

ICELANDIC COMPANIES IN SCANDINAVIA: METHODS AND REPUTATION

Executive summary:

Initiative and focus on problem solving is generally the strength of Icelandic companies. The challenge for Icelandic companies expanding abroad is to understand that these characteristics – fundamental in sustaining the flexibility inherent in Icelandic companies – are rarely found in foreign companies and need to be carefully nourished in order to reach comparable results abroad as in Iceland. The characteristic of quick decision-making in Icelandic companies is seen as both strength and weakness.

The fundamental weakness of Icelandic companies when operating abroad seems to be weak communication both within the companies and in relation to the media.

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INTRODUCTION

‘Why do so many Icelandic companies expand abroad?’ is a question often heard in the countries where Icelandic companies have been investing in recent years. The question betrays an ignorance of the realities of doing business in Iceland: what would a successful company in a city of 300.000 inhabitants in a big country do? It will expand elsewhere – and the same counts for companies in a country that is both limited by its small market and geographical position.

The expertise of Icelandic companies on expanding and operating abroad has multiplied over the last few years. The questions dealt with in this report do not concern why Icelandic companies expand abroad. The international debate on Icelandic companies and the Icelandic economy inspired me to take a look at how the companies prepared and managed their transition from Iceland to abroad and how their foreign staff and the media view them. The focus is on companies that operate abroad either through subsidiaries or companies they have bought.

The report is based on interviews with both Icelanders and foreigners. In order to get a more truthful picture and honest points of view I informed my interviewees that no one would be quoted by name. I am greatly indebted to them for their frank accounts and the time they dedicated to the project – without their efforts this report would not have been written. In all I interviewed 26 individuals from the following companies:

Atlas Ejendomme
 Baugur
 Berlingske Tidende
 Dagens Industri
 Dagens Næringsliv
 Glitnir
 IMG
 Kaupþing
 Kerfi
 Magasin du Nord
 Marel
 Promens

Interviews reflect personal experience and views. I do not strive to present a unified view but to reflect the various points of view expressed in the interviews. The opinions expressed in the text in no way reflect any opinion held by the Export Council of Iceland but only those of the interviewees and my interpretations of them. The report was done in cooperation with Hakon Gunnarsson and Thorgeir Palsson IMG. I am grateful for their inspiring interest and for Thorgeir's attentive guidance. Sveinbjörn Hannesson edited the text. My gratitude goes to the three of them.

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(Quotes with no explanatory remark are quotes from Icelandic managers)

THE CONTEXT: ICELANDIC OPERATIONS IN SCANDINAVIA

Foreign media tends to portray both the Icelandic business leaders – and their companies – operating abroad with a touch of a ‘newly rich’ recklessness. It is true that Icelandic companies are often characterised by young leaders but the companies that have expanded abroad, or the companies they spring from, have often been operating close to twenty years or more – a mature age in a country with a short history of industrialisation and corporations.

Icelandic foreign direct investment, in million Icelandic kronur, in Scandinavia							
	1998	1999	2000	2001	2002	2003	2004
Denmark	418	684	1.415	2.011	1.947	3.234	63.780
Finland	0	0	-5	655	593	3.586	4.800
Norway	529	1.072	946	1.499	2.104	1.995	5.234
Sweeden	0	997	771	4.292	8.893	9.302	12.472

Source: Central bank of Iceland

There is no single reason for the energetic expansion of Icelandic companies during the last few years. However, several changes brought about in the last decades have supported it. The Icelandic pension funds are bursting due to prescient policies dating back to the 60ies. The transferable fishing quotas, fully in operation from 1990, released considerable capital into the economy. The membership of the European Economic Area 1992 opened up the European countries in many ways. The privatisation of the Icelandic banks, starting in 1999, brought new knowledge and new capital to the banks. These changes have all been highly controversial political issues but the results are now the daily topics for domestic and foreign media.

THE ICELANDIC POINT OF VIEW

1 HOW TO BREAK NEW GROUND ABROAD?

1.1 Expertise and ‘just doing it!’

1.2 Partners at home and abroad

1.3 Setting up a subsidiary versus acquiring companies

1.4 Unexpected barriers

1.1 Expertise and ‘just doing it!’

‘Like all normal Icelanders we did everything ourselves!’

‘We rather followed the Icelandic way of doing things: just set off, letting things take their course without a proper strategy. The preparation was the usual Icelandic one: ‘we’ll manage!’ We just set off in one direction and if it didn’t work out we just tried something else.’

In preparing to expand abroad Iceland companies only in exceptional cases hire consultancies for market research or use the services of companies specialised in locating companies to buy, the banks’ merger & acquisition services or any other specialised services when they prepare to expand abroad. It is hardly surprising that the smaller the company the less specialised its preparation is and the more it relies on its in-house expertise and knowledge.

‘There is this fantastic tool called the ‘internet’!’

However, in preparing the expansion Icelandic companies often make good use of public information, both from the private and the public sector, of which there is plenty in mature markets such as the Scandinavian ones. Seen from the Icelandic point of view these markets are characterised by having been ‘analysed to pieces’ as one Icelandic business leader put it.

‘We did not make a special effort in preparing for the expansion: it would have been unthinkable without the in-house experience we have, also [our previous experience] in operating abroad.’

Although the Icelandic refrain ‘we’ll manage!’ often seems to be the main guidance it would be wrong to conclude that there is little or no precaution taken as the companies prepare to expand abroad. Before foreign expansion the companies already had knowledge and experience of the market they had their eyes on: it is this previous experience that gives the companies the idea they might have a reason to expand abroad.

‘Usually, one isn’t particularly searching for new opportunities abroad – they land on your desk by coincidence. You hear of something being for sale... and then one thing leads to another.’

‘Maybe we should have used some theory in going abroad and searching – but that’s just not how it happens. The opportunity surfaces and then you have to make up your mind. It’s like Lennon said: ‘Life is what happens when you’re planning other things!’

‘It’s during informal meetings, lunch or dinners, that there’s the opportunity to chat, to hear what’s on offer and where our interest lies. Our acquisition didn’t stem from some business plan of ours – we just got an acquisition opportunity that suited us’

Since the opportunity to acquire a foreign company almost invariably stems from personal acquaintances there is often the feeling that this is a ‘here and now’ opportunity. If it is not reacted upon as soon as possible it might be too late – and that does not leave much time to ponder over things. The preparatory work is then given the available time that is not always enough to give the appropriate comfort zone. Though most will concede that more time could have been spent on preparation they usually feel it did lead to a satisfactory result.

1.2 Partners at home and abroad

‘Icelanders put a great emphasis on personal contacts, are very alert to the personal dimension of the business world.’ (Danish manager)

‘Personal contacts matter greatly to Icelanders and it was only due to them that the acquisition came off. (Danish manager)

Considering the size of the Icelandic business community and its close network of personal contacts it is hardly surprising that Icelandic business leaders tend to value personal relations highly. They invariably express the view that personal contacts have provided them with their opportunities abroad. All the companies expanding abroad have had some previous business contacts in the relevant countries – most of the leaders do not hesitate to claim that without these previous contacts they would never have been able to make their moves abroad.

‘Now, we are offered to buy whatever there is for sale! Previously, we would not necessarily get such opportunities.’

The Icelandic expansion abroad and the interest it has awakened has given the Icelandic companies unprecedented opportunities regardless of whether they belong to the small group of well known companies. It is enough to be Icelandic: Icelanders are known for being rich and eager to buy. Instead of having to look for opportunities the opportunities now knock on Icelandic doors.

This is the most decisive difference between now and last decade when it invariably was difficult for Icelandic companies to finance their foreign acquisitions: foreign banks did not know the companies and treated them with caution – the Icelandic banks were less capable to assist the companies abroad.

‘Quite correctly, much has been made of the role Icelandic banks have played in the Icelandic expansion abroad. It is often easier to start where Icelandic banks operate. They are more willing to take things on, we know them and they know us. All of this is of great importance.’

When Icelandic companies started expanding noticeably into the UK market the partnership of the banks and the companies was an important part of their deal-making, while at the same time providing the banks with much needed access to UK operations. The banks already had UK business contact but needed to be in on finalising deals – the companies had acquisitions opportunities but need financial backing.

The partnership between banks and companies seems to have played a less decisive role in the Icelandic expansion in Scandinavia than it did in the UK. None the less several business leaders mentioned that in their case this partnership was of fundamental importance.

Other services, such as legal services and accountancy, have either been found in Iceland or abroad.

‘When we use a big foreign law firm we at the same time get access to a great source of expertise. We certainly feel the fees are high but we also get a lot in return. I’ve learnt a lot from working with foreign legal experts... I think it’s the way forward since they are able both to assist and avert us to possible pitfalls.’

