

THE FUTURE *Danish* MODEL

An outlook of the Danish future

The Goal:

Denmark should be a welfare state with high quality of life, education and employment for everyone, and care for all those who need it.

The Way:

Denmark should (therefore) be Europe's most competitive industrial country with the best public sector in the world.

Copenhagen Goodwill Ambassador Corps founded by:
Wonderful Copenhagen and Copenhagen Capacity
in cooperation with The Danish Industry Foundation

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Preface

Denmark is facing major challenges. Globalisation has created a new world order where capital, goods, jobs, labour, students, expatriates, refugees, communication, information, etc. are moving around the world in a way we have not previously experienced. We must maintain world-class standards in everything we do if we are to succeed in this new world order.

Unfortunately, Denmark's competitiveness and welfare model is no longer world-class.

We are failing to provide the same level of prosperity as other countries, and welfare is under increasing pressure. Therefore, if we want to maintain past levels of welfare in the future, our much-admired Danish social model must therefore be extensively adapted to suit the new world order.

With this in mind, and following the White Paper released in 2012, we - the Copenhagen Goodwill Ambassador Corps – have compiled an independent and non-partisan discussion paper for the formulation of a new Danish social model. Our aim is to further develop the Danish social model as an attractive and specialised alternative to many other country models and cultures.

We believe that Denmark's cultural uniqueness should drive or fuel the development of new solutions that propel Denmark forwards, while accommodating the impact and demands of globalisation. We can therefore develop strong unique community solutions as the basis for future growth and prosperity.

We feel this task can be best achieved if based on a real country model. Our welfare society was developed after World War II without extensive socio-economic insight and with no clear aim in mind. With a carefully planned process and model, we can collectively innovate and shape the future Danish social model far more efficiently and ensure an outcome that appeals to the vast majority of the population. We fully appreciate that this is a major management task and a pioneering initiative that has never previously been undertaken by a democratic country.

Internationally competitive industry is the key to innovating and shaping the future of the Danish social model based on a welfare state. In other words, we must devote more discussion to how the pie is baked than how it is divided up. We should aim to transform Denmark into Europe's most competitive industrial country with the most efficient public sector in the world.

If the concept of solidarity and unity still resonate in Denmark, they must be in focus. Together we must strive to achieve the common goal of being top performers and creating the most value in the global economy. Our business community must be successful, creating exciting jobs and manufacturing high quality products and services that can

be sold in Denmark and abroad. And our public sector must perform as well as the best companies.

If we choose to devote all our energy to discussing how the pie should be divided up, we risk losing what many of our predecessors have created and fought for. The Goodwill Ambassadors hope that this paper will inspire the country's leaders to formulate "The new Danish social model".

On behalf of the Goodwill Ambassador Corps
Waldemar Schmidt
Copenhagen, 27 August, 2013

Reflections

On 29 August 2012, the Copenhagen Goodwill Ambassador Corps published a White Paper containing five recommendations on how Denmark can rank top among Europe's most competitive countries.

The aim was to strengthen Danish competitiveness and consequently ensure funding for a welfare state that appeals to the majority of the Danish population. The recommendations generated considerable publicity and were welcomed in particular by the labour market partners, the media and many others. Several ministers commented on the White Paper.

In view of the significant interest shown, we decided to take the next step and compile a discussion paper on how we can renew and strengthen the Danish social model. The rationale is that if the existing Danish social model, which was not carefully defined at the outset, can be so successful, think what we can achieve if we formulate a carefully planned new version of the Danish model with broad support from labour market partners and widespread backing from the population.

Since last year, we have followed the Danish public debate and the government's series of reform measures with great pleasure. It appears that awareness of the need to adapt Denmark to suit global conditions is growing, particularly the need to increase incentives to work, improve conditions for the businesses that are the backbone of our prosperity, and develop more effective public-sector services.

The reforms involving early retirement, income tax, cash, student grants (SU), etc. are a step in the right direction, as is reducing corporation tax. The aim of the upcoming primary and lower secondary (folkeskole) reform also follows this lead, with school principals recovering the management reins from the teachers in elementary school in the spring. Hopefully this will herald both a stronger primary school and more modern management practices in the public sector. Similar initiatives are under way in several other areas and indicate a trend in a direction that we believe is both right and absolutely necessary.

We have noted these initiatives but do not refer to them specifically in this report. We do not want to politicise the individual initiatives and their nature. However, we have noted that the government's reform initiatives are generally been referred to as a "reform frenzy" with an underlying undertone that the government is driving Denmark forward faster than the Danes can keep up with and accept.

In this context, we clearly believe that the previously implemented reforms are far from sufficient to equip Denmark for future - or existing - global requirements. Other countries are acting more purposefully and faster, and their populations are benefiting as a result.

We need look no farther than our neighbour Sweden, which is experiencing a completely different level of prosperity to Denmark. Since 1995, Sweden has risen from 17th place in the rankings of the world's most prosperous countries to 10th. Meanwhile, Denmark has also fallen from 6th place to 15th place. The key difference is that Sweden reforms and adapts to a rapidly changing world more extensively and better than Denmark.

Leaders who introduce rapid changes without clearly communicating their aim and process run the risk of losing support, so for that very reason, the focus of this paper is to formulate a vision, a goal for Danish society, and describe a clear and broad-based process that allows the vast majority of Danes to follow the cognitive journey prompted by any change.

Similarly, we also focus on the vital balance at the heart of every successful social reform today: On the one hand, it must reflect people's values and on the other hand live up to the demands of globalisation.

How can we be sure that this balance is achieved? That is the question we invite you to discuss.

Executive summary

Globalisation has created a new world order. Our welfare society is under pressure. Competitiveness is impaired. In fact, a visionary and inspiring country model with broad public support is needed to transform Denmark and the Danes into winners.

Unless the Danish welfare system is revitalised, Denmark will become poorer and its welfare system will be undermined. Today, in too many areas, Danish society is out of touch with the demands of the new global economy. The symptoms are on the one hand weakened competitiveness, low productivity, and a flimsy basis for growth, and on the other hand, a crumbling welfare system with an increasingly large proportion of the population on passive benefits.

If Denmark is to be counted among the world's most prosperous countries and maintain one of the world's most highly developed welfare states, more now than ever, the Danish social model must be revitalised and adapted to reflect global reality. While we cannot simply copy what others are doing, we can perhaps use them as a source of inspiration. Renewing Danish society must be rooted in the cultural values shared by the Danish population. Solutions that are out of step with Danish values and Danish culture will flounder and ultimately fail to drive the necessary transformation and success.

We are facing a challenging and comprehensive management task that will only succeed if a wide range of community stakeholders are involved and the project is anchored in the general population.

As inspiration for how we can jointly plan and renew the Danish social model, The Copenhagen Goodwill Ambassador Corps - 80 Danish business leaders living in many of the world's growth centres - took the initiative to compile an independent and non-partisan discussion paper on 'The future Danish social model'.

The paper includes an important invitation to prepare a proper country model to reveal how Denmark adapts and operates in the global economy i.e. a vision of what kind of society we want, and a plan for how to realise our vision.

Creating an exciting company with unique products and dedicated employees requires a vision that can mobilise, inspire and reward employees and other stakeholders. Similarly, without a vision and a plan, it would be hard to create a Denmark that would appeal to the majority of its population.

A Danish country model could be developed as proposed below:

THE GOAL:

Denmark should be a welfare state with high quality of life, education and employment for everyone, and care for all those who need it.

THE MEANS:

Denmark should (therefore) be Europe's most competitive industrial country with the best public sector in the world.

The vision is a beacon that must be consistently translated into concrete actions by politicians, labour market partners, educational institutions, etc. It is imperative that every action is based on the vision.

The current social model was devised in the post-war period in Denmark after World War II - using tests and experiments with limited insight into socio-economic factors. With the vast knowledge we have today, it is quite feasible to formulate a well devised new social model that can be implemented much faster than the old model and with similar success in today's terms.

An initiative like this would mean Denmark would be the first democratic country to develop and apply a country model as a management tool to drive social development and the transition to the new global environment.

Denmark today

In Denmark today, neither the private sector nor the public sector are delivering the results needed to maintain the welfare state as we know it - and importantly, a social system that appeals to the population.

Over the past ten years, Denmark has lost significant competitive drive in the global arena both according to the World Economic Forum's 'Global Competitiveness Report' and the 'World Competitiveness Yearbook' published by the International Management Forum management academy, both of which compare the competitiveness of various nations. We are lagging 20 per cent behind the U.S. in terms of productivity, and 10 percent behind Germany and Sweden. If this continues, we will have lost DKK 100 billion in terms of welfare by 2020. At the same time, a mere 100 Danish companies, typically those established many decades ago, account for half of Denmark's exports. And Denmark badly lacks the emerging growth companies that could secure new export revenue.

In other words, the basis for growth is fragile, productivity is lagging behind and competitiveness is weakened. That in itself is alarming.

Meanwhile, a record-high number of Danes are relying on public benefits. According to The Confederation of Danish Employers (DA), 22 per cent of the population of working age are relying on passive support. In neighbouring countries - Sweden, Germany and

the United Kingdom – ‘only’ an average of 15 per cent of this group rely on welfare benefits. With the same proportion of citizens on benefits as the countries around us, public expenditure in Denmark would be at least DKK 50 billion lower a year.

This trend is fuelling among the highest public spending in the world. Clearly, we have not devised world-class solutions. Low income and high costs are rarely a recipe for success. In a nutshell, Denmark’s situation is untenable in several senses. We must therefore examine the Danish social model and resolve how to restore our world-class reputation in both the private and public sectors - which are interdependent. Failing this, the ideals fundamental to the Danish social model may not survive for the next generation. Quite simply, we will be unable to finance them.

The Danish values

Denmark must compete in a new global arena where capital, goods, jobs, labour, students, expats, refugees, communication, information, etc. are moving around the world in a way we have not previously seen. This places new demands on us all - nations, businesses, members of the public. To succeed, we need to maintain world-class standards in everything we do. Otherwise, capital, customers and jobs will move elsewhere.

The solution is not to benchmark Denmark against foreign countries and copy what others are doing. We must develop our own solutions to the challenges created by globalisation that on the one hand match the demands of globalisation and on the other hand reflect the unique Danish culture and Danish values.

The values we share as a population drive our thinking, reasoning, decisions and actions. Values vary from population to population and trigger different ways of adapting as a society. If society’s responses to the demands of globalisation do not resonate with people’s values, they will lack support and fail to deliver the desired effect. Similarly, in companies, actions that contradict common values are difficult to implement and perpetuate.

We must therefore remain aware of the common values that we Danes share, how they are expressed and how they support - or undermine - political decisions.

The Danish values have been identified as:

- respect for the individual, i.e. equality, trust and community spirit
- openness and flexibility, i.e. pragmatic adaptation to a wider world
- a Lutheran work ethic, based on responsibility and hard work
- respect for nature, which encapsulates ethics and consideration for others

These values and cultural peculiarities represent potential economic forces. Approaching a challenge or opportunity from a different perspective than others can lead to different

and better, if not unique, solutions. The Danish labour market is special as it combines flexibility for employers with security for employees. It differs from labour markets in other countries and is renowned for being the best-functioning labour market in the world.

Unique values can also have intrinsic weaknesses, however. A heavy tax on entrepreneurs, those generally considered to be the source of future employment and prosperity, is in complete harmony with the Danish value 'equality', but in a global world, it undermines national growth and prosperity, which weakens the ability to maintain the welfare state. Globalisation therefore requires us to adopt a global outward perspective and understand how to adapt to change, while looking inwards and appreciating our own particular strengths and skills and applying them offensively.

We therefore recommend a national review of our values to identify the fundamental values we Danes share and that drive our actions. This review must examine whether our approach to providing existing social services aligns with the relevant values - and global reality.

The Future Danish Social Model

Before renewing the Danish social model, it would help to consider the following focus areas:

1. The Business Community

Denmark must strive to become the most competitive country in Europe, with strong framework conditions for existing businesses, new businesses and foreign-owned enterprises - particularly in areas where Denmark has developed and is developing world-class skills. Consequently, we must also channel sufficient research, training and other resources into these areas, which is not currently the case.

The country's leaders face the huge educational task of explaining to the Danes that they can only enjoy the welfare they desire if the country has a thriving private sector and secure prosperity and convincing the Danes to accept this. In our view, in Denmark we currently spend more time discussing how to share the pie than how to bake it. This will not help promote prosperity.

The following selected measures can strengthen the private sector, which drives prosperity in Denmark:

Reverse the brain drain

An estimated 200,000 Danes currently live outside Denmark. Together they control billions in the form of private wealth and international skills - many have achieved global success. Today, Denmark benefits only to a limited extent from their skills and capital, as they live and work outside Denmark's borders. Clearly, a special tax scheme

introduced for expatriates would encourage them to move back to Denmark and invest their knowledge and capital here.

Kick-start for entrepreneurs

Stronger incentives are needed to prompt businesses and entrepreneurs to remain in Denmark and develop their business activities here. A scheme that exempts entrepreneurial businesses from paying tax during their first five years would be conducive. After this, the tax level would be continually normalised. If a company joins the scheme and after 5-8 years subsequently leaves Denmark, the company would pay an 'exit tax' to Denmark for some years. Similarly, investors who invest in new companies should be rewarded for providing risk capital.

Services for foreign companies

Denmark has a strong interest in attracting foreign companies to the country to create jobs here. In addition to establishing a competitive environment for businesses and more marketing, Denmark should develop support features that make setting up in Denmark attractive, quick and easy. For example, we could provide a one stop shop for companies considering Denmark as a new bridgehead into Europe. Potential foreign investors could, quite simply, be met at the airport and guided through the Danish system, depending on their interests and objectives.

Establishment of industrial zones

Denmark should establish 'hot houses' with shared administrative resources that are available to foreign companies. These centres would help foreign investors to develop an idea in Denmark and market and patent it for the first three years in Denmark. Tax breaks would be provided – as in many other countries – combined with development aid i.e. 50 per cent coverage of labour costs for the first three years, for example.

2. The Public Sector

We must aim for Denmark to have the best public sector in the world – a public sector that carries out its duties as effectively and skilfully as the best companies operate, and where employees thrive and can express their commitment and knowledge.

Interestingly, the management style in public enterprises, institutions and municipalities differs significantly from the management style that constitutes a private sector strength in Denmark: A clear vision, few management levels and extensive freedom for individual employees. According to the government's Productivity Commission, some frontline workers in the public sector devote only 20 per cent of their time to their core task.

Consequently, today well-educated, innovative, productive, independent employees in the public sector cannot explore or showcase their talents. The public sector is therefore generally too expensive, absenteeism is high, employee satisfaction low, error rates are high, etc., while public service levels often fall short of citizens' and politicians'

expectations. The following measures could strengthen the public sector, which provides Denmark's welfare:

A governance model for the public sector

A governance model must be formulated that defines rules for managing public-sector activities. It is particularly important to define how the government should exercise its role as owner and prevent politicians and officials from interfering inappropriately in daily operations. In this context, core public services and general services must be clearly defined, so that everyone understands the task at hand. The model should also reflect the government's obligation as a provider for its citizens and businesses, but it has no obligation as a producer. Cooperation with private suppliers should therefore be strengthened so that competition can reinforce both innovation and efficiency.

Better management training

Management skills must be strengthened throughout the public sector - at all levels. Basically, we should develop, disseminate and practise community leadership as a conscious concept and discipline, preferably based on a country model. At the same time, the general and occupational-specific courses for managers in the public sector should be strengthened to develop their respective management capabilities. In particular, 'strategic sourcing' as a discipline should be more in focus. This would enable the public sector to strengthen both its own organisation and the companies with which it works.

Mobilisation of volunteers

Denmark's culture of volunteerism must be strengthened. For example, the law should allow citizens on transfer incomes to carry out volunteer work. At the same time, municipalities and the state should professionalise cooperation with volunteers by establishing a set of rules and developing an infrastructure that can align the demand for volunteers with the supply of volunteers. There is currently no marketplace where volunteers can offer their services. An initiative like this would mobilise the vast resources in the population who can help children, the elderly and socially disadvantaged citizens enjoy a better life without increasing public spending.

3. Education

Today, learning is the backbone of welfare creation in all developed societies. Therefore, education must be given top priority. Meanwhile, the theory of education is becoming an independent competitive parameter. Unfortunately, large parts of the Danish education system have not kept pace with international developments in recent decades and are underachieving in terms of results.

The following selected measures could strengthen the Danish educational programmes, which are the foundation of the individual's life opportunities and the prerequisite for a competitive workforce:

Reform the 'folkeskole'

The Danish schools (folkeskoler), like the universities, need more professional boards with clear objectives and a framework for their activities in relation to the school management. Principals need to enhance their skills – as many teachers are promoted to management position without obtaining the necessary skills. Teachers lack the key skills required in core areas to provide the teaching that is expected of them.

