to be (at least partly) recognizing the flaws in its disproportionate reliance on economics and its gloomy assessment of human behavior focused solely on maximizing self-interest with little regard for the well-being of others[5]. Porter and Kramer (2011) use the CSV framework to illustrate the incompleteness of this traditionally dominant view:

> Business and society have been pitted against each other for too long. That is in part because economists have legitimized the idea that to provide societal benefits, companies must temper their economic success… This perspective has shaped the strategies of firms themselves, which have largely excluded social and environmental considerations from their economic thinking. (p. 64)

Meanwhile, scholarship and teachings in Scandinavia, both managerial and beyond, are built largely upon more holistic, cross-disciplinary traditions. In the Scandinavian approach, the field of economics is merely one contributing perspective among other disciplines, whether anthropology, psychology, sociology, philosophy, public policy, or critical studies. This expansive cross-disciplinary approach to managerial teachings is exemplified by Rhenman's *Industrial Democracy*, in which he laments the disproportionate reliance on economics and its underlying zero-sum game, as well as the unnecessarily conflict-based approach witnessed in other corners of management scholarship and education.

These Scandinavian offerings from 50 years ago and onward appear almost prophetic in their response to recent questions in the U.S. context about how to 'fix' management education (HBR, 2009; the *Economist*, 2009a, 2009b). This concern was given increased urgency by Bennis and O'Toole's (2005) detailed enumeration of the key elements of both the related debate and the recent economic crisis (e.g. Datar et al., 2010), which, according to the *Harvard Business Review* (2009), stemmed from ethical and strategic lapses that some critics strongly attribute to the values imparted in MBA programs. Much such discussion focuses on the need for business

[5] This shift should perhaps not come as such a surprise given that it is well established in fields outside managerial scholarship that entities willing and able to cooperate are more likely to succeed (e.g. Axelrod, 2006; Bowles et al., 2001; Keltner, 2009). Management scholarship is now, however, taking notice of and profitably applying findings from outside the field of economics. For instance, Nahapiet and Ghoshal (1998) employ the concept of 'social capital', taken from community studies (Jacobs, 1965), to demonstrate that companies can achieve an 'organizational advantage' by embracing and promoting a more cooperative approach based on developing trust between the company and its stakeholders.

student instruction to be cross-disciplinary and foster a more holistic and humanistic worldview by drawing on a multiplicity of perspectives through which students can actively explore how business can have a positive effect on society (see also, Navarro, 2008). A greater exploration of the Scandinavian context, therefore, might advance management education by helping it transcend its disproportionate traditional reliance on the field of economics. In fact, those researching the Scandinavian strategy are increasingly visible on a global scale (Schriber, 2016), at which level, a number of positive factors have the potential to expand attention to the Scandinavian context.

Conclusions

As strategic management in the U.S. shifts its historically myopic focus on competition to a cooperation-based paradigm, we not only contend that the Scandinavian context can effectively inspire this shift but that, given the urgency and complexity of sustainability challenges, the shift justifies further investigation of the Scandinavian context. That said, can Scandinavian insights serve as an off-the-shelf plug-and-play exercise that enables U.S.-based firms to hastily adopt and expect the same results? Or, is the Scandinavian context is somehow so radically different than other contexts, including the U.S., that no lessons can be borrowed?

No.

According to the editors of a special sustainability and CSR issue of *SJM*, ‘context matters….whether that context involves environmental conditions, or social, economic and institutional arrangements’ (Halme et al., 2009). In this paper, we not only accept this conclusion but answer *SJM*’s call[6] to ‘more thoroughly consider the contextual factors of sustainability in a Scandinavian context, how these contextual factors may influence firm-level

[6] A special issue entitled, ‘Sustainability in a Scandinavian Context’.

policies and practices, and how they may impact the sustainability performances of firms'. As the centerpiece of this exercise, we develop a framework that clarifies the Scandinavian cooperative approach in the hope of encouraging further inquiry by practitioners and researchers alike, ideally leading to the promotion of constructive dialogue. Such exchanges are particularly important for engendering reasoned reflexivity and contextual awareness.

With respect to practitioners, the greater contextual awareness provided by our framework is important for those immediately drawn to Scandinavian cooperative practices who wish to hastily implement them elsewhere in the hope of experiencing similar results in terms of shared value creation. Failure to thoroughly understand and engage with the contextual elements that have contributed to their success in Scandinavia, however, may result in failure to achieve the cooperative shift. For those who outright reject that anything of substance can be learned from a Scandinavian context because of radical contextual differences (e.g. size, cultural homogeneity), the framework and related discussions can provide the reasoned reflexivity and contextual awareness needed to successfully employ the approach as a useful benchmarking exercise. As with any such endeavor, context matters; for example, a pharmaceutical industry manager who dismisses out of hand the possibility to learn from Toyota's lean manufacturing practices, because she focuses on the many differences between the automotive and pharmaceutical industries, misses out on the opportunity for a potentially useful benchmarking exercise. Instead, when one couples a benchmarking exercise with reasoned reflexivity and contextual awareness, the likelihood to gain valuable insights is heightened. In particular, we hope that the framework will motivate researchers not only to support (or refute) our assertions, but to challenge, expand, or modify the framework itself in order to move us collectively toward a developed theory of Scandinavian cooperative advantage.

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