‘In major cases we use legal experts and accountants operating in the market. Why? Because people in Iceland know nothing... We look for knowledge and expertise that will add value to our own work.’

‘I don’t think Icelandic accountants and legal experts are any worse except in the most specialised cases where you will need someone with the appropriately specialised knowledge.’

Some claim it is an advantage to buy these services abroad and feel they have learnt a lot from those who provided the services. Others prefer to make use of Icelandic services. There is no doubt that with more international projects the Icelandic expertise in these

fields will grow. With the growing globalisation of Icelandic legal experts and accountants and as the bigger Icelandic law and accountancy firms are increasingly connected to international firms their capacity to follow Icelandic companies abroad will increase.

1.3 Setting up a subsidiary versus acquiring companies

'There are overwhelming advantages in buying an already well functioning company abroad. You pay a lot but in the end the cost is less. It's a much greater task to start from scratch.'

'We tried to set up our own operation but it didn't take off at all until we bought a company.'

'It's difficult to start from nothing because you need a platform to take off from. Icelanders prefer a quick growth.'

Four of the seven Icelandic mother companies included in this report both have experience of buying a company and of starting their own operation abroad. There is of course no general rule as to which approach gives better results. However, those who have tried both claim that with own operation the development of the business is intolerably slow.

The advantage of buying a company is to have a fully operational company with all necessary infrastructures from day one. The disadvantage is the immediate investment needed – some mentioned that in the end one always ends up paying too much. The advantage of own operation is the low level of investment needed though that advantage is heavily reduced by slow growth.

In order to grow abroad buying a company is often the only realistic option. Without the direct connection to the foreign market that an acquisition provides it seems unlikely that the growth strived for will materialise within a timeframe that suits Icelandic impatience.

1.4 Unexpected barriers

'However desirable I'm not sure everything can be accounted for beforehand – though that possibility could be contemplated.'

With the often seemingly impressionistic preparation for the expansion of Icelandic companies abroad, unforeseen problems will inevitably arise. In general, the companies are satisfied with their knowledge of the companies being acquired and directly operational aspects as well as their use of personal contacts useful to find legal and accountancy expertise and to hire staff. Issues that seem to have escaped attention during the preparatory process seem to relate to cultural and social aspects of the respective foreign markets.

The strong position of trade unions in Scandinavia has created problems for Icelandic companies. One Icelandic business leader discovered that in buying a foreign company

he was not as free as he would have been in Iceland to hire and fire – and this hindered the rapid growth he had expected. Another leader was surprised by the low work morale in an acquired company as expressed by high level of absence due to sick leaves.

Long working hours are the norm in Iceland both among employers and employees – much less so in Scandinavia:

‘The work rhythm is the greatest difference [between operating in Scandinavia and Iceland]! We [Icelanders] make an effort to finish things. [The Danes] are still stuck with an eight-hour working day. Occasionally the staff will remind me: ‘You know, there’s more to life than just work!’

‘Here [in Denmark], people could do with some more materialism – their attitude is to show up for work, do what is expected of them and then go home. People don’t want to be tyrannised by work. They notice that we work a lot and many can’t understand why we are happy to work 50-70 hours a week.’

‘We feel the foreigners could be a bit more aggressive: if they do well one year they are happy just to settle for the same result next year.’

Foreigners, both leaders and employees, notice the long hours Icelanders spend working. High tax and great appreciation of social life have taught Danes to substitute extra hours for time off. Both in Denmark and Norway institutional ownership of companies is widespread instead of ‘people with faces’ as one Icelandic interviewee put it. From the Icelandic point of view institutional ownership reduces the staff’s sense of being under surveillance and reduces the work morale as well as ambition and is an obstacle in reaching the results they thought they could expect by Icelandic standards.

Small community and strong personal contacts in Iceland can cloud the vision when operating abroad. Although personal contacts provide an edge everywhere Icelandic business leaders will most likely encounter more objective and professional work processes abroad than they are used to. The lack of understanding of Icelandic particularities can make operation abroad unduly complicated.

‘Abroad, the market may be fragmented but it isn’t divided into factions like here. Abroad, the market rests on products not on genealogy like here [in Iceland]. This could be confusing for Icelanders when they plan foreign operations.’

Icelanders who move abroad will be familiar with discovering how many aspects of Icelandic society are coloured by its small size. Consequently, Icelanders tend to be somewhat naive when operating abroad:

‘There are plenty of things totally unique to Iceland. All legal documents tend for example to be brief since so much is left to trust. Because Icelandic surroundings are so simple and it’s so easy to gauge the behaviour of everyone involved Icelanders investing abroad often appear rather naive.’

2 IS SCANDINAVIA A ‘NATURAL’ AND EASY MARKET FOR ICELANDIC COMPANIES?

2.1 Scandinavia – similar but still foreign

2.2 Scandinavia: diverse at a closer look

2.3 Finland: the Scandinavian exception

2.4 Attitudes towards Icelanders

2.1 Scandinavia – similar but still foreign

‘We opted for Scandinavia because the countries are culturally familiar and the legal environment similar’

‘Direct flight and similar cultures matter most [when choosing to operate in Scandinavia].’

Geographical vicinity and familiar surroundings matter greatly when Icelandic companies opt to expand in Scandinavia. Since Scandinavia is the most popular destination for Icelandic students to study abroad the countries are familiar to many Icelanders. It is certainly no coincidence that Denmark – the country most closely linked to Iceland both in terms of history and culture – has so far been the most popular Scandinavian ground for Icelandic companies to expand in.

Geographical position and cultural familiarity are not always the only important aspect – size and structure of companies also matters:

‘To begin with we neither had a particular country in mind nor a geographical zone but were looking for a market with plenty of medium-sized companies because that would be a market fit for us... We felt we could advance in a market where the big companies wouldn’t be too big in culturally familiar surroundings... Here [in Denmark] we were offered to buy a company that fitted to our expertise and that we felt we could develop.’

Scandinavia is rife with companies of size and structure suitable for Icelandic companies. The nature of the companies is familiar to Icelandic business leaders. The companies are of a desirable size and the geographical distances easily manageable. The Scandinavian markets are transparent, mature, easy to operate in, and have strong infrastructure.

As mentioned earlier there is a wealth of easily accessible statistical information to be mined and analysed. The three Scandinavian languages are rarely any hindrance – those who do not master the relevant language verbally will invariably be able to read it. In Scandinavia a reasonable knowledge of English can be taken for granted.

All of this will make Icelandic business leaders at ease when operating in Scandinavia. However, on closer acquaintance Icelanders tend to feel that the apparent similarity is only superficial – many are surprised to see that their next-door neighbours are actually quite different from Iceland:

‘Scandinavia feels like a foreign country! It’s easy to get there, these are our neighbouring countries and we know them well but in spite of it all they are foreign to us and so is their way of life.’

The attitude towards working hours has already been mentioned. Icelanders who have studied in Scandinavia and then settled down or later moved there for work invariably discover that in Scandinavia working life is different from studying. An Icelandic interviewee mentioned that Scandinavia was ‘great for studying but dreadful for work.’ In his opinion the atmosphere in Scandinavian workplaces was often much more lethargic and less ambitious than Icelanders were accustomed to.

However, Icelandic business leaders also find inspiration in Scandinavian ways of working. Many of them mention that work processes are more disciplined and organised – something they can learn from. They also feel that some national characteristics can be complementary to Icelandic ways of being:

‘The Norwegians are sensible and organised Icelanders are intense and good at catching opportunities... These are complementary characteristics.’

2.2 Scandinavia: diverse at a closer look

‘Earlier on, there was a greater belief that Scandinavia was one market. However, that is not the case. Companies in each country need to adapt to the surroundings.’ (Danish manager)

‘We thought the Scandinavian countries were similar to each other and similar to us – but that turned out to be a fundamental misunderstanding!’

A priority issue in Nordic political cooperation the last few decades has been cross-border mobility and the freedom of movement for citizens and businesses. The last effort, a report on the abolition of cross-border barriers, ‘*De nordiske lande: én arbejdsplads, ét arbejdsmarked*’, was presented at the Nordic Council’s session in Reykjavik in 2005.

A wave of cross-border mergers and acquisitions that swept over Scandinavia in the 90ies made it all too clear that in spite of all political efforts and cultural similarities Scandinavian cross-border mergers were problematic. Political intervention and cultural diversities were thought to have played a destructive part in the fraught merger between the Norwegian Telenor and Swedish Telia.

‘Scandinavia is not culturally homogenous. Each country has its strong characteristics. These countries are our neighbouring countries but not a unified area. No, I can’t see Scandinavia as one market.’

As the above indicates many have realised that the Scandinavian countries are not only different from Iceland but also different from each other. It is difficult to measure the effect of this understanding – or misunderstanding – on the growth of the Icelandic

companies in Scandinavia but it is clear that those who expanded with an idea built on similarities have subsequently encountered problems.