Eliminate the concept of 'unskilled'

The concept of 'unskilled' should be abolished. The quality products that will form the backbone of Denmark's economy cannot be produced by unskilled labour. The minimum training for all Danes should therefore be for semi-skilled workers with a 'mini-apprenticeship' after a one-year apprenticeship in a private or public company combined with the necessary classroom-based theory. If modular, this type of training can be augmented over a long period.

Introduce Employeeship

Satisfied employees deliver better results. Denmark has the world's most satisfied people. It also has the most satisfied workforce in the EU. We are therefore uniquely positioned to reap the benefits of satisfied and committed employees. This strong position should be developed and applied far more offensively by developing the concept of 'Employeeship' - the opposite of 'Leadership'. Leaders alone cannot determine a company's success.

Employees also play a major role.

Denmark should work consciously and purposefully to secure a reputation as a country where businesses and the public sector train and practice Employeeship, which embraces commitment, initiative, responsibility, loyalty and positive energy across the board.

Competence transfer

Employers in both the public and private sectors should systematically and far more consistently hire people who do not necessarily have the right training for the job. Tomorrow's core competencies will involve non-factual knowledge, such as relationships, critical thinking, information retrieval, etc. Hiring people with slightly different training should not be viewed as problematic and could help reduce current unemployment in preparation for the growth to come.

4. Tax

Today, Denmark has one of the highest tax burdens in the world. This is not an enviable position in a global sense. We therefore consider it appropriate to reduce the tax burden as competitiveness is strengthened and the public sector becomes more efficient.

However, we do not recommend a general tax cut. It would be useful to analyse areas in which tax relief can contribute most towards reinforcing competitiveness. Decisions regarding the priority of tax policy interventions could then be based on facts.

Denmark should also explore new avenues of taxation. The Danish tax authority (SKAT) should play a significantly more proactive role and be involved early in discussions on developing new strategic action areas in society. SKAT should also consciously assume the role of advisor, helping companies by suggesting adjustments that would result in economic benefits. Ideally, SKAT should have trained counsellors who visit companies at least once a year to show them how to save on taxes and avoid risking an unexpected tax bill.

5. Capitalism in Danish

We need to rethink the entire incentive structure in Denmark to bring the goals and incentives of the individual into harmony with the objectives of the majority. This can be achieved by introducing a ‘Danish’ capitalism or ‘popular’ capitalism that reflects the Danish values and Danish social model.

In specific terms, this can be accomplished if all Danes have a personal financial interest in ensuring that the country’s businesses are competitive and successful and create value in the form of jobs, export income, tax, value for shareholders, etc. Fundamentally all Danes prosper when Danish businesses prosper, and individuals must learn to save up themselves and depend less on the public sector.

Consequently, new, attractive salary and savings models must be designed that motivate Danes to pursue this common goal.

6. Branding Denmark

In a world of seven billion people, a nation of only five million people must fight hard to be heard. We must therefore raise awareness of Denmark’s image on a global scale and promote Denmark as a brand embracing special unique qualities and benefits that other countries cannot or do not offer. Although this task lies mainly with the incumbent government in collaboration with industry, it should also involve a wide range of other stakeholders in society.

Denmark must brand itself in alignment with the vision for Denmark and the values Danes share. We must focus on a carefully selected number of core characteristics that can be differentiated in relation to others and will give Denmark the best platform for establishing a strong global position.

Once the vision for Denmark and the Danish brand have been defined, the work will be much easier for all the involved stakeholders (government, public administration, businesses, NGOs, education, the tourism industry, etc.), as the common goal and common identity can be used to link all the activities.

The Next Step

This discussion paper will be presented at the Copenhagen Goodwill Ambassador’s seminar on 27 August in Copenhagen. We therefore recommend that the labour market

partners welcome the presentation and initiate a process that translates into a proposal for a 'Future Danish social model' that can be presented in mid-2014.

We propose that a steering committee should be established comprising the top management of private employer and employee organisations as well as similar representatives from the public sector. The Steering Committee will define the terms of reference for a project team consisting of competent representatives of the organisations. During the process, hearings should be held and a wide range of community stakeholders invited to discuss and contribute to the content - both by challenging proceedings and expressing their qualified opinions. Similarly, members of the project team should identify and approach key stakeholders in Denmark and obtain their input and views on the work, as we consider it essential that ownership of the project is anchored in a broad base.

Discussion paper on

“The Future Danish social model”

Chapter 1

BACKGROUND

In the space of a few years, Denmark has lost significant competitiveness in a global context. We have fallen from 5th to 12th place in the think tank World Economic Forum's "Global Competitiveness Report", which benchmarks a nation's competitiveness. Denmark has also fallen from 2nd to 7th place in the management academy International Management Forum's "World Competitiveness Yearbook".

Clearly, this trend is a source of concern. Danish competitiveness reflects Danish companies' ability to generate growth in international markets and thus our ability to finance the Danish welfare society. It is consequently equally clear that we must analyse the underlying reasons for the trend and mobilise efforts to rectify the situation.

A new world order

Many people blame what is termed the 'financial crisis', which started in the U.S. in 2008, for Denmark's current problems. The crisis has also sparked a heated debate about the future of the Danish welfare society. Can it possibly be maintained? How should it be financed?

In our opinion, Denmark's problems relate to more than simply a financial crisis. They result from a new world order prompted by globalisation that has moved too fast and too far – and we have lacked the ability to deal with the situation. The financial crisis has certainly helped to impede growth, which has resulted in difficulty in financing our welfare society, which was also the case when growth was undermined by the oil crises in the 1970s.

However, labelling the challenges Denmark faces as a growth crisis that will presumably resolve itself would be a mistake. The problems run much deeper. Denmark has failed to adapt sufficiently to the new global reality and the conditions it imposes on us, which threatens both our prosperity and welfare - and the Danish model itself.

Let us mention one example. We believe that equal and free access to education for all is a cornerstone of the Danish social model and our ability to generate wealth. Thanks to the universal, collectively funded access to education, every single citizen in Denmark can explore his or her talents and choose a career based on personal interest and ambition provided that he or she acquires the necessary skills. This creates a committed, motivated and satisfied workforce almost beyond compare.

All companies in Denmark benefit greatly from this state of affairs. Yet, in recent years, policy proposals have broached the subject of user payment for higher education. The intention is not to prevent as many Danes as possible from studying and improving their skills, but to discourage the growing numbers of people applying to study at Danish educational institutions, who come from countries where the conditions differ from those in Denmark. Such a solution - which aims to solve a problem rooted in globalisation - would be extremely harmful in several ways. We would no longer be sure

that new generations of Danes would improve their skills to the utmost, and we would risk talents abroad by bypassing Denmark entirely.

This dilemma is just one example of how, in many areas, we are failing to adapt Danish society, and the special institutions and systems we have developed to suit the new global business environment. This huge task must be addressed with care.

Historical management task

We believe that, in many ways, Denmark's current situation resembles the period following the Second World War, when major changes in the world order fuelled a need to rethink Denmark's future.

Then as now, Denmark's competitiveness and economy were under tremendous pressure, and the Danish institutions and systems were out of touch with the outside world. This prompted the former Minister for Trade, Jens Otto Krag, to devise a plan entitled "Fremtidens Danmark" (Denmark of the future). This plan defined guidelines for how Denmark could regain its international competitiveness and create a society that was economically and socially sustainable. Employers, workers and the authorities launched a historic collaboration to translate the plan into reality. In the following years, competitiveness was restored and a social model gradually emerged that we now call our 'welfare society'.

Now, as then, the major management task facing Denmark is to restore its international competitiveness and ensure economic and social sustainability as a nation. Now, as then, globalisation means we must devise a plan with a vision, goals and action areas – or strategies – that can engage and mobilise all elements of Danish society to help accomplish the task. Papering over the cracks will not suffice. This discussion paper on the future Danish social model is our invitation to you to join in the dialogue on what should be done and how.

A new social model

We do not agree with those who believe Denmark is heading straight for an economic abyss. Certainly, the pessimists will be right if we do nothing, do too little or follow the wrong course of action. However, we believe that Denmark has the qualities needed to secure us a good, safe and prosperous future in the global world.

We need both a plan and the support necessary to implement the plan. Short-term ad-hoc solutions that are implemented without being rooted in a clearly defined and lasting vision of Danish society's ultimate destination are inadequate.

Our goal in this paper is therefore:

“To inspire the country’s leaders to formulate a ‘correct’ model for the future of Denmark that can drive Denmark to become Europe’s most competitive industrial country with the best public sector and best welfare system in the world.”

The term ‘Danish model’ as we use it, should not be confused with the model used for collective bargaining by labour market partners. We are referring to a ‘country model’ and to avoid misunderstandings use the expression ‘the new Danish social model’. The expression ‘country model’ is used in English-speaking countries when debating the structure of society and how it matches the new global environment.

Observers in global growth centres

The 80 Goodwill Ambassadors are business people living in 29 countries on five continents. Many of us spend everyday in a global growth centre and can therefore closely observe the efforts to adapt and develop competitive and sustainable social models in other countries. In other words, we act as observers on Denmark’s behalf in many places considered frontrunners in terms of future developments.

We do not advise Denmark to simply copy other countries. We believe that Denmark must develop its own responses to the challenges brought by globalisation and that these must be consistent with Danish culture and Danish values. However, we can benefit from and be inspired by the actions of others.

We are generally of the opinion that many people in Denmark are more concerned with how the existing pie should be distributed than how this very large pie should be baked. It appears that many Danes have forgotten or are unaware that the Danish welfare society was built following World War II with the targeted support of an internationally competitive business community. It is also our opinion that elements of the debate on the challenges facing Denmark reflect a defensive mindset - an effort to ‘protect’ the existing system rather than an offensive mindset focused on developing a new solution. This defensive attitude concerns us as it can damage and weaken Denmark’s ability to adapt to a rapidly changing world.

In the course of our efforts, we have chosen to focus on the areas that we believe are of special significance to Denmark’s future and development. A wide range of surveys and reports have already mapped Denmark’s present situation. It is not our ambition to repeat or challenge them. On the contrary, we have chosen to work with the World Economic Forum, which has provided us with extensive materials.

Similarly, we do not consider it our task to formulate proposals on how to address the weaknesses identified by the World Economic Forum’s reports in connection with Denmark’s deteriorating competitiveness compared with other nations. We view this as a task for the country’s political leaders, or a particularly industrious commission, assisted by the World Economic Forum, which is one of the world’s leading specialists on countries’ competitiveness.

The proposals in this paper are pragmatic observations recorded over many years as we have considered Denmark from the sidelines and from our many experiences of the very different social and business environments in which we live and work. We have chosen to structure the observations and proposals using a model based on a strategic management initiative that calls for the formulation of a vision, goals, values, and overall strategies and action areas. We do not necessarily view it as our task to propose concrete action plans. We explain what should be done, but not necessarily how to do it.

We are always available to anyone wishing to discuss our proposals and ideas in more detail and to individuals or organisations requiring help in one of our countries or within our sphere of competence.

The Goodwill Ambassador Corps

As members of The Goodwill Ambassador Corps, we work on a daily basis with Wonderful Copenhagen, which aims to attract international events, tourists, cruise ships and international airline routes to Copenhagen to generate revenue both for our tourist attractions and in the service industry, for hotels, restaurants and retailers etc. We also work with Copenhagen Capacity, which strives to attract foreign companies to the Capital Region and Region Zealand to create jobs.

By attracting investments and activities to the metropolitan area, Wonderful Copenhagen (WoCo) and Copenhagen Capacity (CopCap) make a significant contribution to the overall Danish economy via indirect means. Both WoCo and CopCap are facing stiff competition from foreign rivals competing to achieve the same objective in their own respective countries. Therefore Copenhagen and Denmark must aim to be No. 1 in Europe to ensure that we always top the list when European and non-European companies and organisations are planning to organise conferences and events in Europe, or European businesses in industries where Denmark has special skills are planning to establish production, offices, research centres, business etc. outside their own national borders.

Becoming Europe's most competitive country is of great importance to Wonderful Copenhagen and Copenhagen Capacity and therefore for the Danish economy and employment levels.

Chapter 2

THE NEW DANISH SOCIAL MODEL

In recent years, it has become clearly evident that the “Danish model” no longer guarantees Denmark competitiveness nor adequately funds the Danish welfare at the desired high level.

By Danish model we mean:

- an open economy with free trade and an internationally competitive economy that creates jobs and income.
- a democratic society with universal access to education, health care, social assistance, pensions, etc. - funded collectively through taxes.

It is essential that we address how to structure our society to support both prosperity and welfare for the population. Often, a country’s social resilience – i.e. the extent to which the country promotes good health, addresses social issues and protects the environment – coincides with its ability to generate growth. A healthy and educated workforce has a positive effect on the overall supply of labour and productivity. Similarly, eco-friendly production ensures sustainability and reduces costs over time.

Certainly, attention must be drawn to the link between international competitiveness and social resilience. At the Harvard Business School Institute for Strategy and Competitiveness, U.S. strategy expert Professor Michael Porter has developed a new Social Progress Index (SPI). This index measures social progress or social robustness, which is defined as “a society’s ability to satisfy its citizens’ basic human needs, establish the building blocks for citizens and communities to enhance and sustain the quality of their lives and create the conditions for all individuals to reach their full potential.”

Measured in this way, countries such as Sweden and the UK are social superpowers (Denmark is not included in the preliminary measurements). If you compare the countries’ social success with their competitiveness as measured by the well-known competition index in the Global Competitiveness Report, the links are striking. If you can balance growth and welfare, you have a recipe for success.

Of course, the question is how can this be achieved most efficiently?

The Danish model

The Danish country model combines competitiveness with social resilience. Developed over many decades, the key elements of this model were crystallised after World War II when in 1945, economist Jens Otto Krag’s wrote a key document, “Denmark of the Future”, which stated guidelines and principles for developing the Danish country model that we now call our “Welfare society”.

After World War II, although Denmark had escaped the material and human devastation suffered by other countries during the war, it faced the challenge that it was lagging behind in terms of societal and industrial development. Trade barriers and currency

exchange restrictions had shielded Denmark from international competition. Lack of investment meant that production facilities were becoming obsolete. Technology was outdated and knowledge of modern management and organisations was limited. At community level, we lacked a useful national accounting practice that could provide an overview of Denmark's economic situation and guide policy makers in their decisions. Meanwhile, the U.S. was achieving record-high growth rates and securing much higher levels of both prosperity and welfare for its population.

Clearly, modernization was essential for both business and society. Jens Otto Krag set the goal: to raise productivity and share economic benefits more equally between employers (return on capital), workers (wages and benefits) and consumers (lower prices and greater choice). Thus, modernisation would benefit all community stakeholders. The principle also paved the way for the broad cooperation required to achieve the goal.

Productivity Revolution

A key element of Krag's initiative was the productivity committee established with representatives from employers, workers and the authorities, which jointly prepared a long-term plan for how Danish productivity could be raised.

This was achieved by intensively importing and spreading technology and management insight from the U.S. to the business community in particular. Funding was provided by the U.S. Marshall Plan, a giant economic aid package aimed at promoting Europe's economic recovery and improving the lives of Europeans. The Americans did not want the Europeans, with their depleted resources, to fall for the charms of a Communist totalitarian planned-economy social model, which many viewed as an attractive alternative to the fledgling democratic market economies.

In addition to ongoing trade liberalisation, the focus on raising productivity was to help lay the foundation for a record-high productivity boost and growth in Denmark in the decades after World War II. By the 1950s, this growth had enabled the funding of new welfare services that created economic security and social stability but also secured what Krag called "economic democracy", i.e. a framework in which any talent, regardless of background, could flourish thanks to equal and free access to education.

A helping hand from the business community

The structure of the Danish welfare society is well documented. However, the role played by the United States - and to some extent the UK - in inspiring events is somewhat less evident. The war created an enormous need for munitions. This necessitated the extremely rapid conversion of civilian production into munitions manufacturing. In order to accomplish this task, employers and workers in both the US and the UK worked shoulder to shoulder - for the first time - to devise plans for reorganising production in an effort to succeed and achieve the objectives. Meanwhile, the authorities were on hand to remove bureaucratic obstacles. The result was a productivity boost that no one had imagined possible. USA managed to produce over 100,000 military aircraft a year. The

extremely efficient war production is considered one of the main reasons the Allies won the war.

The person responsible for the American war production effort was William Knudsen - or Signius Wilhelm Poul Knudsen - a Danish immigrant who had travelled to the United States and made a career for himself at the car manufacturers Ford and General Motors. In 1941, President Theodor Roosevelt asked Knudsen to assume responsibility for managing the entire U.S. war production of ships, aircraft and tanks so that the U.S. could bring its full force to bear in World War II. At the time, Knudsen was CEO of General Motors, where he had replaced the legendary CEO Alfred P. Sloan. Overnight, instead of being head of GM's 230,000 employees – more than all the employees working for Danish industry at the time - Knudsen found himself in charge of more than one million employees in factories across the U.S. Moreover, he was the only civilian ever given the title of General in the United States.

Knudsen's "war factory" became so efficient that the world was in awe. After the war, he was showered with medals for his efforts.

With the war over, President Roosevelt decided to help Europe with the so-called Marshall Plan - named after Secretary of State George Marshall. However, the content of the plan was the brainchild of progressive American business leaders led by Paul Hoffman, CEO of the Studebaker car factory. Hoffman was also the man Roosevelt chose to implement the Marshall Plan in Europe.

Hoffman insisted that Denmark and other European countries should establish productivity centres as the organisational hub of the Marshall Plan. The Committees, constituting employers, workers and government officials, should discuss the best means of modernising production following in the footsteps of the Americans - especially under Knudsen's leadership - and the British during the war.

This was how a pragmatic alliance between American business leaders, Democratic politicians and a Danish social democratic economist-trained Minister for Trade sparked off a Danish productivity revolution that laid the economic foundation for the welfare society.

New productivity crisis

Although Denmark largely copied the American mindset, the structure of Danish society differed from the U.S. model. In Denmark, the socially and economically stabilising welfare benefits were defined as a public task and were financed collectively by taxes from both individuals and businesses. In the U.S. they were funded by employers and largely by private insurance. The difference is due mainly to differences in national culture and history. Discussions concerning which model works best over time continue to this day.

Despite the differences, the Danish community project was so efficiently implemented that in the late 1950s, Americans highlighted Denmark as a leading European democracy - in contrast to Soviet Communist totalitarianism. That was then.

Today, the Danish productivity revolution is water under the bridge. For many years, decades even, productivity in Denmark has lagged behind its peer countries, which has cost billions in lost wealth and therefore welfare. In fact, productivity is as much as 20 per cent higher in the United States and 10 per cent higher in Germany and Sweden than in Denmark, according to OECD figures. In other words, these countries can produce significantly higher values in the same or fewer man hours than the Danes can. According to the Danish Productivity Commission, this trend is due to several factors. For instance, we are lagging behind other OECD countries in terms of research and education, which are essential for creating high productivity. Hardly surprisingly, therefore, we are behind when it comes to discovering and patenting new products.

Similarly, investments in new machinery and other equipment in the businesses sector, which could improve efficiency, have gradually diminished and are now at their lowest level since the early 1980s. If this continues, Denmark will be about 100 billion poorer in 2020 than if our investment rate remained level with those of our foreign counterparts.

Cost explosion

While productivity is lagging behind and prosperity is gradually diminishing, the number of Danes on public assistance is reaching unprecedented heights. Certainly, in Denmark the official unemployment figure for 2013 was just under 6 per cent, but at the same time, 22 per cent of the population of working age was on passive support. In addition, the proportion of pensioners in the population is rapidly growing due to demographic trends.

In neighbouring countries - Sweden, Germany and the United Kingdom – ‘only’ an average of 15 per cent of the population are on welfare benefits. The disparity between the figures is hard to explain. Why do the Danish figures differ to such a marked degree? If we had the same proportion of citizens on benefits as our neighbouring countries, public expenditure in Denmark would be at least DKK 50 billion lower a year. This state of affairs is contributing to Denmark having the highest public spending in the world, while obviously vast amounts of unrealised human resources and creativity are lost.

Low income and high costs are rarely a recipe for success. As a consequence, the Danes are slowly becoming poorer than their neighbours with limited spending power. High costs are eroding companies’ competitiveness and citizens will experience poorer welfare as lower tax income causes cutbacks.

Weak economic structure

Despite these challenges, Denmark as a nation has fared well economically in recent years thanks to strong export. Today, Danish exports account for 53 per cent of Denmark's GDP, up from 28 per cent in 1971. We have become better at selling our products and services abroad, which is required to nance the increasing import of products and services from outside. This is a positive trend. However, export earnings are limited as only 7.5 per cent of Danish companies export goods and services. In fact, very few companies generate Danish exports. And of the 7.5 per cent of firms that export, about 10 per cent account for a colossal 90 per cent of total exports. In other words, about 100 companies are responsible for half of Danish exports. This is exacerbated by the fact that only about 100 Danish companies employ 20 per cent of the private workforce in Denmark.

Clearly, the Danish economy is built on a very fragile foundation.

Many of these companies that are essential for Denmark are now owned by a foundation or family - companies such as A. P. Moller - Maersk, J. Lauritzen, Carlsberg, Danfoss, Grundfos, Novo Nordisk, Lundbeck, William Demant, Egmont, Hempel, Ramboll, V. Kann Rasmussen, Leo, Novozymes, LEGO and more besides. These companies were typically established many decades ago and their ownership is protected. If this was not the case, foreign groups would have purchased many of the businesses long ago, which could very easily have had disastrous consequences for both export earnings and employment.

For example, if the EU decides that to increase ownership competition, B shares may no longer be owned by foundations nor protected from acquisition – which major nancial stakeholders have been advocating for years – Denmark's economic basis could collapse.

It is therefore imperative that Denmark quickly generates many new companies with growth potential to help reinforce and underpin its export base.

Innovation required

In a nutshell, Denmark is in a universally untenable situation. Competitiveness is declining, productivity is waning, the platform for growth is fragile and the welfare system is under pressure from a growing number of inactive citizens. This does not add up.

We must therefore study the Danish model in more detail and devise a recipe for success - in a global world where we are benchmarked against the best in everything we do. If we fail, the ideals behind the Danish social model may not survive for the next generation. We will, quite simply, lack the resources to fund them.

Our ambition must therefore be to develop a 'new' Danish model - not by discarding what we have and replacing it with what others have, but by renewing and further developing the Danish model, so that:

Denmark is Europe's most competitive country with the best welfare system in the world.

Inspiration on how to achieve our ambition can be found by considering past successes and studying the best performing solutions in the world today. That is the aim of this report.

However, realising this ambition requires a process. In our opinion, it is vital that the leading organisations in the labour market accept their responsibility and help policymakers to formulate the new Danish social model in order to secure support from the workers, employers and voters. Such joint efforts have produced important decisions affecting society in the past, and this is the best course of action for achieving results today.

The Danish model was designed based on tests and experiments but limited socio-economic insight. With the vast knowledge now at our fingertips, we can formulate a carefully planned new social model that can be implemented much faster than the previous model and with equal success. With this process, Denmark can be the first democratic country to develop a country model as a management tool for social development.

In the following, we review key elements of a Danish model for the future.

1. Vision and goals for Denmark

We believe that creating an exciting company with unique products and dedicated employees demands a vision that can mobilise, inspire and reward employees and other stakeholders. We therefore believe that a vision and plan are vital if we are to produce a Danish State that appeals to the majority of its citizens.

Without a clear and accepted vision that explains where we are headed, how can the country's leaders gain public understanding and acceptance for reforms and changes that may initially negatively affect the individual before resulting in a gain for Denmark as a whole?

How can businesses invest in becoming globally competitive if the business environment in Denmark is uncertain and frequently likely to deteriorate because decisions are not based on an overall vision and strategy?

How can educational institutions plan for the future without a plan with focus areas reflecting a clear vision?

How should the public sector plan investments and ensure access to the welfare benefits we have decided it must provide without a plan for the development of society and for funding the initiative?

Denmark's leaders must prepare a vision that clearly describes how Danish society should appear in the future. It is important that the vision appeals to all stakeholders, politicians, business leaders, private and public employees, trade unions and citizens. The vision must embrace everyone and people must understand and accept the initiatives required to achieve the vision.

It is equally important that the vision for Denmark's future evolves from a process that involves as many stakeholders and citizens in Denmark as possible, and that the result can be summarised in short and clear statements of three to four lines in length. We cannot adequately stress the importance of the vision appealing to and being accepted by a solid majority of the Danish population.

The most efficient way to define a vision is for a leader or a small group of leaders to formulate and present a proposal for a planned process. This process must involve as many stakeholders as possible and lead to a common vision that the vast majority of the public can endorse and help to realise. Broad-based ownership of both the vision and strategies for its realisation will support its subsequent implementation.

An example or draft vision for Denmark could be as follows:

The goal:

Denmark as a welfare society with a high quality of life, education and employment for everyone and care for all those who need it.

The means:

Denmark should (therefore) be Europe's most competitive industrial country with the best public sector in the world.

The vision is a guiding light to be consistently reflected in concrete actions by politicians, labour market parties, educational institutions, etc. It is therefore crucial that all actions are based on the vision.

We recommend the following:

Proposal 1: A national vision workshop

Politicians, employers and workers should join forces and formulate a common national vision for Denmark. The initiative should be based on a national brainstorming process involving all members of the public. The process may consist of a number of defined stages and processes that politicians, together with employers and workers, use to formulate a series of questions, a draft outline of Denmark's situation and challenges, the values that Danes share, and a proposed set of goals and blueprint vision for the future of Danish society.

This process can be organised with a set start date and end with "A Day for Denmark" – a day in when all citizens are invited to think up and contribute ideas on the future of Denmark. The process can be organised on a common IT platform, i.e. generally accessible social media and focus on a number of issues we must solve. The process should involve and engage the media in reporting, explaining and discussing challenges and opportunities. On the final day of the process, employees at businesses, citizens at civic centres and libraries as well as people in their homes can express their views on how the vision can be fulfilled.

Politicians and labour market parties can extract the essence of the contributions and translate it into a vision, goals and methods. This process could be repeated with a focus on specific topics or issues.

2. Danish values

Values help to control what we dream about, what we think, how we reason, make decisions and act – individually and together. Our values vary from person to person but we usually share the same values as the people we are with, whether they belong to our family, workplace or nation.

As a nation, we will be most successful at jointly realising a vision and common global objectives if we share a set of core values that specify how we want to realise both the vision and goals.

We also share Danish values. These are particularly clear when we compare ourselves with the rest of the world. The particularly Danish values have been identified before e.g. by the Nordic Council of Ministers in the report “The Nordic Region as a Global Winner”. In this report, 27 Nordic experts on leadership and culture defined the following general core values as particularly Danish (and Scandinavian): respect for the individual, i.e. equality, trust and a sense of community, a Lutheran work ethic, which involves responsibility and hard work and respect for nature that encompasses ethics and consideration.

When translated into normative statements, this means that we:

- take care of each other (equality)
- trust each other (trust)
- see eye to eye (proximity to power)
- want everyone to be included (inclusion)
- explore and adapt to our surroundings (flexibility/openness)
- must protect the environment now and in the future (respect for nature)
- consider work meaningful (Protestant work ethic)
- appreciate harmony and simplicity (aesthetics)

To a large extent, we share these values with the other Scandinavian countries. People in other parts of the world have structured their societies differently to reflect their specific values – or culture.

These cultural traits are important. They represent diversity that drives economic strength i.e. adopting a different approach to a challenge or opportunity can lead to other solutions that are sometimes better if not unique. They also underpin decision making and development – initiatives that contradict these values are often thwarted, consciously or unconsciously.

Freedom with responsibility

The Danish and Scandinavian values are firmly rooted. Some researchers claim to have traced them back to Viking times. In 1957, in his book “Af folkets danmarkshistorie” (“The People’s History of Denmark”) the Danish author Martin A. Hansen explained our cultural uniqueness using the tradition of seafaring. He called us “Coastal People” – people who since the Stone Age and up through the Viking times have organised

themselves in small units with a social structure of society resembling the principles of a ship's crew.

“From ancient times, coastal people have exhibited stronger individualism and a keener desire for freedom. They had to cope alone or in small groups. They have wanted humanitarian law and protection of the power of the individual as well as moderate Royal power. Their main associations were both boat guilds and ship crews. On board vessels, every man had his chores to perform. He fed himself and knew his place, and even when faced with the hard job of rowing, no one dared raise a whip to him as was the case on the Roman slave galleys. Each man helped decide when and where they should sail. They preferred consensus but each man also knew that sometimes at sea in bad weather or during battle, everything depends on the officer, the chief and his authority.”

Over the centuries, as a “coastal people” we have developed a culture characterised by respect for the individual, freedom with responsibility, and a belief that the individual can and will prevail, given the right conditions and environment. These attitudes were so firmly ingrained that even when Christianity arrived in Scandinavia, it took on a special Protestant approach because Scandinavians rejected the Pope and his middle men and insisted instead that everyone should have direct access to God and that everyone is equal in the eyes of the Lord.

The Scandinavian perception of the world also affects the management and culture of teamwork at workplaces, which is characterised by a focus on personal skills, widespread delegation and autonomy, proximity to power, strong teamwork, adaptability and ingenuity. Thanks to this work culture, Danish employees have a greater degree of freedom and opportunity to take independent decisions than their counterparts on other continents. This means that tasks, services and products are more rapidly adapted to changing circumstances and conditions – a clear advantage in a dynamic marketplace. Elsewhere in the world, teamwork is based on a more hierarchical structure with an army of bosses dictating how problems should be solved and written manuals followed.

Teamwork as a strength

The Danish work culture has a potential strength, particularly in an innovation-driven economy where teamwork, knowledge sharing, trust and adaptability are key parameters. According to a survey of major international companies conducted by the Economist Intelligence Unit, the primary source of innovation and development in companies is a team working together to solve a task. According to the Global Competitiveness Report, which annually measures nations' competitiveness, Scandinavian countries are leaders in precisely these types of process skills.

In other words, the Scandinavian culture of teamwork facilitates mobilising employees' ideas and creativity and creating employee-driven innovation in a company. This, in turn, makes it easier for companies to adapt to new conditions and develop new responses to challenges and opportunities as they emerge.

This goes some way towards explaining why the Scandinavian countries have topped global rankings of competitiveness and innovation in recent decades – despite small domestic markets with high taxes, large public sectors and generous welfare benefits.

Managerial strength

Naturally, the Scandinavian culture also affects management tasks. Due to the culture, leadership is practiced differently in the private sector in Denmark and the Scandinavian countries than in many other places in the world.

For example, according to the Global Competitiveness Report, Scandinavian leaders are more willing to delegate authority than their foreign peers. And according to a survey conducted by Capacent among Danish senior managers, a striking 94 per cent say that they prefer the Scandinavian management model with independent employees and flat hierarchies to the traditional hierarchical leadership form based on command and control practiced in the rest of the world.

According to Professor Henrik Holt Larsen from CBS, whose research area is Scandinavian management: “It is clear that a Scandinavian management model exists that differs from those in the rest of the world and is more at the forefront of future demand than other management models in the world.”

This special fact is especially interesting as it seems that management thinking in the rest of the world is moving in a Scandinavian direction. One of the world’s leading management thinkers, Professor Gary Hamel of the London School of Economics, describes “The Future of Management” as a management style that delegates authority to independent and highly skilled employees in organisations with flat hierarchies. The question is whether we appreciate how to exploit our cultural advantages – and if we can handle the weaknesses our uniqueness also encompasses. The disadvantage of the special Danish democratic leadership style may be weak execution. A good solution is only of value when it is realised. Several international studies indicate that we face challenges on that front.

Whatever the case, paradoxically, management is practiced significantly differently in the Danish public sector than in the private sector, with much more control, hierarchy and bureaucracy. In other words, we are not exploiting the cultural strengths of the Danish management style in the public sector in the same way as in the private sector, which is costly in terms of lost innovation, efficiency and adaptability.

Cultural forces should be explored

Worldwide, strong links exist between national culture and the way businesses are run and operated. Headhunter Eren Kai Hammerich and culture expert Richard D. Lewis demonstrate this in their new book “Fish Can’t See Water”, published in 2013.

The authors explain how national culture has helped companies like Samsung, Nokia, FLS, Sony, Toyota and others to succeed due to a corporate culture rooted in the culture of the country of origin. They also explain how, if we are unaware of it, that very same culture can hamper management initiatives in unexpected ways with disastrous consequences.

Scandinavian management

Scandinavian management characteristics:

- Management style reflecting informality, equality and restraint.
- Flat hierarchies, small pay differences, few perks.
- Consensus-based, inclusive approach to decisions and changes.
- Reluctance among managers to use their formal power. They prefer persuasion through reasoning rather than charisma.
- Market and customer focus that promotes teamwork across functions and organisations.
- This results in the following advantages:
 - Strengthens organisational solidarity.
 - Minimises internal conflicts.
 - Creates the basis for coordinating mechanisms.
 - Promotes smooth communication.
 - Promotes dialogue between disciplines.
 - Enhances backing for decisions adopted.
- Source: “Management in Scandinavia”, 2004

In practice, the culture, which includes values that drive actions, is management’s sleeping partner. It can strengthen or weaken management initiatives depending on the degree of awareness. The authors therefore recommend that corporate management should identify the cultural values of the company and use them for navigational purposes and to ensure that culture and strategy are aligned and support each other rather than undermining each other.