Though many have been misled by superficial Scandinavian similarities and the idea of a ‘Scandinavian home market’ it is clear that compared to other regions Scandinavia still seems highly approachable from the Icelandic point of view:

‘[The Scandinavian] market is obviously much easier to enter than Asia or the US!’

‘There is a certain harmony between the Scandinavian countries and us. We all think in a similar way though we may not always agree. The French for example think quite differently.’

The dissimilarities encountered are not only between the different countries but also within the countries: countries are divided into regions each of which often has a strong identity, dialects and customs that differentiate them from other regions and provide the inhabitants with no less of an identity than their nationality. Someone in Copenhagen will smile at his boss from Jutland and an employee in Tromsø will not be happy to have a manager from Oslo. Under these circumstances Icelandic business leaders can often see the advantage of coming from Iceland.

2.3 Finland: the Scandinavian exception

‘Good flight connections are of great importance. It’s much more complicated to do business in Helsinki because there are no direct flights.’

Compared to Denmark, Norway, and Sweden both Finland and Iceland are distant and outlandish on the fringe – and to some – another cultural zone. This is also how Icelanders view Finland.

The main attractions of the three Scandinavian countries – the vicinity cultural and linguistic familiarity – do not apply to Finland. Many Icelandic business leaders mention direct flights to Copenhagen Oslo and Stockholm as a reason to expand there – with no direct flights Helsinki is further away.

Both Finns and Icelanders tend to prefer English as their chosen language in contact with foreigners. In international surveys Icelanders and Finns compete for top places in terms of mobile phone saturation and other communication technology. Many Scandinavians acquainted with Icelanders often mention their similarity to the Finns, not being talkative, withdrawn at first, but easy to get along with. All this could support Icelanders in finding business opportunities though in the end each company has to have a proper business reason to look there.

2.4 Attitudes towards Icelanders

‘We are favourably seen. We easily become one of the group.’

'Before the media started reporting on Iceland on a daily basis Iceland only inspired curiosity.'

'Icelanders are looked down upon in three countries: Denmark Sweden and Norway! We are an old colony of theirs – that affects their attitude towards us.'

In general, Icelanders are at ease in Scandinavia, feel to be part of the crowd and the country mainly inspires curiosity. All this makes it easy for them to be in the role of company owners and managers there. However, there are those who claim they sense condescension that would also explain the negative tone Icelanders feel has tainted some of the media coverage on Iceland.

'Icelanders are the little brother and have no historical burdens like war.'

'If Swedes – not to mention Brits or Americans – buy a company it always arouses a certain sense of having to protect themselves. These countries are a bit like wild animals we are only a louse. Icelandic ownership isn't seen as colonialism.'

The friendly Scandinavian attitude towards Icelanders can be explained by historical circumstances: Icelanders have not been part of wars and skirmishes between these countries in the past centuries. Danes and Norwegians often express negative views on Swedes easily explicable by the history of these countries and the fact that Sweden is the largest country. In an international perspective the Scandinavian countries are small and often suspicious of bigger countries like Britain and the United States.

Icelandic business leaders have all reflected on the effect of the media coverage on the Icelandic expansion in Scandinavia, lastly in Denmark – most feel it is still too soon to estimate its long-term effect.

'Most people here take an interest in what the Icelanders are doing. The energetic expansion can create the expectation that we come to revolutionise everything [in the company] but that's not at all our way of working.'

'In the business community we have a lot of credit. I only hear 'congratulations, well done!' What people hear or read in the media leads to questions but that's just friendly curiosity nothing negative.'

Some cherish the media attention since it might create an interest in Icelandic companies and new opportunities in general though it mainly stems from the activities of a few companies. However, there are those who claim that the negative edge in the media stems can be explained by fear of tough competition from Icelandic companies:

'[The attitude] has always been rather friendly and still is but when you start competing with their companies it changes... The rumours regarding 'Russian money' is part of that.'

'The coverage changes by the day! After the Danske Bank analysis the atmosphere was hostile. I sometimes have the feeling that the coverage is planned in some 'war room' – it's rather disgusting.'

Some Icelanders mention that the flashy even brazen aspect of some Icelanders who have entered the Scandinavian business world as if they had some unique ability to make money has created hostility that never used to be:

'It has obviously had a negative influence on some people that we have the vulgar appearance of 'new money' and seem to go too fast for our own good.'

'It's no coincidence that the attitude is more negative in Denmark than elsewhere because some Icelanders have shown great arrogance there – that creates hostility.'

3 EXPERTISE: INFLUX OR CIRCULATION?

3.1 Competitive edge and advantages

3.2 Expansion = new phase

3.3 The importance of language

3.4 How open are Icelanders to suggestions?

3.5 Are Icelandic companies mono-gender?

3.1 Competitive edge and advantages

'The prerequisite for the Icelandic expansion abroad is simple: the home market is limited and allows no growth. The basis for the expansion is not that Icelanders are more clever than others.'

'Mainly, we expanded abroad because we needed new markets. Why shouldn't we be able to compete with foreign companies on even ground? It's not a law of nature that a small country will only breed small companies.'

A small home market and bigger and better opportunities in bigger markets explain the Icelandic expansion abroad. When it comes to evaluating what they bring with them from home – knowledge and experience of their Icelandic operations – Icelandic business leaders differ in their opinion: some claim there is nothing particularly Icelandic about it others claim domestic operations provide them with a competitive edge. Their opinion does not follow sectors: businesses leaders within the same sector value their Icelandic background differently.

'We already have an extensive expertise from our Icelandic operations... The basis for our foreign operations is our Icelandic expertise.'

'We estimate that we bring with us a certain ideological approach and knowledge basis [from home] – it gives us certain competitive edge [abroad].'

Though the uniqueness of the Icelandic expertise can be disputed it has to be taken into account that the companies expanding abroad are – in an Icelandic context – mature companies. Consequently, they do not go abroad empty-handed. It is also worth emphasising that although the recent expansion is connected to the economic growth and deregulations over the last few years there were some attempts during the 90ies. Many of those who now lead cross-boundary expansions will have a formed opinion on earlier failures – and some even have first-hand experience of previous failed attempts.

‘Customers here [in Iceland] are demanding especially when it comes to new technologies.’

‘It’s naive to think that being better at something gives an automatic edge. [Speedier problem-solving] is a marginal part though you can wonder why this generally is our take on things. Icelandic society has developed from a society of fishermen; we are technologically advanced, quick to make decisions and we are practical minded. All this helps – but only indirectly.’

Icelanders who have lived abroad invariably notice that quick solutions and a high technological level – things that can be taken for granted in Iceland – are not always to be found abroad, not even in Scandinavia. Whether this is driven by demanding customers or it is the companies that have cultivated these expectations in their customers it cannot necessarily be turned into a competitive edge in a foreign market: it would take time and money to teach foreign consumers to expect it.

‘There is no such thing as an ‘Icelandic experience’. In terms of sectors related to fisheries the environment here is on a higher technological level there is more emphasis on research and development and greater expertise. This will provide a competitive edge [in these sectors].’

‘[Compared to foreigners] we do things differently. Our approach is often more simple we get things done quickly and the decision-making is fast.’

‘We are for example better at using information technology, which gives immediate access to information. We manage to make efficient use of IT to rationalise operations make more effective use of resources and stay informed.’

Foreigners consistently consider speed a key aspect of the Icelandic way of managing and tend to define a preference for speedy operations and decision-making an essential part of Icelandic companies. High technological level in Icelandic companies, willingness to invest in IT and a targeted use of information promote speed and its rationalising effect.

Emphasis on speed is purportedly not only a superficial aspect in Icelandic companies but built into them by effective use of IT. It is an interesting conjecture if the relative young age of Icelandic business leaders compared to their foreign counterparts is in any way inductive to the Icelandic emphasis on IT.

'There is no competitive edge in being Icelandic. Expertise is related to companies. Here [in Iceland] we are lucky to have large investment capacity to support emphasis on technology.'

'We are not so badly inflicted with Icelandic arrogance that we claim to be better than everyone else! Our operational results [in Icelandic] however were better than in comparable companies abroad... We have people working here who have worked abroad and we thought we could detect ways... to increase the profit [abroad]. In addition there was enough Icelandic capital to invest abroad. Consequently, we didn't expand abroad because we had discovered something hidden to others!'

Many Icelandic business leaders will feel irritated when they sense that positive results abroad – so far – are explained by some ill-defined Icelandic superiority. In some cases these results can simply be traced to more efficient management than hitherto indeed aided by operational expertise from their Icelandic activities. In addition, Icelandic investment capacity is certainly of fundamental importance.