In a nutshell, the problem can be explained thus: fish cannot see water. When operating in your own culture, it can be hard to see, describe and operationalise. We also need instruments to compensate for cultural weaknesses. For example, Hammerichsgade argues that the Danish culture promotes small, creative businesses, because, as a historically fertile agricultural country, we have not had to spare much thought for next year’s harvest - it practically grows itself. On the other hand, the Danes are weak in terms of the long-term strategic processes needed to create large companies. The opposite is true in Sweden. The rocky Swedish terrain has produced mining, shipyards and forestry, which required large investments, long-term planning and access to large

markets. This, in turn, has produced large international companies and the skills to run them.

Danish companies struggle to expand and would presumably benefit from Swedish skills. Often, however, the geocultural differences between countries make teamwork difficult between Danes with their short-term mindsets and Swedes with their long-term mindsets, though we otherwise share the same life values. There is currently no management tool to help overcome these differences and instead exploit their respective strengths to create joint competitive advantages.

It is regrettable that today more light is not shed on the cultural strengths and weaknesses of Danish and Scandinavian management and that people almost suppress the differences. Until recently, it has been debated whether Scandinavian management can be described as distinctive. We need to recognise and target use of the strengths and particular qualities of the Scandinavian work culture – just as we must deal with the possible weaknesses our unique cultural traits may also entail.

Culturally driven business strengths

The values we share not only create benefits in the form of a unique work culture, they have also led to a distinctive way of structuring our society, which has generated a number of cultural business strengths.

Although a direct cause-and-effect relationship cannot be established between cultural values and business strengths, it is possible to identify links between them:

- Welfare services (linked to equality)
- Innovation (linked to trust)
- Management with core process-based strengths (linked to proximity to power)
- Broad and strong skill set (linked to inclusion)
- Adaptability (linked to flexibility and openness)
- Sustainability and holistic view (linked to respect for nature)
- Diligence, personal responsibility and efficiency (linked to the Protestant work ethic)
- Design and functionality (linked to aesthetics)

These business strengths are anchored in our society and culture and consequently others have difficulty copying them. The question is whether the full economic potential of our strengths is adequately understood and exploited.

The production of welfare services represents one example of a missed opportunity. For many years, Denmark has pioneered the development of welfare services and related products worldwide. However, despite debates stretching back to the 1970s on the vast potential of exporting skills relating to the Danish welfare industry, the necessary public-private collaboration to realise this potential has yet to see the light of day. Meanwhile, Asian countries are currently building their own welfare services for

hundreds of millions of citizens, creating obvious but unexploited export opportunities for Denmark.

This lack of initiative shows that a common vision, goal and values are unclear. If every sector of society has a very different vision, goal and values regarding what we want as a nation, it quickly becomes difficult to join forces and seize opportunities.

We must become more aware of our cultural uniqueness and the value-based strengths it represents. Otherwise we will fail to develop and exploit opportunities and risk jeopardising both our growth and welfare.

Globalisation involves more than simply focusing outwards and understanding and adapting to change. It concerns focusing inwards and understanding our own particular strengths and competencies and applying them most efficiently in new contexts. This is a skill we can – and must – improve significantly.

Changing values and value blockages?

We do not recommend changing the Danish values. Values evolve over time and change gradually. On the contrary, we believe that Danish values hold the Danish model together, just as they make Denmark stand out. This can be a competitive advantage in the form of unique, efficient solutions provided the cultural characteristics are used consciously and skilfully.

We also believe it is important that the Danish social model of the future reflects the core Danish values.

However, we are concerned that the way we have developed Danish society in recent years can undermine and weaken some of our longstanding core values. With 28 per cent of the population of working age on passive support, it can be difficult to see that the Protestant work ethic is thriving in Denmark or see equality and inclusion working in practice. Clearly decisions have been made along the way that contradict the Danish values.

This is also the case with the values ‘flexibility’ and ‘openness’. As a small country, Denmark has always been able to exploit ideas, knowledge and products from across the world and meet demand beyond its borders – though those borders have been closed more during some periods than others. However, in recent years, attitudes towards foreign minorities in society have changed from curiosity and openness to mistrust and exclusion. It would be counterproductive if Denmark were to become more closed.

For example, we have failed to adapt Denmark to suit the global economy in terms of language, i.e. English is usually spoken. Foreigners cannot therefore easily thrive in Denmark, not least in the public sector, where Danish is the language predominantly used today.

This erodes our ability to attract talent from outside.

Meanwhile, we are concerned that several Danish values contradict and block community interventions that are necessary for Denmark to succeed in a global economy. For example, it seems that the value 'equality' puts Danish companies at a distinct disadvantage compared with their foreign competitors. Denmark has the world's highest capital taxation, which restricts the entrepreneurial capacity to attract capital and grow, creating jobs in the process. In many other countries, start-up companies receive preferential treatment in the form of tax benefits, i.e. they pay lower taxes than other taxpayers, typically during their early years. In Denmark, the value 'equality' appears to be jeopardising an extremely important source of growth and prosperity that can finance another Danish value – 'inclusion'.

Clearly, there is a need to examine the core values that we share as a country and a population and use them as beacons to navigate. We must analyse whether or not the way we structure our present services in today's society are actually inspired by and reflect the same values, and determine the extent to which the values conflict with the global reality that Denmark must adapt to and in which it must succeed.

We therefore recommend

Proposal 1: Value audit

A commission or team of experts should be set up to define and describe the Danish values, and conduct a value audit that measures the values against existing social services.

This task would require designing or preparing proposals to adapt social services to match global conditions, while reflecting the values. In essence, this means upgrading management skills in the community so that new more mutually supportive solutions are developed that are founded on better insight.

Aligning social services with Danish values can lead to more effective and unique solutions that support both Danish competitiveness and social stability.

Proposal 2: Research on value-based management

The Danish management schools and centres of competence should join forces to develop new and better insight into and better tools for value-based management, which are based on core national values. Leading management literature today is largely inspired by American experts and American examples. However, we see globally successful businesses growing on the basis of many different cultures. And their success is contingent upon the diversity of national cultures.

This effort should be linked to the Danish growth policy. Perhaps the typical Danish work culture is characterised by values that promote small businesses with independent, creative, equal and flexible employees, but it does not support unification, power

structures, long-term planning and other qualities required in large international companies. If so, policies devised to ensure more Danish growth companies are likely to produce disappointing results – unless we develop universal management tools that enable managers and employees to compensate for weaknesses caused by the national culture.

One focus area could involve developing methods and models that encourage Danes and Swedes to see, understand and exploit each other's strengths and mitigate their own weaknesses. This could potentially generate new, creative, internationally influential companies.

3. The business community

The Danish welfare state was founded after World War II at a time when companies, their production and exports were in focus. It was generally recognised that an internationally competitive business community formed the very foundation of prosperity and welfare and it was the joint responsibility of employers, workers and governments to secure its success. Similarly, the public felt entitled to a job in order to make a living.

This view is reflected in the Constitution, which says that a person who “does not support himself or his family, and whose support is not the responsibility of another, is entitled to receive public assistance, provided that he shall submit to the obligations stated by the law.” The implication is clear: that every person should work for his own food. Who would have known back then that by 2013, 2,188,000 Danes would be receiving benefits.

Naturally, the question is: do people realise that welfare relies on a successful and internationally competitive economy that creates exciting jobs and manufactures high quality products and services that can be sold in Denmark and exported? And that companies can only achieve this if they have access to skilled and productive employees of world-class calibre and globally competitive framework parameters.

In our optic, Danes now appear to spend more time discussing how to share out the pie than how to bake in the first place. This will not drive prosperity.

A new world order

We must understand and acknowledge the world in which we live and operate.

Fifty years ago, Denmark was self-sufficient in everything from televisions to toothpaste. Most Danish companies exported to some extent. The same was true in other countries – production was mostly local. Today, products – or components – are manufactured wherever it makes most business sense.

Often products are manufactured where expert knowledge is available and the scope for manufacturing the products is optimal, i.e. competitive costs, limited red tape, legislation that supports production, proximity to markets, access to labour etc. In other words, tasks are allocated to the workforce that can solve them best in the cheapest way – virtually anywhere in the world.

Denmark must understand and deal with this fact of life. The global economy means that we must achieve world-class standards in everything we do – or others who are better or cheaper will take our jobs. The most efficient people will be chosen – and, sooner or later, the rest will fall by the wayside. As a high-cost society, this imposes towering demands on the Danish population’s skills, effort and skills, because we cannot compete on price, only skills. Or conversely, we could discard the Danish welfare model. This fact does not seem to be penetrating the Danish consciousness and debate. Perhaps, because it challenges a number of Danish values, especially ‘equality’.

The value 'equality' does not exist in the global marketplace, where the prevailing law is that the person or company that performs best or has additional skills is chosen and succeeds. Resisting globalisation is useless. Countries that have chosen this path have lost a great deal of ground. Our challenge is therefore to jointly formulate solutions that deliver a world-class performance. This is absolutely essential in everything we do.

Globalisation has therefore benefited Danish companies that have been able to perform to world-class standards and exploit new opportunities for both strengthening production and expanding in the market. Those who have failed to do this have usually not achieved success. Globalisation has also benefited the well-educated and skilled members of the labour market who have much greater opportunities for enjoying exciting, rewarding and well-paid jobs. Those who do not deliver to world-class standards often face a headwind. Consumers, on the other hand, generally benefit from globalisation, as it brings access to a far wider range of better products at significantly lower prices than previously, which translates into greater prosperity.

Danish niche winners

As Denmark is a small country, companies lack a large domestic market where they can build up capital and resources in preparation for competing in the mass global markets. At the same time, the Danish social model means that the level of costs in Denmark is relatively high compared with many Asian or South American countries, which is an obstacle to competing on parameters of low cost. Many Danish companies have therefore focused on quality products and services in niche markets – and by maintaining world-class standards – have achieved very high export shares.

Companies' strategic choices also mean that Denmark's real competitors are typically nearby European countries such as Sweden, Germany, Holland and Switzerland, where companies follow similar strategies. The business climate in Denmark must therefore match the climates in these other countries and we must be the most competitive country in Europe – though not necessarily in the world.

The government should support this strategy as much as possible in its industrial policy and general growth policy. For example, Denmark's limited research funding should be allocated to niche areas where we have particular strengths and the basis for creating production and exports. Similarly, we must ensure world-class education programmes and training that support precisely these areas. We cannot afford to delude ourselves that we should benchmark our industrial policy, research policy or educational policy against the USA or China with the same range and strategies as these countries. Clearly these choices are difficult and need to be analysed and discussed, but they are necessary.

It is also essential that everyone recognises the need to maintain production in Denmark, i.e. manufacturing. Research and development are linked to production, as are many services. We cannot afford to delude ourselves that we can support ourselves solely as

a knowledge-based society and service nation. This would be an expensive mistake to make.

New competencies required

Obviously, globalisation affects the labour market. Access to cheap labour in other countries has reduced the need for low-skilled Danish labour. Meanwhile, the focus on quality products in niche markets and advanced production has increased the need for specialised and highly skilled labour. This pattern is unlikely to change in the years ahead. For companies in Denmark access to people with the right quality qualifications is therefore essential. This means education and industry must be much more closely linked to ensure that educational programmes for workers match the needs of businesses.

If Denmark does not train the necessary personnel with the required core competencies, businesses will have to recruit skilled employees abroad. In turn, all barriers to the necessary foreign labour must be removed, both bureaucratic and cultural. In other words, Denmark must be perceived as a hospitable country that is easy, exciting and profitable to move to – otherwise Danish niche businesses will also be forced to move their production to find high quality qualified labour.

While on the subject of recruitment abroad, it is natural to focus on attracting many of the hundreds of thousands of Danes currently living abroad, who have international experience and, for obvious reasons, are more familiar with Danish culture than others. Incidentally, the focus on niche quality products, advanced production with robots and highly trained specialist staff will reduce the need to move jobs to low-wage countries. On the other hand, many low-skilled employees will have to retrain or upgrade their skills or face marginalisation in the labour market. This coordinated effort to boost competence must be at a completely different level of ambition than has previously been the case.

Conversely, Danish companies must be open to hiring employees with different educational backgrounds than those the task appears to require and must subsequently help these employees to adapt and develop the necessary skills.

More entrepreneurs

Danish companies gain power by acquiring companies abroad to amass knowledge or gain market share. This achievement is usually a source of pride.

Similarly, we must learn to live with some Danish companies being sold to foreign companies instead of standing alone. Rather than seeing this as treason, we must accept that in a global world where people compete for both knowledge and resources, in many cases mottos such as: “Dog eat dog” and “Eat or be eaten” apply. It’s a matter of being a global leader in your market segment, and corporate acquisitions are a means to this end – whether a Danish company buys a foreign company or *vice versa*.

Generally speaking, we should refrain from complaining when Danish companies are considered attractive and are bought by foreign countries. Firstly, these sales contribute significantly to the trade balance, and numerous studies have shown that companies in Denmark acquired by foreign companies are generally doing very well.

Naturally, sales of Danish companies cannot continue indefinitely unless new companies are constantly replacing them. That is a necessity. And as start-up companies are the biggest contributor to job creation in Denmark, it is a core mission to create an environment in Denmark where many new companies are emerging and rapidly growing. Incidentally, good conditions for entrepreneurs and the stakeholders that contribute to getting new businesses to grow are a common feature of the most competitive countries in the world.

We are concerned that the entrepreneurial environment in Denmark today is too weak. This is reflected by the relative shortage of emerging growth companies, although motivation among the Danes to start new businesses is relatively high.

According to “The Global Entrepreneurship Monitor 2011” Denmark is second to last among 23 comparable economies in terms of both current growth in emerging Danish businesses and future growth expectations. The barriers include a lack of access to funding, extensive governmental regulation and red tape, a weak focus on entrepreneurial skills in education, and tough taxation on businesses and entrepreneurs themselves. According to a study by the Confederation of Danish Industry in 2011, four out of ten Danish entrepreneurs respond that high tax and administrative obligations in relation to the State “to a high degree or very high degree” constitute a barrier to business growth.

Establishing new businesses in Denmark is therefore expensive and cumbersome in terms of administration, while fledgling companies are taxed relentlessly from the start. This erodes willingness to risk growth capital and encourages many successful entrepreneurs and innovators to leave Denmark to build businesses abroad instead. At the same time, these very same framework conditions discourage many foreigners from establishing companies in Denmark. This is extremely unfortunate.

Shortage of growth capital

In recent years, the financial crisis has further eroded the weak growth environment in Denmark by creating a shortage of capital. According to a survey conducted by the Confederation of Danish Industry (DI) in 2011, 51 per cent of entrepreneurs responded that funding problems “to a high degree or very high degree” constitute a direct barrier to growth. Naturally, the fact that good and healthy ideas cannot attract capital damages Denmark’s scope for growth.

Vækstfonden is seeking to ease the credit crunch. But far more could be done to attract capital from both Danish and foreign investors. According to Eurostat, Denmark has the

highest tax on capital in the world. The negative consequences of this are extensive: lower investment in both new and existing businesses, lower productivity, lower investment in new technology, fewer companies moving to Denmark, greater relocation of potential investors abroad, more difficulty attracting foreign investors and encouraging wealthy expatriates to return to Denmark. A solution is required that eliminates or reduces this barrier and brings Denmark in into equilibrium with the world around us.

If conditions for new businesses are less favourable in Denmark than in the rest of the world, we risk seeing too few new businesses growing and contributing to prosperity and welfare to maintain the Danish model.

In short, we must set the goal that Denmark must be the most competitive country in Europe, with a strong environment for existing businesses, new businesses and foreign-owned companies in the areas where Denmark has developed and is developing world-class competencies. We must also focus on research, training and other resources for these areas. Meanwhile, Denmark's leaders must shoulder the heavy educational task of explaining and gaining acceptance among the vast majority of Danes of the fact that they can only enjoy the welfare of their choice if the country has a thriving private sector.

We recommend the following:

Proposal 1: Reverse the brain drain

Today, approximately 200,000 Danes live outside Denmark. Together they possess many billions of Danish kroner in the form of private fortunes, as well as international skills – many have managed to succeed in the world. Yet Denmark has only limited benefit from their skills and capital because they live and work outside Denmark's borders.

There are many reasons for this. One is that taxation in Denmark is much higher than abroad. According to the report "Danmark I den globale økonomi" ("Denmark in the global economy") from 2006, a total of 80 per cent of Danes abroad cite this as the main reason they do not return. It would therefore make sense to consider a special tax rate for expatriates that would encourage them to return to Denmark and invest their knowledge and capital here. In other words, convert the "Brain drain" into a "brain gain".

The existing Forskerordning ("scheme for researchers") could serve as inspiration for a system that allows foreigners and returning expatriates who have spent more than 10 years abroad to move back to Denmark for five years at an extremely attractive low income tax rate – e.g. 26 percent. Many researchers ultimately stay in Denmark after the scheme ends. We recommend establishing a similar system with low tax on capital income for a number of years. This would appeal to wealthy people with significant capital that could be invested in Denmark. The best course would be a general reduction

of capital taxes in Denmark, possibly with a disproportionately low tax on return on investments in start-up companies to channel capital in that direction.

Such positive discrimination would contradict the Danish value ‘equality’, however, and may engender resistance. Nevertheless, the researcher scheme is tangible recognition that not all the world has decided to structure itself as Denmark, and that in order to achieve growth and prosperity in Denmark, we must develop solutions that bridge the gap between the Danish social model and the rest of world.

It would also be expedient to develop a global Danish knowledge bank – “Denmark’s knowledge bank” – where all Danes abroad can be included so that it is possible to draw on Danish competencies globally as needed, for example to create bridgeheads for Danish products around the world. This knowledge base can be built on social media. If only 10,000 or 20,000 Danish business executives abroad are active and can contribute their knowledge, networks and resources, the effect would be quite significant. An existing Danish online network – DABGO, Danes Abroad Business Group Online – has brought more than 10,000 Danes together since 2006. DABGO’s founders are prepared to make the network available as a platform to mobilise all Danish competencies abroad.

Finally, it would be a good idea to offer expatriates dual citizenship, as Sweden and Finland have been doing for years. Many emigrants and their descendants have acquired foreign citizenship and consequently had to renounce their Danish citizenship. This unnecessarily dilutes their affiliation with Denmark. The ability to regain Danish citizenship must also be given with rules concerning the transition.

Proposal 2: Kick-start for entrepreneurs

Stronger incentives must be created to encourage businesses and entrepreneurs to remain in Denmark and build their businesses here. Greater incentives must be offered to encourage foreigners to start a business in Denmark. This should drive higher growth in the number of emerging companies, in total employment and in investment in technology and research.

It would be expedient to have a system in which entrepreneurial firms are given tax exemption for the first five years of their existence. Then tax could be gradually normalized – possibly over a three-year period with interest rates of perhaps 10 per cent, 18 per cent and 25 per cent. If the company is part of the system and after five to eight years leaves Denmark anyway, the company should pay an “exit tax” in Denmark for several years – this would constitute the cost of the preferential tax relief provided for the first five to eight years. In addition to an “exit tax”, companies that manage to survive for five years must be assumed to have reached a certain size both in terms of revenue, earnings and employees. This fact in itself would be a barrier to moving the business abroad.

The scheme resembles the existing research scheme for individuals, but the purpose here is to capture thoughts, income and jobs, and improve liquidity in the new companies during the first few difficult years. Similarly, investors who pump money into new companies should be rewarded for providing venture capital. In the UK, investment stimulus programmes such as SIPP and EIS allow for income tax deduction on investments in unlisted companies through controlled investment funds. This clearly benefits both investments and job creation.

Proposal 3: Cooperation Programme for Companies

Denmark lacks a culture like the U.S. where many of the largest U.S. companies have their own M&A and investment teams linking entrepreneurship with major companies. Often this model helps small businesses to use incumbents' existing sales channels, production facilities, development departments and financial muscle to get started quickly. Many small U.S. companies can therefore grow at record rates.

In Denmark, despite the potential, many small companies never expand. This is generally due to a combination of pride in what has been created, but also a lack of ambition, skills and access to resources and links with larger companies, which are all required to become a world leader.

Policy makers should establish an expert group to draw up rules and conditions for investment and financing of new businesses, as well as a programme for established companies – whether or not they are Danish – who are interested in using the American model as a basis for investing in and working with small businesses. It is also important to ensure that entrepreneurs have the skills to export to major markets.

Proposal 4: Attract foreign companies

Denmark has a strong interest in attracting foreign companies to create jobs here. Danish companies invest abroad to in order to expand there. Consequently, we need foreign companies to invest in Denmark to balance the state of affairs.

The countries around Denmark are equally interested in attracting foreign companies. This intensifies competition among countries to attract foreign companies. The importance of competing – and need to win – does not always appear to be evident to the Danes.

In order to attract business and investments in jobs, Denmark must start by having a business climate that makes Denmark the preferred country to locate a research centre, a regional office, a European subsidiary or the like. Next, the overall effort to promote Denmark to the outside world must be significantly intensified.

Denmark already has a number of organisations, including Copenhagen Capacity, that are making a significant impact. However, much more is required particularly in relation to the BRIC countries as these emerging countries will dramatically increase

their investment in the rest of the world in the years ahead. As the situation stands, Denmark is missing out on a satisfactory share of this investment. There are 35 Brazilian subsidiaries in Sweden, 17 in Norway and 0 in Denmark.

In addition to the competitive environment for businesses and more intense marketing, a number of additional initiatives could make Denmark more attractive to foreign companies. For example, we should develop a new approach to the level of service and the support functions that make it attractive, quick and easy to set up in Denmark.

This could include promoting Denmark as a ‘one stop shop’ for companies considering Denmark as a new bridgehead into Europe. Foreign investors could be met at the airport and helped through the Danish system, depending on their interest and objectives. It is positive that the government has decided to reduce the visa application time for foreign businessmen to three weeks, but it is far from adequate. Overall, Denmark’s competitive parameters should be: skilled workers, easy to do business, first-class infrastructure, etc. We should not compete on special financial deals as companies who respond to these will move on when a better offer is made.

Proposal 5: Establishment of industrial zones

Several of the world’s growth centres – e.g. China and Dubai – have established both physical and virtual industrial zones where companies have access to special services and terms. It would obviously make sense to follow suit in Denmark.

One option is to establish proper hothouses with shared administrative resources made available to foreign companies where, for example, foreign investors can obtain assistance to develop an idea in Denmark, market it and protect its patent for the first three years in Denmark.

Another option is to establish a virtual industrial zone where companies are “labelled” as belonging to the zone, regardless of their physical location. This “labelling” would provide administrative benefits on payment of a fee – almost like a multi-ride ticket at [an amusement park. The public sector would make a team of employees available to provide companies with additional services related to administrative contact with the public.

The aim is to provide “one point of contact” for companies where they can ask about documents, approvals, access to Vækstfonden, etc. and thus sidestep red tape both in Denmark and in the EU. Companies that are “labelled” as belonging to the industrial zone may also enjoy temporary tax exemption.

A third option is to invite foreign entrepreneurs to Denmark to join specialist Danish niche areas, and offer to them development aid i.e. offer to cover 50 per cent of their labour costs, for example, for three years. This model is used in Canada, Singapore, China and many other countries. As the businesses grow and hire more employees,

the aid is extended. Educational institutions and research centres must also be closely involved and can align their activities to create an incentive for these companies to remain in Denmark.

If employees working in the central “one point of contact” team were measured and rewarded for the results achieved by the participating companies, this would act as a further incentive to correct any inappropriate working procedures in the public sector.

Proposal 6: Strengthen tourism

The tourism industry is vital for the Danish economy. Denmark has plenty to offer, but cannot be everything to everyone. A concerted approach is therefore required for this important industry. To date, even acquiring visas has been very difficult for some citizens, including future tourists from BRIC countries.

Denmark should realise its potential better by increasing tourism campaigns and positioning Denmark stronger on the global map. In order to realise these global ambitions, all stakeholders must step out of their comfort zones to collaborate closely. This would break new ground for what can be achieved.

We must think in two dimensions:

1. Attract more tourists and other visitors to Denmark (promoting Denmark in selected markets, particularly emerging markets).
2. The ‘Danish experience’ must be strengthened among visitors to Denmark.

We recommend more centralised efforts with all initiatives working together to achieve common goals.

Specifically, it would be expedient to create a business tourist package – a seven-day stay in Denmark containing a tour of companies, research centres, residential areas and cultural attractions to give interested business people an overall impression of life in Denmark.

A wide range of organisations and initiatives currently attract tourists and other visitors to Denmark. We recommend that this effort should be further centralised so that all the initiatives work together to achieve common goals. Similarly, a number of key markets should be identified as focus areas and an efficient marketing plan devised for them.

Proposal 7: Services provided by Danish embassies

Today the Danish embassies operate as profit centres where Danish companies are charged for advice on how to expand in export markets. This is counterproductive. Many small businesses cannot afford to pay for this assistance, while large companies can manage admirably without assistance.

As a result, small companies either try new markets without sufficient knowledge and advice, or completely abstain from foreign expansion.

The system does not support the desire to create more Danish export companies and strong global Danish companies.

We recommend that the system should be changed so that SMEs can obtain a certain amount of free assistance or can apply for funding to cover advice on exports provided at the embassies.

4. The public sector

Today the well-educated, innovative, productive, self-employed workers in the public sector are not given sufficient scope to show their talents. Consequently, despite the many talented people, the public sector is generally too expensive, has high absenteeism, low employee satisfaction, high error rates, etc., while public service often fails to meet the expectations of citizens and politicians.

It is worth noting that the style of management in public enterprises, institutions and municipalities differs significantly from the management style that is one of the strengths of the private sector in Denmark: A clear vision, few management levels and a high degree of freedom for individual employees.

Leading lights in society, i.e. politicians and officials, tend to prefer top-down control and micro-management through regulations and populist interventions prompted by media coverage, etc. Unfortunately, this often robs skilled employees in the public sector from showcasing their talents. The current management principles in the public sector have led to too many levels of management with too many bosses and overly heavy administrative bureaucracy with too little time for the primary tasks. As mentioned, this triggers low employee satisfaction, high absenteeism, etc.

According to the Productivity Commission, some frontline workers in the public sector devote only 20 per cent of their time to their core task. This is demotivating for the employee and also reflects a huge waste of resources that makes operating the public sector and addressing our welfare tasks unnecessarily expensive. The quality of services also suffers.

Our aim must be for Denmark to be the best public sector in the world. In other words, a public sector that carries out its duties as effectively and skilfully as the best companies solve their tasks – with employees who are thriving and can express their commitment and knowledge. Inspiration for success criteria can be gained in the private sector with key figures for customer satisfaction, employee satisfaction and economic efficiency that benchmark with the best in the world.

Harmful welfare alliance

Denmark does not face this challenge alone. Bureaucracy and productivity issues exist in public systems everywhere.

As early as in 1955, British historian Cyril Northcote Parkinson pointed out that “an official wants to multiply subordinates, not rivals and officials make work for each other”. Elected politicians also influence the situation. Doctor of Philosophy and Master of Economics Gunnar Viby Mogensen has calculated that if a welfare benefit gives a politician 1,000 votes, then it will cost 3,000 votes to remove the benefit, no matter how rational it is.

Consequently, politicians prefer to provide, rather than remove. Provided there are voters who have less than others, the mechanism will lead to increased redistribution and equality. Since Denmark is one of the earliest democratised countries in the world, this mechanism has been in operation longest, so there is reason to believe that Denmark has come far in this process. Naturally, the question is: how can we balance the ever-increasing redistribution against the incentive to serve.

In 1960, 900,000 Danes received more than half of their income from the State. In 2010, the figure was 2,400,000. In terms of income, about two out of three voters now depend on the public sector. This large number of voters makes it extremely difficult for politicians to eliminate welfare benefits without being penalized. This large number is due to politicians who wished to do something just for a particular group of voters in their particular difficult situation, i.e. services such as activation, early retirement, exi-schemes, rehabilitation benefits, sickness benefits, maternity benefits, occupational leave, unemployment benefit, special schemes for senior employees, jobs for those in danger of losing their unemployment benefits, temporary social benefits and more – which many other countries do not have.

This “welfare alliance” between politicians providing welfare, welfare dependent voters and the bureaucrats who manage the welfare, coupled with the pressures of globalisation could prove the downfall of the Danish model. Professor Bent Greve from Roskilde University says: “I am concerned that in the long run we will see a reduction in what we call the universal welfare state.”

This was not the intended outcome. Back in the 1930s and 1940s, Jørgen S. Dirch was one of the young Danish socialist economists who helped to shape the concept of the Danish welfare state. He worked for Jens Otto Krag. In 1973, Jørgen S. Dirch noted that bureaucrats, government employees, had adapted welfare state services to suit their own needs:

“Public employees in the social sector, higher education and health care” have become society’s new exploitative rulers,” who protect this class’s interests in high wages, limited performance and a huge expansion of the public sector” that “exceed the limit where the costs outweigh the benefits to society, thereby causing a decline in social services and economic exploitation of the remainder of the population.”

This analysis is harsh to say the least and worrying. And it was compiled 40 years ago. No one reacted at the time to the analysis from a founder member of the welfare society.

Not until 1981 when Denmark had a foreign debt of over DKK 700 billion that we could not pay – because the oil crises had eroded growth in the private sector while the public sector continued to grow. Former Minister of Finance, Henning Christophersen, had to travel to Frankfurt and deposit Denmark’s monetary sovereignty at the Bundesbank

to get Denmark out of debt. In some ways, Denmark could be seen as the first Greece, whose current crisis is used as a text book example of poor management of society.

Since then, successive governments have tried to rectify what Jørgen S. Dirch pointed out.

Community management required

Private companies also appreciate the challenges of bureaucracy and populism. But unlike public organisations, private companies operate in a marketplace where competition forces them to constantly streamline and improve if they are to survive. Inefficient companies are continuously eliminated by bankruptcy, leaving the most effective still in operation. As this mechanism is absent in the public sector, other solutions must compensate for it to ensure quality, efficiency and innovation.

Clearly, management tools that drive success for private companies can also drive success in the public sector. Some years ago in Odense, the local authority found its coffers were empty – i.e. spending far exceeded tax revenues. The municipality introduced a drastic strategy: all activities in the municipality were reviewed to determine whether or not they delivered value for citizens – in other words, contributed to the municipality's core functions. Everything else was dispensed with. Cost savings of 30 per cent were achieved.

Business leaders will recognise this exercise as Business Process Reengineering – a method that was made popular in the 1980s by Jack Welch, CEO of the US industrial conglomerate General Electric. This rationalisation exercise, with a focus on isolating the value-adding core functions, formed an international school of thought among private businesses in the 1990s.

The question is why one of the best and most successful examples of municipal leadership today is based on a management approach that was widely used in the private sector 20 years ago. This reveals an inappropriate distinction between knowledge and practice in the public and private sectors. Best practices in management in the public sector can presumably be promoted and strengthened with more modern and targeted management training. We believe that Denmark should be the country where we define and develop modern society management as a concept that matches both present and future requirements and needs, while working to achieve the goal of becoming the most proficient in the world at practicing it. Specifically, an Institute for Society Management at institutions of higher education could be established where private and public sector leaders, together with leaders of interest groups, can together explore and learn about good management and good teamwork.

It would be necessary to change the culture in the public sector to bring the values of the sector into alignment with the vision and values of society at large. This is necessary because Denmark has clear strengths in the public sector that can help generate growth

and prosperity but that are currently neglected. The market for training and education is growing explosively worldwide and represents a turnover of thousands of billions of dollars that Denmark can share in. Yet to achieve this, leaders and teachers on the programmes must fix their gaze outward, learn to think commercially to market and sell education as a product, and overcome their fear of engaging in contact with the private sector. For their part, legislators must remove administrative barriers that may otherwise impede this development.

This is not happening as a matter of course because of disagreement and differences in the perception of a common vision for Denmark and special interests across the collective values. This undermines our common future.

What we are outlining here is a constructive way forward. A less constructive path is also accessible that some countries have been forced to choose, often under pressure, because the economy is out of control thanks to a lack of due diligence. This path involves major public savings and cutbacks that are ultimately dictated by foreign forces, who impose harsh rationalisations. It also often involves major human costs that serve neither Denmark nor Danish interests.

We recommend the following:

Proposal 1: A governance model for the public sector

A governance model must be devised that defines the ground rules for managing public activities. It is particularly important to define how the government should exercise its ownership role and how it can prevent politicians and officials from interfering inappropriately in daily operations. In this context, it is important to clearly define the core public services and facilities, so everyone grasps the nature of the task.

The model should also reflect that the public has a general obligation to provide for citizens and businesses, but not an obligation to produce. The role of task giver and strategic buyer means much smaller and more focused staff functions can be used, while a diverse range of suppliers can ensure quality in innovation, delivery and price. Such a governance model must necessarily be backed by a broad political majority and would form the key for modernising the public sector.

The governance model should be accompanied by a consistent and independent analysis of all new legislative actions and their consequences, including implementation. The aims and objectives should certainly be communicated uniformly to voters everywhere. Law impact assessments were first used after World War II as an innovative tool, and successive governments have used them but rarely with persistence and consistency. It is inconceivable that a skilled private company would make decisions without a thorough business case and risk analysis. This is where the Danish municipal management can be infused with more professionalism.

Proposal 2: Compulsive tendering

Denmark could benefit from adopting the British model for “compulsive tendering” in all relevant areas.