Several foreign business managers working for Icelandic companies abroad mentioned they found it difficult to understand Icelandic operating plans. They themselves were used to realistic planning but sensed that their Icelandic colleagues went well beyond what the foreigners felt could be expected:

'We find it difficult to understand how their Icelandic operations can be so profitable.'
(Danish manager)

There is no simple explanation to be found but the profit margin would merit a closer look since the further Icelandic growth abroad will partly depend on whether Icelandic profit levels can be attained abroad. This is also of interest since foreigners run many of the Icelandic operations abroad.

3.2 Expansion = new phase

'A foreign expansion brings a company to a new level. It can be compared to sexual maturity in the human development!'

'[By expanding abroad] a lot of things will change [in the company]. Things take longer time and become more formalised. Also distance brings about fundamental changes.'

Comparing expansion to sexual maturity is a clever one: in both cases the changes are far-reaching, fundamental, obvious, and yet difficult to grasp. Distance foreign languages and different culture create an obvious difference though the impact is not easily.

Since most Icelandic companies are indeed relatively small when they venture into cross-boundary expansions their leaders will quickly sense that things they had so far relied on – such as informality and direct communication regardless of hierarchy – will become more cumbersome. Maintaining the advantageous spirit of a small company turns into a

challenge. Icelandic business leaders will often be conscious of being used to run small companies and try to retain its spirit in spite of the corporate growth.

Travel expenses are one of the first things to go up both during the preparatory phase and later with the foreign operations:

'The first thing you have to learn to ignore is the travel expenses. It swallows a lot of money but it's useless to whimper... Making money costs!'

As will be shown below the level of synergy aimed for with foreign operations differs. Where emphasis is on creating a corporate unity it requires special attention to communication when the water-cooler is no longer meeting point.

In some cases the Icelandic mother company has the policy to invite new staff to Iceland on their first day at work in order to make them familiar both with the spirit of the company and their Icelandic colleagues. This is done in order to facilitate informal contacts within the company and to inspire the staff to take initiative.

3.3 The importance of language

'The dynamics of the debate [within Danish companies] is completely different from what we are used to. It takes them longer to get to the point, people simply talk a lot – it really tests my patience and linguistic abilities. They talk much more about everything compared to what we are used to in Iceland!'

Foreigners often claim that Icelanders are sparse with words. Icelanders often maintain that foreigners tend to talk a lot and at length sometimes far too much. In general, foreign staff in Icelandic companies mentioned that Icelanders should at times make the effort to talk more – otherwise they would appear to hold on to information instead of spreading it. However, the staff mentioned they felt that questions were welcomed – Icelanders were not at all impatient to expand on their thoughts if asked.

One challenge for Icelandic business leaders abroad is to meet the foreign requirement for debate. Another is to be in a management position in a foreign language.

'An Icelandic manager here [in Denmark] advised me only to use English at work, otherwise no one would take me seriously. I don't agree at all. In order to be assimilated here it's necessary to speak Danish. The only rule is that no one is allowed to laugh at me!'

All the Icelandic companies contacted use English as their company language. However, all their leaders were aware of the advantage of using the relevant Scandinavian languages in informal communication. Even those who did not speak the respective language acknowledged the advantage it would bring though they had not bothered to master it. None of the Icelandic leaders will insist on having documents in any of the three languages translated – all can manage these languages at a reading level.

Some see knowledge of the languages as an integrated part of foreign investments:

'A part of investing... [abroad] is learning the respective language. There is more value to knowing the language than I can easily explain. By mastering the language you become part of the group get a much more profound cultural understanding and those we meet will get a different view of us. English is the corporate language but that doesn't mean that all communication is in English.'

'Without the language you're an outsider, can't grasp the dynamics of the group. Though all our [foreign staff] speaks English many are far from fluent in it.'

Some feel that English makes the communication more formal. It will also level the playing ground when no one is speaking his or her mother tongue – all Scandinavians speak 'bad English' as one foreigner formulated it. Yet, knowing the language of the country would still be an advantage though not an undisputed one:

'I'm not convinced that [speaking their language] would be an obvious advantage – it might possibly produce a backlash. When you're speaking a language with only 90% mastery to someone who is speaking his mother tongue it could lead to a harmful misunderstanding. We could miss out on something they thought they had told us.'

Though Danes, Norwegians, and Swedes have long communicated among themselves each in their own language English is rapidly becoming the chosen language in the Scandinavian business community in order to eliminate possible misunderstanding. In this respect, Icelandic business leaders will not stand out if they opt for English on formal occasions.

Although Scandinavians working for Icelandic companies will take it for granted that English is the corporate language it is quite clear that the formal use of English is one thing – human relations something else. The foreign staff, managers possibly excluded, sense that communication is less straightforward if only English can be used. Icelanders often do not realise that Scandinavians are far less accustomed to speaking English than they would expect.

'It hinders communication with the staff that [the Icelandic owners] prefer not to speak Danish... [Our Icelandic] manager tries as hard as he can to use Danish. It matters greatly to us and makes it all much easier.' (Danish employee)

Everyone will appreciate when Icelandic business leaders make an effort to speak the language of the country when in contact with their staff or the media. Minor mistakes and an Icelandic accent are far less serious than Icelanders might assume.

'Even though it may sound funny to begin with it's a sign of courage when Icelandic managers venture to speak the language without mastering it completely – they have to start somewhere! The accent is of no importance – Danes themselves speak with all sorts of accents.' (Danish employee)

'It's very positive when Icelandic managers are able to get by in Danish – and most of them know far more Danish than they assume... It's an advantage when business leaders can speak Danish because it makes them more human and brings them closer to people, also when they appear in the media.' (Danish manager)

3.4 How open are Icelanders to suggestions?

'Icelanders are very willing to learn! Coming from a small and isolated country they now want to go out into the world to learn because they know they need to. They are quite obviously very capable because in no time at all Iceland has gone from being non-existent in the business world to being internationally visible. Of course they are good at acquiring knowledge – it flies in your face!' (Norwegian manager)

'Icelanders are no doubt eager to learn listen attentively and intelligently and happily share what they know. They soak up knowledge not necessarily flaunting it but making good use of it when needed... Their approach is to listen.' (Danish manager)

'Icelanders are humble and willing to learn from us. They leave the operation to us respect what we do and how we do it.' (Norwegian manager)

The Viking image running through Scandinavian media coverage indirectly associates Icelanders with a ruthless raider mentality that seeks to conquer corporations and people. Interviewing foreign staff gives a fundamentally different picture – they feel Icelanders respect the work carried out in the foreign companies and are willing to learn. However, this image is not without its exceptions.

Foreign staff strongly sense that Icelandic business leaders are set on using the expertise acquired abroad in their domestic operations as well as making use abroad of their domestic expertise. In spite of good intentions some of the foreign staff mention that this process seems to be moving slowly – not because Icelandic leaders preach one thing and do something else but there is a sense that so far their interest has not materialised, possibly because the Icelandic operational history abroad is only a short one.

Further, some of the foreign interviewees sensed that Icelanders tended to lose focus rather quickly tending to attend to one thing today and something else tomorrow. This could be attributed to new acquisitions and quick expansion. In one case a foreign manager sensed their Icelandic owners focused too much on how things were done in Iceland:

'We are told pretty frequently that 'In Iceland we do it like this'... It's quite an exception if we manage to teach them anything! Yes, they certainly listen – but then they make their own decisions. Maybe we just need to be more patient to get them to listen.' (Danish manager)

Asked to name what they have learnt in particular by operating abroad Icelanders mention more disciplined work processes and better follow-up procedures. In general,

Icelanders feel that there is a lot to be learnt from the discipline and precision they feel that characterises foreign work practice as well as various ‘best practice’ procedures.

‘By working abroad we have changed many aspects of information management strategy planning and – in greater detail – how we run meetings.’

‘We try to find the best formula in order to turn 1 + 1 into 3.’

3.5 Are Icelandic companies mono-gender?

‘There are no women on the board [of the Icelandic company] and that’s a drawback. Besides, I think it’s a bit of a scandal that a Scandinavian company has an all-male board... By excluding women from the board you are saying ‘no thank you!’ to half of the human race.’ (Danish employee)

Gender equality has been a political priority in Scandinavia for more than half a century. Excluding female participation in the labour market Iceland most other statistics lag behind the Scandinavian countries when it comes to gender equality. Fewer Icelandic women are in politics and managerial roles than in the other Scandinavian countries in spite of the high labour market participation among Icelandic women. Recently, the Norwegian Parliament passed laws obliging companies to limit male board participation to 60%.

‘Men and women tend to have a different set of values – and I believe both views should be presented at board level... Democracy and equality permeates Scandinavian societies more than others and I think these characteristics have to be reflected within companies.’ (Danish employee)

The faces of the Icelandic expansions in Scandinavia – as portrayed by the media – are only male. Those who have presented the Icelandic companies have without exception been male though there are women on the board of some of the respective companies. In these equality-minded countries the all-male aspect of the Icelandic companies might not go down well.

4 THE NEXT CHALLENGE: FROM ICELANDIC TO MULTINATIONAL

4.1 Icelandic foundation, multinational arena

4.2 From a ‘closed circle’ to a multinational team

4.1 Icelandic foundation, multinational arena

‘My background is in a big multinational with strong culture clear strategy and long-term planning. This [Icelandic] company has nothing of the kind. My experience is that these aspects attract customers. I can’t quite understand why they don’t focus more on these issues. Maybe they think it will just happen automatically.’ (Swedish manager)

‘So far, the [Icelandic] company has no clear vision... With time it’s essential to create one and let it permeate the company. This is however not due to some Icelandic weakness

– it just takes time for a company to adjust to new circumstances created by rapid growth. (Norwegian manager)

The Icelandic business leaders all sense the fundamental change brought about by foreign expansion. However, few seem to have to have a clear vision of how to meet the challenges of expansion – or have at least not managed to spread this vision within the companies. The structure chosen for the foreign operation varies according to the nature of the business: some focus on isolated operation to answer regional demands – others aim to construct international companies with a clear vision and yet others find a middle way.

Among the foreign staff many have previously worked for multinationals, abroad or at home. All of them emphasise the importance of clear vision and corporate culture – they see it as a value in itself regardless of whether the companies focus on regional or international operations. Though some of them sense a tendency towards these goals they seem to have been feeble so far.

Since Icelandic business leaders seem more focused on profit than their foreign staff is accustomed to there might be a certain tendency in the Icelandic companies to plan short-rather than long-term:

‘Integrating [the Icelandic and foreign corporate] units is much more challenging [rather than running each unit independently]... The return was not a quick one. It takes an investment per se but I think there will be a long-term pay-off. In the short run it’s only cost.’

‘It would be easy to run some kind of a corporate-identity programme but it would take long until it brought any pay-back.’

The main difference between the recent expansions of Icelandic companies and the attempts made during the 90ies is that now Icelandic companies rarely opt to send Icelandic managers abroad to fix the foreign operations. This might well be considered the fundamental difference of practice then and now. Icelandic business leaders are in general set on putting expertise from abroad to use at home. If the company runs operations in more than one foreign country the leaders will be focused on creating a flow of information between them.

However, most of the foreign staff will see these attempts as only tentative. Some guess that the Icelandic leaders are still very focused on high growth. Others feel this is an example of short Icelandic attention span and lack of a follow-up.

There are still examples of Icelanders being sent abroad to run Icelandic businesses abroad. In these cases their merit will be deemed to be their expertise often coupled with an international background, not their nationality. Some claimed that Icelanders find it difficult to trust foreigners – but if that is the case it seems a dwindling tendency, not a growing one.

'The earlier expansion of Icelandic businesses abroad was often flawed because the principle was to buy a company abroad and then send an Icelander to run it... It's important that managers from the respective countries know the culture and speak the language. If they are part of the community they will hear what's moving – all these things foreigners will miss out on.'

'To begin with, the tendency was that Icelandic companies sent their people abroad. My way of doing it is to impose our structure [on the companies we buy] but let foreigners run them because they have the local expertise – we don't. I doubt if Icelandic companies trust foreigners to run their operations abroad. I know that many of my colleagues find it difficult to trust foreigners but insist on them seeing everything our way and do everything like we do.'

Some of the Icelandic interviewees felt that the companies now operating abroad were no longer particularly linked to Iceland. Instead, the companies were now international since their expertise from foreign operations were an ever more prominent feature of the company, and their leaders now had an international experience.

'After the recent expansions I think the companies have gone beyond being Icelandic... Some Icelandic clique no longer leads the expansion. We are beyond the Icelandic stage – it's of no importance if people are Icelandic or not. What matters is that they have the expertise to pass on.'

Though Icelandic business leaders may feel their companies are now wide open and only expertise matters their foreign staff does not seem to share this view. This Icelandic misperception of the companies seems to be coloured by wishful thinking.

4.2 From a 'closed circle' to a multinational team

'Everyone in the innermost circle is Icelandic. That's easy to understand – but sooner or later this circle must be widened. Such a closed group is an easy target for criticism. So far it's been going well. At some point – regardless if it's in the coming months or years – they have to let foreigners on the board, also to shake up this very homogenous circle.'
(Danish manager)

'Since the goal is to create an international corporation they have to open up to international currents. It can be done either by moving the headquarter abroad take foreigners on the board or both.' (Swedish manager)

Foreigners feel that Icelanders are willing to learn. However, they feel that Icelanders very much move in a closed Icelandic circuit. Although they feel this could be only a symptom of the entrepreneurial spirit of the companies' expansion phase they point out that at a certain stage other and more varied views will have to be heard within the companies – and these views and expertise could only come from abroad.

'There's no doubt that the biggest and most international companies have to bring foreigners on the board – and undoubtedly this will happen. It's more important to open the boards up in this way, loosen the ties to Iceland and the Icelandic economy rather than moving the headquarters abroad. While the companies are so thoroughly Icelandic they will always be seen as Icelandic regardless the foreign share of their operations. [Without foreigners on the board] the danger is that they won't be internationally minded enough.' (Norwegian manager)

The foreign interviewees have no quick solution to offer on what it takes to create an international company but neither did they feel that the Icelandic companies had a clear vision of such a move. Moving the headquarters abroad and getting foreigners on the boards was mentioned. However, the most important – and elusive – factor was deemed to be a more open mind among the Icelandic business leaders and a better ability to communicate their views. As mentioned before most foreigners find Icelanders to be reticent on information because they often do not expand on their views in words.

Abroad, both in media and in private conversation, the fast growth of some Icelandic companies is often pointed out as a great risk. One factor contributing to the risk is that the managerial teams – so eminently good at making the companies grow – would be less capable of running a multinational corporation. These worried voices are also heard within the companies themselves.

'The danger is to grow faster than the infrastructure can support. Another danger is that the company grows faster than the expertise: though the leaders may be brilliant in Iceland they may not have the proper expertise to lead an international company.' (Norwegian manager)

Icelandic business leaders are aware that the companies' expertise might rather be in growth whereas their weak spot might be lack of managerial skills. With this in view it might be wise to open up the companies to foreign skills and mindset. So far, Icelandic companies have gathered expertise on expanding but there is yet little experience of how they will fare in running big corporations.

'There is little evidence of Icelanders being good at management because so far, they have only been good at investing. The management side is yet untested.'

'In general, Icelanders are unafraid, go-getting and want to conquer the world. They've made substantial acquisitions abroad but when it comes to it they have to be successful at managing businesses abroad. Buying is one thing managing something entirely different. In this respect Icelandic success is not self-evident because we have no managerial traditions to build on... Icelanders are no super-managers!'

The further development of the Icelandic companies expanding abroad is in all respects of great interest – in particular how they manage to adjust the Icelandic spirit of small companies to their vision of international corporations.

THE VIEW FROM ABROAD:

5 IS THERE AN ICELANDIC MANAGEMENT STYLE?

5.1 Icelandic characteristics

5.2 Initiative and responsibility

5.3 Quick decision-making: pros and cons

5.4 Operational focus

5.5 Communication

5.1 Icelandic characteristics

'I don't think I detect any special [Icelandic] management style. Quick decision-making is often pointed out but I think it's more a sign of Icelandic arrogance. At least I'm tired of Icelanders being so self-important that they think they will fly if they walk off the edge.'

'I think that we Icelanders are in many ways more internationally minded than what I see in many foreign companies.'

In general, the Icelandic interviewees did not claim there was a particular Icelandic way of management though they were aware that certain characteristics like quick decision-making and little hierarchy are attributed to the Icelandic way of managing a company. Instead, they saw these attributes as stemming from the small size of Icelandic companies and the general informality of Icelandic society.

'The style [of the Icelandic owners] is a relaxed mixture of a very American business sense and an understanding of our culture and the nature of our company.' (Danish manager)

On the other hand, foreigners tend to claim that Icelandic business leaders have a certain Icelandic way of managing, often reminiscent of what they sense as being Finnish or American. The characteristics most often mentioned are quick decision-making, little hierarchy within the companies, the leaders' young age, willingness to solve problems, emphasis on initiative and responsibility, informality. In addition the high level of education is frequently mentioned, often international, which is quite rare in Scandinavia where good universities at home discourage students to go abroad. One of the consequences of flat hierarchy is not only that everyone can freely talk to their superiors but also that managers will talk directly to relevant employees. From the foreign point of view Icelandic companies appear not mature but entrepreneurial.