The concept implies that private companies and public employees themselves should be invited to tender for all secondary public projects. The public employees are given support and consulting assistance so that they can compile qualified bids for their own work. In the UK, this initiative has cut costs by 25 per cent, even though only 25 per cent of the work goes to private companies.

The secondary tasks are defined in the governance model, where core tasks are described and everything else is subject to competition.

An additional aim should be for municipalities to use far more private companies as partners and work with them to develop new solutions.

Companies are in a better position to take risks and exploit successes to drive growth, jobs and exports than the public sector. Such interaction between the public and private sectors has already led to major Danish business successes, such as Novo Nordisk. We must reinvent that alliance.

Not surprisingly, five of the government’s “growth teams”, which explore opportunities to strengthen and scale up a number of Denmark’s business strengths, indicate that the public sector can drive innovation in private enterprises in the role of a strategic buyer. There is also huge potential for both wealth creation and job creation.

Proposal 3: Better management training

Management skills need to be strengthened in the public sector – at all levels. Basically, we should develop, disseminate and practice municipal management as a conscious concept and discipline, preferably based on a country model.

In this context, it may be advantageous to incorporate knowledge from private companies that are pioneering international competition in areas that the public sector does not naturally encounter, and therefore naturally finds more difficult to assimilate. It would be sensible for public employees to have internships or study at private companies to gain first-hand experience, preferably as an integral aspect of training programmes. It would also convince public sector managers to accept the need to create successful international businesses in Denmark.

Regardless of how the effort to develop management skills is designed, the aim should be for public and private leaders, together with leaders of community interest groups, to learn about and develop good management and good cooperation skills.

At the same time, the general and occupation-based courses for managers in the public sector should be strengthened to develop the respective management capabilities. In particular, “strategic sourcing” should be more in focus as a discipline, so that the public sector can purchase from sources that strengthen both its own organisation and the companies it works with.

Proposal 4: Professional “boards”

The municipal borough councils – which are actually the boards of the 98 municipal service groups – are often composed of members who admit they lack the knowledge, time and perspective to deal with the task. This is a problem as municipalities are the *de facto* Danish welfare factories, i.e. producers and suppliers of the majority of welfare services – and where vast amounts of public expenditure end up. Council tasks must be simplified and professionalised.

Denmark has local self-government with publically elected members of a borough council. They are elected because of their attitudes, not their skills. This model can be usefully retained and in many areas even further strengthened in terms of IT-based participatory democracy and more citizen-focused decisions. However, the model must also be adapted to suit today’s reality.

Municipal self-government was originally introduced to ensure democracy as a relatively new form of government at a time when the Communists were taking over power in many countries and abolished democracy. Self-government was to ensure that citizens had direct access to local participation to anchor democracy.

Today democracy is generally viewed as a natural and given form of government. It has therefore made sense to merge the many small municipalities into fewer larger and more economically rational organisations. This process should continue to the extent that back-end functions, e.g. IT systems, are far more centralized, while front-end functions, e.g. public meetings, can be adapted to local conditions and strategies.

This is the process applied by the large private companies, because it optimises costs. There is no reason why the Danish municipalities cannot do the same.

The Danish municipalities are not rivals and the inspiration for new and better solutions to the back-end functions can be gained by comparing Danish solutions with foreign solutions. This international vision and the inspiration it brings should be applied much more systematically in the public sector.

The merging of municipalities has led to larger organisations. The municipalities have been given more tasks. And budgets are under pressure due to demographic trends, globalisation and finally the impact of the financial crisis. As a result of all these factors, the workload for both public managers and councillors has grown quite dramatically.

Consequently, council tasks must be professionalised just as tasks carried out by boards in the business community have become professionalised in recent years. In this context, rules should be developed for efficient board work, and a model devised for improving councillors' competencies so that each individual can grasp the complexities and consequences of decisions. This is far from always the case today.

The same applies to the regions and state institutions.

Proposal 5: Mobilise volunteers

Denmark's culture concerning volunteering is weak compared with many other countries. This is probably because in Denmark we have allocated many social responsibilities to the public sector and fund this work via taxes. Consequently, the efforts of volunteers are seen as superfluous and professional staff in the public sector have tended to view voluntary "amateurs" with scepticism. However the notion that Denmark does not need volunteers is misguided. Unsatisfied needs and human suffering are evident in all societies, irrespective of the social model selected. In recent years, the financial pressure on the public sector in Denmark has also undermined efforts in many areas, uncovering visible tasks for volunteers.

Denmark also has hundreds of thousands of people of working age who are not available to the labour market, and similar spritely retirees whose health and life expectancy are increasing. Many of them want to contribute by providing meaningful employment. For example, every third Dane on early retirement has regretted the decision - it is not always personally beneficial to spend every day at home with no contact with colleagues or meaningful employment. It is wrong not to take advantage of this vast – and self-created – community resource when it is made available in line with the Protestant work ethic – a value respected by Danish society.

Knud Aarup, director of the National Board of Social Services, also supports this solution in his book "Frivillighedens velfærdssamfund" ("Voluntary Welfare Society"), in which he argues in favour of "... voluntary and professional labour joining forces. In all areas it must be considered whether and how volunteers can contribute to or even solve parts of the welfare society's core functions".

The culture of volunteerism should be reinforced. For example, the law should allow citizens on transfer incomes to carry out volunteer work. At the same time, municipalities and the State should professionalise cooperation with volunteers by establishing a set of ground rules and developing an infrastructure where demand for volunteers and supply of volunteers can be matched. An IT-based option would be optimal. Today, matching needs and help in the civilian sector can be difficult, as there is no formal 'marketplace' for volunteers.

Such an effort would mobilise vast human resources that can help children, the elderly and socially disadvantaged citizens to enjoy a better life without increasing public costs.

5. Education

It is hardly necessary to emphasise the importance of education. It is the key for individuals to gain access to employment and materially and mentally rich lives. It also ensures good health, low crime, equality, democracy, sustainability, etc. in society. Evidently, education plays a crucial role.

This was realised early in Denmark's history. By the 1700s, an estimated half of the Danish population could already read. This international head start was further developed over the next few centuries. The Danish knowledge reserves were reinforced when trade unions focused on providing evening classes in the 1920s.

The result was one of the most educated populations and workforces in the world. The broad-based, high-calibre Danish education is a main reason why Denmark has fared well in international competition for so long, and was a cornerstone of developing prosperity for many decades. People and their knowledge and skills are Denmark's most important resource and competitive strength.

In order to guarantee equal access to education for all citizens and thus access to shape its own future, Denmark, unlike many other countries, offers free education from primary school to university for all its citizens. In many other societies, education is something you must be able to afford. This is perfectly in tune with the Danish – and Scandinavian – values of 'equality' and 'inclusion'.

This concept was also in focus when constructing the Danish model – the welfare society – after World War II, when Jens Otto Krag defined "Economic democracy" as equal opportunities for all in education, which gives access to shaping one's own life. One of the founders of the Danish welfare society therefore viewed economic democracy as equal access to opportunities – not equal access to its benefits.

Pedagogy as a competitive tool

Today education plays a critical role as the single factor that most clearly defines social divisions in society. In developed societies, such as Denmark, many tasks are becoming far more knowledge-intensive and demanding, which means individuals must upgrade their qualifications in the labour market. At the same time, companies are competing increasingly on developing or identifying cutting-edge knowledge and implementing it faster than their competitors, which makes access to specialised and highly-trained staff essential.

Thus, learning – which relies on a functional school system, skilled teachers, effective teaching – is now the key to wealth creation in all developed societies. In other words, education must be given top priority, while teaching is becoming an independent competitive parameter. This being the case, all educational institutions – from primary school through university to labour market training courses – share a major commitment to constantly develop better and more effective teaching and learning methods that

ensure the most possible and best possible skills – preferably with better results than in neighbouring countries.

IT is enhancing competition by providing effective new teaching methods. New digital learning platforms like Udacity, ShowMe, LearnZillion and Skillshare make it possible to learn almost anything at anytime via the internet. Distance learning can cheaply and effectively deliver learning on everything from quadratic equations to IT programming.

For example, Kahn Academy in Silicon Valley has developed training videos that are extremely easy to understand and popular. These are posted on YouTube and explain mathematics, science, history and much more. Students can watch them at home, undisturbed, at a comfortable pace and as many times as they like. A study in Los Altos in California showed that the proportion of students with high grades rose from 23 per cent to a striking 41 per cent using Khan Academy’s teaching systems – in a single school year. It is crucial that Denmark is at the forefront of new and more effective learning systems.

The problem with our schools

Unfortunately, it is evident that large parts of the Danish education system have not kept pace with developments in recent decades. The Danish ‘folkeskole’ pupils (primary and lower secondary school pupils) are achieving no more than mediocre performance according to the PISA studies, which compare pupils across national borders. In a society with the world’s highest levels of costs and a requirement for competition based on knowledge, these results are troubling. Similarly, about 20 per cent of each Danish school year does not acquire a professional qualification. Both these facts suggest that the Danish primary school does not deliver a world-class performance, despite having one of the highest levels of spending.

Evidence suggests that for some time, management efforts in schools have been inadequate. For example, according to the OECD figures, in Denmark 35 per cent of the money spent on salaries in schools (‘folkeskole’) is paid to staff who do not work as teachers, whereas the average is 21 per cent in other OECD countries. For many countries – including Canada, Finland and South Korea – the figure is a mere 14-19 per cent. Unlike others, we therefore employ a very large group of people in schools that do not contribute directly to the core function.

While on the subject of core tasks, according to PIRLS, only 6 per cent of school principals in Denmark spend “a large part” of their time “monitoring how teachers implement the school’s educational goals in their teaching”. In the other OECD countries, the average is 50 per cent. Evidently school principals should be sparring much more with teachers. According to the Danish Evaluation Institute, 42 per cent of teachers believe including pupils who deviate from the norm in education is a major challenge.

This is typically the group that produces candidates for the 20 per cent who end up without a professional qualification. A total of 35 per cent of teachers struggle to differentiate teaching to suit the abilities and needs of individual pupils. And 32 per cent of teachers see the use of IT – probably the most important tool in today’s job market – as a major challenge. Evidently, a very large proportion of teachers do not master the fundamental aspects of their job. Since it is a management task to ensure employees have the necessary qualifications and help to use them, this could be construed as neglect on the part of the management.

Tage Søndergaard Kristensen, professor at Arbejdsmiljøinstituttet, also identifies management as a source of problems in schools: “Once you have been appointed as a manager, you can stay in this position no matter how bad your managerial performance. The public sector has very high tolerance for poor management. Given the importance of management for the schools functioning efficiently, this fact is a main reason why some of our schools function so badly.”

The need for a management reform

The problems experienced in Denmark’s schools seem firmly rooted in a poor management culture, which is linked to:

- inadequate political leadership with regard to a governance structure that ensures high quality and development at schools.
- school boards that lack skills and fail to monitor whether management initiatives are having sufficient impact.
- school principals who lack leadership qualities.
- inadequately trained teachers who largely lack the necessary skills for teaching.

Management challenges in schools are tapping Denmark of valuable resources. According to the Productivity Commission, DKK 5 billion per year can be freed up – the equivalent of a 12 per cent productivity increase – if only schools in all municipalities were aligned with the municipalities that are operating their schools most efficiently. However, far more seriously, another drain on our resources is indirect in the form of too many bad or unnecessarily low skilled citizens who cannot meet companies’ needs and therefore risk marginalisation and passive support, while companies lack qualified labour.

At the same time, the current management efforts are also undermining opportunities for all citizens to shape their own future, which has been and should remain a common goal for the Danish social model.

It is imperative that the management and structure of the Danish school system is modernised.

Costly competence mismatch

The problems of education also affect higher education. There are too many people with the wrong training in relation to the requirements already imposed on the labour market, particularly with regard to future requirements.

For example, according to the Productivity Commission survey, the Danish private service sector is inefficient and expensive compared with the United States. Since the private service sector accounts for 53 per cent of the Danish economy, this obviously has extensive socio-economic consequences. Among other things, competitiveness is weakened by the unnecessarily expensive service industry, while inefficiency restricts the labour force unnecessarily. According to the Commission, this has resulted in a loss of 200,000 industrial jobs over the past 15 years.

The Danish private service sector performs relatively poorly partly because, compared with the United States, there are relatively fewer graduates in the Danish private service sector - and more in the public sector. The absence of graduates clearly weakens the performance of the private Danish service sector.

The difference is linked to the Danish model. The collectively financed welfare in Denmark has resulted in a very large public sector that offers more exciting jobs for highly educated individuals than the private sector. And since talented people pursue opportunities, highly skilled Danes pursue careers in the public sector. In the United States, which has many large private service companies with exciting and well-paying jobs, more highly trained individuals seek out private employers.

The problem here is that the public sector, unlike the private sector, by definition cannot deliver growth companies and exports. Only private companies can do that – but Denmark lacks sufficient highly skilled talent in the private sector. According to the Productivity Commission, this mismatch has led to slower growth in prosperity in Denmark than in the United States and other countries. In round figures, DKK 260 billion has been lost in prosperity from 1995 to 2010.

Training should be targeted

The loss generated by the Danish mismatch of competencies could increase. According to the think tank McKinsey Global Institute, we are facing dramatic changes in the labour market in the years ahead. Since 2007, the US has lost more than two million white-collar jobs, while, in contrast 387,000 more managerial jobs have been created. This is an extreme shift in job types over a very short period. The shift is due largely to IT rapidly replacing more and more traditional jobs in the United States – especially in the service sector. While low-skilled clerical workers are being made redundant, highly trained managers, analysts and IT programmers who are working to replace staff with IT, are in high demand. In fact, demand exceeds supply.

According to the McKinsey Global Institute, by 2018, the United States will need some 1.8 million managers and analysts who are skilled enough in the use of IT to process the huge amounts of data generated over the past decades. This data represents vast knowledge about customers and production, which can be converted into more rapid growth and productivity. The point is that in the years to come, the ability to extract knowledge from the huge amounts of data - also known as Big Data - will be a dominant competitive factor for companies worldwide. Those with the least knowledge will be the most expensive and slowest and will lose out. Therefore, the demand for highly trained experts to analyse and apply complex knowledge will explode in the private sector.

There are no corresponding calculations for Denmark, but the problem is undoubtedly similar. Thus Denmark faces a serious challenge. The Danish education system is geared towards producing highly educated managers in the public sector, not managers and analysts for the private sector. The result is likely to be that the few private companies we have left will be outperformed by foreign rivals with better employees.

Therefore, we must find ways of moving talents in which society has invested most resources to work actively in society where they contribute most to growth and prosperity. One possibility is to tailor educational programmes more for areas where we need to spearhead competence, i.e. the strong Danish niche areas. If Denmark aspires to make an impact in areas such as cleantech and sustainability, Denmark should also be able to offer the world's leading MBA programmes in the area in cooperation with Danish companies, universities and international experts.

Need for new skills

A related problem is that relatively few highly educated people become entrepreneurs. According to the report “Nordisk Akademiske vækst-iværksætter” (“Nordic academic growth entrepreneurs”) published by the Danish Confederation of Professional Associations (Akademikernes Centralorganisation) just less than one in ten academics become entrepreneurs. It is positive that society educationally most resourceful citizens who have the best conditions for growth – and employment for others – create new businesses. It makes perfect sense. The only question is how, as a society, we can entice more than one in ten graduates to use their skills and abilities in this way.

The answer is rooted both in a lack of focus on entrepreneurial skills in education and a Danish entrepreneurial ecosystem where the framework conditions do not adequately support and reward the people we want to build tomorrow's growth companies. Consequently, many choose other options – such as a respectable career with good income, job security and pension schemes.

The question is whether the competencies we incorporate in education live up to future demands. The students starting their education now will have to live in a society that by 2025 will be characterised by the fact that the 10 most sought after occupations no longer exist, that the problems they will have to address have yet to be put into words,

that the technologies they need to solve the tasks have yet to be developed, and that they must adjust to having 5-10 different professional careers during their working life. Amassing general knowledge is clearly insufficient, as this quickly becomes outdated. The core of future skills will be a range of “soft” skills in the form of analysis, creativity, interdisciplinarity, teamwork, problem solving, conceptualisation, design, etc., which support learning and are inadequately defined and recognised in today’s education system.

In this area, Denmark has bright prospects for taking the lead and defining and developing the skills that support creativity, innovation and teamwork. To do that we need to describe the world in 2025 better and continuously analyse the trends that are shaping the future, and continuously assess the impact on the education system. Countries that manage this with the greatest success will also ensure the strongest platform for promoting prosperity in the future.

Internationalised training programmes

As a natural part of globalisation, it is necessary to encourage Danish students to be more interested in other countries and acquire international knowledge as well as cultural and linguistic competencies. One-year courses abroad should be a general requirement for higher education – perhaps supported by the necessary financing. Strengthening the Danes’ English skills is essential in this respect, since English is the global corporate language. Therefore, English should be taught in schools from first grade in order to ensure Danish children are bilingual in Danish and English as a minimum, while courses in higher education should naturally be offered in English.