'Icelandic leaders have all the characteristics of entrepreneurs also the creativity and the will to develop and grow and are at the same time willing to take great risks.' (Danish manager)

Foreigners consider the entrepreneurial spirit to be connected to the smallness of Icelandic companies. Danish companies tend to be small but are nonetheless mature and often lack the flexibility foreigners sense in Icelandic companies. Big corporations dominate the Swedish labour market. The inertia that tends to characterise big companies forms Swedish management style.

Neither maturity nor size is an obstacle for Icelandic managers and makes it easier for the companies to grow faster than is generally seen in Scandinavia. Short history and lack of tradition also support fast growth and gives the leaders flexibility and freedom to structure the business for growth without bureaucratic distractions. Many consider these characteristics reflective for the young age of both the companies and their leaders.

'Icelandic managers are not held back by any historical burdens... With no traditions to weigh them down they can pick best practice as suits them. They are free to choose models that suit them adapt them and make them their own.' (Swedish manager)

'The companies are young and grow easily because they don't contain growth-blockers like old companies.' (Swedish manager)

'Icelanders aren't weighed down by bitter experience since everything has been going so well lately. It's great to 'keep it simple' as long as possible. There are far too many old companies collapsing under the weight of their own bureaucracy.' (Norwegian manager)

The young age of Icelandic managers attracts attention and is often linked to the companies' young age – many feel that it adds a whiff of a fresh air. Others mention that the young leaders often seem inexperienced even somewhat amateurish. The lack of experience creates some worries: since the young leaders only know times of growth there is speculation as to how they will react to hard times.

'The leaders are energetic but they are very young and seem slightly amateurish. They move fast – but time will show if they go too fast.' (Norwegian journalist)

'Icelandic companies are characterised by young leaders who only know good times and booming markets... It gives them the feeling they create success. However, it might be good to sit down once in a while and think things through.' (Danish manager)

Connected to their young and fresh appearance and lack of history and tradition is the flat structure of Icelandic companies so obvious to foreigners. This might be a reflection of Icelandic society in general – compared to many other countries it has a less marked class structure. One aspect of the companies' lack of structure is that work processes and other inner structures of the companies often seem only loosely defined. A Swedish manager remarked that 'things seem very unstructured' within the company.

5.2 Initiative and responsibility

'The main difference [after Icelanders bought the company] is probably that now we carry a greater responsibility than earlier. Earlier, we were supposed to ask for

everything. Now we are expected to take initiative. For me it's an improvement.' (Danish employee)

Seen with foreign eyes the loose structure of Icelandic companies functions because Icelandic employees are used to take initiative. In a system with loosely defined and formed work processes it is important that everyone acts on what they see but do not expect to be told what to do.

The high level of initiative expected in Icelandic companies surprises both foreign managers and employees. This is often the greatest difference for the foreign staff when Icelanders buy a company. It is a great challenge for Icelandic leaders who want to impose their structure (or lack of it!) on a foreign company to understand this difference and find a way to encourage initiative among the foreign staff.

'[The staff] is used to an environment without any initiative – where the attitude is to wait and see. The main thing is to get them on board... and steer the initiative in the right direction. When people ask me what 'we' are going to do I reply by asking: 'what are you going to do?'

'They encourage us to show initiative and that's great but the way it's working out is that those who are good at taking an initiative have done it but those who are less good are left on their own.' (Danish employee)

Responsibility is linked to initiative and the connection between the two is yet another characteristic foreigners see in the Icelandic way of management. The demand for initiative and responsibility often means that the nature of work changes fundamentally for the foreign staff when Icelanders buy the company.

Foreign managers also feel an increased requirement for initiative and responsibility: they are often left to run the company without much Icelandic involvement. Some foreign managers mentioned that the Icelandic business leaders were good at sharing responsibility and in general patient. However, they strongly sensed that managers who did not perform satisfactorily would either be fired or moved to another job.

Although initiative is no novelty for managers some of the foreign managers are surprised at the great liberty given by the Icelandic companies – 'very high ceilings' as one foreigner phrased it. Some pointed out that without a strict control system within the firm these 'high ceilings' could induce risk. However, they can also be attractive for those who sell their businesses to Icelanders:

'We had considered various buyers but immediately hit it off with the Icelanders – for us, it's an advantage that they are rich and far away!' (Danish manager)

Another aspect of initiative shown by Icelanders is willingness to solve problems. Foreign interviewees mention that Icelanders do not brood over problems but take it for

granted that a solution could always be found. This attitude indicates a refreshing optimism that spreads quickly.

'I quickly sensed how the Icelandic managers think. They are very focused on problem-solving: if you confront them with a complicated problem they will not stare at single parts but focus on the solution right away!... This spirit quickly influenced the company and made it more effective.' (Norwegian manager)

5.3 Quick decision-making: pros and cons

'Icelanders don't focus on finding compromises but aim for quick decisions. My definition of the Icelandic management style would be 'quick decisions'.' (Swedish manager)

'They listen attentively – it often seems they're bit slow in thinking but then they are quick to make up their minds and continue at full speed.' (Danish employee)

In general, Icelandic managers consider quick decision-making to lend them a competitive edge abroad. Little verbal communication and lack of debate-culture within Icelandic companies sustains the rapid decision-making. Icelanders abroad notice the foreign tendency to debate everything down to the core. Foreigners notice Icelanders' limited focus on debate – and in particular: Icelanders do not seek compromises. By ignoring compromises as a management tool Icelandic managers save a lot of time compared to foreign colleagues.

This partly explains why Icelandic manager are able to practice quick decision-making. Another part of it is what could be called the 'I feel'-approach: Icelanders rather act on gut feelings than careful planning. While a foreign manager might spend time and effort to analyse a problem an Icelandic manager will focus on what he thinks – and it usually does not take him long.

'Icelanders tend to rely heavily on what they think rather than focus on careful preparation – that's why they are so quick to make up their minds.' (Danish manager)

From the foreign point of view speed both involves advantages and disadvantages, risk and competitive edge. Among the foreign staff many like the speed. Others feel that Icelanders should pay more attention to the foreign surroundings when they are not on their home turf.

'It's good to be focused, stick to 'Just do it!' and make quick decisions – but at times it's necessary to listen to others and show some understanding of the environment.' (Swedish manager)

Foreigners mention that Icelanders are not only quick to make up their minds but are also willing to change their minds if they sense that their decisions were taken on the wrong premises or need to be changed for some reason. They do not consider Icelanders stubborn. This is evident as an ability to react quickly to problems. From this point of

view the quick decision-making is part of the flexibility that in general characterises Icelandic managers. This ability is seen as strength rather than weakness since it secures rapid reaction both in favourable and difficult situations.

'When it comes to speed it's good to keep in mind that those who are energetic and quick to make decisions will find that these abilities are not only useful in sustaining success but also under tough conditions.' (Norwegian manager)

Icelandic managers express the belief that if necessary quick decision-making is always possible. They claim that a mechanism to sustain speedy decisions can easily be built into companies and boards, now more so than ever because of modern communication technology.

'It's always possible to take decisions in just one day if necessary. Within the board there are mechanisms to facilitate this. It's amazing how much can be finished via SMS!'

5.4 Operational focus

'The [operational] attitude is very American much in the spirit of the Nike slogan: 'Just do it!' This is a very un-Swedish way.' (Swedish manager)

Compared to foreign companies foreigners notice how Icelandic companies are focused on operations – with little culture of debate and compromises as shown above. Foreigners see the operational emphasis and quick decision-making as two sides of the Icelandic management style linked to lack of over-all strategic thinking within the companies. A Danish manager claimed that precision 'is not their strongest side' and 'they are rather too fond of feeling their way forwards rather than plan it.'

Operational planning in Icelandic companies seems different from what is customary in Scandinavia (and elsewhere). A Danish manager mentioned that whereas the Danish model would be 80% preparation and 20% operation the Icelandic model would be 10% planning 80% operation and 10% correcting mistakes.

This approach will be accompanied by a high error margin and willingness to accept the cost of correcting mistakes. This operational model also focuses on improving the model rather than finding individuals who are to blame for mistakes made. This approach is also conducive to speed.

'We are very content with the [Icelandic] owners... content to be free of a Danish lethargic board that does not identify problems in time!' (Danish manager)

5.5 Communication

'In general, it's easy to be around Icelanders – the whole environment in the company is focused on including everyone and letting everyone feel included.' (Norwegian manager)

'A word is a word and that's a virtue we understand.' (Norwegian manager)

'[Icelandic managers] are good at keeping employees content. They are well-informed and always ready to lend a helping hand when needed.' (Danish manager)

Foreign employees see many positive traits in Icelandic managers. They are seen as straightforward, reliable, friendly, easy to get on with, unfussy, quick to solve problems and positive. They do not mind being asked questions and are ready to discuss everything. A Danish manager mentioned that the Icelanders do not show up brandishing their swords and biting their shields but expressed themselves clearly and rarely created ambiguity or misunderstandings.