In brief, there is an urgent need to further develop and modernise education programmes in Denmark, so they are among the best in the world. This applies from primary to higher education. There is a need both to strengthen teachers’ skills, invest heavily in the future in non-fact-based competencies and develop new programmes to match future requirements both in the private and public sectors better and faster.

We recommend the following:

Proposal 1: A school reform

Structurally, the Danish schools, like the universities, need more professional boards with clear objectives and frameworks for their activities in relation to the school management. School principals need to upgrade their skills. An excessive number of teachers have simply been promoted to managers without the necessary firmly anchored skills. The teachers lack key skills in core areas in order to provide the teaching that is expected of them.

In terms of content schools (“folkeskole”) – in fact the entire education system – faces the challenge that at the rate knowledge production is accelerating, up to 80 per cent of the content is often irrelevant, and therefore acts more as an obstacle than an asset. This

requires a shift in focus from teaching to learning, where the role of teacher should be to coach, i.e. convey experiences and methods of selecting information, where technology is the real knowledge tool.

This transition should be reflected in the evaluation of students i.e. general knowledge will be downgraded in favour of critical analysis, relationships, communication, collaboration, creative thinking, etc.

Proposal 2: Eliminate the concept of unskilled

The concept of “unskilled” should be abolished. No children are born with the ambition of a career as an unskilled labourer. And the quality products that Denmark will produce and sell to earn a livelihood cannot be produced by unskilled labourers. With the continuous technological developments being made, even administrative jobs require training.

The minimum training for all Danes should be ‘specialist workers’ with ‘mini apprenticeships’ after a one-year apprenticeship in a private or public company combined with the necessary classroom theory. This type of training should be modular so that it can be built up over a long period.

We believe that this concept could help to eliminate the serious youth unemployment and provide significant motivation for existing unskilled workers.

Proposal 3: Introduce Employeeship

Happy and satisfied employees deliver better results. A survey by Gallup International conducted among 105,000 employees shows that organisations - private and public - with satisfied employees are 27 per cent more likely to have higher profits than organisations with averagely satisfied employees. In addition, 37 per cent have higher productivity and 56 per cent have higher customer satisfaction.

The reality is that few organisations today have satisfied and happy employees. On the contrary, European studies show that 1 in 10 employees are in the process of searching for a new job, 4 out of 10 answered no to the question: “Are you proud to be employed by your company?” And 8 out of 10 are not engaged in their company.

Fortunately, the situation is better in Denmark. Year after year, Denmark is the nation in the world that has the happiest population, with the most satisfied workforce in the EU. At the same time, Danes top EU rankings of the populations that are most positive about the business community. Altogether, 85 per cent of Danes think that Danish companies have a positive impact on society. These attitudes have been consistent for years. In other words, Denmark has a globally unique position to reap the benefits of satisfied and committed employees.

This position of strength should be developed and used much more offensively. We can do this by developing the concept of “Employeeship” – the antithesis of “Leadership”.

Leaders do not determine a company's success single-handedly. Employees also play a vital role. The issue in the modern workplace should not only be how managers contribute best to developments, but how employees do this. Employee engagement is a key to success in future competition with each employee contributing knowledge and creativity to ensure the organisation reaches the best solutions. Therefore, what does it take to be a good employee who is critical of the existing situation and constructively contributes to the common goal?

Denmark should work consciously and purposefully to create a reputation as a country where businesses and the public sector train and practice *Employee-ship*, characterised by everyone's commitment, initiative, responsibility, loyalty and positive energy. This can be done by deliberately embedding *Employee-ship* as a concept in schools and introducing it as a subject in higher education.

The concept was actually developed along with a method by a Dane - Claus Møller, also the man who brought the *Danes Time Manager*. By cultivating good employees, Denmark can differentiate itself in the global competition for who has the best workforce, improve the competitiveness of Danish companies and attract foreign companies.

Proposal 4: Competence transfer

Employers in both the public and private sectors should be systematic and hire far more people who do not necessarily have the right training for the job. Danes are smart, curious and willing to learn throughout their lives – and the speed of global developments means that both knowledge and experience are becoming quickly outdated. Consequently, future core skills concern non-fact-based knowledge, such as relationships, critical thinking, information retrieval, etc. It should not be a problem to hire people with a slightly different educational background, and this could help to reduce the current unemployment in preparation for the growth to come. Obviously incentive models and support functions should be tailored to promote this.

6. Welfare

In Denmark today, we take it for granted that everyone can gain an education, whether they can pay for it or not, that we can consult a doctor and be healed no matter how poor we are, and we can get money for food and shelter if we have no income or are too old to provide for ourselves.

The majority of us take this for granted, seeing it as a human right associated with our inherited values of equality, inclusion, respect, etc. However, welfare benefits were originally introduced in Europe to ensure growth.

What few people probably guessed at that time was that our welfare society would have intrinsic competitive advantages that now help Denmark to succeed in the global economy.

This does not always seem to be clear and we risk making decisions that undermine these benefits.

Welfare and growth

Historically, welfare benefits were originally introduced in Europe by the German Chancellor Otto von Bismarck in alliance with the existing German business community. By the 1840s, Bismarck had already introduced welfare benefits in the form of social support and supplemented this in 1880 with pensions, health insurance and unemployment benefits - the foundations of what would become and be called the European welfare model, from which the special Danish model is derived.

Welfare services were devised to address two main problems that were prevalent at the time. The first involved industrialisation, which was causing farm workers to leave their landlords' care in favour of independent life in cities. Many of these new workers lived in poor conditions. This was leading to social unrest, which was detrimental to production and trade. Consequently, the state stepped in to play the role no longer filled by landowners, offering social security funded by taxes from the business community. The business community viewed welfare benefits as a way to win workers' confidence and reintroduce calm.

About 100 years later, in 1980, the Danish Social Democrat Ritt Bjerregaard made a speech at an OECD event that described this logic: "Social policy is – historically – the exact opposite of socialistic policy: it emerged as a means of combating socialism by mitigating some of capitalism's most obvious abuses and thereby eliminating the Social Democrats' basis for mobilising the masses."

The second problem was that the United States had become a serious, major competitor in the world economy that challenged the 'old world' both by producing cheap products and by attracting the labour force. Millions of workers in Europe packed up and shipped out to America in search of happiness and freedom, which they lacked at home. The German employers saw Bismarck's welfare as a move to reduce emigration to America

– because though you might be lucky and make your fortune there, there was no social safety net if things went wrong, which was often the case.

Unfortunately, Bismarck compensated the business community for the cost of welfare benefits by imposing high tariffs on goods from America as a means of protecting German industry and protecting the German workers' wages against competition from cheap American products. This move was popular in political circles but caused serious negative economic consequences in the long term, since customs barriers also reduced the pressure on German companies to adapt to conditions in the new world order – and many were consequently not competitive. This example illustrates both the correlation between growth and welfare, as well as the difficulty in and importance of balancing them correctly.

Institutional competitiveness

The relatively fragile welfare systems at that time were unable to compensate for social need, especially in times of crisis. The depression in the 1930s, when economic growth stopped for a long time and unemployment rose to over 30 per cent in many places, triggered social disasters and fostered alternative models of society such as communism, fascism and nazism. It became evident that human distress can have a powerful impact and this lesson led to strong expansion of welfare services in many countries after World War II. It also resulted in a commitment to sustainable growth, defined as free competition in free markets.

Thus for a long period, welfare and growth have gone hand in hand.

However, the connection between the welfare state and business community runs deeper than that. If we look more closely, over the years we have managed to build up 'institutional competitiveness' in Denmark i.e. the ability to create or encourage growth as a result of the competitive advantages that businesses gain thanks to certain political, economic and cultural institutions.

The Danish labour market reflects institutional competitiveness. International organisations such as the IMF, OECD and EU highlight the Danish labour market model - flexicurity model – as the best in the world. We have managed to combine high flexibility for the business community – e.g. it is easy to hire and fire workers – with a firm sense of security for the individual citizen – e.g. unemployment benefits and help to train for a new job.

In today's global economy, where the rate of development and change is accelerating and expanding every day, the Danish labour market ensures a socio-economic adaptability offered by no other labour market model. The Danish labour market model thus represents a clear source of institutional competitiveness, which incidentally, like our model of the welfare society – is strongly rooted in the Danish values and is therefore difficult for others to copy.

Welfare as a competitive advantage

The Danish working culture is another institutional competitive advantage. Our culture can best be characterised as freedom with responsibility – each individual is assigned great autonomy at work, which motivates, engages and encourages individuals to display creativity and initiative. Danish employees are also the most satisfied in the EU, which enhances cooperation and commitment.

The Danish work culture means that naturally we work in flat, network-oriented or ‘modern’ organisations – as opposed to hierarchical ‘traditional’ organisations characterised by command and control. Business economic surveys show that on average, ‘modern’ organisations deliver returns that are almost three times higher than ‘traditional’ organisations.

The Danish educational culture represents a third institutional competitive edge. As early as in elementary school, pupils are encouraged to develop critical thinking, strong independence and pronounced interpersonal skills, which are fundamentally innovative skills. High professionalism is a necessity but the ability to challenge existing concepts and develop new ones are the core of successful innovation. Critical, independent and team players usually test, evaluate and develop management ideas on the spot, uncovering any weaknesses before the idea is executed. In other cultures, inexpedient ideas from the top echelons tend to survive more easily.

Welfare benefits such as free access to education, local kindergartens, nursing homes, free health insurance, maternity schemes, social assistance, etc., have liberated women’s talents. Denmark is a global leader in mobilising female talent because our welfare system has freed them from their historic duties and obligations, and we can therefore tap into their ideas, creativity and skills to a much greater extent in labour markets than countries with less advanced welfare benefits. This is a clear competitive advantage in an innovation-driven economy, where more women than men are choosing higher education.

Moreover, women are not the only ones to benefit from the freedom provided by welfare benefits. It is difficult to find a society where individuals are as free to choose a career and lifestyle based on personal choice, precisely because the welfare system provides individuals with economic freedom. This means that Danish talents can be allocated or distributed in society based on interest and commitment – which in turn promotes individuals’ creativity, innovation and dynamism.

This reflects that the welfare state as a model encompasses culture-based institutional competitive advantages that support growth. In other words, mutual dependencies that can boost our growth potential provided community leaders are aware of the mechanisms and support them. If not, we risk decisions being made that weaken this link.

Unfortunately, institutional competitive advantages are largely concealed. We require a method and measure for revealing our institutional competitive advantages and how they contribute to society's capacity for innovation and growth. Then we would be less likely to inadvertently make decisions that undermine Denmark as an innovative economy.

We recommend the following:

Proposal 1: Strengthen institutional competitiveness

We need a clearer political and research focus on institutional competitive advantages in our welfare society in order to illuminate the links between welfare society institutions and competitive advantages. Today, political decisions are based largely either on welfare or growth considerations. However, often without the link between them being revealed. This can be achieved in a more efficient manner.

We believe that there are important links between welfare and growth, and that the Danish model has more or less randomly been an exponent of very positive links. This should be clarified much more and we should consciously work on these links. This knowledge will enable us to make decisions relating to society that support our strengths and increase our opportunities for long-term growth and prosperity.

7. Tax

Tax rates are a popular topic of discussion in all countries. This applies in Denmark and the United States, although the levels of taxation in the two countries are very different. Whatever the case, tax rates are a source of intense dialogue.

Unfortunately, as the importance of taxation for our prosperity is not scientifically well documented, there is plenty of scope for attitudes to differ. For example, it is extremely difficult to determine whether high taxes undermine or increase productivity. Reduced tax rates encourage people to work, get an education and invest time in making money, which is favourable to growth. Yet at the same time, this depletes resources for public spending to boost growth – for example, infrastructure, education and research.

Unemployment benefits funded via taxes are another cost that directly impedes growth as money is shared out to passive persons who are not directly contributing to production. However, a social safety net in the form of an unemployment benefit system can also increase the incentive to become an entrepreneur because the danger of financial failure is less pronounced. Social services can thereby foster an entrepreneurial culture and encourage more people to try their hand at creating new business, which promotes growth.

Need for smart tax

Basically, we see tax rates as a consequence of the selected country model, and therefore do not regard reducing the tax rate in Denmark as an end in itself. Taxation is relatively high because we – unlike others – have chosen to finance a number of community functions collectively through taxes. Many Goodwill Ambassadors live in countries with personal income tax rates of 30 or 40 per cent, but where they benefit little from their tax, because they pay for their children's education, university and family health insurance. The relatively high Danish personal income tax is thus not unreasonable – provided that the education, welfare services, public administration and framework conditions for business it provides are world-class.

Nevertheless, we now live in a very global world where both people and businesses can choose where they work. Taxation levels and tax structure therefore matter. For example, if personal income tax is viewed as unreasonably high, we risk losing talented people who prefer to work elsewhere in the world for financial reasons. Companies can move their production if heavy taxes driver labour costs too high. If capital taxation is perceived as unreasonably high, we risk investors staying away and investing in companies in other countries where high-risk investments are rewarded more.

Today, Denmark has one of the highest tax rates in the world. That is not an ideal ranking on a global scale. Therefore, we consider it appropriate to reduce the tax burden as competitiveness is strengthened and the public sector becomes more efficient.

However, we do not recommend a general tax cut. It would be useful to analyse the areas in which tax cuts can contribute most to reinforcing competitiveness in order to establish a basis for decisions involving a prioritised tax policy effort.

It would also be conducive to analyse how the tax structure can be composed most efficiently. In several areas of the world, growth and employment have been strengthened by moving taxation from labour – a mobile asset that can move – to real estate – an immobile asset. In a global and increasingly mobile world, it is more expedient to tax property than labour. For years, the Economic Council has been recommending that Denmark should follow this path and we agree.

Yet this does not exhaust the potential for a tax structure that enhances growth more efficiently. Elsewhere in this report, we have identified a number of areas where tax cuts can promote growth. The possibilities are obvious and should be exploited.

At the same time, we must caution against seeing lower tax rates as detrimental to the welfare system. When growth increases, lower tax rates can cover the same costs. Provided the focus is to maintain a given tax rate, tax revenue will increase with higher growth, enabling new policy initiatives that will quickly translate into permanent higher costs. Percentages should be set aside in favour of calculations based on absolute figures.

Proactive role for the tax authorities (SKAT)

Denmark should also explore new avenues of taxation. In effect, the tax authority can be described as the largest employer since most Danish employees must work more than half of their working life for SKAT. Yet SKAT rarely plays a proactive and participatory role in discussions on dynamic changes to how Danish society is regulated. All too often, the lack of expertise on the impact of taxes leads to inadequate policies and laws that inhibit growth. In some cases, the laws are subsequently adjusted, but in the meantime, growth is lost that should have been won.

SKAT should play a much more proactive role and be involved early in discussions on the development of new strategic priorities for society. For example, SKAT could suggest that deferred tax can be pledged as collateral for a loan for a start-up company. This would promote growth while SKAT has security for the payment. SKAT should also consciously assume the role of advisor for companies and propose how they can adapt most efficiently to obtain economic benefits.

Ideally, SKAT should have trained counsellors who visit businesses at least once a year to explain how they can save on taxes and avoid unexpected tax bills.

As the situation stands, SKAT always benefits from assessing valuations that have taken place. Today, if a business transfers assets from Denmark to other countries, the company must estimate the tax base. Two or three years later, when SKAT assesses

the transaction, the value may have changed, which could trigger a large extra expense and in many cases generates negative media coverage. This adversely affects both the company and undermines Denmark's reputation as a country that welcomes businesses. A more proactive and constructive role for SKAT would not only help companies to avoid unnecessary costs and surprises, it would also be a strong and clear signal of modernity and would welcome international companies from outside Denmark, which in many countries are suspected of tax avoidance and tax evasion.

We recommend the following:

Proposal 1: Gradually reduce the tax rate

The tax burden in Denmark should be reduced as competitiveness is strengthened and the public sector becomes more efficient. Tax should be reduced where reductions would most effectively drive growth, which in turn would create higher tax revenue. Meanwhile, the tax structure should be adapted so that taxation is imposed at source that is least affected by the taxes.

Parliament should establish a Tax Commission to examine the tax base and recommend new tax solutions that would allow us to fund the welfare state without stifling growth.

Proposal 2: Proactive role for SKAT

SKAT should play a much more proactive role concerning strategic priorities in society and advising businesses on how to address issues to obtain the greatest benefit without further risking public criticism and an unexpected tax bill. A proactive role for SKAT would strengthen competitiveness and reinforce Denmark's reputation as a business-friendly nation where doing business is safe and predictable.