It has already been pointed out that compared to Scandinavian companies non-hierarchical structures characterise Icelandic companies. This is also reflected in communications within the companies – foreigners often mention how informal Icelanders are.

An interesting part of the informality is not only that employees interact unhindered with those in leading positions but also that managers communicate directly with those they feel are relevant in each matter instead of threading their way through the hierarchy. A Norwegian manager mentioned that this diminished the danger of isolating manager from reality. Another strength is that employees, no matter what role they play, get a strong sense their role and value.

As mentioned earlier Icelanders are accustomed to longer working hours than in Scandinavia and not used to the strong position of trade unions as seen in for example Sweden. The attitude of Icelandic managers is also seen by some to differ from what is otherwise customary in Scandinavia – some will find it refreshing, others less so:

'Icelandic managers demand a great deal of their staff and seem to forget that we can't put as much pressure on our staff as seems to be possible in Iceland.' (Swedish manager)

'Icelanders go straight at it without too much explaining and their methods border on ruthlessness. This is very different from the Swedes who talk endlessly about things. The Icelandic style is refreshing. It's great to see someone who is willing to take some risk – very different from the style here.' (Swedish journalist)

As can be expected, the new Icelandic owners invariably introduce changes. Among the staff there are in some cases voices claiming that information on changes comes too slowly compared to the speed of changes. Again, this points to what has already been mentioned: communication is a weak point in Icelandic companies abroad.

6 WHAT INFLUENCES SCANDINAVIAN MEDIA COVERAGE OF THE ICELANDIC EXPANSION?

6.1 Amazement, ignorance and striking personalities

6.2 Is it just envy?

6.3 Weaknesses: cross-ownership and rapid growth

6.4 “Iceland Ltd”

6.5 How does foreign media coverage affect the foreign operations?

6.1 Amazement, ignorance and striking personalities

‘The Icelandic companies behave like a woman in her thirties let loose on the high street with a gold card! The companies seem to buy whatever takes their fancy no matter the price!’ (Danish journalist)

‘We are used to see big corporations grow over a long time – Icelanders go from 0 to 100 in no time! Icelanders are rather like fishermen who come ashore with pockets full of money after three months at sea and need to buy whatever they fancy when they finally reach land.’ (Norwegian journalist)

Amazement, ignorance, and focus on a few colourful individuals have shaped the Scandinavian coverage of the Icelandic expansion. No matter if Icelanders like it or not the impression the expansion has created is one of ‘new money’ and energetic intensity – and this has not passed journalists by. In Scandinavia people are not used to see such rapid development, not accustomed to growth rates like the Icelandic ones – and this has shaped the Scandinavian coverage.

‘[The Icelandic entrepreneurs] look a bit like cowboys – maybe no wonder since they are young and everything around them moves so fast. They seem to solve problems by throwing money at them; they buy people and company and happily pay a high price.’ (Norwegian journalist)

The uninhibited flow of money also catches the media’s attention. Icelanders have a reputation of paying a higher price for companies. One interviewee said it could not but be noticed that time and again there might be nine companies offering a similar price for a company before Icelanders arrive on the scene and offer 35% more. The Icelandic method always seems to be to pay more to solve problems. This aspect is also linked to speedy decision-making shown by Icelanders.

As can be expected in the media coverage of a country with alien names and strange customs there are many mistakes to be found in the Scandinavian media coverage. The focus on a few well-known individuals is understandable since they have bought famous companies. The sums are unimportant in this respect: acquisition of famous companies attracts more attention than acquisition of bigger but unknown and unglamorous companies.

6.2 Is it just envy?

‘My interest in Iceland does not stem from business issues. I’m interested in people and personal relations. The reason is simple: suddenly the town is full new kids who go about their business in a totally different way than others here – of course we have our eyes on them!’ (Danish journalist)

'Historically seen we are now the egg teaching the hen. Danes think we should be destitute and live in turf huts!'

Scandinavian media has turned its attention to Icelanders and the Icelandic companies because they have a refreshing attitude, are newcomers in the Scandinavian business community, and have bought famous companies. This has brought attention to Icelandic businesses in general and the Icelandic economy. It is no coincidence that this time the Danish media has dedicated so much coverage to Iceland: recently, the Icelandic expansion has concentrated on Denmark where Icelanders have acquired some famous companies.

'In general, Danes are suspicious of foreigners loaded with money! It doesn't matter if they are Icelandic or not.' (Danish manager)

Until recently foreign activities have not been prominent in Denmark: when foreigners have acquired Danish companies the media interest has always been keen. Such was the case when an American company acquired Tele Danmark in 1998. This will partly explain the Danish media interest in Icelandic activities.

6.3 Weaknesses: cross-ownership and rapid growth

'We have covered all aspects of the Icelandic business world, also cross-ownership: who owns whom. The Icelandic cross-ownership is particular – not because it's unknown elsewhere but because it's much more outstanding in Iceland because of the smallness [of the Icelandic business community].' (Swedish journalist)

'Cross-ownership is also a feature of the Swedish business life but it's a well-known feature – the personal contacts and ownership-clusters are known and don't attract suspicion. Scandinavia is too small to go without it but [the Icelandic cross-ownership] needs to be explained much better.' (Swedish manager)

Until recently, the word 'cross-ownership' was only known in the small circle of those who keep an eye on the business world – now it is familiar to everyone who follows the Scandinavian coverage of Icelandic business. Icelanders who have appeared in Scandinavian media consequently and correctly point out that this type of ownership is not an Icelandic invention. However, they do not seem aware how small size and personal relations magnify the phenomenon in foreign eyes.

The interviews make it clear that cross-ownership is the most famous feature of the Icelandic business world regardless of whether the interviewees were managers, employees or journalists. Everyone was aware of cross-ownership not being a particular Icelandic feature. Nonetheless, it is seen as the biggest Icelandic direct and indirect risk factor, also undermining transparency.

'Personal contacts can be a great strength – but also a great weakness... The smallness will unavoidably contribute to 'incestuous' relations in the business community. No matter if it creates direct risk or not: when there are so few individuals running the show

the indirect risk is that it could lead to a mental meltdown during a slowdown i.a. if the currency is devalued and growth and personal consumption falls.’ (Danish manager)

Another frequently mentioned risk factor is the rapid growth of Icelandic companies. The Icelandic growth both in companies and the economy in general differs from anything seen in Scandinavia. This factor was mentioned time and again in the interviews – from the Scandinavian point of view it is difficult to understand that such growth can be natural.

‘Internationally seen Sweden is a small country: it often raises the question why there are so many big Swedish companies. There are certain historical facts to explain it. In Iceland the development has been extremely rapid it hasn’t been properly explained and that gives rise to suspicions that Icelanders have been unable to eradicate.’ (Swedish manager)

‘Many of the Icelandic companies have grown too fast and that gives rise to all sorts of myths that easily makes foreigners insecure and suspicious.’ (Danish manager)

6.4 “Iceland Ltd”

‘Icelandic companies are seen as one and suspicion, negative attitude, and negative coverage of one or a few companies rubs off on other Icelandic companies. The exaggerated message that we are all getting so rich only nourishes envy and antagonism. I’m not interested in participating in some latter-day Viking Age.’

Fundamentally, the Icelandic companies can be divided into famous and non-famous companies. As mentioned earlier, the acquisition of famous foreign companies brings fame and media attention. Managers of non-famous Icelandic companies find it at times mildly irritating that the coverage of the Icelandic business ‘celebrities’ rubs off on utterly unrelated Icelandic companies as the coverage draws general conclusions based on a few famous companies and their owners.

A closer look at Icelandic companies operating in Scandinavia quickly shows that only very few of them have created the media image of newly rich and glamorous Vikings and cowboys. Most of the companies run entirely unglamorous operations. Consequently, many Icelandic business leaders will feel that the media coverage is of little or no help to them since it is totally beside their operational focus.

The effects of the small size of the Icelandic business world are akin to the effects of the often mentioned cross-ownership. When the companies all seem linked to each other within this tiny world it stimulated the sense of an ‘Iceland Ltd’:

‘The danger is that Iceland is seen as one company where everything is tiny everyone goes to bed with everyone else – people ask who is actually running the show. Some of the analyses have quite correctly pointed out that the companies own shares in each other – inevitably the close connections will give rise to critical questions!’ (Swedish manager)

When Icelandic companies are seen as only one corporation, companies that either have a good reputation or attract no attention will be affected by the negative media coverage of certain companies. There is a detectable unease among Icelandic business leaders that if some Icelandic companies will fare badly it will – at least in the short run – affect other Icelandic companies even though they are in no way connected to those companies.