In this context, it would be useful to arrange international study trips for senior executives employed in the strategic functional areas of SKAT to enable them to compile reports on best practice in tax matters in the most competitive countries in the world. Naturally, this knowledge base should be made public in Denmark.

8. Capitalism in a Danish context

If we are to tailor the Danish society to suit the global economy while preserving the Danish model of society with an open economy and a collectively funded welfare state responsible for a wide range of tasks, we must innovate the way we operate as a society and as citizens of that society.

We do not believe that eroding the Danish values and adapting to global values would be productive. On the contrary, we believe that by increasing awareness of our unique Danish qualities, we can further develop the Danish model as an attractive and specialised alternative to many other country models and cultures.

We also believe that the cultural distinctions that Denmark represents should drive or trigger the development of new solutions that will lift Denmark into the future with a clear focus on the conditions and requirements of globalisation. If we succeed, we can develop unique and strong solutions in society on which to build future growth and welfare.

The core of this challenge is that we must identify the Danish core values and understand the requirements of the Danish model. In this context, one single maxim stands out: We must talk more about how the pie is baked, rather than on how it is shared out.

If the concepts of solidarity and unity still resonate in Denmark, they must be the focal point. In other words that together we strive for the common goal and do our best to succeed and create the most value in the global economy. And that we have a successful business community that creates exciting jobs and manufactures products and services of high quality that can be sold in Denmark and abroad. When that task has been solved, we can discuss how our wealth should be distributed. If we choose the reverse order, we risk losing what many before us have created and fought to protect.

Danish capitalism

We believe that there is a need to rethink the entire incentive structure in Denmark, so that the goals and incentives of the individual are calibrated with the objectives of the many. This is not a new concept. It is what many successful companies do. They use profit sharing, employee shares, stock options, personal bonuses, team bonuses and many other instruments to calibrate the interests of the individual with the common interest of the many. These are economic instruments for creating a common direction for decisions and actions.

Therefore, we propose to introduce “Danish” capitalism or “community capitalism”, if you will, which matches the Danish values and Danish social model. The Danish version of capitalism has nothing to do with ideology or a planned economy. Capitalism is basically a matter of the right to own private property and access to free markets that Denmark fully endorses. However the special ‘Danish’ aspects should differ from other versions of capitalism as a democratically governed market economy – unlike e.g. China

– with a common economic destiny - the outcome of which depends on how skilled we are at working together to make the right decisions.

Specifically, capitalism in a Danish context can be realised as a model where all Danes have a personal financial interest in the country's businesses being competitive, successful and creating value in the form of jobs, export income, tax, value for shareholders, etc.

The basic idea is that all Danes should prosper when business is good and people should learn to save up in order to become less dependent on the public sector. In reality, this is a further development of labour market pensions, where collective agreements require individual Danes to save for their own retirement, in addition to their state pension, which also makes the individual less dependent on the State. We propose that the concept is taken one step further to the next level.

Calibrating the individual's wealth with business success and the prosperity of society revolves around clarifying the link between economic development and personal finance. This can be achieved if all Danes have a personal financial interest in the country's businesses being competitive, successful and creating value in the form of jobs, export income, taxes, etc., and that the public sector supports this objective to the maximum. Consequently, new, attractive salary and savings models should be developed that motivate Danes to pursue this common goal.

For example:

- For employees in the private sector, employee shares, option plans, corporate bonds, retirement savings in Danish shares etc. must be made attractive and provide a larger and more variable part of their income.
- For employees in the public sector, models are required for ordinary savings, retirement savings in Danish shares and corporate bonds as a larger and more variable part of their income.
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The aim is that all Danes should prosper when businesses prosper. Then additional rewards are provided. When businesses do not prosper, however, those rewards are not forthcoming. That is how the national economy currently works. The task is to illustrate the links between the collective economy and the individual's finances so that it is clear which decisions promote growth and which do not.

We recommend the following:

Proposal 1: Introduce “Community Capitalism”

Set up a committee of experts with the task of developing a model for community capitalism with the intention of developing an incentive structure for the next generation that links the individual more closely with society. This can be achieved using instruments such as employee shares, option plans, corporate bonds, retirement savings in Danish

shares, etc., but also by making visible the connections in the form of simple and clear reporting reflecting developments in personal and collective income.

Local municipalities should prepare financial statements that clearly reflect the economic trends divided up as income and expenditure as well as investment plans and expectations for return on investments in addition to forecasts for the years ahead. This should be educational and provide an overview of community development.

Nationally, SKAT should develop or offer a much simpler overview of the development in personal finances, once again divided into personal and collective income that clearly illustrates developments in the two income streams.

9. Inspiration from outside

Based on our business experience and observations from the many countries where we have in-depth knowledge, we cannot recommend that Denmark should copy other country models. We have also observed that though other countries study the Danish model, they do not copy it. However, Denmark can learn and gain inspiration and we therefore suggest the following sources of inspiration from abroad:

Source of inspiration 1: USA

Denmark can draw inspiration from the United States on how to mobilise human talents. The United States is special because though annual immigration is high, the vast majority are integrated successfully. This is an essential component of national competitiveness, as many of the largest, most innovative and best-managed companies in America are founded or run by people with immigrant backgrounds. Their success shows that the USA has developed a society or culture that provides space and opportunity for talented people to grow and develop their abilities, and in the process help generate growth in the United States. However, emigrating to the United States is not easy, as shown by the huge numbers of illegal immigrants in the past and present.

USA is known as the land of opportunity, and with the right idea, hard work and faith that you can create something great, as you are part of a vast market. The interaction between this and the ease with which you can become a part of American culture, quickly becoming part of larger and larger groups, allows large scale networking and good opportunities for access to the necessary resources and partners.

Often, highly skilled foreigners who arrive in Denmark cannot find a job or end up in low-paying employment. This does not encourage more people to come – quite the contrary. Specialists who are attracted to Denmark and have relevant jobs are often happy to work at Danish workplaces. However, a large group of partners/spouses never really settle or cannot build a network and therefore after some years they leave Denmark.

Foreigners moving to Denmark find the Danish system very bureaucratic and lacking in empathy. This alienates people – especially those who can find more open and accessible homes elsewhere. Denmark is obviously very different from the United States, and we should neither compete with the United States nor copy the US model. However, we can be inspired by and aspire to make Denmark into a land of opportunity, known globally for its willingness and ability to help foreigners to become integrated.

Consequently, Denmark should build a modern, efficient system that helps foreigners to become integrated in Denmark. This system should include training that introduces foreigners to the business community, language courses, and guidance in different ways to become self-employed, including support schemes. It is reasonable to harness the widespread volunteerism that exists in Denmark to create networks for the new citizens.

Source of inspiration 2: Switzerland

Denmark can draw inspiration from Switzerland regarding how to ensure appropriate training for the majority of the population. While Danish vocational schools are struggling with a high dropout rate, fewer applications and a reputation as a social dustbin, young people in Switzerland view vocational schools as a prestigious career path chosen by 70 per cent of young people. In 2011, Switzerland succeeded in getting 94 per cent of its young people to take an education. In Denmark the figure was 80 per cent despite many years spent attempting to raise this figure.

Several surveys have shown that the Swiss educational patterns contribute strongly to making the small, high-cost country into one of the most competitive nations in the world. There are major differences in the training culture in the two countries. In Denmark, young people want an upper secondary school exit examination (studentereksamen) to fall back on. In Switzerland, they apply to vocational schools. And in businesses, the mindset is also significantly different. Whereas Danish students cannot find business internships, the Swiss companies cannot attract enough apprentices.

One explanation is the built-in flexibility in the Swiss vocational educational programmes, which allow students to change between degree programmes and constantly improve their skills, also at the university. In other words, there is no danger of becoming limited or losing options by selecting a particular programme. At the same time, students gain a combination of practical and theoretical knowledge so that young people can combine mechanics and economics, for example, or IT and medicine, and tailor skills to the specialised needs of Swiss businesses. Clearly, this model works well in a small country like Denmark that has high labour costs and a high tax rate.

The system has not simply evolved that way. Strong links exist between education, business and the authorities, and the education model is planned by the parties working together to undertake to contribute and deliver. This example shows that it is entirely up to the Danes to decide whether we want to lose 20 per cent of a school year and struggle with weak competitiveness or not. As a nation, Denmark creates these problems itself. There is no earthly reason why this should be the case.

10. Branding Denmark

In a world of seven billion people, a nation of only 5 million people must shout loudly to be heard. However, this may not coincide well with the Danish value of ‘equality’. In Denmark we are modest. We do not enjoy drawing attention to our attributes as this implies others are inferior. While an endearing feature, this can easily become a dangerous weakness in a global marketplace where other nations have a completely different approach to highlighting their strengths.

It is therefore vital that we improve Denmark’s global image and promote Denmark as a brand with intrinsic special qualities and benefits that others do not or cannot offer. This task is mainly the responsibility of the incumbent government in collaboration with industry, but should also involve a wide range of other stakeholders in society.

It is important to bear in mind that building a strong brand is a lengthy process. A brand expresses an identity and is based on a number of underlying values. In a nutshell, a brand’s strength relies on a strong link between what you say and what you actually do. Insincere messages are easily identified and weaken a brand.

National brands are linked closely to corporate brands. E.g. it matters whether a car is produced in Germany, cosmetics in France or shoes in Italy, or whether the same products are produced in China. If a country is known for producing stylish shoes, this has a positive impact on all shoe manufacturers in the country and the country’s brand.

Many stakeholders are involved in building and maintaining a national brand. Some contribute positively, others negatively. Meanwhile, history, culture and values are an integral part of a brand and help to give an image substance. Developing and building a national brand and image are therefore complicated tasks that cannot be achieved in a short period. Denmark has the advantage that it is smaller and relatively more homogeneous than many of its peers, which makes it easier to mobilise and initiate change.

We recommend the following:

Proposal 1: Define the brand for Denmark

We believe that it is necessary to define Denmark as a brand in alignment with the vision for Denmark and the values Danes share. It is important to focus on a selected number of core characteristics – such as 5-10 – that stand out from other countries and that afford Denmark the greatest opportunity to establish a strong global position.

Once the vision for Denmark and its brand have been defined, it becomes much easier for all the involved stakeholders (the government, public administration, business community, NGOs, education sector, tourism industry, etc.) to make progress, as they will share a common goal and identity as the backbone of all the relevant activities.

Singapore has a strong national brand. In many ways, Singapore differs significantly from Denmark, but Denmark should be inspired by how Singapore has built up a very strong position globally for both businesses and tourism. Similarly, Stockholm has successfully branded itself as the “Scandinavian capital”, which benefits the whole of Sweden.

If Denmark fails to define a brand for itself and therefore fails to create a common purpose and identity, instead the world at large will define what Denmark stands for. That being the case, Denmark will never achieve a consistent brand as the perceptions of what Denmark is (and is not) differ significantly.

The task of defining Denmark’s brand should be addressed like any other branding task and should involve a number of senior stakeholders.

Proposal 2: Communication

Denmark has a variety of strengths, and these strengths (which are also good stories) communicate messages much more effectively, powerfully and with more focus than is currently the case. As the situation stands, the task of communicating what Denmark is – and would like to stand for – is performed by too many stakeholders. Thus the results are not as striking as if a more centralised and focused approach was employed.

The recommendation is therefore to launch a global media and communications programme of unprecedented size and scope. The aim is to attract global media to describe all the strengths and great stories that Denmark already has to offer. This potential is far from exploited.

The branding task must necessarily meet the demands of modern media: easy and quick access to the right sources and resources, access to the exciting and different stories, short response times and easy entry into and exit from the country. It would therefore be expedient to create a central communications department for Denmark that is inspired by the Danish Navy Operative Command (SOK). SOK plays no active role in manoeuvres but is the overall coordinating entity, with access to relevant resources and is the link between the various and often diverse players.

The Communications Department could be established as an interdisciplinary unit, for example, with participants from Ministries, the Confederation of Danish Industry (DI), tourism organisations, etc. The goal is for the unit to operate like SOK, with a strong leader who has extremely good communication skills and who presents a progressive image in relation to the global media.

A global partnership with a world leading PR company should also be established to help establish contacts and a link to the global media and the thousands of journalists who are the target group for this initiative.

Proposal 3: Internal branding

Many players in Denmark are helping to determine how the brand for Denmark should be perceived – businesses, organisations, authorities, members of the general public. It would have a considerable impact if tourists, business people and foreign students feel welcome in Denmark – regardless of their nationality, language, religion, etc. It would cultivate a positive perception of Denmark internationally and would attract currency, talent and businesses.

Therefore a range of initiatives and information campaigns should be initiated that inform the Danes why Denmark must have a strong brand globally and how it helps to eventually create growth and jobs.

Chapter 3

FOLLOW-UP

This discussion paper is an initiative taken by the Copenhagen Goodwill Ambassador Corps to further elaborate on the five recommendations presented in our white paper at a seminar on 29 August 2012.

We plan to present this paper at the Copenhagen Goodwill Ambassador's annual seminar in Copenhagen on Tuesday 27 August 2013. As mentioned elsewhere, we recommend that the labour market parties should welcome the presentation and convert it into a "Future Danish social model" that can be presented in mid-2014.

The working method of the project could involve establishing a steering committee comprising the heads of private employers' and workers' organisations and the equivalent for the public sector. The Steering Committee should define the mandate for a project team consisting of competent representatives of the organisations. The members of the project team must be given the necessary authority by their managers. We suggest that an external project manager should be appointed who has the necessary skills and understanding to carry out the task. If desired, the members of the Goodwill Ambassador Corps will, of course, remain available to assist as the project progresses.

During the process, a hearing should be held – or several – to which a wide range of stakeholders are invited to discuss and contribute to the content in order to both comment on and add further insight. Similarly, members of the project should approach key stakeholders in Denmark and obtain their input and views on the work.

It is important to achieve broad-based ownership for the project and the final proposal for the "Danish social model of the future".

Participants

The Copenhagen Goodwill Ambassador Corps

The Copenhagen Goodwill Ambassador Corps was founded by Wonderful Copenhagen and Copenhagen Capacity in 1996 and acts as a central part of the two organisations' international efforts to promote Copenhagen.

With the Corps, Wonderful Copenhagen and Copenhagen Capacity work with specially selected Danish business people living abroad to mobilise international expertise, industry knowledge and understanding of the framework conditions, innovation and business opportunities in a wide range of different growth regions.

The Ambassadors are unique, i.e. 80 influential and resourceful Danish business people living in 29 different countries, who are specifically appointed and dedicated to promoting Copenhagen. Danes living abroad use their own business networks in foreign countries to create diverse business and branding opportunities for Copenhagen and actively help to promote the metropolitan region's strengths to the outside world.

The Corps has attracted a large number of international companies, investment, conventions, meetings and visitors to Copenhagen. The Corps is also the initiator of the Youth Goodwill Ambassador Corps, a talent programme for more than 130 international students who promote Denmark globally as a future destination for study and career prospects.

His Royal Highness Prince Joachim is the patron of the Corps, and Jens Kramer Mikkelsen, former Lord Mayor of Copenhagen and Managing Director of CPH City & Port Development, is chairman of the Corps' Advisory Board.

The Corps has a full-time secretariat based in Copenhagen:
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The Danish Industry Foundation

The foundation's objective is to develop and support innovative, inspirational and sustainable projects and initiatives that strengthen the competitiveness of Danish business and industry.

Competitiveness is a key element of Danish industry and the business community's future success. Industry drives growth, prosperity and jobs. And in dialogue, industry and business cooperating with the world of research and education, create, market and export the innovative business concepts and technologies that make growth sustainable, both economically and environmentally.

In the light of this, the Danish Industry Foundation develops and supports initiatives and projects in three main areas:

1. Knowledge and skills
2. Enthusiasm and entrepreneurialism
3. Globalisation and openness

The Danish Industry Foundation supports knowledge, development and innovation. It therefore supports innovative projects that generate new insight for the benefit of Danish industry and its funds are used to help expand and inspire collaboration across research and industry.

The Foundation develops its own strategic initiatives while supporting application-driven projects in areas that contribute to generally strengthening the competitiveness of Danish industry and business. It will undertake to actively commit funding, so that the knowledge and experience gained by the Foundation and its network can benefit applicants' projects.

The Foundation is a commercial foundation and submits accounts to the Danish Commerce and Companies Agency. It has equity of approx. DKK 4 billion which is administered by the Board in collaboration with management and in accordance with the Foundation's mission.

WEF World Economic Forum

The World Economic Forum (www.weforum.org) is an independent international organisation committed to improving the state of the world by engaging business, political, academic and other leaders of society to shape global, regional and industry agendas.

Incorporated as a not-for-profit foundation in 1971, and headquartered in Geneva, Switzerland, the Forum is tied to no political, partisan or national interests. WEF is responsible for The Global Competitiveness Report, which it publishes in September every year.

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The report was published in Danish by the Danish Metalworker's Union.