‘Bad coverage on other Icelandic companies and negative attitude towards them in general harms us [even though we have had positive coverage].’

6.5 How does foreign media coverage affect the foreign operations?

‘The media here is suspicious of the Icelandic activities – time will show how they go. I can see the problems – the cross-ownership the trade deficit – but it is of no importance to me who owns the company.’ (Danish employee)

Foreign employees and managers in Icelandic companies are aware of the fact that they work for an Icelandic company. The media coverage does not disturb them though they will express the same worries as expressed in the coverage especially the risks of cross-ownership and rapid growth.

However, Icelandic business leaders cannot afford to ignore the coverage since foreign managers feel its effects when it comes to hiring qualified staff: a company that has a bad reputation will not attract the best staff. Those who have experienced negative coverage discover that when it subsides they attract better people. A general negative coverage of Icelandic companies and the Icelandic economy can also diminish the possibilities of Icelandic companies for hiring qualified foreign staff for their foreign operations.

7 ICELANDIC MANAGERS IN FOREIGN MEDIA: COSMOPOLITANS OR PAROCHIAL MINDS?

7.1 PR: the weak link

7.2 The destructive effect of small size and personal contacts

7.3 Can the media coverage be influenced?

7.4 What next?

7.1 PR: the weak link

‘If 80% of people think [Icelandic businesses] are in trouble then that creates difficulties – this belief is the problem! The Icelandic business world is full of success stories. Icelanders just have to be better at telling them!’ (Danish manager)

‘Icelanders haven’t been good enough at explaining that they are simply good craftsmen in finance and their results have been exemplary!’ (Danish manager)

‘The story hasn’t been told well enough,’ is the refrain when foreigners working for Icelandic companies abroad talk about the coverage of Icelandic businesses and the Icelandic economy. The Icelandic PR-failure in Scandinavia certainly is a matter of some irritation among the foreign staff since they feel there is plenty of success to focus on.

'The companies certainly have some glorious stories of success to recount – but they haven't been able to tell them because they haven't understood how to tell them and how to present them. Instead, they have opted for defence – and defence never looks good! At that point, it's too late to tell the success story.' (Danish manager)

From the media point of view, Icelandic companies are in many ways outlandish. Journalists also feel that the companies themselves have not properly realised how different their ways of operating are from the Scandinavian norm: consequently, they have had no understanding of the importance of presenting themselves properly.

'Icelanders are both clever and not clever in PR. They are great at organising events – but they are in general no good at charming journalists. Journalists often make mistakes but Icelanders could be better at informing them.' (Swedish manager)

PR is not only aimed at the media but also at other forms of presentation, which the companies often do better. Considering what is stated above regarding the Icelandic focus on operations on the one hand and their limited understanding of communication on the other it is interesting to note that they seem better at organising events than conversing with journalists.

7.2 The destructive effect of small size and personal contacts

'Icelandic companies are characterised by their smallness and the fact that apparently everyone knows everyone within the Icelandic business community... The [Icelandic] business leaders could be better at explaining what they have in mind.' (Swedish journalist)

'I'm sure that at home Icelandic companies are good at PR. PR is site-specific – I think that Icelandic companies might in general have underestimated the need for PR abroad because they're accustomed to operating in a small market.' (Norwegian manager)

An aspect of the fundamental change caused by cross-boundary operations is the different nature of PR abroad compared to Iceland. The lack of proper understanding of the importance of professional PR felt by so many foreigners can be explained by the fact that PR is of much less importance in Iceland compared to abroad. However, the PR-failure is most likely also connected to the general Icelandic lack of communication skills and understanding of the importance of effective communications.

The tininess of the Icelandic media market no less permeated by personal relations than the business community does not help in foreign operations. Criticism in Iceland can often be dismissed with insults or accusations of envy – none of these tactics are likely to abroad.

'It's perhaps a good tactic in Iceland to kick your critics but it's not the way to answer criticism here. In this respect, Icelanders have been naive.' (Swedish manager)

'When criticised they are too quick to use arguments such as: 'They're plain wrong, they're just being vindictive!' They tend to repeat over and over again just like stubborn teenagers. The companies are still young, they have been tremendously successful and that's the way they behave. Yes, just like teenagers who say: 'We know best, we get it all. It's just the others who don't get it!'' (Swedish manager)

The general focus of foreign media on everything that is different and outstanding has led them to Icelandic companies and the Icelandic economy. Foreign employees in Icelandic companies feel that the Icelandic take on PR has been less than professional. Lack of professionalism has contributed to limited understanding of foreign media due to the peculiarities of the Icelandic media market.

'Perhaps Icelanders are unfamiliar with media characterised by a critical attitude and a search for the sensational. As far as I can see the Icelandic take on PR hasn't been very good.' (Norwegian manager)

7.3 Can the media coverage be influenced?

'In the long run, the focus on Iceland and its businesses and the fame it has brought might give rise to undiscovered opportunities.' (Danish manager)

Experienced PR people often claim that even negative attention can easily be used for positive promotion. There are no quick and simple solutions to the current Icelandic PR-failure abroad. The focus has been on other factors than PR but it might be time to try to harness the attention in a more positive way.

'It's clear that the Icelandic companies have incurred antagonism in some places: in order to counteract it they have to focus on creating an understanding of who they are, how they work, and what their aim is.' (Norwegian manager)

An important step towards changing the image is to recognize the antagonism. It will not go away simply by being branded by Icelanders as envy, patriotism, or slander from competitors.

Timing is an important factor in good PR – doing things at the right time. Since Icelanders are generally quick at reacting in business matters it is a matter of surprise how slow they have been in reacting on the media coverage. This slowness points towards a lack of understanding of reaction and timing in PR as well as a fundamental lack of understanding of the nature and importance of PR.

'The Icelandic companies have certainly showed flair for doing business but they have not been good at listening to criticism and to answer it. They may bring out a good press release – but far too late!' (Swedish manager)

'For the time being Icelandic companies are on the defensive here in Denmark. At that point there is no sense in trying to explain – all you can do is to bring out the facts.'

Icelanders will need to take time to inform – it's no use to hide the problems or understating them.' (Danish manager)

Public appearance is not to everyone's liking – an important part of a successful PR-strategy is to teach business leaders a media-friendly appearance or to find others who will be better at presenting the companies. Some PR experts claim that the image of a company is never better than those who present it in the media.

'It certainly would have been better for the Icelandic companies to have better spokesmen – their media appearance has been less than brilliant.' (Swedish journalist)

'Some Icelandic business leaders haven't performed well in the media – there are companies obviously run by people who aren't comfortable in the limelight. Nothing wrong with that but then they have to find better people to present the companies – otherwise, it's far too easy for the media to portray the individuals and companies in an negative way.' (Danish manager)

On the other hand, Icelandic business leaders have created attention by being more straightforward and unafraid to speak their mind than is customary in the Scandinavian business community as well as by being younger.

'Norwegian companies are mostly run by men in their sixties who speak with journalists after careful preparation because they're so afraid to make mistakes... everything they say is rather insipid. Consequently, guessing and interpreting what they really mean absorbs the media. 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.' (Norwegian journalist)

Speculations on 'Russian money' are a standard part of the media coverage of Icelandic businesses and the economy, though the exact connections with Iceland are rarely clarified. There are certainly ways to counteract such speculations but considering how sustained this rumour, is waiting and hoping it will pass does not seem likely to work wonders.

The vitality of this rumour can partly be explained by the fact that journalists will invariably look up older articles on Iceland – and latch on to anything that can spice up their own articles. Interestingly, the Swedish coverage of Icelandic companies started on a negative note that now has mostly evaporated. Consequently, time can be a redeeming factor – though this should never be used as an excuse for not doing anything.

'The Swedish coverage started badly some years ago because of antagonism and suspicion. Now, the companies have been active here for a few years they're well known by now and have moved more slowly. This has wiped out the suspicion... They have become part of the market here.' (Swedish journalist)

7.4 What next?

The most likely scenario is that – as can generally be expected – some companies will be successful others less so and some might disappear. It is obvious that Icelandic companies have some real points of strength and expertise. However, it is equally obvious that the main weaknesses in their foreign operations regard communications both between Icelandic leaders and their foreign staff and with the media.

Foreigners often point out the egalitarian appearance of Icelandic society. This appearance might change with a greater income spread. It is a future challenge for politicians and others how to deal with the social changes brought about by the expansion of Icelandic companies abroad and greater private wealth:

‘When I passed through the Reykjavik Airport recently there were six private jets there. There are good reasons for a high standard of living among those who run good companies but if someone makes a mistake the criticism will be fierce... It remains to be seen how the companies will be managed if people have been paying too high a price [for the foreign acquisitions] – and how will that affect Icelandic society? I fear that the Icelandic ‘envy gene’ will blossom!’